

CITY OF PIKEVILLE, KENTUCKY

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2022

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-12
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements -	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements -	
Balance Sheet - Governmental Funds	15
Reconciliation of the Balance Sheet - Governmental	
Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in	
Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and	
Changes in Fund Balances of Governmental Funds to the	
Statement of Activities	18
Statement of Net Position - Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Net Position -	
Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21
City of Pikeville Exposition Center Corporation (A Discretely Presented Component Unit)	
Statement of Net Position	22
Statement of Activities	23
Notes to Financial Statements	24-56
REQUIRED SUPPLEMENTAL INFORMATION:	
Statement of Revenues, Expenditures and Changes in	
Fund Balance - Budget and Actual - General Fund	57
Statement of Revenues, Expenditures and Changes in	
Fund Balance - Budget and Actual - Coal Severance Fund	58
Schedule of City's Proportionate Share of the Net Pension and OPEB Liability	59-60
Schedule of Pension and OPEB Contributions	61-62
Notes to Required Supplementary Information	63-66
SUPPLEMENTAL INFORMATION - COMBINING, INDIVIDUAL AND OTHER STATEMENTS AND SCHEDULES	
Combining Balance Sheet - Nonmajor Governmental Funds	67
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balance - Nonmajor Governmental Funds	68
Schedule of Expenditures of Federal Awards	69
Notes to Schedule of Expenditures of Federal Awards	70
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 <i>GOVERNMENT AUDITING STANDARDS</i>	
	71-72
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE	
	73-75
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	76-77
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	78



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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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pikeville, Kentucky (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pikeville, Kentucky as of June 30, 2022, and the respective changes in its financial position and cash flows, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Pikeville, Kentucky, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances; but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 5 through 12, the budgetary comparison information on pages 57 and 58, and the Schedule of Proportionate Share of the Net Pension and OPEB Liability and Schedule of Pension and OPEB Contributions on pages 59 through 66 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the

basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022 on our consideration of the City of Pikeville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pikeville, Kentucky's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
December 8, 2022

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, 2022. 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 decreased by \$1,412,132 (1.2%). There was a slight decrease in its governmental activities and a decrease in business type activities (3.7%) representing a \$19,596 decrease and a \$1,392,536 decrease, respectively.
- The City's combined revenues decreased 8.3% (\$3,006,031), while combined expenses increased 12.6% (\$3,853,947). This is primarily attributable due to grant project timing.
- The net pension liability required to be recorded under GASB No. 68 decreased during the year. The City's staff members are covered by the Kentucky County Employee Retirement System. Under this system, the City's share of the pension liability was \$12,627,531 as of June 30, 2021, which represents a decrease of \$2,425,555 from the June 30, 2020 balance of \$15,053,086.
- OPEB liability was required to be recorded under GASB No. 75 during the year. The City's staff members are covered by the Kentucky County Employee Retirement System. Under this system, the City's share of the OPEB liability was \$3,807,174 as of June 30, 2021 which represents a decrease of \$878,438 from the June 30, 2020 balance of \$4,685,612.

OVERVIEW OF THIS ANNUAL REPORT

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

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

GOVERNMENT – WIDE FINANCIAL STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The City has two kinds of funds:

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

NET POSITION

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

Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>FYE 2022</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2021</u>
Current and Other Assets	\$ 24,137,899	\$ 21,847,768	\$ 8,950,293	\$ 9,063,723	\$ 33,088,192	\$ 30,911,491
Noncurrent assets	1,137,997	970,097	-	-	1,137,997	970,097
Capital Assets	88,524,283	87,675,892	47,732,166	49,465,208	136,256,449	137,141,100
Deferred Outflows	4,151,432	5,098,378	94,370	105,910	4,245,802	5,204,288
Total Assets & Def Outflows	117,951,611	115,592,135	56,776,829	58,634,841	174,728,440	174,226,976
Long-Term Liabilities	8,419,381	6,508,450	18,843,111	19,456,326	27,262,492	25,964,776
Net Pension & OPEB Liability	16,136,084	19,405,472	298,622	333,226	16,434,706	19,738,698
Current and Other Liabilities	1,439,290	1,490,127	1,273,918	1,142,406	2,713,208	2,632,533
Deferred Inflows	7,146,229	3,357,863	64,305	13,474	7,210,534	3,371,337
Total Liabilities & Def Inflows	33,140,984	30,761,912	20,479,956	20,945,432	53,620,940	51,707,344
Net Position:						
Net Investment in Capital Asset	79,638,964	80,914,536	28,215,930	29,414,284	107,854,894	110,328,820
Restricted	713,206	999,721	1,214,032	1,141,226	1,927,238	2,140,947
Unrestricted	4,458,457	2,915,966	6,866,911	7,133,899	11,325,368	10,049,865
Total Net Position	\$ 84,810,627	\$ 84,830,223	\$ 36,296,873	\$ 37,689,409	\$ 121,107,500	\$ 122,519,632

The City's net position in the governmental activities decreased by \$19,596 compared to an increase of 7.5% in the prior year. The business-type net position decreased by \$1,392,536 (3.7%), compared to an 1.1% decrease in the prior year. Governmental activities included an increase of \$1,256,649 in taxes and license fees, however there was a significant decrease in capital and operating grants from \$7,682,745 to \$3,460,418 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.

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>FYE 2022</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2021</u>
Revenues						
<u>Program Revenues</u>						
Charges for Services	\$ 721,471	\$ 618,030	\$ 9,746,345	\$ 8,925,552	\$ 10,467,816	\$ 9,543,582
Operating Grants, Contributions	3,460,418	1,457,712	-	-	3,460,418	1,457,712
Capital Grants, Contributions	-	6,225,033	100,273	1,134,677	100,273	7,359,710
<u>General Revenue</u>						
Property Taxes	996,479	996,036	-	-	996,479	996,036
Other Taxes & License Fees	15,184,107	13,927,901	-	-	15,184,107	13,927,901
Investment Earnings	(155,682)	164,159	38,743	37,726	(116,939)	201,885
Other Revenues	2,971,525	2,570,458	9,739	22,165	2,981,264	2,592,623
Total Revenue	<u>23,178,318</u>	<u>25,959,329</u>	<u>9,895,100</u>	<u>10,120,120</u>	<u>33,073,418</u>	<u>36,079,449</u>
Program Expenses						
General Government	7,138,789	5,628,310	-	-	7,138,789	5,628,310
Public Safety	7,703,221	6,837,972	-	-	7,703,221	6,837,972
Streets	2,435,143	2,357,247	-	-	2,435,143	2,357,247
Parking garage	71,394	65,806	-	-	71,394	65,806
Tourism/Community Dev.	2,660,456	2,413,262	-	-	2,660,456	2,413,262
Economic Development	620,434	429,244	-	-	620,434	429,244
Recreation	1,253,327	976,201	-	-	1,253,327	976,201
Events	202,676	317,738	-	-	202,676	317,738
Ridge Cliff	440,945	617,043	-	-	440,945	617,043
Other Expenses	187,717	166,153	-	-	187,717	166,153
Interest on long-term debt	261,405	267,403	503,796	515,977	765,201	783,380
Gas, Water, Sewer & Sanitation	-	-	11,006,247	10,039,247	11,006,247	10,039,247
Total Program Expenses	<u>22,975,507</u>	<u>20,076,379</u>	<u>11,510,043</u>	<u>10,555,224</u>	<u>34,485,550</u>	<u>30,631,603</u>
Transfers	<u>(222,407)</u>	<u>-</u>	<u>222,407</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change In Net Position	<u>\$ (19,596)</u>	<u>\$ 5,882,950</u>	<u>\$ (1,392,536)</u>	<u>\$ (435,104)</u>	<u>\$ (1,412,132)</u>	<u>\$ 5,447,846</u>

The City's change in net position above appears to be the same as the long-standing concept of net revenues, but under the full accrual basis utilized by the Governmental Activities under GASB 34, these numbers include dollars of "paper" depreciation expenses that represent the use or deterioration of the capital assets, but have no relationship to the amounts spent in the current year for capital outlay. Therefore, these "paper" bookkeeping entries are never considered as part of the

City's budget process. Additionally, the principal portions of debt obligations are excluded from the above but are reflected as debt service expenditures along with capital outlay expenditures in the City's budget for governmental activities. The business-type activities have always been on the full accrual basis and accordingly, have always included depreciation in the expenses.

This year's governmental activities revenues were \$23,178,318 as compared to \$25,959,329 in the prior year. The year's governmental activities cost was \$22,975,507 as compared to \$20,076,379 in the prior year.

This year's business-type activities revenues were \$9,895,100 as compared to \$10,120,120 in the prior year. This year's business-type activities costs were \$11,510,043 as compared to \$10,555,224 in the prior year.

