

CITY OF PIKEVILLE, KENTUCKY

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2021

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 40351

Report on the Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparison information, and the Schedule of City's Proportionate Share of the Net Pension and OPEB Liability and the Schedule of Pension and OPEB Contributions on pages 5-12, pages 55-56, and on pages 57-63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pikeville, Kentucky's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kelley Dalloway Smith Goolsby, PSC

Ashland, Kentucky
December 8, 2021

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, 2021. Please read in conjunction with the independent auditors' report on page 2-4 and the accompanying basic financial statements, which begin to appear on page 13. To comply with certain accounting standards, certain prior year amounts have been restated to make this presentation of prior year's information consistent with the current year.

FINANCIAL HIGHLIGHTS

- The City's net position increased by \$5,447,846 (4.7%). There was an increase in its governmental activities (7.5%) and a decrease in business type activities (1.1%) representing a \$5,882,950 increase and a \$435,104 decrease, respectively.
- The City's combined revenues decreased 20.3% (\$9,190,006), while combined expenses decreased 13.7% (\$4,826,473). This is primarily attributable due to grant project timing.
- The net pension liability required to be recorded under GASB No. 68 increased 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 \$15,053,086 as of June 30, 2020, which represents an increase of \$987,615 from the June 30, 2019 balance of \$14,065,471.
- OPEB liability was required to be recorded under GASB No. 75 during the year. The District's staff members are covered by the Kentucky County Employee Retirement System. Under this system, the City's share of the OPEB liability was \$4,685,612 as of June 30, 2020 which represents an increase of \$1,136,154 from the June 30, 2019 balance of \$3,549,458.

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.

	Governmental Activities		Business-type Activities		Total Primary Government	
	(As restated)					
	<u>FYE 2021</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2020</u>
Current and Other Assets	\$ 22,817,865	\$ 21,717,477	\$ 9,063,723	\$ 9,981,838	\$ 31,881,588	\$ 31,699,315
Capital Assets	87,675,892	82,701,830	49,465,208	50,025,639	137,141,100	132,727,469
Deferred Outflows	<u>5,098,378</u>	<u>4,050,306</u>	<u>105,910</u>	<u>63,663</u>	<u>5,204,288</u>	<u>4,113,969</u>
Total Assets & Def Outflows	<u>115,592,135</u>	<u>108,469,613</u>	<u>58,634,841</u>	<u>60,071,140</u>	<u>174,226,976</u>	<u>168,540,753</u>
Long-Term Liabilities	6,508,450	6,517,747	19,456,326	20,114,870	25,964,776	26,632,617
Net Pension & OPEB Liability	19,405,472	17,373,024	333,226	241,905	19,738,698	17,614,929
Current and Other Liabilities	1,490,127	2,178,531	1,142,406	1,569,356	2,632,533	3,747,887
Deferred Inflows	<u>3,357,863</u>	<u>3,214,737</u>	<u>13,474</u>	<u>20,496</u>	<u>3,371,337</u>	<u>3,235,233</u>
Total Liabilities & Def Inflows	30,761,912	29,284,039	20,945,432	21,946,627	51,707,344	51,230,666
Net Position:						
Net Investment in Capital Asset	80,914,536	75,786,215	29,414,284	29,284,506	110,328,820	105,070,721
Restricted	999,721	2,479,331	1,141,226	284,840	2,140,947	2,764,171
Unrestricted	<u>2,915,966</u>	<u>920,028</u>	<u>7,133,899</u>	<u>8,555,167</u>	<u>10,049,865</u>	<u>9,475,195</u>
Total Net Position	<u>\$ 84,830,223</u>	<u>\$ 79,185,574</u>	<u>\$ 37,689,409</u>	<u>\$ 38,124,513</u>	<u>\$ 122,519,632</u>	<u>\$ 117,310,087</u>

The City's net position in the governmental activities increased by \$5,882,950 (7.5%) compared to an increase of 9.9% in the prior year. The business-type net position decreased by \$435,104 (1.1%), compared to an 8.6% increase in the prior year. Governmental activities included an increase of \$727,026 in taxes and license fees, however there was a significant decrease in capital and operating grants from \$12,061,582 to \$7,682,745 in the current year resulted in the overall decrease in total governmental revenue. The net position from one activity generally cannot be used to make up for any deficits in the other activities.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>FYE 2021</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2020</u>
Revenues						
<u>Program Revenues</u>						
Charges for Services	\$ 91,281	\$ 77,002	\$8,925,552	\$ 9,073,732	\$ 9,016,833	\$ 9,150,734
Operating Grants, Contributions	1,457,712	1,930,856	-	-	1,457,712	1,930,856
Capital Grants, Contributions	6,225,033	10,311,983	1,134,677	2,629,372	7,359,710	12,941,355
<u>General Revenue</u>						
Property Taxes	996,036	1,113,662	-	-	996,036	1,113,662
Other Taxes & License Fees	13,927,901	13,083,249	-	-	13,927,901	13,083,249
Investment Earnings	164,159	268,863	37,726	98,359	201,885	367,222
Other Revenues	<u>3,097,207</u>	<u>6,680,092</u>	<u>22,165</u>	<u>2,285</u>	<u>3,119,372</u>	<u>6,682,377</u>
Total Revenue	<u>25,959,329</u>	<u>33,465,707</u>	<u>10,120,120</u>	<u>11,803,748</u>	<u>36,079,449</u>	<u>45,269,455</u>
Program Expenses						
General Government	5,628,310	9,161,029	-	-	5,628,310	9,161,029
Public Safety	6,837,972	7,073,205	-	-	6,837,972	7,073,205
Streets	2,357,247	3,411,526	-	-	2,357,247	3,411,526
Parking garage	65,806	83,813	-	-	65,806	83,813
Tourism/Community Dev.	2,413,262	180,336	-	-	2,413,262	180,336
Economic Development	429,244	264,425	-	-	429,244	264,425
Recreation	976,201	1,472,148	-	-	976,201	1,472,148
Events	317,738	373,746	-	-	317,738	373,746
Ridge Cliff	617,043	233,012	-	-	617,043	233,012
Other Expenses	166,153	3,643,904	-	-	166,153	3,643,904
Interest on long-term debt	267,403	238,524	515,977	527,506	783,380	766,030
Gas, Water, Sewer & Sanitation	<u>-</u>	<u>-</u>	<u>10,039,247</u>	<u>8,794,902</u>	<u>10,039,247</u>	<u>8,794,902</u>
Total Program Expenses	<u>20,076,379</u>	<u>26,135,668</u>	<u>10,555,224</u>	<u>9,322,408</u>	<u>30,631,603</u>	<u>35,458,076</u>
Transfers	<u>-</u>	<u>(539,553)</u>	<u>-</u>	<u>539,553</u>	<u>-</u>	<u>-</u>
Net Change In Net Position	<u>\$5,882,950</u>	<u>\$6,790,486</u>	<u>\$ (435,104)</u>	<u>\$ 3,020,893</u>	<u>\$ 5,447,846</u>	<u>\$ 9,811,379</u>

Governmental activities included an increase \$727,026 in taxes and license fees, however there was a significant decrease in capital and operating grants from \$12,061,582 to \$7,682,745 in the current year resulted in the overall decrease in total governmental revenue.

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 \$25,959,329 as compared to \$33,465,707 in the prior year. The year's governmental activities cost was \$20,076,379 as compared to \$26,135,668 in the prior year.

This year's business-type activities revenues were \$10,120,120 as compared to \$11,803,748 in the prior year. This year's business-type activities costs were \$10,555,224 as compared to \$9,322,408 in the prior year.

GOVERNMENTAL ACTIVITIES – FUND FINANCIAL STATEMENTS

	<u>FYE 2021</u>	<u>FYE 2020</u>	<u>Change</u>
General administration	\$ 3,806,750	\$ 7,795,297	\$ (3,988,547)
Public safety	6,100,827	6,686,567	(585,740)
Streets	2,157,794	2,539,059	(381,265)
Parking garage	65,806	83,813	(18,007)
Tourism/Community Development	337,038	180,336	156,702
Economic Development	427,613	264,425	163,188
Recreation	684,577	1,170,172	(485,595)
Events	312,200	373,746	(61,546)
Lake cleanup	47,690	51,214	(3,524)
Landscape	109,240	110,478	(1,238)
Ridge Cliff	617,043	233,012	384,031
Capital Outlay	7,765,003	13,727,123	(5,962,120)
Debt Service	767,394	636,536	130,858
Other	<u>2,036,992</u>	<u>3,720,736</u>	<u>(1,683,744)</u>
Total Expenditures	<u>\$ 25,235,967</u>	<u>\$ 37,572,514</u>	<u>\$(12,336,547)</u>

General administration decrease is primarily due to contributed capital for Hellier Manor/Ridge Cliff recorded in revenues and expenses in the prior year of \$3,900,000 and none in the current year. The capital outlay decrease of \$5,962,120 is mostly from construction in progress from grant funded projects of Industrial Park Road and the Industrial Park spec building.

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 \$2,264,600 (mostly occupational license fees) while expenditures (including other financing uses) budgeted were increased by \$2,280,202 most of which (\$899,958) related to capital outlay and (\$540,000) related to Ridge Cliff. Actual revenues for the year reflected a negative variance of \$124,739.