GOVERNMENTAL ACTIVITIES – FUND FINANCIAL STATEMENTS

Condensed Governmental Activities - Expenditures by Programs

	<u>FYE 2022</u>	<u>FYE 2021</u>	<u>Change</u>
General administration	\$ 4,942,975	\$ 3,806,750	\$ 1,136,225
Public safety	6,763,721	6,100,827	662,894
Streets	1,894,047	2,157,794	(263,747)
Parking garage	71,394	65,806	5,588
Tourism/Community Development	210,724	337,038	(126,314)
Economic Development	617,169	427,613	189,556
Recreation	953,508	684,577	268,931
Events	193,498	312,200	(118,702)
Lake cleanup	62,527	47,690	14,837
Landscape	113,018	109,240	3,778
Ridge Cliff	440,945	617,043	(176,098)
Capital Outlay	4,419,383	7,765,003	(3,345,620)
Debt Service	873,125	767,394	105,731
Other	2,390,288	2,036,992	353,296
Total Expenditures	<u>\$ 23,946,322</u>	<u>\$ 25,235,967</u>	<u>\$ (1,289,645)</u>

General administration increase is primarily due to grant funded expenditures including a passthrough grant of \$770,000. The capital outlay decrease of \$3,345,620 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 \$3,650,850 (mostly occupational license fees) while expenditures (including other financing uses) budgeted were increased by \$2,846,094 most of which (\$1,685,253) related to general government and (\$968,914) related to capital outlay. Actual revenues for the year reflected a positive variance of \$707,572.

The favorable variance in total actual expenditures (including other financing uses) \$4,046,967 due to certain project timing (fiber) and a positive variance in general government expense. The budget contains proposed expenditures and expected revenues based on the modified accrual basis of accounting as further explained in the Notes to the Financial Statements. Accordingly, the budget and actual comparison reflects expenditures for capital outlay and debt service but does not reflect depreciation as an expense. A comparison of the final amended budget to actual amounts for governmental activities is presented in the table below only for the General Fund.

Condensed General Fund - Revenues

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
Taxes	\$ 4,547,200	\$ 4,695,776	\$ 148,576
Licenses	11,110,000	11,484,810	374,810
Intergovernmental	3,277,899	3,185,800	(92,099)
Charges for Services	680,500	721,471	40,971
Other Revenues	2,515,535	2,754,847	239,312
Capital Financing	472,111	232,763	(239,348)
Total Revenues	<u>\$22,603,245</u>	<u>\$ 23,075,467</u>	<u>\$ 472,222</u>

Condensed General Fund - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
General Government	\$ 5,935,022	\$ 4,942,813	\$ 992,209
Public Safety	7,338,098	6,760,622	577,476
Streets	2,413,620	1,894,047	519,573
Recreation	1,062,610	923,508	139,102
Other	2,293,640	1,709,275	584,365
Capital Outlay	2,939,419	2,429,615	509,804
Debt Service	288,832	260,938	27,894
Transfers	4,015,383	3,791,061	224,322
Total Expenditures	<u>\$26,286,624</u>	<u>\$ 22,711,879</u>	<u>\$ 3,574,745</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	
	FYE 2022	FYE 2021	FYE 2022	FYE 2021	FYE 2022	FYE 2021
Land & Improvements	\$ 15,503,994	\$ 15,503,994	\$ 138,000	\$ 138,000	\$ 15,641,994	\$ 15,641,994
Infrastructure	22,461,695	22,461,695	-	-	22,461,695	22,461,695
Bldgs & Improvements	44,226,142	36,185,025	-	-	44,226,142	36,185,025
Vehicles & Equipment	3,484,204	3,147,282	2,523,681	2,729,553	6,007,885	5,876,835
Construction in progress	2,848,248	10,377,896	-	16,002	2,848,248	10,393,898
Water, Gas & Sewer System	-	-	45,070,485	46,581,653	45,070,485	46,581,653
Total Capital Assets	<u>\$ 88,524,283</u>	<u>\$ 87,675,892</u>	<u>\$ 47,732,166</u>	<u>\$ 49,465,208</u>	<u>\$ 136,256,449</u>	<u>\$ 137,141,100</u>

Significant capital expenditures during fiscal year 2022 included the purchase of several vehicles including an ambulance for approximately \$224,000, pickleball court for \$109,000, and tennis court rehab for \$197,000.

DEBT

Table below provides a summary of all of the City's outstanding indebtedness. In addition to the amounts listed below, liabilities for unpaid compensated absences in the amounts of \$238,760 are outstanding at June 30, 2022 as compared to \$245,298 outstanding at June 30, 2021.

Table A-7

Debt Outstanding at Year End

	Governmental Activities		Business-type Activities		Total Primary Government	
	FYE 2022	FYE 2021	FYE 2022	FYE 2021	FYE 2022	FYE 2021
Bonds Payable	\$ 6,534,694	\$ 6,021,317	\$ 19,434,074	\$ 20,050,923	\$ 25,968,768	\$ 26,072,240
Other financing	1,603,647	-	-	-	1,603,647	-
Lease Obligations	746,978	740,039	82,162	18,341	829,140	758,380
Total Year End Debt	<u>\$ 8,885,319</u>	<u>\$ 6,761,356</u>	<u>\$ 19,516,236</u>	<u>\$ 20,069,264</u>	<u>\$ 28,401,555</u>	<u>\$ 26,830,620</u>

New leases in the amount of \$232,763 and \$73,283 were entered into during the year ending June 30, 2022 for Governmental and Business-Type Activities, respectively. New debt in the amount of \$2,502,920 was issued during the year for a turf project and two new fire trucks. Governmental

Activities debt and leases payable had principal payments, net of premiums and discounts, of \$611,720. No new bonds were issued in Business-Type Activities and existing debt and leases payable had principal payments, net of premiums and discounts, of \$626,312.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

City public officials consider many factors when setting the annual budget. The 2022-23 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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Finance Director
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Pikeville, KY 41501
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Tonya.taylor@pikevilleky.gov

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 16,112,248	\$ 6,469,035	\$ 22,581,283	\$ 721,756
Investments	3,777,120	-	3,777,120	-
Accounts receivable:				
Taxes & licenses	195	-	195	-
Intergovernmental	543,760	-	543,760	-
Customers, net	-	1,187,922	1,187,922	88,626
Lease receivable	111,542	-	111,542	60,118
Interfund receivables (payables)	8,851	(8,851)	-	-
Inventory	-	-	-	140,374
Prepaid expenses	223,143	38,825	261,968	152,810
Restricted assets -				
Cash and cash equivalents	3,361,040	1,263,362	4,624,402	-
Lease receivable, net of current portion	1,137,997	-	1,137,997	711,165
Nondepreciable capital assets	18,352,242	154,002	18,506,244	-
Depreciable capital assets	131,339,924	84,599,475	215,939,399	616,809
Accumulated depreciation	(61,167,883)	(37,021,311)	(98,189,194)	(398,767)
Total assets	<u>113,800,179</u>	<u>56,682,459</u>	<u>170,482,638</u>	<u>2,092,891</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension related	2,124,498	48,767	2,173,265	-
Deferred OPEB related	2,026,934	45,603	2,072,537	-
Total deferred outflows of resources	<u>4,151,432</u>	<u>94,370</u>	<u>4,245,802</u>	<u>-</u>
LIABILITIES				
Accounts payable	370,722	265,369	636,091	135,820
Accrued expenses	363,870	16,927	380,797	34,199
Accrued interest payable	-	220,132	220,132	-
Customer deposits	-	98,365	98,365	-
Current portion of long-term debt	704,698	673,125	1,377,823	4,601
Accrued compensated absences, non-current	238,760	-	238,760	-
Unearned revenues	-	-	-	581,338
Bonds and notes payable, non-current	7,654,640	18,778,074	26,432,714	5,249
Lease obligations, non-current	525,981	65,037	591,018	-
Net pension liability	12,397,857	229,674	12,627,531	-
Net OPEB liability	3,738,227	68,948	3,807,175	-
Total liabilities	<u>25,994,755</u>	<u>20,415,651</u>	<u>46,410,406</u>	<u>761,207</u>
DEFERRED INFLOWS OF RESOURCES				
Uncollected real estate taxes	195	-	195	-
Deferred inflows leases	1,221,883	-	1,221,883	-
Other deferred revenues	1,264,037	-	1,264,037	-
Deferred pension related	2,734,666	32,841	2,767,507	-
Deferred OPEB related	1,925,448	31,464	1,956,912	-
Total deferred outflows of resources	<u>7,146,229</u>	<u>64,305</u>	<u>7,210,534</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	79,638,964	28,215,930	107,854,894	218,042
Restricted	713,206	1,214,032	1,927,238	-
Unrestricted	4,458,457	6,866,911	11,325,368	1,113,642
Total net position	<u>\$ 84,810,627</u>	<u>\$ 36,296,873</u>	<u>\$ 121,107,500</u>	<u>\$ 1,331,684</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, 2022**

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	\$ 7,138,789	\$ 79,619	\$ 165,745	\$ -	\$ (6,893,425)	\$ -	\$ (6,893,425)	\$ -
Public safety	7,703,221	641,852	45,676	-	(7,015,693)	-	(7,015,693)	-
Streets	2,435,143	-	167,818	-	(2,267,325)	-	(2,267,325)	-
Parking garage	71,394	-	-	-	(71,394)	-	(71,394)	-
Tourism	2,660,456	-	-	-	(2,660,456)	-	(2,660,456)	-
Economic development	620,434	-	-	-	(620,434)	-	(620,434)	-
Recreation	1,253,327	-	-	-	(1,253,327)	-	(1,253,327)	-
Events	202,676	-	-	-	(202,676)	-	(202,676)	-
Lake cleanup	68,106	-	-	-	(68,106)	-	(68,106)	-
Landscape	119,611	-	-	-	(119,611)	-	(119,611)	-
Ridge Cliff	440,945	-	-	-	(440,945)	-	(440,945)	-
Interest on long-term debt	261,405	-	-	-	(261,405)	-	(261,405)	-
Total governmental activities	22,975,507	721,471	379,239	-	(21,874,797)	-	(21,874,797)	-
Business-Type Activities:								
Water	2,716,896	2,425,820	-	10,800	-	(280,276)	(280,276)	-
Sewer	2,606,463	1,742,780	-	35,000	-	(828,683)	(828,683)	-
Gas	2,054,202	1,889,386	-	5,250	-	(159,566)	(159,566)	-
Sanitation	1,852,988	1,826,430	-	-	-	(26,558)	(26,558)	-
Outside water	731,497	985,752	-	5,260	-	259,515	259,515	-
Outside sewer	1,044,201	876,177	-	43,963	-	(124,061)	(124,061)	-
Interest on long-term debt	503,796	-	-	-	-	(503,796)	(503,796)	-
Total business-type activities	11,510,043	9,746,345	-	100,273	-	(1,663,425)	(1,663,425)	-
Total primary government	\$ 34,485,550	\$ 10,467,816	\$ 379,239	\$ 100,273	\$ (21,874,797)	\$ (1,663,425)	\$ (23,538,222)	\$ -
Discretely presented component units	\$ 5,209,471	\$ 3,719,952	\$ 1,315,994	\$ 770,000	\$ -	\$ -	\$ -	\$ 596,475
General Revenues:								
Property taxes, levied for general purposes					\$ 996,479	\$ -	\$ 996,479	\$ -
Franchise taxes					970,698	-	970,698	-
Occupational license fees					11,484,810	-	11,484,810	-
Other taxes					2,728,599	-	2,728,599	73,072
Intergovernmental revenue					3,081,179	-	3,081,179	-
Other					2,866,773	-	2,866,773	294,458
Gain (loss) on disposal of assets					104,752	9,739	114,491	1,283
Transfer					(222,407)	222,407	-	-
Investment income (loss)					(155,682)	38,743	(116,939)	4,932
Total general revenues					21,855,201	270,889	22,126,090	373,745
Change in net position					(19,596)	(1,392,536)	(1,412,132)	970,220
Net position, June 30, 2021, as restated					84,830,223	37,689,409	122,519,632	361,464
Net position, June 30, 2022					\$ 84,810,627	\$ 36,296,873	\$ 121,107,500	\$ 1,331,684

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

CITY OF PIKEVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Coal Severance	Projects Control	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 14,303,901	\$ -	\$ 1,445,641	\$ 362,706	\$ 16,112,248
Investments	3,777,120	-	-	-	3,777,120
Restricted cash and cash equivalents	713,206	814,072	1,833,762	-	3,361,040
Receivables, net:					
Taxes & licenses	195	-	-	-	195
Lease receivable	1,249,539	-	-	-	1,249,539
Other	392,273	-	151,487	-	543,760
Prepaid expense	223,143	-	-	-	223,143
Due from other funds	7,864	-	850,000	987	858,851
Total assets	<u>\$ 20,667,241</u>	<u>\$ 814,072</u>	<u>\$ 4,280,890</u>	<u>\$ 363,693</u>	<u>\$ 26,125,896</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 343,247	\$ -	\$ 27,475	\$ -	\$ 370,722
Accrued expenses	363,870	-	-	-	363,870
Due to other funds	850,000	-	-	-	850,000
Total liabilities	<u>1,557,117</u>	<u>-</u>	<u>27,475</u>	<u>-</u>	<u>1,584,592</u>
Deferred Inflows of Resources:					
Uncollected real estate taxes	195	-	-	-	195
Deferred inflows leases	1,221,883	-	-	-	1,221,883
Other deferred revenues	90,000	-	1,011,285	162,752	1,264,037
Total deferred inflows of resources	<u>1,312,078</u>	<u>-</u>	<u>1,011,285</u>	<u>162,752</u>	<u>2,486,115</u>
Fund Balances:					
Nonspendable	250,799	-	-	-	250,799
Restricted	713,206	-	-	-	713,206
Assigned	-	-	-	200,941	200,941
Unassigned	16,834,041	814,072	3,242,130	-	20,890,243
Total fund balances	<u>17,798,046</u>	<u>814,072</u>	<u>3,242,130</u>	<u>200,941</u>	<u>22,055,189</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,667,241</u>	<u>\$ 814,072</u>	<u>\$ 4,280,890</u>	<u>\$ 363,693</u>	<u>\$ 26,125,896</u>

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

CITY OF PIKEVILLE, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balance - total governmental funds	\$ 22,055,189
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$149,692,166 net of accumulated depreciation of \$61,167,883 used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	88,524,283
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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.	(508,682)
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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	(12,397,857)
Net OPEB liabilities	(3,738,227)
Compensated absences	(238,760)
Notes and capital leases payable	<u>(8,885,319)</u>

Net position, end of year - Governmental Activities	<u>\$ 84,810,627</u>
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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, 2022

	General	Coal Severance	Projects Control	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 996,479	\$ -	\$ -	\$ -	\$ 996,479
Franchise taxes	970,698	-	-	-	970,698
Occupational license fees	11,484,810	-	-	-	11,484,810
Other taxes	2,728,599	-	-	-	2,728,599
Permits and fees	79,619	-	-	-	79,619
Intergovernmental	3,185,800	167,818	98,876	7,924	3,460,418
Charges for services	641,852	-	-	-	641,852
Interest income	(167,576)	4,470	6,421	1,003	(155,682)
Other revenues	1,387,773	-	-	62,400	1,450,173
Total revenues	21,308,054	172,288	105,297	71,327	21,656,966
Expenditures					
General government	4,942,813	-	162	-	4,942,975
Public safety	6,760,622	-	-	3,099	6,763,721
Streets	1,894,047	-	-	-	1,894,047
Parking garage	71,394	-	-	-	71,394
Tourism/Community development	210,724	-	-	2,390,288	2,601,012
Economic development	617,169	-	-	-	617,169
Recreation	923,508	30,000	-	-	953,508
Events	193,498	-	-	-	193,498
Lake Cleanup	62,527	-	-	-	62,527
Landscape	113,018	-	-	-	113,018
Ridge Cliff	440,945	-	-	-	440,945
Capital outlay	2,429,615	109,225	1,859,836	20,707	4,419,383
Debt service	260,938	-	-	612,187	873,125
Total expenditures	18,920,818	139,225	1,859,998	3,026,281	23,946,322
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,387,236	33,063	(1,754,701)	(2,954,954)	(2,289,356)
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	118,050	-	-	-	118,050
Capital lease inception	232,763	-	1,681,467	-	1,914,230
Loan proceeds	-	-	821,453	-	821,453
Tourism contribution	1,416,600	-	-	-	1,416,600
Transfers in	-	-	968,001	2,941,061	3,909,062
Transfers out	(3,791,061)	(118,001)	(222,407)	-	(4,131,469)
Total other financing sources (uses)	(2,023,648)	(118,001)	3,248,514	2,941,061	4,047,926
Net change in fund balances	363,588	(84,938)	1,493,813	(13,893)	1,758,570
Fund balances beginning of year	17,434,458	899,010	1,748,317	214,834	20,296,619
Fund balances end of year	\$ 17,798,046	\$ 814,072	\$ 3,242,130	\$ 200,941	\$ 22,055,189

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, 2022

Net change in fund balances - total governmental funds	\$ 1,758,570
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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	4,113,615
Depreciation expense	(3,251,926)
Adjustment to gain	(13,298)

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	(509,132)
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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.

	(2,123,963)
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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.