The favorable variance in total actual expenditures (including other financing uses) \$2,970,328 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 Governmental Activities - Revenues

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
Taxes	\$ 4,170,518	\$ 4,266,264	\$ 95,746
Licenses	10,505,000	10,657,673	152,673
Intergovernmental	2,100,964	1,328,356	(772,608)
Charges for Services	70,500	91,281	20,781
Other Revenues	1,569,103	2,005,929	436,826
Capital Financing	<u>364,602</u>	<u>345,731</u>	<u>(18,871)</u>
Total Revenues	<u>\$18,780,687</u>	<u>\$ 18,695,234</u>	<u>\$ (85,453)</u>

Condensed Governmental Activities - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
General Government	\$ 4,736,844	\$ 3,806,750	\$ 930,094
Public Safety	6,603,214	6,098,540	504,674
Streets	2,488,620	2,157,794	330,826
Recreation	738,283	684,577	53,706
Other	1,447,862	651,524	796,338
Capital Outlay	1,655,125	1,487,349	167,776
Debt Service	275,387	269,470	5,917
Transfers	<u>3,129,925</u>	<u>2,988,214</u>	<u>141,711</u>
Total Expenditures	<u>\$21,075,260</u>	<u>\$ 18,144,218</u>	<u>\$ 2,931,042</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 2021</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2020</u>
Land & Improvements	\$ 15,500,994	\$ 14,373,685	\$ 138,000	\$ 138,000	\$ 15,638,994	\$ 14,511,685
Infrastructure	36,078,097	23,207,632	-	-	36,078,097	23,207,632
Bldgs & Improvements	22,766,981	19,602,085	-	-	22,766,981	19,602,085
Vehicles & Equipment	2,951,924	2,680,378	2,729,552	2,390,060	5,681,476	5,070,438
Construction in progress	10,377,896	18,938,050	16,002	-	10,393,898	18,938,050
Water, Gas & Sewer System	-	-	46,581,654	47,497,580	46,581,654	47,497,580
Total Capital Assets	<u>\$ 87,675,892</u>	<u>\$ 78,801,830</u>	<u>\$ 49,465,208</u>	<u>\$ 50,025,640</u>	<u>\$ 137,141,100</u>	<u>\$ 128,827,470</u>

Significant capital expenditures during fiscal year 2021 included continued construction of a spec building of approximately \$3.6 million and Industrial Park Road of \$2.4 million in the governmental funds. In proprietary funds, an extension of sewer line was granted to the City in the amount of \$1,056,913.

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 \$245,298 are outstanding at June 30, 2021 as compared to \$238,301 outstanding at June 30, 2020.

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>FYE 2021</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2020</u>
Bonds Payable	\$ 6,021,317	\$ 6,319,392	\$ 20,050,923	\$ 20,718,608	\$ 26,072,240	\$ 27,038,000
Lease Obligations	740,039	638,488	18,341	22,525	758,380	661,013
Total Year End Debt	<u>\$ 6,761,356</u>	<u>\$ 6,957,880</u>	<u>\$ 20,069,264</u>	<u>\$ 20,741,133</u>	<u>\$ 26,830,620</u>	<u>\$ 27,699,013</u>

New leases in the amount of \$255,943 were entered into during the year ending June 30, 2021 for Governmental Activities. Governmental Activities debt had principal payments, net of premiums and discounts, of \$452,467. No new debt was issued in Business-Type Activities and existing debt had principal payments, net of premiums and discounts, of \$671,869.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

City public officials consider many factors when setting the annual budget. The 2021-22 fiscal year budget reflects anticipated changes in the local economy, expected grant money, and anticipated tax revenue.

With the myriad of unknowns that come with health insurance, pension reform, COVID effect on employment and business profits taxes with the possible Federal Congressional and State Legislative revisions that may occur going forward, employee benefit costs remain a large question mark for several years into the future.

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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CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents	\$ 14,718,624	\$ 6,809,346	\$ 21,527,970	\$ 625,516
Investments	4,065,421	-	4,065,421	-
Accounts receivable:				
Taxes & licenses	1,738	-	1,738	-
Intergovernmental	1,929,383	-	1,929,383	-
Customers, net	-	1,173,305	1,173,305	84,571
Interfund receivables (payables)	153,968	(153,968)	-	-
Inventory	-	-	-	164,603
Prepaid expenses	50,000	43,895	93,895	56,962
Restricted assets -				
Cash and cash equivalents	1,898,731	1,191,145	3,089,876	-
Nondepreciable capital assets	25,878,890	154,002	26,032,892	-
Depreciable capital assets	119,768,145	83,820,877	203,589,022	565,480
Accumulated depreciation	(57,971,143)	(34,509,671)	(92,480,814)	(283,109)
Total assets	<u>110,493,757</u>	<u>58,528,931</u>	<u>169,022,688</u>	<u>1,214,023</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension related	3,104,633	62,972	3,167,605	-
Deferred OPEB related	1,993,745	42,938	2,036,683	-
Total deferred outflows of resources	<u>5,098,378</u>	<u>105,910</u>	<u>5,204,288</u>	<u>-</u>
LIABILITIES				
Accounts payable	675,357	195,037	870,394	137,422
Accrued expenses	-	15,571	15,571	50,433
Accrued interest payable	-	226,421	226,421	-
Customer deposits	130	92,438	92,568	-
Accrued compensated absences, current	316,436	-	316,436	-
Current portion of long-term debt	498,204	612,939	1,111,143	4,377
Accrued compensated absences, non-current	245,298	-	245,298	-
Unearned revenues	-	-	-	253,809
Bonds and notes payable, non-current	5,706,317	19,442,424	25,148,741	235,324
Lease obligations, non-current	556,835	13,902	570,737	-
Net pension liability	14,799,632	253,454	15,053,086	-
Net OPEB liability	4,605,840	79,772	4,685,612	-
Total liabilities	<u>27,404,049</u>	<u>20,931,958</u>	<u>48,336,007</u>	<u>681,365</u>
DEFERRED INFLOWS OF RESOURCES				
Uncollected real estate taxes	1,738	-	1,738	-
Deferred inflows leases	1,058,549	-	1,058,549	-
Other deferred revenues	469,036	-	469,036	-
Deferred pension related	846,770	-	846,770	-
Deferred OPEB related	981,770	13,474	995,244	-
Total deferred outflows of resources	<u>3,357,863</u>	<u>13,474</u>	<u>3,371,337</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	80,914,536	29,395,943	110,310,479	282,371
Restricted	999,721	1,141,226	2,140,947	-
Unrestricted	2,915,966	7,152,240	10,068,206	250,287
Total net position	<u>\$ 84,830,223</u>	<u>\$ 37,689,409</u>	<u>\$ 122,519,632</u>	<u>\$ 532,658</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, 2021

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	\$ 5,628,310	\$ 91,281	\$ 181,734	\$ -	\$ (5,355,295)	\$ -	\$ (5,355,295)	\$ -
Public safety:	6,837,972	-	341,503	-	(6,496,469)	-	(6,496,469)	-
Streets	2,357,247	-	-	-	(2,357,247)	-	(2,357,247)	-
Parking garage	65,806	-	-	-	(65,806)	-	(65,806)	-
Tourism	2,413,262	-	-	-	(2,413,262)	-	(2,413,262)	-
Economic development	429,244	-	-	-	(429,244)	-	(429,244)	-
Recreation	976,201	-	-	-	(976,201)	-	(976,201)	-
Events	317,738	-	-	-	(317,738)	-	(317,738)	-
Lake cleanup	50,320	-	-	-	(50,320)	-	(50,320)	-
Landscape	115,833	-	-	-	(115,833)	-	(115,833)	-
Ridge Cliff	617,043	-	-	-	(617,043)	-	(617,043)	-
Interest on long-term debt	267,403	-	-	-	(267,403)	-	(267,403)	-
Total governmental activities	20,076,379	91,281	523,237	-	(19,461,861)	-	(19,461,861)	-
Business-Type Activities:								
Water	2,624,272	2,345,527	-	11,300	-	(267,445)	(267,445)	-
Sewer	2,545,089	1,635,670	-	18,920	-	(890,499)	(890,499)	-
Gas	1,598,872	1,461,099	-	10,970	-	(126,803)	(126,803)	-
Sanitation	1,657,463	1,671,965	-	-	-	14,502	14,502	-
Outside water	756,013	977,325	-	29,374	-	250,686	250,686	-
Outside sewer	857,538	833,966	-	1,064,113	-	1,040,541	1,040,541	-
Interest on long-term debt	515,977	-	-	-	-	(515,977)	(515,977)	-
Total business-type activities	10,555,224	8,925,552	-	1,134,677	-	(494,995)	(494,995)	-
Total primary government	\$ 30,631,603	\$ 9,016,833	\$ 523,237	\$ 1,134,677	\$ (19,461,861)	\$ (494,995)	\$ (19,956,856)	\$ -
Discretely presented component unit	\$ 2,487,388	\$ 1,533,737	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (953,651)
General Revenues:								
Property taxes, levied for general purposes					\$ 996,036	\$ -	\$ 996,036	\$ -
Franchise taxes					878,507	-	878,507	-
Occupational license fees					10,657,673	-	10,657,673	-
Other taxes					2,391,721	-	2,391,721	90,858
Intergovernmental revenue					7,323,666	-	7,323,666	745,000
Other					2,933,515	-	2,933,515	8,400
Gain (loss) on disposal of assets					(466)	22,165	21,699	-
Investment income (loss)					164,159	37,726	201,885	2,955
Total general revenues					25,344,811	59,891	25,404,702	847,213
Change in net position					5,882,950	(435,104)	5,447,846	(106,438)
Net position, June 30, 2020, as restated					78,947,273	38,124,513	117,071,786	639,096
Net position, June 30, 2021					\$ 84,830,223	\$ 37,689,409	\$ 122,519,632	\$ 532,658

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

CITY OF PIKEVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Coal Severance	Projects Control	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 13,357,823	\$ -	\$ 1,072,565	\$ 288,236	\$ 14,718,624
Investments	4,065,421	-	-	-	4,065,421
Restricted cash and cash equivalents	999,721	899,010	-	-	1,898,731
Receivables:					
Taxes & licenses	1,738	-	-	-	1,738
Other	1,753,631	-	175,752	-	1,929,383
Prepaid expense	50,000	-	-	-	50,000
Due from other funds	161,212	-	500,000	-	661,212
Total assets	\$ 20,389,546	\$ 899,010	\$ 1,748,317	\$ 288,236	\$ 23,325,109
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 675,357	\$ -	\$ -	\$ -	\$ 675,357
Accrued expenses	316,436	-	-	-	316,436
Customer's deposit	130	-	-	-	130
Due to other funds	500,000	-	-	7,244	507,244
Total liabilities	1,491,923	-	-	7,244	1,499,167
Deferred Inflows of Resources:					
Uncollected real estate taxes	1,738	-	-	-	1,738
Deferred inflows leases	1,058,549	-	-	-	1,058,549
Other deferred revenues	402,878	-	-	66,158	469,036
Total deferred inflows of resources	1,463,165	-	-	66,158	1,529,323
Fund Balances:					
Nonspendable	50,000	-	-	-	50,000
Restricted	999,721	-	-	-	999,721
Assigned	-	-	-	214,834	214,834
Unassigned	16,384,737	899,010	1,748,317	-	19,032,064
Total fund balances	17,434,458	899,010	1,748,317	214,834	20,296,619
Total liabilities, deferred inflows of resources, and fund balances	\$ 20,389,546	\$ 899,010	\$ 1,748,317	\$ 288,236	\$ 23,325,109