	6,538
Change in net position of governmental activities	\$ (19,596)

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, 2022

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Total Business-Type Activities
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 812,315	\$ 1,202,449	\$ 1,234,353	\$ 1,777,969	\$ 899,117	\$ 542,832	\$ 6,469,035
Accounts receivable, net	348,741	167,879	125,818	240,592	148,039	156,853	1,187,922
Due from other funds	-	-	-	-	-	-	-
Prepaid expenses	12,863	-	100	-	8,949	16,913	38,825
Total current assets	1,173,919	1,370,328	1,360,271	2,018,561	1,056,105	716,598	7,695,782
Restricted cash and cash equivalents	294,629	514,970	49,330	-	150,406	254,027	1,263,362
Capital assets:							
Property, plant, and equipment	24,081,788	42,450,632	3,498,095	2,974,173	2,503,391	9,245,398	84,753,477
Accumulated depreciation	(13,994,770)	(14,733,615)	(2,879,413)	(2,180,861)	(832,703)	(2,399,949)	(37,021,311)
Total capital assets	10,087,018	27,717,017	618,682	793,312	1,670,688	6,845,449	47,732,166
Total assets	11,555,566	29,602,315	2,028,283	2,811,873	2,877,199	7,816,074	56,691,310
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows - Pensions	12,208	11,528	3,696	11,233	5,963	4,139	48,767
Deferred outflows - OPEB	11,416	10,780	3,456	10,504	5,576	3,871	45,603
Total deferred outflows of resources	23,624	22,308	7,152	21,737	11,539	8,010	94,370
Total assets and deferred outflows of resources	<u>\$ 11,579,190</u>	<u>\$ 29,624,623</u>	<u>\$ 2,035,435</u>	<u>\$ 2,833,610</u>	<u>\$ 2,888,738</u>	<u>\$ 7,824,084</u>	<u>\$ 56,785,680</u>
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 111,478	\$ 44,444	\$ 65,466	\$ 35,919	\$ 1,671	\$ 6,391	\$ 265,369
Accrued expenses	4,210	3,980	1,252	3,903	2,050	1,532	16,927
Accrued interest	28,616	143,073	-	-	15,273	33,170	220,132
Due to other funds	293	182	192	7,981	109	94	8,851
Customer deposits	52,939	-	21,755	-	23,671	-	98,365
Current portion of long-term debt	154,900	377,600	-	17,125	50,850	72,650	673,125
Total current liabilities	352,436	569,279	88,665	64,928	93,624	113,837	1,282,769
Non-current liabilities:							
Bonds payable, net	2,603,764	12,601,136	-	-	1,119,778	2,453,396	18,778,074
Lease obligations	-	-	-	65,037	-	-	65,037
Net pension liability	57,495	54,293	17,407	52,903	28,081	19,495	229,674
Net OPEB liability	17,260	16,299	5,226	15,881	8,430	5,852	68,948
Total non-current liabilities	2,678,519	12,671,728	22,633	133,821	1,156,289	2,478,743	19,141,733
Total liabilities	3,030,955	13,241,007	111,298	198,749	1,249,913	2,592,580	20,424,502
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows - Pension	8,221	7,763	2,489	7,565	4,015	2,788	32,841
Deferred inflows - OPEB	7,876	7,438	2,385	7,247	3,847	2,671	31,464
Total deferred inflows of resources	16,097	15,201	4,874	14,812	7,862	5,459	64,305
NET POSITION							
Net investment in capital assets	7,328,354	14,738,281	618,682	711,150	500,060	4,319,403	28,215,930
Restricted	294,629	514,970	-	-	150,406	254,027	1,214,032
Unrestricted	909,155	1,115,164	1,300,581	1,908,899	980,497	652,615	6,866,911
Total net position	8,532,138	16,368,415	1,919,263	2,620,049	1,630,963	5,226,045	36,296,873
Total liabilities, deferred inflows of resources, and net position	<u>\$ 11,579,190</u>	<u>\$ 29,624,623</u>	<u>\$ 2,035,435</u>	<u>\$ 2,833,610</u>	<u>\$ 2,888,738</u>	<u>\$ 7,824,084</u>	<u>\$ 56,785,680</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, 2022

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Total Business-Type Activities
OPERATING REVENUES							
Sales	\$ 2,391,805	\$ 1,447,373	\$ 1,866,562	\$ 1,815,988	\$ 968,955	\$ 852,153	\$ 9,342,836
Other income	34,015	295,407	22,824	10,442	16,797	24,024	403,509
Total operating revenues	<u>2,425,820</u>	<u>1,742,780</u>	<u>1,889,386</u>	<u>1,826,430</u>	<u>985,752</u>	<u>876,177</u>	<u>9,746,345</u>
OPERATING EXPENSES							
Personnel costs	49,941	47,211	14,888	46,263	24,325	18,042	200,670
Gas purchased	-	-	1,390,928	-	-	-	1,390,928
Contractual services	1,553,560	518,187	527,940	809,421	484,809	218,403	4,112,320
Tipping fees	-	-	-	395,404	-	-	395,404
Operational	514,983	517,016	42,311	333,064	131,937	417,302	1,956,613
Repairs and maintenance	33,661	145,573	(8,437)	61,063	5,288	108,922	346,070
Bad debts	30,526	8,028	7,997	22,262	9,911	11,000	89,724
Depreciation	534,225	1,370,448	78,575	185,511	75,227	270,532	2,514,518
Total operating expenses	<u>2,716,896</u>	<u>2,606,463</u>	<u>2,054,202</u>	<u>1,852,988</u>	<u>731,497</u>	<u>1,044,201</u>	<u>11,006,247</u>
OPERATING INCOME (LOSS)	<u>(291,076)</u>	<u>(863,683)</u>	<u>(164,816)</u>	<u>(26,558)</u>	<u>254,255</u>	<u>(168,024)</u>	<u>(1,259,902)</u>
NON-OPERATING REVENUES (EXPENSES)							
Investment income (loss)	5,558	8,029	6,920	10,178	4,532	3,526	38,743
Grant income	-	-	-	-	2,620	30,943	33,563
Gain (loss) on disposal of assets	-	-	-	10,001	-	(262)	9,739
Interest expense	(66,063)	(331,490)	(7)	(4,395)	(33,860)	(67,981)	(503,796)
Total non-operating revenues (expenses)	<u>(60,505)</u>	<u>(323,461)</u>	<u>6,913</u>	<u>15,784</u>	<u>(26,708)</u>	<u>(33,774)</u>	<u>(421,751)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(351,581)</u>	<u>(1,187,144)</u>	<u>(157,903)</u>	<u>(10,774)</u>	<u>227,547</u>	<u>(201,798)</u>	<u>(1,681,653)</u>
TRANSFERS	100,796	109,536	12,075	-	-	-	222,407
CAPITAL CONTRIBUTIONS	<u>10,800</u>	<u>35,000</u>	<u>5,250</u>	<u>-</u>	<u>2,640</u>	<u>13,020</u>	<u>66,710</u>
CHANGE IN NET POSITION	<u>(239,985)</u>	<u>(1,042,608)</u>	<u>(140,578)</u>	<u>(10,774)</u>	<u>230,187</u>	<u>(188,778)</u>	<u>(1,392,536)</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>
NET POSITION, JUNE 30, 2022	<u>\$ 8,532,138</u>	<u>\$ 16,368,415</u>	<u>\$ 1,919,263</u>	<u>\$ 2,620,049</u>	<u>\$ 1,630,963</u>	<u>\$ 5,226,045</u>	<u>\$ 36,296,873</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, 2022

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Business Type Activities
Cash Flows from Operating Activities							
Cash received from customers	\$ 2,349,224	\$ 1,494,807	\$ 1,865,893	\$ 1,788,502	\$ 985,487	\$ 844,306	\$ 9,328,219
Other cash receipts	34,015	295,407	22,824	10,442	16,797	24,024	403,509
Cash payments for gas supplies	-	-	(1,908,682)	-	-	-	(1,908,682)
Cash payments for water supplies	(2,037,716)	-	-	-	(624,427)	-	(2,662,143)
Cash payments for sewer supplies	-	(1,175,925)	-	-	-	(820,188)	(1,996,113)
Cash payments for sanitation supplies	-	-	-	(1,622,894)	-	-	(1,622,894)
Cash payments to employees for services	(42,678)	(40,347)	(12,674)	(39,553)	(20,784)	(15,474)	(171,510)
Net cash provided by (used for) operating activities	302,845	573,942	(32,639)	136,497	357,073	32,668	1,370,386
Cash Flows from Capital and Related Financing Activities							
Acquisition and construction of capital assets	(178,596)	(234,354)	(76,244)	(194,244)	-	(98,300)	(781,738)
Interest paid on long-term debt	(68,457)	(334,103)	(7)	(4,395)	(34,325)	(68,798)	(510,085)
Principal paid on long-term debt	(250,600)	(248,306)	-	(9,462)	(59,678)	(87,746)	(655,792)
Increase in customer deposits	5,077	-	(993)	-	1,843	-	5,927
Change in due from (to) other funds	(108,933)	(34,063)	3,075	(3,023)	(5,339)	3,166	(145,117)
Issuance of debt	-	-	-	73,283	-	-	-
Proceeds from sale of assets	-	-	-	10,001	-	-	10,001
Transfers in (out)	100,796	109,536	12,075	-	-	-	222,407
Capital grants received	-	-	-	-	2,620	30,943	33,563
Capital contributions received	10,800	35,000	5,250	-	2,640	13,020	66,710
Net cash used for capital and related financing activities	(489,913)	(706,290)	(56,844)	(127,840)	(92,239)	(207,715)	(1,754,124)
Cash Flows from Investing Activities							
Interest income from investments	5,558	8,029	6,920	10,178	4,532	3,526	38,743
Net cash provided by investing activities	5,558	8,029	6,920	10,178	4,532	3,526	38,743
Net increase (decrease) in cash and cash equivalents	(181,510)	(124,319)	(82,563)	18,835	269,366	(171,521)	(344,995)
Cash and cash equivalents, June 30, 2021	1,284,836	1,841,738	1,366,246	1,759,134	780,157	968,380	8,000,491
Cash and cash equivalents, June 30, 2022	\$ 1,103,326	\$ 1,717,419	\$ 1,283,683	\$ 1,777,969	\$ 1,049,523	\$ 796,859	\$ 7,655,496
Cash and Cash Equivalents Reported As:							
Unrestricted	\$ 812,315	\$ 1,202,449	\$ 1,234,353	\$ 1,777,969	\$ 899,117	\$ 542,832	\$ 6,469,035
Restricted	294,629	514,970	49,330	-	150,406	254,027	1,263,362
	\$ 1,106,944	\$ 1,717,419	\$ 1,283,683	\$ 1,777,969	\$ 1,049,523	\$ 796,859	\$ 7,732,397
Reconciliation of operating loss to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ (291,076)	\$ (863,683)	\$ (164,816)	\$ (26,558)	\$ 254,255	\$ (168,024)	\$ (1,259,902)
Adjustments to reconcile operating loss to net cash provided by operating activities:							
Depreciation	534,225	1,370,448	78,575	185,511	75,227	270,532	2,514,518
Net pension and OPEB adjustment	6,950	6,565	2,105	6,394	3,395	2,358	27,767
Changes in assets and liabilities:							
Decrease (increase) in accounts receivable	(42,581)	47,434	(669)	(27,486)	16,532	(7,847)	(14,617)
Decrease (increase) in prepaids	3,618	-	-	-	9,403	17,911	30,932
(Decrease) increase in accounts payable and accrued expenses	91,709	13,178	52,166	(1,364)	(1,739)	(82,262)	71,688
Total adjustments	593,921	1,437,625	132,177	163,055	102,818	200,692	2,630,288
Net cash provided by (used for) operating activities	\$ 302,845	\$ 573,942	\$ (32,639)	\$ 136,497	\$ 357,073	\$ 32,668	\$ 1,370,386