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, 2021

Total fund balance - total governmental funds	\$ 20,296,619
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$145,647,035 net of accumulated depreciation of \$57,971,143 used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	87,675,892
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.	3,269,838
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	(14,799,632)
Net OPEB liabilities	(4,605,840)
Compensated absences	(245,298)
Notes and capital leases payable	<u>(6,761,356)</u>
Net position, end of year - Governmental Activities	<u>\$ 84,830,223</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, 2021

	General	Coal Severance	Projects Control	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 996,036	\$ -	\$ -	\$ -	\$ 996,036
Franchise taxes	878,507	-	-	-	878,507
Occupational license fees	10,657,673	-	-	-	10,657,673
Other taxes	2,391,721	-	-	-	2,391,721
Permits and fees	91,281	-	-	-	91,281
Intergovernmental	1,328,356	91,302	6,225,033	38,054	7,682,745
Interest income	154,184	4,248	5,082	645	164,159
Other revenues	1,793,588	-	162	68,818	1,862,568
Total revenues	18,291,346	95,550	6,230,277	107,517	24,724,690
Expenditures					
General government	3,806,750	-	-	-	3,806,750
Public safety	6,098,540	-	-	2,287	6,100,827
Streets	2,157,794	-	-	-	2,157,794
Parking garage	65,806	-	-	-	65,806
Tourism/Community development	337,038	-	-	2,036,992	2,374,030
Economic development	427,613	-	-	-	427,613
Recreation	684,577	-	-	-	684,577
Events	282,200	30,000	-	-	312,200
Lake Cleanup	47,690	-	-	-	47,690
Landscape	109,240	-	-	-	109,240
Ridge Cliff	617,043	-	-	-	617,043
Capital outlay	1,487,349	328	6,273,942	3,384	7,765,003
Debt service	269,470	-	-	497,924	767,394
Total expenditures	16,391,110	30,328	6,273,942	2,540,587	25,235,967
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,900,236	65,222	(43,665)	(2,433,070)	(511,277)
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	58,157	-	-	-	58,157
Capital lease inception	345,731	-	-	-	345,731
Tourism contribution	1,235,106	-	-	-	1,235,106
Transfers in	-	-	500,000	2,488,214	2,988,214
Transfers out	(2,988,214)	-	-	-	(2,988,214)
Total other financing sources (uses)	(1,349,220)	-	500,000	2,488,214	1,638,994
Net change in fund balances	551,016	65,222	456,335	55,144	1,127,717
Fund balances beginning of year	16,883,442	833,788	1,291,982	159,690	19,168,902
Fund balances end of year	\$ 17,434,458	\$ 899,010	\$ 1,748,317	\$ 214,834	\$ 20,296,619

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, 2021

Net change in fund balances - total governmental funds	\$ 1,127,717
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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	7,637,789
Depreciation expense	(2,605,104)
Adjustment to gain	(58,623)

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	(366,092)
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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 and related items.	154,260
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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.	(6,997)
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Change in net position of governmental activities	<u>\$ 5,882,950</u>
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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, 2021

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Total Business-Type Activities
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1,002,411	\$ 1,373,206	\$ 1,316,327	\$ 1,759,134	\$ 635,949	\$ 722,319	\$ 6,809,346
Accounts receivable, net	306,160	215,313	125,149	213,106	164,571	149,006	1,173,305
Due from other funds	-	4,148	2,883	-	-	3,072	10,103
Prepaid expenses	16,481	-	100	-	9,403	17,911	43,895
Total current assets	<u>1,325,052</u>	<u>1,592,667</u>	<u>1,444,459</u>	<u>1,972,240</u>	<u>809,923</u>	<u>892,308</u>	<u>8,036,649</u>
Restricted cash and cash equivalents	282,425	468,532	49,919	-	144,208	246,061	1,191,145
Capital assets:							
Property, plant, and equipment	23,903,192	42,216,277	3,421,852	2,779,929	2,503,391	9,150,238	83,974,879
Accumulated depreciation	(13,460,545)	(13,363,166)	(2,800,839)	(1,995,350)	(757,476)	(2,132,295)	(34,509,671)
Total capital assets	<u>10,442,647</u>	<u>28,853,111</u>	<u>621,013</u>	<u>784,579</u>	<u>1,745,915</u>	<u>7,017,943</u>	<u>49,465,208</u>
Total assets	<u>12,050,124</u>	<u>30,914,310</u>	<u>2,115,391</u>	<u>2,756,819</u>	<u>2,700,046</u>	<u>8,156,312</u>	<u>58,693,002</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows - Pensions	15,764	14,886	4,773	14,505	7,699	5,345	62,972
Deferred outflows - OPEB	10,749	10,150	3,254	9,890	5,250	3,645	42,938
Total deferred outflows of resources	<u>26,513</u>	<u>25,036</u>	<u>8,027</u>	<u>24,395</u>	<u>12,949</u>	<u>8,990</u>	<u>105,910</u>
Total assets and deferred outflows of resources	<u>\$ 12,076,637</u>	<u>\$ 30,939,346</u>	<u>\$ 2,123,418</u>	<u>\$ 2,781,214</u>	<u>\$ 2,712,995</u>	<u>\$ 8,165,302</u>	<u>\$ 58,798,912</u>
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 20,082	\$ 31,565	\$ 13,372	\$ 37,599	\$ 3,556	\$ 88,863	\$ 195,037
Accrued expenses	3,897	3,681	1,180	3,587	1,904	1,322	15,571
Accrued interest	31,010	145,686	-	-	15,738	33,987	226,421
Due to other funds	109,226	38,393	-	11,004	5,448	-	164,071
Customer deposits	47,862	-	22,748	-	21,828	-	92,438
Current portion of long-term debt	243,700	243,300	-	4,439	50,354	71,146	612,939
Total current liabilities	<u>455,777</u>	<u>462,625</u>	<u>37,300</u>	<u>56,629</u>	<u>98,828</u>	<u>195,318</u>	<u>1,306,477</u>
Non-current liabilities:							
Bonds payable, net	2,761,946	12,983,742	-	-	1,171,003	2,525,733	19,442,424
Lease obligations	-	-	-	13,902	-	-	13,902
Net pension liability	63,448	59,914	19,210	58,381	30,988	21,513	253,454
Net OPEB liability	19,970	18,857	6,046	18,375	9,753	6,771	79,772
Total non-current liabilities	<u>2,845,364</u>	<u>13,062,513</u>	<u>25,256</u>	<u>90,658</u>	<u>1,211,744</u>	<u>2,554,017</u>	<u>19,789,552</u>
Total liabilities	<u>3,301,141</u>	<u>13,525,138</u>	<u>62,556</u>	<u>147,287</u>	<u>1,310,572</u>	<u>2,749,335</u>	<u>21,096,029</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows - Pension	-	-	-	-	-	-	-
Deferred inflows - OPEB	3,373	3,185	1,021	3,104	1,647	1,144	13,474
Total deferred inflows of resources	<u>3,373</u>	<u>3,185</u>	<u>1,021</u>	<u>3,104</u>	<u>1,647</u>	<u>1,144</u>	<u>13,474</u>
NET POSITION							
Net investment in capital assets	7,437,001	15,626,069	621,013	766,238	524,558	4,421,064	29,395,943
Restricted	282,425	468,532	-	-	144,208	246,061	1,141,226
Unrestricted	1,052,697	1,316,422	1,438,828	1,864,585	732,010	747,698	7,152,240
Total net position	<u>8,772,123</u>	<u>17,411,023</u>	<u>2,059,841</u>	<u>2,630,823</u>	<u>1,400,776</u>	<u>5,414,823</u>	<u>37,689,409</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 12,076,637</u>	<u>\$ 30,939,346</u>	<u>\$ 2,123,418</u>	<u>\$ 2,781,214</u>	<u>\$ 2,712,995</u>	<u>\$ 8,165,302</u>	<u>\$ 58,798,912</u>

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, 2021

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Total Business-Type Activities
OPERATING REVENUES							
Sales	\$ 2,315,154	\$ 1,359,137	\$ 1,457,811	\$ 1,669,376	\$ 964,753	\$ 807,256	\$ 8,573,487
Other income	30,373	276,533	3,288	2,589	12,572	26,710	352,065
Total operating revenues	<u>2,345,527</u>	<u>1,635,670</u>	<u>1,461,099</u>	<u>1,671,965</u>	<u>977,325</u>	<u>833,966</u>	<u>8,925,552</u>
OPERATING EXPENSES							
Personnel costs	42,918	60,553	(4,652)	60,785	32,023	17,770	209,397
Gas purchased	-	-	923,942	-	-	-	923,942
Contractual services	1,511,906	495,827	545,074	764,960	470,040	195,142	3,982,949
Dumping fees	-	-	-	375,522	-	-	375,522
Operational	460,237	454,046	35,564	276,577	112,783	330,774	1,669,981
Repairs and maintenance	13,999	164,162	14,064	995	60,050	87,933	341,203
Bad debts	8,531	1,791	12,693	5,522	6,627	9,760	44,924
Depreciation	586,681	1,368,710	72,187	173,102	74,490	216,159	2,491,329
Total operating expenses	<u>2,624,272</u>	<u>2,545,089</u>	<u>1,598,872</u>	<u>1,657,463</u>	<u>756,013</u>	<u>857,538</u>	<u>10,039,247</u>
OPERATING INCOME (LOSS)	<u>(278,745)</u>	<u>(909,419)</u>	<u>(137,773)</u>	<u>14,502</u>	<u>221,312</u>	<u>(23,572)</u>	<u>(1,113,695)</u>
NON-OPERATING REVENUES (EXPENSES)							
Investment income (loss)	6,595	8,015	7,913	8,302	2,728	4,173	37,726
Grant income	-	-	-	-	-	1,056,913	1,056,913
Gain (loss) on disposal of assets	22,165	-	-	-	-	-	22,165
Interest expense	(72,787)	(337,661)	(37)	-	(35,232)	(70,260)	(515,977)
Total non-operating revenues (expenses)	<u>(44,027)</u>	<u>(329,646)</u>	<u>7,876</u>	<u>8,302</u>	<u>(32,504)</u>	<u>990,826</u>	<u>600,827</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(322,772)</u>	<u>(1,239,065)</u>	<u>(129,897)</u>	<u>22,804</u>	<u>188,808</u>	<u>967,254</u>	<u>(512,868)</u>
TRANSFERS	-	-	-	-	-	-	-
CAPITAL CONTRIBUTIONS	<u>11,300</u>	<u>18,920</u>	<u>10,970</u>	<u>-</u>	<u>29,374</u>	<u>7,200</u>	<u>77,764</u>
CHANGE IN NET POSITION	<u>(311,472)</u>	<u>(1,220,145)</u>	<u>(118,927)</u>	<u>22,804</u>	<u>218,182</u>	<u>974,454</u>	<u>(435,104)</u>
NET POSITION, JUNE 30, 2020	<u>9,083,595</u>	<u>18,631,168</u>	<u>2,178,768</u>	<u>2,608,019</u>	<u>1,182,594</u>	<u>4,440,369</u>	<u>38,124,513</u>
NET POSITION, JUNE 30, 2021	<u>\$ 8,772,123</u>	<u>\$ 17,411,023</u>	<u>\$ 2,059,841</u>	<u>\$ 2,630,823</u>	<u>\$ 1,400,776</u>	<u>\$ 5,414,823</u>	<u>\$ 37,689,409</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, 2021