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

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF FINANCIAL POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2022

	City of Pikeville Exposition Center Corporation	City of Pikeville Economic and Industrial Authority Corporation	Total
ASSETS			
Current Assets			
Cash on Hand and In Bank	\$ 721,756	\$ -	\$ 721,756
Accounts receivable - Trade	84,163	-	84,163
Accounts receivable - Other	4,463	-	4,463
Inventories	140,374	-	140,374
Lease receivable	-	60,118	60,118
Prepaid Expenses	152,810	-	152,810
Total Current Assets	1,103,566	60,118	1,163,684
Lease receivable, net of current portion	-	711,165	711,165
Capital Assets			
Nondepreciable capital assets	-	-	-
Depreciable capital assets	616,809	-	616,809
Accumulated depreciation	(398,767)	-	(398,767)
Total Assets	<u>\$ 1,321,608</u>	<u>\$ 771,283</u>	<u>\$ 2,092,891</u>
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 135,820	\$ -	\$ 135,820
Accrued Payroll and Related Expenses	23,615	-	23,615
Accrued Expenses	10,584	-	10,584
Advance Ticket Sales	434,578	-	434,578
Unearned Revenue	146,760	-	146,760
Current portion of Long-term Debt	4,601	-	4,601
Total Current Liabilities	755,958	-	755,958
Long-Term Liabilities			
Notes Payable	5,249	-	5,249
Total Long-Term Liabilities	5,249	-	5,249
Total Liabilities	<u>761,207</u>	<u>-</u>	<u>761,207</u>
NET POSITION			
Net investment in capital assets	208,192	-	218,042
Restricted	352,209	771,283	1,113,642
Unrestricted	-	-	-
Total net position	<u>\$ 560,401</u>	<u>\$ 771,283</u>	<u>\$ 1,331,684</u>

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

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	City of Pikeville Exposition Center Corporation	City of Pikeville Economic and Industrial Authority	Total
City of Pikeville Exposition Center Corporation	\$ 5,209,471	\$ 3,719,952	\$ 1,315,994	\$ -	\$ (173,525)		\$ (173,525)
City of Pikeville Economic and Industrial Authority	-	-	-	770,000	-	770,000	770,000
Total discretely presented component units	\$ 5,209,471	\$ 3,719,952	\$ 1,315,994	\$ 770,000	\$ (173,525)	\$ 770,000	\$ 596,475
General Revenues:							
					73,072	-	73,072
Hotel/motel taxes					53,389	-	53,389
Sales tax rebate					15,469	-	15,469
Other					-	1,283	1,283
Gain (loss) on disposal of assets					225,600	-	225,600
PPP loan forgiveness					4,932	-	4,932
Interest income					372,462	1,283	373,745
Total general revenues							
Change in net position					198,937	771,283	970,220
Net position, June 30, 2021, as restated					361,464	-	361,464
Net position, June 30, 2022					\$ 560,401	\$ 771,283	\$ 1,331,684

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

CITY OF PIKEVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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

The following fund types are used by the City:

Governmental Funds

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

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

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

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

Debt Service Funds. Debt Service Funds are used to account for debt payments on outstanding bonds. The City has the Debt Service the App, Event Center/Pool Station, Series 2017, and fire truck lease 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 Units are included

in the reporting entity because the primary government is financially accountable for and is able to impose its will on the organization.

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

City of Pikeville Exposition Center Corporation is a legally separate not-for-profit entity that operates the Appalachian Wireless Arena (Eastern Kentucky Exposition Center). The beginning net assets as of June 30, 2021 were restated as a result of an error resulting in a decrease to net assets of \$171,194.

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

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

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

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

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

- e. **Assets, Liabilities, and Net Position**

- Assets

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

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

To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding fair value measurement of investments is disclosed in Note (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, 2022 was \$772,445. The allowance for uncollectible utility receivables as of June 30, 2022 was \$377,606 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 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. Adoption of the provisions of this statement did not have a material effect on the City's 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.

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

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

Requirements that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for non-monetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement No. 34, and terminology updates are effective upon issuance. Requirements related to leases, public-public and public-private partnerships (PPPs), and SBITAs are effective for fiscal years beginning after June 15, 2022, and for all reporting periods thereafter. Requirements related to other requirements related to derivative instruments are effective for fiscal years beginning after June 15, 2023, and for all reporting periods thereafter. Adoption of the provisions required upon issuance of this statement 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 June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections (an amendment of GASB Statement No. 62)* ("GASB 100"), which has as its primary objective to provide more straightforward guidance that is easier to understand and is more reliable, relevant, consistent, and comparable across governments for making decisions and assessing accountability. Improving the clarity of accounting and financial reporting requirements for accounting changes and error corrections will mean greater consistency in the application of these requirements in general.

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

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

The requirements of GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and for all reporting periods thereafter. Management is currently evaluating the impact of this Statement on its financial statements.

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

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

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

(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 2021 assessed value for real property was \$551,373,186. Assessed value of tangible property was \$109,631,862. 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 2022 were levied on November 1, 2021 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, 2022, the City had \$28,070,943 in financial institutions, of which \$1,024,974 was insured, \$26,962,483 was collateralized, and \$83,486 was uninsured, uncollateralized.

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, 2022, 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	\$ 3,041,904	\$ 3,041,904	\$ -	\$ -	\$ -
Money Markets	735,216	735,216	-	-	-

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, 2022 were \$1,527,278 and \$1,263,362, respectively.

(4) CAPITAL ASSETS

The activity related to capital assets for the fiscal year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Reclassifications and Disposals	Balance June 30, 2022
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 15,503,994	\$ -	\$ -	\$ 15,503,994
Construction in progress	10,377,896	2,651,307	10,180,955	2,848,248
Capital assets being depreciated:				
Buildings and improvements	50,569,653	10,395,781	-	60,965,434
Vehicles	4,913,929	224,331	-	5,138,260
Equipment	7,248,279	790,388	39,989	7,998,678
Infrastructure	56,091,639	-	-	56,091,639
Intangible right-to-use lease	941,645	232,763	28,495	1,145,913
	145,647,035	14,294,570	10,249,439	149,692,166
Accumulated depreciation	(57,971,143)	(3,251,926)	(55,186)	(61,167,883)
	<u>\$ 87,675,892</u>	<u>\$ 11,042,644</u>	<u>\$ 10,194,253</u>	<u>\$ 88,524,283</u>

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Business-type Activities:				
Land	\$ 138,000	\$ -	\$ -	\$ 138,000
Plant and distribution systems	76,910,364	552,364	-	77,462,728
Vehicles	2,467,352	-	-	2,467,352
Equipment	4,414,496	153,449	3,140	4,564,805
Intangible right-to-use lease	28,664	91,928	-	120,592
Construction in progress	16,002	-	16,002	-
	83,974,878	797,741	19,142	84,753,477
Accumulated depreciation	(34,509,670)	(2,514,518)	(2,877)	(37,021,311)
	<u>\$ 49,465,208</u>	<u>\$ (1,716,777)</u>	<u>\$ 16,265</u>	<u>\$ 47,732,166</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 1,896,584
Public Safety	430,368
Streets	541,096
Recreation	299,819
Economic Development	3,265
Events	9,178
Tourism	59,444
Lake Cleanup	5,579
Landscape	6,593
	<u>\$ 3,251,926</u>

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

Water fund	\$ 534,225
Sewer fund	1,370,448
Gas fund	78,575
Sanitation fund	185,511
Outside water	75,227
Outside sewer	270,532
	<u>\$ 2,514,518</u>

(5) INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2022 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Projects Fund	General Fund	\$ 850,000
Cash Flow Fund	Utility Funds	987
General Fund	Utility Funds	7,865

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	\$ 612,820
Operating	General	Tourism	Operations	2,328,241
Advance	General	Projects Control	Grant Advance	850,000
Operating	Projects Control	Utility Funds	Capital Outlay	222,407
Operating	Coal Severance	Projects Control	Capital Outlay	118,001

(6) LONG-TERM DEBT

Long-term debt at June 30, 2022 is comprised of the following:

Bank of New York, \$3,025,000 Series 2012A (Jenny Wiley) with varying interest of 0.60% to 3.125% which is an effective rate of 2.9%, with the balance of principal due April 1, 2032	\$ 1,675,000
Community Trust Bank, \$4,125,000 Series 2019 maturing through December 1, 2043, with interest at 3.149%.	3,770,000
Truist Bank, \$821,453 General Obligation Series 2022 maturing through June 1, 2032, with net average interest of 2.92%	821,453

Community Trust Bank, \$3,730,000 Series 2017 maturing through November 1, 2037, with net average interest of 5.00%, secured by system revenues.	3,155,000
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.	845,000
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.	55,000
	<u>10,321,453</u>
Plus: Premiums	87,126
Less: Discounts	<u>(66,311)</u>
Net general obligation bonds payable	<u>10,342,268</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.	1,230,000
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.	1,505,500
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.	2,910,500
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.	5,228,000
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.	4,752,500
Total revenue bonds	<u>15,626,500</u>
Community Trust Bank, \$1,681,462 financed purchase lease maturing through August 23, 2036, with interest at 2.5%, secured by a fire truck.	<u>1,603,647</u>
Total debt	<u>\$ 27,572,415</u>

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

Current portion - City of Pikeville	\$ 704,698
Long-term portion	8,180,621
Total	<u>\$ 8,885,319</u>

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

Current portion - City of Pikeville	\$ 673,125
Long-term portion	18,843,111
Total	<u>\$ 19,516,236</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Amount due Within One Year
Governmental activities:					
Bonds payable	\$ 6,070,000	\$ 821,453	\$ 315,000	\$ 6,576,453	\$ 388,161
Other financing	-	1,681,467	77,820	1,603,647	95,540
Plus: Premiums	11,071	-	1,516	9,555	-
Less: Discounts	(59,754)	-	(8,440)	(51,314)	-
Compensated absences	245,298	-	6,538	238,760	-
Lease obligations	740,039	232,763	225,824	746,978	220,997
	<u>7,006,654</u>	<u>2,735,683</u>	<u>618,258</u>	<u>9,124,079</u>	<u>704,698</u>
Business-type activities:					
Bonds payable	4,055,000	-	310,000	3,745,000	350,000
Revenue bonds	15,925,000	-	298,500	15,626,500	306,000
Plus: Premiums	86,655	-	9,084	77,571	-
Less: Discounts	(15,731)	-	(734)	(14,997)	-
Lease obligation	18,341	73,283	9,462	82,162	17,125
	<u>20,069,265</u>	<u>73,283</u>	<u>626,312</u>	<u>19,516,236</u>	<u>673,125</u>
	<u>\$ 27,075,919</u>	<u>\$ 2,808,966</u>	<u>\$ 1,234,207</u>	<u>\$ 28,640,315</u>	<u>\$ 1,304,662</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, 2022 are as follows:

Principal Portion:

	General Obligation	Proprietary Funds					Total
		Water	Sewer	Outside Sewer	Outside Water	Total Proprietary	
2023	\$ 483,702	\$ 154,900	\$ 377,600	\$ 72,650	\$ 50,850	\$ 656,000	\$ 1,139,702
2024	501,855	104,800	442,900	73,383	52,917	674,000	1,175,855
2025	516,490	106,000	452,700	78,738	54,562	692,000	1,208,490
2026	531,250	107,200	472,500	79,502	55,298	714,500	1,245,750
2027	546,140	112,100	482,800	81,069	57,031	733,000	1,279,140
2028-2032	2,963,813	334,200	1,752,900	429,525	212,875	2,729,500	5,693,313
2033-2037	1,616,850	306,400	1,735,600	496,547	220,452	2,758,999	4,375,849
2038-2042	795,000	350,800	1,572,200	527,030	164,740	2,614,770	3,409,770
2043-2047	225,000	402,000	1,666,500	429,000	184,231	2,681,731	2,906,731
2048-2052	-	460,400	1,886,600	281,750	105,750	2,734,500	2,734,500
2053-2057	-	307,200	2,075,300	-	-	2,382,500	2,382,500
	<u>\$ 8,180,100</u>	<u>\$ 2,746,000</u>	<u>\$ 12,917,600</u>	<u>\$ 2,549,194</u>	<u>\$ 1,158,706</u>	<u>\$ 19,371,500</u>	<u>\$ 27,551,600</u>

Interest Portion:

	General Obligation	Proprietary Funds					Total
		Water	Sewer	Outside Sewer	Outside Water	Total Proprietary	
2023	\$ 238,117	\$ 63,672	\$ 330,829	\$ 66,105	\$ 33,042	\$ 493,648	\$ 731,765
2024	226,270	59,715	319,591	64,008	31,802	475,116	701,386
2025	212,598	56,913	307,247	62,580	29,837	456,577	669,175
2026	198,531	54,084	294,484	60,377	28,445	437,390	635,921
2027	184,066	51,173	281,302	58,358	26,812	417,645	601,711
2028-2032	676,548	224,892	1,247,392	257,459	116,413	1,846,156	2,522,704
2033-2037	307,822	192,105	1,030,829	195,286	86,410	1,504,630	1,812,452
2038-2042	98,487	155,682	813,008	125,296	50,099	1,144,085	1,242,572
2043-2047	8,531	113,976	619,107	63,709	25,650	822,442	830,973
2048-2052	-	66,195	401,412	13,280	5,281	486,168	486,168
2053-2057	-	13,932	155,595	-	-	169,527	169,527
	<u>\$ 2,150,970</u>	<u>\$ 1,052,339</u>	<u>\$ 5,800,796</u>	<u>\$ 966,458</u>	<u>\$ 433,791</u>	<u>\$ 8,253,384</u>	<u>\$ 10,404,354</u>

(7) LEASE OBLIGATIONS

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

Governmental Activities:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 220,997	\$ 27,003
2024	216,997	16,606
2025	154,562	9,157
2026	101,418	4,068
2027	53,004	1,068
2028	-	-
	<u>\$ 746,978</u>	<u>\$ 57,902</u>

Proprietary Activities:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 17,125	\$ 3,309
2024	22,135	2,290
2025	13,494	1,533
2026	14,067	959
2027	15,341	285
2028	-	-
	<u>\$ 82,162</u>	<u>\$ 8,376</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 (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 (\$1,961.56) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.30%.

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

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

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

Enterprise Fleet Management (1674)- entered into a five-year lease for a vehicle on November 24, 2021. Monthly payments of \$868.27 are due, with the first payment made on December 20, 2021. The City guarantees the lessor will receive the fair market value (\$5,163.21) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.86%.

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

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

Enterprise Fleet Management (6041)- entered into a five-year lease for a vehicle on April 26, 2022. Monthly payments of \$722.50 are due, with the first payment made on May 20, 2022. The City guarantees the lessor will receive the fair market value (\$8,324.20) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.88%.

(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, 2022 was 26.95% for nonhazardous (21.17%-pension, 5.78%-insurance) and 44.33% for hazardous (33.86% pension, 10.47% 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 \$745,355 for nonhazardous and \$294,079 for hazardous for the year ended June 30, 2022.

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

At June 30, 2022, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2021 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, 2021. At June 30 2021, the City's proportion for nonhazardous and hazardous was .125026% and .174901%, respectively.

For the year ended June 30, 2022, the City recognized pension expense of \$1,282,763. At June 30, 2022, 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	\$ 91,536	\$ 77,368
Changes of assumptions	106,986	-
Net difference between projected and actual earnings on investments	-	1,062,452
Changes in proportion and differences between City contributions and proportionate share of contributions	748,754	-
City contributions subsequent to the measurement date	745,355	-
	<u>\$ 1,692,631</u>	<u>\$ 1,139,820</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 128,401	\$ -
Changes of assumptions	58,154	-

Net difference between projected and actual earnings on investments	-	499,847
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,127,840
City contributions subsequent to the measurement date	294,079	-
	<u>\$ 480,634</u>	<u>\$ 1,627,687</u>

At June 30, 2022, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$745,355 and \$294,079 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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:

Year	Nonhazardous	Hazardous
2023	\$ 351,526	\$ (457,915)
2024	10,527	(411,283)
2025	(221,892)	(342,446)
2026	(332,705)	(229,488)
	<u>\$ (192,544)</u>	<u>\$ (1,441,132)</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2020. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	30 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll growth	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

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 2019 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	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private US Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60)%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Expected Real Return	<u>100.00%</u>	5.00%
Long Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		<u>7.30%</u>

**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:

	<u>1% Decrease (5.25%)</u>	<u>Current discount rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
City's proportionate share of the net pension liability			
Nonhazardous	\$ 10,223,683	\$ 7,971,388	\$ 6,107,667
Hazardous	\$ 5,934,901	\$ 4,656,143	\$ 3,613,961

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, 2022, there was a total payable to CERS of \$106,779 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, 2022, CERS allocated 5.78% of the 26.95% nonhazardous and 10.47% of the 44.33% 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, 2022, the City contributed \$203,503 and \$90,934 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, 2022, the City reported as a liability its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2021 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, 2021. At June 30 2021, the City's proportion for nonhazardous and hazardous was 0.124997% and 0.174900%, respectively.