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Business Type Activities
Cash Flows from Operating Activities							
Cash received from customers	\$ 2,353,309	\$ 1,853,527	\$ 1,415,392	\$ 1,661,781	\$ 948,081	\$ 778,248	\$ 9,010,338
Other cash receipts	30,373	276,533	3,288	2,589	12,572	26,710	352,065
Cash payments for gas supplies	-	-	(1,544,560)	-	-	-	(1,544,560)
Cash payments for water supplies	(2,004,981)	-	-	-	(661,054)	-	(2,666,035)
Cash payments for sewer supplies	-	(1,134,262)	-	-	-	(542,782)	(1,677,044)
Cash payments for sanitation supplies	-	-	-	(1,421,073)	-	-	(1,421,073)
Cash payments to employees for services	(38,006)	(35,882)	(11,504)	(34,940)	(18,559)	(12,883)	(151,774)
Net cash provided by (used for) operating activities	<u>340,695</u>	<u>959,916</u>	<u>(137,384)</u>	<u>208,357</u>	<u>281,040</u>	<u>249,293</u>	<u>1,901,917</u>
Cash Flows from Capital and Related Financing Activities							
Acquisition and construction of capital assets	(366,251)	(68,798)	(69,100)	(204,617)	(5,484)	(1,216,648)	(1,930,898)
Interest paid on long-term debt	(83,841)	(340,042)	(37)	-	(38,621)	(71,205)	(533,746)
Principal paid on long-term debt	(242,499)	(208,253)	-	(4,184)	(48,702)	(168,230)	(671,868)
Increase in customer deposits	17,252	-	1,004	-	4,843	-	23,099
Change in due from (to) other funds	109,253	(423,948)	(2,883)	10,804	5,448	(3,072)	(304,398)
Proceeds from sale of assets	22,165	-	-	-	-	-	22,165
Capital contributions received	11,300	18,920	10,970	-	29,374	1,064,113	1,134,677
Net cash used for capital and related financing activities	<u>(532,621)</u>	<u>(1,022,121)</u>	<u>(60,046)</u>	<u>(197,997)</u>	<u>(53,142)</u>	<u>(395,042)</u>	<u>(2,260,969)</u>
Cash Flows from Investing Activities							
Interest income from investments	6,595	8,015	7,913	8,302	2,728	4,173	37,726
Net cash provided by investing activities	<u>6,595</u>	<u>8,015</u>	<u>7,913</u>	<u>8,302</u>	<u>2,728</u>	<u>4,173</u>	<u>37,726</u>
Net increase (decrease) in cash and cash equivalents	<u>(185,331)</u>	<u>(54,190)</u>	<u>(189,517)</u>	<u>18,662</u>	<u>230,626</u>	<u>(141,576)</u>	<u>(321,326)</u>
Cash and cash equivalents, June 30, 2020	<u>1,470,167</u>	<u>1,895,928</u>	<u>1,555,763</u>	<u>1,740,472</u>	<u>549,531</u>	<u>1,109,956</u>	<u>8,321,817</u>
Cash and cash equivalents, June 30, 2021	<u>\$ 1,284,836</u>	<u>\$ 1,841,738</u>	<u>\$ 1,366,246</u>	<u>\$ 1,759,134</u>	<u>\$ 780,157</u>	<u>\$ 968,380</u>	<u>\$ 8,000,491</u>
Cash and Cash Equivalents Reported As:							
Unrestricted	\$ 1,002,411	\$ 1,373,206	\$ 1,316,327	\$ 1,759,134	\$ 635,949	\$ 722,319	\$ 6,809,346
Restricted	282,425	468,532	49,919	-	144,208	246,061	1,191,145
	<u>\$ 1,284,836</u>	<u>\$ 1,841,738</u>	<u>\$ 1,366,246</u>	<u>\$ 1,759,134</u>	<u>\$ 780,157</u>	<u>\$ 968,380</u>	<u>\$ 8,000,491</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ (278,745)	\$ (909,419)	\$ (137,773)	\$ 14,502	\$ 221,312	\$ (23,572)	\$ (1,113,695)
Adjustments to reconcile operating loss to net cash provided by operating activities:							
Depreciation	586,681	1,368,710	72,187	173,102	74,490	216,159	2,491,329
Net pension amd OPEB adjustment	1,015	20,990	(17,336)	22,258	11,560	3,565	42,052
Changes in assets and liabilities:							
Decrease (increase) in accounts receivable	38,155	(33,484)	(42,419)	(7,595)	(35,880)	(29,008)	(110,231)
Decrease (increase) in other accounts receivable	-	527,874	-	-	19,208	-	547,082
Decrease (increase) in prepaids	4,668	-	-	-	477	799	5,944
(Decrease) increase in accounts payable and accrued expenses	(11,079)	(14,755)	(12,043)	6,090	(10,127)	81,350	39,436
Total adjustments	619,440	1,869,335	389	193,855	59,728	272,865	3,015,612
Net cash provided by (used for) operating activities	<u>\$ 340,695</u>	<u>\$ 959,916</u>	<u>\$ (137,384)</u>	<u>\$ 208,357</u>	<u>\$ 281,040</u>	<u>\$ 249,293</u>	<u>\$ 1,901,917</u>

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

CITY OF PIKEVILLE EXPOSITION CENTER CORPORATION
(A DISCRETELY PRESENTED COMPONENT UNIT)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current Assets

Cash on Hand and In Bank	\$ 625,516
Accounts receivable - Trade	60,813
Accounts receivable - Other	23,758
Inventories	164,603
Prepaid Expenses	56,962
Total Current Assets	<u>931,652</u>

Property and Equipment

Leasehold Improvements	63,799
Machinery & Equipment	369,288
Computer Equipment	47,923
Vehicles	25,000
Furniture and Fixtures	52,387
Other Assets	7,083
Total Fixed Assets	<u>565,480</u>
Less Accumulated Depreciation	<u>(283,109)</u>
Net Fixed Assets	282,371
Total Assets	<u><u>\$ 1,214,023</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 137,422
Accrued Payroll and Related Expenses	12,759
Accrued Expenses	37,674
Advance Outlet Sales	108,722
Unearned Revenue	145,087
Current portion of Long-term Debt	4,377
Total Current Liabilities	<u>446,041</u>

Long-Term Liabilities

Notes Payable	9,724
Paycheck Protection Program	<u>225,600</u>
Total Long-Term Liabilities	235,324

Net Assets

Without Donor Restrictions	-
With Donor Restrictions	<u>532,658</u>
Total Net Assets	532,658
Total Liabilities and Net Assets	<u><u>\$ 1,214,023</u></u>

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

CITY OF PIKEVILLE EXPOSITION CENTER CORPORATION
(A DISCRETELY PRESENTED COMPONENT UNIT)
STATEMENT OF ACTIVITIES
JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
UNRESTRICTED NET ASSETS			
Revenues, Gains and Other Support:			
Rental	\$ 165,954	\$ -	\$ 165,954
Billed Services	99,776	-	99,776
Contribution	15,000	-	15,000
Food and Beverage Concessions	174,359	-	174,359
Food and Beverage Catering	178,728	-	178,728
Novelty & Other Sales	30,485	-	30,485
Club Seating	267	-	267
Advertising and Sponsorship	313,725	-	313,725
Tickets	230,979	-	230,979
Miscellaneous Income	324,464	-	324,464
Net Assets Released from Restrictions			
Satisfaction of Program Restrictions	950,696	(950,696)	-
Total Revenues, Gains and Other Support	2,484,433	(950,696)	1,533,737
Expenses:			
Cost of Goods Sold -			
Food / Beverage / Other - Concessions	41,983	-	41,983
Direct Labor - Concessions	19,488	-	19,488
Other Direct Costs - Concessions	14,153	-	14,153
Food / Beverage / Other - Catering	130,920	-	130,920
Direct Labor - Catering	150	-	150
Other Direct Costs - Catering	943	-	943
Novelty and Costs of Other Sales	1,726	-	1,726
Direct Labor - Novelty	423	-	423
Promoter Share	22,422	-	22,422
Ticket Service Charge Expense	1,541	-	1,541
Other Event Costs	480,104	-	480,104
Total Cost of Goods Sold	713,853	-	713,853
Gross Profit	1,770,580	(950,696)	819,884
Operating Expenses -			
Personnel Costs	941,035	-	941,035
Contractual Service	26,424	-	26,424
Professional Services	15,284	-	15,284
Operational	73,190	-	73,190
Insurance	38,581	-	38,581
Advertising	48,206	-	48,206
Repairs and Maintenance	124,366	-	124,366
Rent	4,201	-	4,201
Supplies	111,279	-	111,279
Utilities	277,671	-	277,671
Depreciation	111,812	-	111,812
Total Operating Expenses	1,772,049	-	1,772,049
Increase (Decrease) in Net Assets from Operations	(1,469)	(950,696)	(952,165)
Non-Operating Revenues and Gains			
City of Pikeville	-	745,000	745,000
Interest Income	2,955	-	2,955
Interest Expense	(1,486)	-	(1,486)
Hotel/Motel Tax	-	90,858	90,858
Sales Tax Rebate	-	8,400	8,400
Total Non-Operating Revenues and Gains	1,469	844,258	845,727
Increase (Decrease) in Net Assets	-	(106,438)	(106,438)
NET ASSETS			
Beginning of Year	-	639,096	639,096
End of Year	\$ -	\$ 532,658	\$ 532,658