For the year ended June 30, 2022, the City recognized OPEB expense of \$428,383, including an implicit subsidy of \$77,243. At June 30, 2022, 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	\$ 376,301	\$ 714,472
Changes of assumptions	634,430	2,225
Net difference between projected and actual earnings on investments	-	374,352
Changes in proportion and differences between City contributions and proportionate share of contributions	368,536	991
City contributions subsequent to the measurement date	203,503	-
	<u>\$ 1,582,770</u>	<u>\$ 1,092,040</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 44,191	\$ 152,142
Changes of assumptions	354,642	528
Net difference between projected and actual earnings on investments	-	266,179
Changes in proportion and differences between City contributions and proportionate share of contributions	-	446,023
City contributions subsequent to the measurement date	90,934	-
	<u>\$ 489,767</u>	<u>\$ 864,872</u>

At June 30, 2022, the City reported deferred outflows of resources related to OPEB for City contributions subsequent to the measurement date of \$203,503 and \$90,934 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023.

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>
2023	\$ 173,892	\$ (170,160)
2024	116,789	(102,794)
2025	93,786	(77,495)
2026	(97,240)	(105,086)
2027	-	(10,504)
Thereafter	-	-
	<u>\$ 287,227</u>	<u>\$ (466,039)</u>

Actuarial Methods and Assumptions: The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
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 2019.
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.

Assumption Changes - The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

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	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private US Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60)%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Expected Real Return	<u>100.00%</u>	5.00%
Long Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		<u>7.30%</u>

**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 5.20%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. 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 5.20%, 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 (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

	<u>1% Decrease (4.20%)</u>	<u>Current discount rate (5.20%)</u>	<u>1% Increase (6.20%)</u>
City's proportionate share of the net OPEB liability - Nonhazardous	\$ 3,285,578	\$ 2,393,005	\$ 1,722,679

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 5.05, 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 (4.05%) or 1-percentage-point higher (6.05%) than the current rate:

	1% Decrease (4.05%)	Current discount rate (5.05%)	1% Increase (6.05%)
City's proportionate share of the net OPEB liability - Hazardous	\$ 2,050,279	\$ 1,414,170	\$ 903,094

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:

	1% Decrease	Current trend rate	1% Increase
City's proportionate share of the net OPEB liability			
Nonhazardous	\$ 1,722,679	\$ 2,393,005	\$ 3,202,099
Hazardous	\$ 926,641	\$ 1,414,170	\$ 2,011,277

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, 2022, there was a total payable to CERS of \$106,779, 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, 2022 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 - A lease on the Dils Cemetery located adjacent to the Pikeville Bypass Road and Chloe Creek Road for \$1 per year. The lease is for a term of fifteen years, automatically renewed for successive one-year terms under the same terms and conditions, termination can be by either party upon giving 180 days' notice prior to the end of the term.

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

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

Inter Mountain Cable, Inc. - The City entered into a partnership agreement on February 24, 2020 with Inter Mountain Cable, Inc. to deploy a fiber optic network capable of providing its citizens with high speed broadband services to support economic development within the City. As part of the agreement, Inter Mountain Cable, Inc. agreed to construct and maintain the infrastructure and allow the City to repay construction costs over time with no interest. The project is to occur over three phases. Phase I will be repaid on a ten-year schedule and Phases II and III will each be repaid on a fifteen-year schedule. Construction of Phase I has begun and is estimated for a total cost of \$6,960,239 with the City's portion being \$5,100,766, and Inter Mountain Cable, Inc.'s being \$1,859,473.

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, 2022</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Mutual Funds	\$ 3,041,904	\$ 3,041,904	\$ -	\$ -
Money Markets	735,216	735,216	-	-

(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 2021, 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 November 8, 2022, the City entered into a bond anticipation note in the amount of \$500,000 with US Bank as interim financing for renovations to fire station #2. The note will be paid off with Rural Development funding.

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, 2022

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property taxes	\$ 879,000	\$ -	\$ 879,000	\$ 996,479	\$ 117,479
Franchise taxes	780,000	178,200	958,200	970,698	12,498
Occupational license fees	9,360,000	1,750,000	11,110,000	11,484,810	374,810
Other taxes	2,225,500	484,500	2,710,000	2,728,599	18,599
Permits and fees	80,500	-	80,500	79,619	(881)
Grants - Federal	733,865	988,329	1,722,194	1,675,052	(47,142)
Grants - State	643,514	25,500	669,014	806,721	137,707
Other grants	547,138	339,553	886,691	704,027	(182,664)
Charges for services	580,000	20,000	600,000	641,852	41,852
Interest income	65,000	(313,500)	(248,500)	(167,576)	80,924
Other revenue	1,055,115	178,268	1,233,383	1,387,773	154,390
	<u>16,949,632</u>	<u>3,650,850</u>	<u>20,600,482</u>	<u>21,308,054</u>	<u>707,572</u>
Expenditures					
General Government:	4,249,769	1,685,253	5,935,022	4,942,813	992,209
Public Safety:					
Police	2,633,713	381,865	3,015,578	2,771,980	243,598
Fire	3,040,950	61,770	3,102,720	2,897,746	204,974
Ambulance Service	153,450	74,065	227,515	212,321	15,194
Dispatch Service	349,035	(4,980)	344,055	296,259	47,796
Codes	216,150	150	216,300	171,779	44,521
911	414,150	6,780	420,930	399,537	21,393
Emergency Shelter	11,000	-	11,000	11,000	-
Streets	2,396,820	16,800	2,413,620	1,894,047	519,573
Economic Development	586,860	61,735	648,595	617,169	31,426
Parking Garage	99,100	(4,500)	94,600	71,394	23,206
Recreation	1,254,610	(192,000)	1,062,610	923,508	139,102
Fiber	500,000	(200,000)	300,000	-	300,000
Events	327,475	(124,840)	202,635	193,498	9,137
Tourism	398,408	(34,563)	363,845	210,724	153,121
Lake Cleanup	79,100	7,485	86,585	62,527	24,058
Landscape	111,230	6,150	117,380	113,018	4,362
Ridge Cliff	360,000	120,000	480,000	440,945	39,055
Capital Outlay	1,970,505	968,914	2,939,419	2,429,615	509,804
Debt Service					
Principal	214,107	2,643	216,750	199,873	16,877
Interest	58,715	13,367	72,082	61,065	11,017
Total expenditures	<u>19,425,147</u>	<u>2,846,094</u>	<u>22,271,241</u>	<u>18,920,818</u>	<u>3,350,423</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	-	109,975	109,975	118,050	8,075
Inception of Leases	249,000	223,111	472,111	232,763	(239,348)
Eastern Kentucky Exposition Center/Tourism	1,350,000	70,677	1,420,677	1,416,600	(4,077)
Transfers In	-	-	-	-	-
Transfers Out	(2,606,952)	(1,408,431)	(4,015,383)	(3,791,061)	224,322
	<u>(1,007,952)</u>	<u>(1,004,668)</u>	<u>(2,012,620)</u>	<u>(2,023,648)</u>	<u>(11,028)</u>
Net change in fund balance	(3,483,467)	(199,912)	(3,683,379)	363,588	4,046,967
Fund balance beginning of year	<u>3,484,032</u>	<u>200,247</u>	<u>3,684,279</u>	<u>17,434,458</u>	<u>13,750,179</u>
Fund balance end of year	<u>\$ 565</u>	<u>\$ 335</u>	<u>\$ 900</u>	<u>\$ 17,798,046</u>	<u>\$ 17,797,146</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, 2022

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
Intergovernmental Revenue	\$ 60,000	\$ -	\$ 60,000	\$ 167,818	\$ 107,818
Interest Income	2,500	-	2,500	4,470	1,970
Other Revenue	-	-	-	-	-
Total MTC revenues	<u>62,500</u>	<u>-</u>	<u>62,500</u>	<u>172,288</u>	<u>109,788</u>
EXPENDITURES					
Recreation	30,000	-	30,000	30,000	-
Capital Outlay	<u>157,665</u>	<u>-</u>	<u>157,665</u>	<u>109,225</u>	<u>48,440</u>
	<u>187,665</u>	<u>-</u>	<u>187,665</u>	<u>139,225</u>	<u>48,440</u>
Other Financing Sources (Uses)					
Transfers Out	<u>(118,100)</u>	<u>-</u>	<u>(118,100)</u>	<u>(118,001)</u>	<u>99</u>
	<u>(118,100)</u>	<u>-</u>	<u>(118,100)</u>	<u>(118,001)</u>	<u>99</u>
Net change in fund balance	<u>(243,265)</u>	<u>-</u>	<u>(243,265)</u>	<u>(84,938)</u>	<u>158,228</u>
Fund Balance - Beginning of Year	<u>243,265</u>	<u>-</u>	<u>243,265</u>	<u>899,010</u>	<u>655,745</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 814,072</u>	<u>\$ 813,973</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, 2022**