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

CITY OF PIKEVILLE EXPOSITION CENTER CORPORATION
(A DISCRETELY PRESENTED COMPONENT UNIT)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Cash Flows from Operating Activities

Cash received from customers	\$ 1,157,618
Other cash receipts	324,464
Cash payments for supplies	(1,501,907)
Cash payments to employees for services	(981,329)
Net cash used for operating activities	<u>(1,001,154)</u>

Cash Flows from Capital and Related Financing Activities

Acquisition and construction of capital assets	(77,000)
Interest paid on long-term debt	(1,486)
Principal paid on long-term debt	(261,425)
Issuance of long-term debt	225,600
Sales tax rebate	8,400
Hotel/Motel tax	90,858
Capital contributions received from City of Pikeville	745,000
Net cash provided by capital and related financing activities	<u>729,947</u>

Cash Flows from Investing Activities

Interest income from investments	<u>2,955</u>
Net cash provided by investing activities	<u>2,955</u>
Net increase (decrease) in cash and cash equivalents	(268,252)

Cash on Hand and in Bank, June 30, 2020

893,768

Cash on Hand and in Bank, June 30, 2021

\$ 625,516

Cash on Hand and in Bank Reported As:

Unrestricted	\$ 625,516
Restricted	-
	<u>\$ 625,516</u>

**Reconciliation of operating loss to net cash provided
by operating activities:**

Operating income (loss)	\$ (952,165)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	111,812
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	50,837
Decrease (increase) in inventory	(39,497)
Decrease (increase) in prepaids	(29,340)
Increase (decrease) in accounts payable and accrued expenses	(40,309)
Increase (decrease) in deferred revenue	(102,492)
Total adjustments	<u>(48,989)</u>
Net cash used for operating activities	<u>\$ (1,001,154)</u>

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

CITY OF PIKEVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

(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
- City of Pikeville Economic and Industrial Development Board

(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, liabilities, 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, liabilities, 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, and Series 2017 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
Coal Severance Fund	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
Tourism Convention	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 Unit is 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 unit has 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.

- 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 (15). 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, 2021 was \$488,507. The allowance for uncollectible utility receivables as of June 30, 2021 was \$287,882 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 monthly or 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 that time.

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 February 2017, the GASB issued Statement No. 84, *Fiduciary Activities* ("GASB 84"). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the City beginning with its year ending June 30, 2021. The adoption of this standard did not have a material effect on the City's financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* ("GASB 89"), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the City beginning with its year ending June 30, 2022. Management is currently evaluating the impact of this Statement on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* ("GASB 92"). GASB 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. Provisions related to insurance-related activities of public entity risk pools and derivative instruments were effective upon issuance. All other provisions will be effective for the City beginning with its year ending June 30, 2022. Adoption of the provisions required upon

issuance did not have a material effect on the City's financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be effective for the City beginning with its year ending June 30, 2023. 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 2020 assessed value for real property was \$520,949,707. Assessed value of tangible property was \$114,668,310. 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 2021 were levied on November 1, 2020 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	To January 1 st
Delinquent date, 5% penalty	To February 1 st
21% penalty thereafter	After February 1 st
12% interest per annum	After March 1 st

(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, 2021, the City had \$25,613,812 in financial institutions, of which \$1,000,000 was insured, and \$24,613,812 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, 2021, 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	\$ 3,576,304	\$ 3,576,304	\$ -	\$ -	\$ -
Unit Investment Trusts	485,371	485,371	-	-	-
Money Markets	3,746	3,746	-	-	-

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, 2021 were \$1,898,731 and \$1,191,145, respectively.

(4) CAPITAL ASSETS

The activity related to capital assets for the fiscal year ended June 30, 2021 was as follows:

	(As restated) Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 14,593,685	\$ 907,309	\$ -	\$ 15,500,994
Construction in progress	22,618,050	2,646,288	14,886,442	10,377,896
Capital assets being depreciated:				
Buildings and improvements	33,725,227	4,221,882	18,022	37,929,087
Vehicles	5,068,031	202,069	356,171	4,913,929
Equipment	5,710,407	572,505	112,577	6,170,335
Infrastructure	56,101,339	13,677,708	-	69,779,047
Intangible right-to-use lease	711,063	296,470	31,786	975,747
	138,527,802	22,524,231	15,404,998	145,647,035
Accumulated depreciation	(55,825,972)	(2,605,104)	(459,933)	(57,971,143)
	<u>\$ 82,701,830</u>	<u>\$ 19,919,127</u>	<u>\$ 14,945,065</u>	<u>\$ 87,675,892</u>
Business-type Activities:				
Land	\$ 138,000	\$ -	\$ -	\$ 138,000
Plant and distribution systems	75,745,110	1,165,254	-	76,910,364
Vehicles	2,385,321	152,317	70,286	2,467,352
Equipment	3,877,792	597,324	60,620	4,414,496
Intangible right-to-use lease	28,664	-	-	28,664
Construction in progress	-	16,002	-	16,002
	82,174,887	1,930,897	130,906	83,974,878
Accumulated depreciation	(32,149,245)	(2,491,329)	(130,904)	(34,509,670)
	<u>\$ 50,025,642</u>	<u>\$ (560,432)</u>	<u>\$ 2</u>	<u>\$ 49,465,208</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 1,687,349
Public Safety	371,054
Streets	199,453
Recreation	291,624
Economic Development	1,631
Events	5,538
Tourism	39,232
Lake Cleanup	2,630
Landscape	6,593
	<u>\$ 2,605,104</u>

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

Water fund	\$ 586,681
Sewer fund	1,368,710
Gas fund	72,187
Sanitation fund	173,102
Outside water	74,490
Outside sewer	216,159
	<u>\$ 2,491,329</u>

(5) INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2021 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Projects Fund	General Fund	\$ 500,000
General and Utilities Funds	Cash Flow Fund	7,244
General Fund	Utility Funds	153,968

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	\$ 497,925
Operating	General	Tourism	Operations	1,990,289
Advance	General	Projects Control	Grant Advance	500,000

(6) LONG-TERM DEBT

Bonds payable at June 30, 2021 are 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, secured by system revenues.	\$ 1,820,000
Community Trust Bank, \$4,125,000 Series 2019 maturing through December 1, 2043, with interest at 3.149%.	3,895,000
Community Trust Bank, \$3,730,000 Series 2017 maturing through November 1, 2037, with net average interest of 5.00%, secured by system revenues.	3,330,000
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.	880,000
Bank of New York \$1,405,000 Series 2012C (Refinancing), Maturing through January 1, 2023, with varying interest of 1.00% to 2.25%, secured by system revenues.	<u>200,000</u>
	10,125,000
Plus: Premiums	97,726
Less: Discounts	<u>(75,486)</u>
Net general obligation bonds payable	<u>10,147,240</u>
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.	1,260,000
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.	1,542,500

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.	2,964,500
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.	5,321,000
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.	<u>4,837,000</u>
Total revenue bonds	<u>15,925,000</u>
Total debt	<u>\$ 26,072,240</u>

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

Current portion - City of Pikeville	\$ 498,204
Long-term portion	<u>6,263,152</u>
Total	<u>\$ 6,761,356</u>

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

Current portion - City of Pikeville	\$ 612,939
Long-term portion	<u>19,456,325</u>
Total	<u>\$ 20,069,264</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

	(As restated) Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Amount due Within One Year
Governmental activities:					
Bonds payable	\$ 6,375,000	\$ -	\$ 305,000	\$ 6,070,000	\$ 315,000
Plus: Premiums	12,587	-	1,516	11,071	-
Less: Discounts	(68,195)	-	(8,441)	(59,754)	-
Compensated absences	238,301	6,997	-	245,298	-
Lease obligations	<u>638,488</u>	<u>255,943</u>	<u>154,392</u>	<u>740,039</u>	<u>183,204</u>
	<u>7,196,181</u>	<u>262,940</u>	<u>452,467</u>	<u>7,006,654</u>	<u>498,204</u>
Business-type activities:					
Bonds payable	4,325,000	-	270,000	4,055,000	310,000
Revenue bonds	16,216,000	-	291,000	15,925,000	298,500
Notes payable	98,335	-	98,335	-	-
Plus: Premiums	95,739	-	9,084	86,655	-
Less: Discounts	(16,466)	-	(735)	(15,731)	-
Lease obligation	<u>22,525</u>	<u>-</u>	<u>4,184</u>	<u>18,341</u>	<u>4,439</u>
	<u>20,741,133</u>	<u>-</u>	<u>671,868</u>	<u>20,069,265</u>	<u>612,939</u>
	<u>\$ 27,937,314</u>	<u>\$ 262,940</u>	<u>\$ 1,124,335</u>	<u>\$ 27,075,919</u>	<u>\$ 1,111,143</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, 2021 are as follows:

Principal Portion:

	General Obligation	Proprietary Funds					Total
		Water	Sewer	Outside Sewer	Outside Water	Total Proprietary	
2022	\$ 315,000	\$ 243,700	\$ 243,300	\$ 71,146	\$ 50,354	\$ 608,500	\$ 923,500
2023	315,000	154,900	377,600	72,650	50,850	656,000	971,000
2024	330,000	104,800	442,900	73,383	52,917	674,000	1,004,000
2025	340,000	106,000	452,700	78,738	54,562	692,000	1,032,000
2026	350,000	107,200	472,500	79,502	55,298	714,500	1,064,500
2027-2031	1,900,000	389,900	1,909,600	419,838	229,662	2,949,000	4,849,000
2032-2036	1,265,000	298,000	1,698,500	482,465	213,535	2,692,500	3,957,500
2037-2041	925,000	341,600	1,626,400	522,118	202,882	2,693,000	3,618,000
2042-2046	330,000	391,200	1,625,800	448,500	159,000	2,624,500	2,954,500
2047-2051	-	448,000	1,840,000	372,000	140,000	2,800,000	2,800,000
2052-2056	-	404,400	2,056,100	-	-	2,460,500	2,460,500
2057	-	-	415,500	-	-	415,500	415,500
	<u>\$ 6,070,000</u>	<u>\$ 2,989,700</u>	<u>\$ 13,160,900</u>	<u>\$ 2,620,340</u>	<u>\$ 1,209,060</u>	<u>\$ 19,980,000</u>	<u>\$ 26,050,000</u>

Interest Portion:

	General Obligation	Proprietary Funds					Total
		Water	Sewer	Outside Sewer	Outside Water	Total Proprietary	
2022	\$ 184,819	\$ 69,571	\$ 339,109	\$ 67,737	\$ 34,365	\$ 510,782	\$ 695,601
2023	176,529	63,672	330,829	66,105	33,042	493,648	670,177
2024	167,835	59,715	319,591	64,008	31,802	475,116	642,951
2025	158,797	56,913	307,247	62,580	29,837	456,577	615,374
2026	149,491	54,084	294,484	60,377	28,445	437,390	586,881
2027-2031	590,756	233,693	1,296,144	268,902	122,157	1,920,896	2,511,652
2032-2036	321,763	198,810	1,075,493	208,841	92,854	1,575,998	1,897,761
2037-2041	128,478	163,368	853,236	138,924	57,248	1,212,776	1,341,254
2042-2046	18,937	122,778	659,507	74,723	29,625	886,633	905,570
2047-2051	-	76,275	447,131	22,000	8,781	554,187	554,187
2052-2056	-	23,031	206,745	-	-	229,776	229,776
2057	-	-	10,388	-	-	10,388	10,388
	<u>\$ 1,897,405</u>	<u>\$ 1,121,910</u>	<u>\$ 6,139,904</u>	<u>\$ 1,034,197</u>	<u>\$ 468,156</u>	<u>\$ 8,764,167</u>	<u>\$ 10,661,572</u>

(7) LEASE OBLIGATIONS

The City has elected to implement 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>
2022	\$ 183,204	\$ 28,030
2023	190,294	19,852
2024	189,081	10,453
2025	116,110	4,350
2026	61,350	877
2027	-	-
	<u>\$ 740,039</u>	<u>\$ 63,562</u>

Proprietary Activities:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 4,439	\$ 968
2023	4,710	698
2024	9,192	207
2025	-	-
2026	-	-
2027	-	-
	<u>\$ 18,341</u>	<u>\$ 1,873</u>

PITNEY BOWES -A five-year lease for a postage machine for city hall, and fire station. Quarterly payments are in the amounts of \$897.12, and \$117.00. Lease is cancelable by either party upon ninety days written notice.

PITNEY BOWES -A 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 (3136)- entered into a five-year lease for a vehicle on November 8, 2018. Monthly payments of \$450.34 are due, with the first payment made on December 20, 2018. The City guarantees the lessor will receive the fair market value (\$6,937.69) 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 5.93%.

Enterprise Fleet Management (7327)- entered into a five-year lease for a vehicle on November 15, 2018. Monthly payments of \$463.09 are due, with the first payment made on December 20, 2018. The City guarantees the lessor will receive the fair market value (\$5,181.62) 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 5.93%.

Enterprise Fleet Management (7328)- entered into a five-year lease for a vehicle on November 16, 2018. Monthly payments of \$463.09 are due, with the first payment made on December 20, 2018. The City guarantees the lessor will receive the fair market value (\$5,198.43) 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 5.93%.

Enterprise Fleet Management (3350)- entered into a five-year lease for a vehicle on November 20, 2018. Monthly payments of \$768.61 are due, with the first payment made on December 20, 2018. The City guarantees the lessor will receive the fair market value (\$4,207.89) 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 5.93%.

Enterprise Fleet Management (5058)-entered into a five-year lease for a vehicle on November 20, 2018. Monthly payments of \$483.14 are due, with the first payment made on December 20, 2018. The City guarantees the lessor will receive the fair market value (\$7,662.60) 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 5.93%.

Enterprise Fleet Management (5059)- entered into a five-year lease for a vehicle on November 20, 2018. Monthly payments of \$450.63 are due, with the first payment made on December 20, 2018. The City guarantees the lessor will receive the fair market value (\$7,145.19) 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 5.93%.

Enterprise Fleet Management (1960)-entered into a five-year lease for a vehicle on January 14, 2019. Monthly payments of \$661.43 are due, with the first payment made on February 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,406.29) 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 5.46%.

Enterprise Fleet Management (6551)- entered into a five-year lease for a vehicle on March 11, 2019. Monthly payments of \$652.01 are due, with the first payment made on April 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,072.95) 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 5.50%.

Enterprise Fleet Management (6552)- entered into a five-year lease for a vehicle on March 11, 2019. Monthly payments of \$652.01 are due, with the first payment made on April 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,072.95) 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 5.50%.

Enterprise Fleet Management (6553)- entered into a five-year lease for a vehicle on March 11, 2019. Monthly payments of \$652.01 are due, with the first payment made on April 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,072.95) 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 5.50%.

Enterprise Fleet Management (6554)- entered into a five-year lease for a vehicle on March 11, 2019. Monthly payments of \$652.01 are due, with the first payment made on April 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,072.95) 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 5.50%.

Enterprise Fleet Management (6555)- entered into a five-year lease for a vehicle on March 11, 2019. Monthly payments of \$652.01 are due, with the first payment made on April 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,072.95) 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 5.50%.

KONICA - A three-year lease for 3 copiers for city hall, Main Street, and dispatch. Monthly payments are in the amount of \$458.93. The estimated useful life of the asset is 3 years. The annual interest rate charged on the lease is 3.85%.

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%.

(8) 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. The City's contractually required contribution rate for the year ended June 30, 2021 was 24.06% for nonhazardous (19.30%-pension, 4.76%-insurance) and 39.58% for hazardous (30.06% pension, 9.52% insurance) of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees. Contributions to the pension plan from the City were \$767,127 for nonhazardous and \$409,788 for hazardous for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2020 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, 2019. At June 30 2019, the City's proportion for nonhazardous and hazardous was .114692% and .207504%, respectively.

For the year ended June 30, 2021, the City recognized pension expense of \$2,409,803. At June 30, 2021, 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	\$ 219,364	\$ -
Changes of assumptions	343,499	-
Net difference between projected and actual earnings on investments	220,128	-

Changes in proportion and differences between City contributions and proportionate share of contributions	635,453	-
City contributions subsequent to the measurement date	<u>767,127</u>	<u>-</u>
	<u>\$ 2,185,571</u>	<u>\$ -</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 194,032	\$ -
Changes of assumptions	237,274	-
Net difference between projected and actual earnings on investments	140,940	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	846,770
City contributions subsequent to the measurement date	<u>409,788</u>	<u>-</u>
	<u>\$ 982,034</u>	<u>\$ 846,770</u>

At June 30, 2021, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$767,127 and \$409,788 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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>
2022	\$ 745,740	\$ (138,956)
2023	456,930	(92,272)
2024	127,365	(53,991)
2025	88,409	10,695
	<u>\$ 1,418,444</u>	<u>\$ (274,524)</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2019. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	24 years, closed
Payroll growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected market value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service, for nonhazardous

Investment Rate of Return	3.55% to 19.05%, varies by service, for hazardous 6.25%, net of pension plan investment expense, including inflation
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As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2020 actuarial valuation. These assumptions are fully documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018.”

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, 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 is utilized. For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 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>
Growth	62.50%	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	<u>100.00%</u>	3.89%

**Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan*

Discount rate: The discount rate used to measure the total pension liability was 6.25%. 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 6.25%. 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 net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25%)
City's proportionate share of the net pension liability			
Nonhazardous	\$ 10,848,346	\$ 8,796,781	\$ 7,098,008
Hazardous	\$ 7,731,901	\$ 6,256,305	\$ 5,051,827

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, 2021, there was a total payable to CERS of \$111,213 for nonhazardous and hazardous, which includes pension and OPEB contributions.

(9) 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, 2021, CERS allocated 4.76% of the 24.06% nonhazardous and 9.52% of the 39.58% 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, 2021, the City contributed \$159,420 and \$82,827 to the CERS Nonhazardous and Hazardous Insurance Fund. 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, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At June 30, 2021, the City reported as a liability its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. City's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2019. At June 30 2019, the City's proportion for nonhazardous and hazardous was 0.114659% and 0.207438%, respectively.

For the year ended June 30, 2021, the City recognized OPEB expense of \$665,552, including an implicit subsidy of \$61,281. At June 30, 2021, 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	\$ 462,586	\$ 462,947
Changes of assumptions	481,584	2,929
Net difference between projected and actual earnings on investments	92,024	-
Changes in proportion and differences between City contributions and proportionate share of contributions	294,640	1,766
City contributions subsequent to the measurement date	159,420	-
	<u>\$ 1,490,254</u>	<u>\$ 467,642</u>

Hazardous

Differences between expected and actual experience	\$ 65,782	\$ 191,428
Changes of assumptions	312,727	1,766
Net difference between projected and actual earnings on investments	85,093	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	334,408
City contributions subsequent to the measurement date	82,827	-
	<u>\$ 546,429</u>	<u>\$ 527,602</u>

At June 30, 2021, the City reported deferred outflows of resources related to OPEB for City contributions subsequent to the measurement date of \$159,420 and \$82,827 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

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>
2022	\$ 226,779	\$ (27,909)
2023	254,013	(67,895)
2024	201,678	5,427
2025	179,220	29,799
2026	1,502	(3,422)
Thereafter	-	-
	<u>\$ 863,192</u>	<u>\$ (64,000)</u>

Actuarial Methods and Assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	24 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
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 2.90% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 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-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	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
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2020 actuarial valuation. These assumptions are fully documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018.”

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December 2019 are reflected in the June 30, 2020 GASB 75 actuarial information. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total OPEB Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

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>
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private US Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	(0.25)%
Cash	1.00%	(0.75)%

Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	<u>15.00%</u>	3.95%
Total	<u>100.00%</u>	3.96%

**Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan*

Discount rate - The discount rate used to measure the total OPEB liability was 5.34%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. 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 of the Nonhazardous CERS Insurance Fund, calculated using the discount rate of 5.34%, 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 (4.34%) or 1-percentage-point higher (6.34%) than the current rate:

	<u>1% Decrease (4.34%)</u>	<u>Current discount rate (5.34%)</u>	<u>1% Increase (6.34%)</u>
City's proportionate share of the net OPEB liability - Nonhazardous	\$ 3,556,923	\$ 2,768,666	\$ 2,121,244

The following table presents the City's proportionate share of the collective net OPEB liability of the Hazardous CERS Insurance Fund, calculated using the discount rate of 5.30%, 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 (4.30%) or 1-percentage-point higher (6.30%) than the current rate:

	<u>1% Decrease (4.30%)</u>	<u>Current discount rate (5.30%)</u>	<u>1% Increase (6.30%)</u>
City's proportionate share of the net OPEB liability - Hazardous	\$ 2,602,204	\$ 1,916,946	\$ 1,364,776

Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the City's proportionate share of the collective net OPEB liability, 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			
Nonhazardous	\$ 2,143,640	\$ 2,768,666	\$ 3,527,151
Hazardous	\$ 1,369,906	\$ 1,916,946	\$ 2,589,485

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, 2021, there was a total payable to CERS of \$111,213, which includes pension and OPEB contributions.

(10) 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.

(11) RETIREMENT BENEFITS ORDINANCE

The City Board of Commissioners adopted ordinance no. 0-98-001 establishing parameters for certain retirement benefits. The ordinance establishes benefits for employees that meet the following criteria:

1. Were employed by the City of Pikeville on August 25, 1975;
2. Have completed at least 25 years of employment with the City of Pikeville; and
3. Retired from employment for the City of Pikeville.

The pension shall be \$500.00 per month payable from general funds, but there shall be a dollar for dollar offset for any other pension or retirement benefits received from any other source other than Social Security or SSI. The pension is payable only to the employee for and during his natural life. No disability plan or fund is established. No policemen or firemen are eligible to participate in this retirement plan.

There is currently only one former employee that is eligible to participate in this plan; therefore, in management's opinion any pension benefit obligation at June 30, 2021 would not be material to the financial statements.

(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 - leases 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 - leases 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, 2021</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Mutual Funds	\$ 3,576,304	\$ 3,576,304	\$ -	\$ -
Unit Investment				
Trusts	485,371	485,371	-	-
Money Markets	3,746	3,746	-	-

(16) ECONOMIC UNCERTAINTIES

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition. Management is actively monitoring the global situation on its financial condition. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Council is not able to estimate the effects of the COVID-19 outbreak on its future financial condition.

(17) SUBSEQUENT EVENTS

On August 23, 2021, the City entered into a capital lease obligation for two fire trucks payable over 15 years in the amount of \$1,681,462, plus interest.

(18) PRIOR PERIOD ADJUSTMENT

The City had not recorded the Ridge Cliff Apartments contribution of assets as of June 30, 2020. As a result, beginning net position of governmental activities has been restated to reflect the increase to capital assets of \$3,900,000 in the Statement of Activities. In addition, compensated absences at the beginning of the year were recorded to reduce net position by \$238,301 in the Statement of Activities.

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, 2021

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property taxes	\$ 878,500	\$ 67,980	\$ 946,480	\$ 996,036	\$ 49,556
Franchise taxes	827,000	3,000	830,000	878,507	48,507
Occupational license fees	8,575,000	1,930,000	10,505,000	10,657,673	152,673
Other taxes	2,135,000	259,038	2,394,038	2,391,721	(2,317)
Permits and fees	70,500	-	70,500	91,281	20,781
Grants - Federal	766,756	(320,702)	446,054	353,670	(92,384)
Grants - State	1,051,000	28,910	1,079,910	780,905	(299,005)
Other grants	575,000	-	575,000	193,781	(381,219)
Interest income	130,000	(60,000)	70,000	154,184	84,184
Other revenue	1,142,729	356,374	1,499,103	1,793,588	294,485
	<u>16,151,485</u>	<u>2,264,600</u>	<u>18,416,085</u>	<u>18,291,346</u>	<u>(124,739)</u>
Expenditures					
General Government:	4,897,427	(160,583)	4,736,844	3,806,750	930,094
Public Safety:					
Police	2,412,212	88,423	2,500,635	2,357,118	143,517
Fire	3,030,714	(29,210)	3,001,504	2,808,010	193,494
Ambulance Service	127,000	30,290	157,290	145,897	11,393
Dispatch Service	326,446	58,720	385,166	281,132	104,034
Codes	150,465	11,100	161,565	127,810	33,755
911	362,304	23,750	386,054	367,573	18,481
Emergency Shelter	11,000	-	11,000	11,000	-
Streets	2,602,670	(114,050)	2,488,620	2,157,794	330,826
Economic Development	422,847	76,578	499,425	427,613	71,812
Parking Garage	97,500	-	97,500	65,806	31,694
Recreation	719,193	19,090	738,283	684,577	53,706
Fiber	500,000	-	500,000	-	500,000
Events	441,625	(91,631)	349,994	282,200	67,794
Tourism	257,232	93,299	350,531	337,038	13,493
Lake Cleanup	73,940	6,255	80,195	47,690	32,505
Landscape	106,235	16,600	122,835	109,240	13,595
Ridge Cliff	136,000	540,000	676,000	617,043	58,957
Capital Outlay	755,167	899,958	1,655,125	1,487,349	167,776
Debt Service					
Principal	166,286	48,813	215,099	212,217	2,882
Interest	62,101	(1,813)	60,288	57,253	3,035
Total expenditures	<u>17,658,364</u>	<u>1,515,589</u>	<u>19,173,953</u>	<u>16,391,110</u>	<u>2,782,843</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	-	-	-	58,157	58,157
Inception of Leases	255,000	109,602	364,602	345,731	(18,871)
Eastern Kentucky Exposition Center/Tourism	1,324,250	(95,632)	1,228,618	1,235,106	6,488
Transfers In	-	-	-	-	-
Transfers Out	(2,351,342)	(778,583)	(3,129,925)	(2,988,214)	141,711
	<u>(772,092)</u>	<u>(764,613)</u>	<u>(1,536,705)</u>	<u>(1,349,220)</u>	<u>187,485</u>
Net change in fund balance	(2,278,971)	(15,602)	(2,294,573)	551,016	2,845,589
Fund balance beginning of year	<u>2,279,318</u>	<u>16,000</u>	<u>2,295,318</u>	<u>16,883,442</u>	<u>14,588,124</u>
Fund balance end of year	<u>\$ 347</u>	<u>\$ 398</u>	<u>\$ 745</u>	<u>\$ 17,434,458</u>	<u>\$ 17,433,713</u>

CITY OF PIKEVILLE, KENTUCKY
COAL SEVERANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
Integovernmental Revenue	\$ 115,000	\$ (35,000)	\$ 80,000	\$ 91,302	\$ 11,302
Interest Income	8,000	-	8,000	4,248	(3,752)
Other Revenue	-	-	-	-	-
Total MTC revenues	<u>123,000</u>	<u>(35,000)</u>	<u>88,000</u>	<u>95,550</u>	<u>7,550</u>
EXPENDITURES					
Events	30,000	-	30,000	30,000	-
Capital Outlay	98,000	90,000	188,000	328	187,672
	<u>128,000</u>	<u>90,000</u>	<u>218,000</u>	<u>30,328</u>	<u>187,672</u>
Net change in fund balance	<u>(5,000)</u>	<u>(125,000)</u>	<u>(130,000)</u>	<u>65,222</u>	<u>195,222</u>
Fund Balance - Beginning of Year	<u>5,000</u>	<u>125,000</u>	<u>130,000</u>	<u>833,788</u>	<u>703,788</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 899,010</u>	<u>\$ 899,010</u>

CITY OF PIKEVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021

	Reporting Fiscal Year (Measurement Date)					
	2021 (2020)		2020 (2019)		2019 (2018)	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
PENSION						
City's proportion of the net pension liability	11.47%	20.75%	0.11%	0.24%	0.10%	0.27%
City's proportionate share of the net pension liability	\$ 8,796,781	\$ 6,256,305	\$ 6,498,548	\$ 7,566,923	\$ 5,865,024	\$ 6,621,421
City's covered-employee payroll	\$ 2,984,589	\$ 1,209,041	\$ 2,756,429	\$ 1,339,837	\$ 2,426,209	\$ 1,525,138
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	294.740%	517.460%	235.760%	564.764%	241.736%	434.152%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	44.11%	50.45%	46.63%	53.54%	49.26%
INSURANCE FUND						
City's proportion of the net OPEB liability	11.47%	20.74%	0.11%	0.24%	0.10%	0.27%
City's proportionate share of the net OPEB liability	\$ 2,768,666	\$ 1,916,946	\$ 1,809,212	\$ 1,740,246	\$ 1,709,752	\$ 1,952,097
City's covered-employee payroll	\$ 2,984,589	\$ 1,209,041	\$ 2,756,429	\$ 1,339,837	\$ 2,426,209	\$ 1,525,138
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	92.765%	158.551%	65.636%	129.885%	70.470%	127.995%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	58.84%	60.44%	64.44%	57.62%	64.24%

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 (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021

	Reporting Fiscal Year (Measurement Date)							
	2018 (2017)		2017 (2016)		2016 (2015)		2015 (2014)	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
PENSION								
City's proportion of the net pension liability	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	\$ 5,130,658	\$ 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	\$ 2,165,430	\$ 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	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	53.30%	49.80%	55.50%	53.95%	59.97%	57.52%	66.80%	63.46%
INSURANCE FUND								
City's proportion of the net OPEB liability	0.09%	0.29%						
City's proportionate share of the net OPEB liability	\$ 1,762,145	\$ 2,361,635						
City's covered-employee payroll	\$ 2,165,430	\$ 1,568,223						
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	81.376%	150.593%						
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	59.00%						

**CITY OF PIKEVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021**

	2021		2020		2019		2018	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
PENSION								
Contractually required contribution	\$ 767,127	\$ 409,788	\$ 576,026	\$ 363,438	\$ 447,093	\$ 333,083	\$ 351,315	\$ 338,581
Contributions in relation to the contractually required contribution	<u>767,127</u>	<u>409,788</u>	<u>576,026</u>	<u>363,438</u>	<u>447,093</u>	<u>333,083</u>	<u>351,315</u>	<u>338,581</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 3,974,751	\$ 1,363,234	\$ 2,984,589	\$ 1,209,041	\$ 2,756,429	\$ 1,339,837	\$ 2,426,209	\$ 1,525,138
City's contributions as a percentage of its covered-employee payroll	19.30%	30.06%	19.30%	30.06%	16.22%	24.86%	14.48%	22.20%
INSURANCE FUND								
Contractually required contribution	\$ 159,420	\$ 82,827	\$ 132,586	\$ 130,589	\$ 132,586	\$ 130,589	\$ 100,945	\$ 146,629
Contributions in relation to the contractually required contribution	<u>159,420</u>	<u>82,827</u>	<u>132,586</u>	<u>130,589</u>	<u>132,586</u>	<u>130,589</u>	<u>100,945</u>	<u>146,629</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 3,974,751	\$ 1,363,234	\$ 2,984,589	\$ 1,209,041	\$ 2,756,429	\$ 1,339,837	\$ 2,426,209	\$ 1,525,138
City's contributions as a percentage of its covered-employee payroll	4.76%	9.52%	4.76%	9.52%	5.26%	10.47%	4.70%	9.35%

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, 2021**

	2017		2016		2015		2014	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
PENSION								
Contractually required contribution	\$ 302,077	\$ 340,461	\$ 243,754	\$ 313,860	\$ 227,786	\$ 337,321	\$ 238,047	\$ 346,095
Contributions in relation to the contractually required contribution	<u>302,077</u>	<u>340,461</u>	<u>243,754</u>	<u>313,860</u>	<u>227,786</u>	<u>337,321</u>	<u>238,047</u>	<u>346,095</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 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 contributions as a percentage of its covered-employee payroll	13.95%	21.71%	12.42%	20.26%	12.75%	20.73%	13.74%	21.77%
INSURANCE FUND								
Contractually required contribution	\$ 102,425	\$ 146,629						
Contributions in relation to the contractually required contribution	<u>102,425</u>	<u>146,629</u>						
Contribution deficiency (excess)	-	-						
City's covered-employee payroll	\$ 2,165,430	\$ 1,568,223						
City's contributions as a percentage of its covered-employee payroll	4.73%	9.35%						

**CITY OF PIKEVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

(1) CHANGES OF ASSUMPTIONS

CERS - PENSION

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

- 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. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience.

There were no changes made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016.

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 3.05%-10.30% for nonhazardous and 3.55% - 19.05% for hazardous (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.

CERS - OPEB

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) for nonhazardous and 3.05%-18.55% for hazardous (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 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.

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

CERS – PENSION

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ended 2018, determined as of July 1, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates for the year ending June 30, 2019:

Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	25 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 - Nonhazardous	3.30% to 11.55%, varies by service
Salary Increase - Hazardous	3.05% to 18.55%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

Mortality

RP-2000 Combined Mortality Table, projected to 2013
with Scale BB (set back 1 year for females)

CERS - OPEB

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2020:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	26 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 11.55%, varies by service, for nonhazardous 3.05% to 18.55%, varies by service, for hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

(3) CHANGES OF BENEFITS

CERS - PENSION

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.

CERS - OPEB

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, 2020, is determined using these updated benefit provisions.

SUPPLEMENTAL INFORMATION

CITY OF PIKEVILLE, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Debt Service the App	Event Center/ Pool Station Debt Service	Series 2017 Debt Service	Tourism Convention	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	Total Nonmajor Governmental Funds
Assets									
Cash	\$ 68,746	\$ 10,495	\$ 23,032	\$ 27,900	\$ 44,299	\$ 72,708	\$ 20,674	\$ 20,382	\$ 288,236
Receivables	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 68,746</u>	<u>\$ 10,495</u>	<u>\$ 23,032</u>	<u>\$ 27,900</u>	<u>\$ 44,299</u>	<u>\$ 72,708</u>	<u>\$ 20,674</u>	<u>\$ 20,382</u>	<u>\$ 288,236</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	7,244	7,244
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,244</u>	<u>7,244</u>
Deferred Inflows of Resources:									
Other deferred revenues	-	-	-	-	-	66,158	-	-	66,158
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,158</u>	<u>-</u>	<u>-</u>	<u>66,158</u>
Fund Balances:									
Unassigned	-	-	-	-	-	-	-	-	-
Assigned	68,746	10,495	23,032	27,900	44,299	6,550	20,674	13,138	214,834
Total fund balances	<u>68,746</u>	<u>10,495</u>	<u>23,032</u>	<u>27,900</u>	<u>44,299</u>	<u>6,550</u>	<u>20,674</u>	<u>13,138</u>	<u>214,834</u>
Total liabilities and fund balances	<u>\$ 68,746</u>	<u>\$ 10,495</u>	<u>\$ 23,032</u>	<u>\$ 27,900</u>	<u>\$ 44,299</u>	<u>\$ 72,708</u>	<u>\$ 20,674</u>	<u>\$ 20,382</u>	<u>\$ 288,236</u>

CITY OF PIKEVILLE, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Debt Service the App	Event Center/ Pool Station Debt Service	Series 2017 Debt Service	Tourism Convention	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	Total Nonmajor Governmental Funds
Revenues									
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ 38,054	\$ -	\$ -	\$ -	\$ 38,054
Other revenue	-	-	-	-	-	-	68,818	-	68,818
Interest income	222	110	-	227	49	37	-	-	645
Total revenues	222	110	-	227	38,103	37	68,818	-	107,517
Expenditures									
Public safety - police	-	-	-	-	2,287	-	-	-	2,287
Public works	-	-	-	-	-	-	-	-	-
Tourism/Community Development	-	-	-	1,986,100	-	-	50,892	-	2,036,992
Capital outlay	-	-	-	-	-	3,384	-	-	3,384
Debt service	192,339	249,260	56,325	-	-	-	-	-	497,924
Total expenditures	192,339	249,260	56,325	1,986,100	2,287	3,384	50,892	-	2,540,587
Excess of Revenues Over (Under) Expenditures	(192,117)	(249,150)	(56,325)	(1,985,873)	35,816	(3,347)	17,926	-	(2,433,070)
Other Financing Sources (Uses)									
Transfers in	192,340	249,260	56,325	1,990,289	-	-	-	-	2,488,214
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	192,340	249,260	56,325	1,990,289	-	-	-	-	2,488,214
Net change in fund balances	223	110	-	4,416	35,816	(3,347)	17,926	-	55,144
Fund balances beginning of year	68,523	10,385	23,032	23,484	8,483	9,897	2,748	13,138	159,690
Fund balances end of year	\$ 68,746	\$ 10,495	\$ 23,032	\$ 27,900	\$ 44,299	\$ 6,550	\$ 20,674	\$ 13,138	\$ 214,834

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Subrecipient	Expenditures
<u>U.S. Department of Agriculture</u>				
Passed through Rural Development - Farmer's Market and Local Food Promotion Program	10.168	N/A	\$ -	\$ 674
Cooperative Forestry Assistance - Kentucky Division of Forestry	10.664	20-DG-11083121-001	-	5,000
Total U.S. Department of Agriculture				<u>5,674</u>
<u>US Department of Interior, Office of Surface Mining Reclamation & Enforcement</u>				
Passed through the Kentucky Energy and Environmental Cabinet, Department for Natural Resources, Department of Abandoned Mine Lands - Manufacturing Facility Phase I, AML Speculative Building	15.252	SC 128 2000000566	- *	3,677,743
Total US Department of Interior				<u>3,677,743</u>
<u>US Department of Transportation</u>				
Passed through the Kentucky Transportation Cabinet - Highway Safety Grant	20.616	SC 625 19000000902	-	25,535
Downtown Pikeville Bikeway Project	20.205	PON 2 628 160003733 1	-	195,636
Total US Department of Transportation				<u>221,171</u>
<u>U.S. Department of Treasury</u>				
Passed through the Kentucky Department for Local Government Coronavirus Relief Funds	21.019	C2-097	-	147,492
Total U.S. Department of Treasury				<u>147,492</u>
<u>U.S. Department of Health and Human Services</u>				
CARES Act Provider Relief Funds	93.498	N/A	-	6,157
Total U.S. Department of Health and Human Services				<u>6,157</u>
<u>U.S. Department of Justice</u>				
Equitable Sharing Program	16.922	N/A	-	2,287
Total U.S. Department of Justice				<u>2,287</u>
<u>US Department of Homeland Security</u>				
Passed through the Kentucky Emergency Management - Homeland Security Grant - Radios	97.067		-	309,811
FEMA 4540	97.036	FEMA-4540-Dr-KY	-	28,568
Total US Department of Homeland Security				<u>338,379</u>
Total Expenditures of Federal Awards			\$ -	<u>\$ 4,398,903</u>

* Major program.

CITY OF PIKEVILLE, KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

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, 2021. 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 and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, 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.

NOTE D – FEMA

The City of Pikeville, Kentucky was approved and received FEMA funds of \$28,568 during the year ended June 30, 2021 for expenditures incurred in a previous year. Such expenditures have been included on the current year Schedule of Expenditures of Federal Awards based on the approval and receipt date.

NOTE E – HOMELAND SECURITY

The City of Pikeville, Kentucky was approved and received Homeland Security funds of \$163,411 during the year ended June 30, 2021 for expenditures incurred in a previous year. Such expenditures have been included in the current year Schedule of Expenditures of Federal Awards based on the approval and receipt date.



Kelley Galloway
Smith Goolsby, PSC

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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 40351

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pikeville, Kentucky (the "City"), as of and for the year ended June 30, 2021, 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 8, 2021.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Holloway Smith Hobbs, PSC

Ashland, Kentucky
December 8, 2021




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 40351

Report on Compliance for Each Major Federal Program

We have audited City of Pikeville, Kentucky's compliance with the types of compliance requirements described 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, 2021. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

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, 2021.

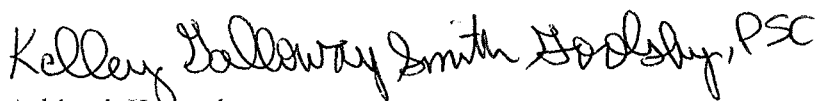
Report on Internal Control Over Compliance

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

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

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

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



Ashland, Kentucky
December 8, 2021

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

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:

CFDA No.

Abandoned Mine Land Reclamation

15.252

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, 2021

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, 2021

There were no findings in the prior year.