	Reporting Fiscal Year (Measurement Date)							
	2022		2021		2020		2019	
	(2021)		(2020)		(2019)		(2018)	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
PENSION								
City's proportion of the net pension liability	0.13%	0.17%	0.11%	0.21%	0.11%	0.24%	0.10%	0.27%
City's proportionate share of the net pension liability	\$ 7,971,388	\$ 4,656,143	\$ 8,796,781	\$ 6,256,305	\$ 6,498,548	\$ 7,566,923	\$ 5,865,024	\$ 6,621,421
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 proportionate share of the net pension liability as a percentage of its covered-employee payroll	200.551%	341.551%	294.740%	517.460%	235.760%	564.764%	241.736%	434.152%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	52.26%	47.81%	44.11%	50.45%	46.63%	53.54%	49.26%
INSURANCE FUND								
City's proportion of the net OPEB liability	0.12%	0.17%	0.11%	0.21%	0.11%	0.24%	0.10%	0.27%
City's proportionate share of the net OPEB liability	\$ 2,393,005	\$ 1,414,170	\$ 2,768,666	\$ 1,916,946	\$ 1,809,212	\$ 1,740,246	\$ 1,709,752	\$ 1,952,097
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 proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	60.205%	103.736%	92.765%	158.551%	65.636%	129.885%	70.470%	127.995%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	66.81%	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, 2022**

	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, 2022**

	2022		2021		2020		2019		2018	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
PENSION										
Contractually required contribution	\$ 745,355	\$ 294,079	\$ 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>745,355</u>	<u>294,079</u>	<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	\$ 3,520,808	\$ 868,514	\$ 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	21.17%	33.86%	19.30%	30.06%	19.30%	30.06%	16.22%	24.86%	14.48%	22.20%
INSURANCE FUND										
Contractually required contribution	\$ 203,503	\$ 90,934	\$ 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>203,503</u>	<u>90,934</u>	<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	\$ 3,520,808	\$ 868,514	\$ 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	5.78%	10.47%	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, 2022**

	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 - PENSION
FOR THE YEAR ENDED JUNE 30, 2022

(1) CHANGES OF ASSUMPTIONS

CERS

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

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

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

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

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

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

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

CERS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ended 2019, 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	30 years, closed
Payroll growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, 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)

(3) CHANGES OF BENEFITS

CERS

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

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

**CITY OF PIKEVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
FOR THE YEAR ENDED JUNE 30, 2022**

(1) CHANGES OF ASSUMPTIONS

CERS Insurance Fund

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

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

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

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

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

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

CERS Insurance Fund

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2021:

Valuation Date	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	30 Years, closed (Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)
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
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuations and were incorporated into the liability measurement.
Post-65	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous and hazardous.
Mortality	System-specific mortality table on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

(3) CHANGES OF BENEFITS

CERS Insurance Fund

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.

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

SUPPLEMENTAL INFORMATION

**CITY OF PIKEVILLE, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022**

	Debt Service Funds				Special Revenue Funds					Total Nonmajor Governmental Funds
	Debt Service the App	Fire Truck Lease	Event Center/ Pool Station Debt Service	Series 2017 Debt Service	Tourism Convention	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	
Assets										
Cash	\$ 68,974	\$ 773	\$ 10,502	\$ 23,032	\$ 33,155	\$ 28,162	\$ 169,840	\$ 16,117	\$ 12,151	\$ 362,706
Receivables	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	987	987
Total assets	<u>\$ 68,974</u>	<u>\$ 773</u>	<u>\$ 10,502</u>	<u>\$ 23,032</u>	<u>\$ 33,155</u>	<u>\$ 28,162</u>	<u>\$ 169,840</u>	<u>\$ 16,117</u>	<u>\$ 13,138</u>	<u>\$ 363,693</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:										
Other deferred revenues	-	-	-	-	-	-	162,752	-	-	162,752
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,752</u>	<u>-</u>	<u>-</u>	<u>162,752</u>
Fund Balances:										
Unassigned	-	-	-	-	-	-	-	-	-	-
Assigned	68,974	773	10,502	23,032	33,155	28,162	7,088	16,117	13,138	200,941
Total fund balances	<u>68,974</u>	<u>773</u>	<u>10,502</u>	<u>23,032</u>	<u>33,155</u>	<u>28,162</u>	<u>7,088</u>	<u>16,117</u>	<u>13,138</u>	<u>200,941</u>
Total liabilities and fund balances	<u>\$ 68,974</u>	<u>\$ 773</u>	<u>\$ 10,502</u>	<u>\$ 23,032</u>	<u>\$ 33,155</u>	<u>\$ 28,162</u>	<u>\$ 169,840</u>	<u>\$ 16,117</u>	<u>\$ 13,138</u>	<u>\$ 363,693</u>

CITY OF PIKEVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Debt Service Funds				Special Revenue Funds				Total Nonmajor Governmental Funds
	Debt Service the App	Fire Truck Lease	Event Center/ Pool Station Debt Service	Series 2017 Debt Service	Tourism Convention	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow
Revenues									
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,942	\$ 5,982	\$ -	\$ 7,924
Other revenue	-	-	-	-	-	-	-	62,400	62,400
Interest income	227	141	7	-	345	227	56	-	1,003
Total revenues	227	141	7	-	345	2,169	6,038	62,400	71,327
Expenditures									
Public safety - police	-	-	-	-	-	3,099	-	-	3,099
Public works	-	-	-	-	-	-	-	-	-
Tourism/Community Development	-	-	-	-	2,323,331	-	-	66,957	2,390,288
Capital outlay	-	-	-	-	-	15,207	5,500	-	20,707
Debt service	194,259	112,368	250,585	54,975	-	-	-	-	612,187
Total expenditures	194,259	112,368	250,585	54,975	2,323,331	18,306	5,500	66,957	3,026,281
Excess of Revenues Over (Under) Expenditures	(194,032)	(112,227)	(250,578)	(54,975)	(2,322,986)	(16,137)	538	(4,557)	(2,954,954)
Other Financing Sources (Uses)									
Transfers in	194,260	113,000	250,585	54,975	2,328,241	-	-	-	2,941,061
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	194,260	113,000	250,585	54,975	2,328,241	-	-	-	2,941,061
Net change in fund balances	228	773	7	-	5,255	(16,137)	538	(4,557)	(13,893)
Fund balances beginning of year	68,746	-	10,495	23,032	27,900	44,299	6,550	20,674	13,138
Fund balances end of year	\$ 68,974	\$ 773	\$ 10,502	\$ 23,032	\$ 33,155	\$ 28,162	\$ 7,088	\$ 16,117	\$ 200,941

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Grantor/Program Title	Federal AL Number	Pass-Through Grant Number	Subrecipient	Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Kentucky Department for Local Government				
Community Development Block Grant	14.228	21-034	\$ 770,000 *	\$ 770,000
Total U.S. Department of Housing and Urban Development				<u>770,000</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	-	<u>2,472</u>
Total US Department of Interior				<u>2,472</u>
<u>US Department of Transportation</u>				
Passed through the Kentucky Transportation Cabinet -				
Highway Safety Grant	20.600	2200000204	-	<u>27,370</u>
Downtown Pikeville Bikeway Project	20.205	PON 2 628 160003733 1	-	<u>58,424</u>
Total US Department of Transportation				<u>85,794</u>
<u>U.S. Department of Treasury</u>				
Passed through the Kentucky Department for Local Government				
American Rescue	21.027	KY0233	- *	<u>714,800</u>
Coronavirus Relief Funds	21.019	C3-135	-	<u>49,443</u>
Total U.S. Department of Treasury				<u>764,243</u>
<u>Appalachian Regional Commission</u>				
ARC Power	23.001	N/A	-	<u>32,396</u>
Total Appalachian Regional Commission				<u>32,396</u>
<u>U.S. Department of Justice</u>				
Equitable Sharing Program	16.922	N/A	-	<u>18,306</u>
Total U.S. Department of Justice				<u>18,306</u>
<u>Economic Development Administration</u>				
Economic Adjustment Program	11.307	N/A	-	<u>83,906</u>
Total Economic Development Administration				<u>83,906</u>
<u>US Department of Homeland Security</u>				
Passed through the Kentucky Emergency Management -				
FEMA 4218	97.036	FEMA-4218-Dr-KY	-	<u>2,259</u>
FEMA 4540	97.036	FEMA-4595-Dr-KY	-	<u>67,760</u>
Total US Department of Homeland Security				<u>70,019</u>
Total Expenditures of Federal Awards			<u>\$ 770,000</u>	<u>\$ 1,827,136</u>

* Major program.

CITY OF PIKEVILLE, KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

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, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Pikeville, Kentucky, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Pikeville, Kentucky.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

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

NOTE D - FEMA

The City of Pikeville, Kentucky was approved and received FEMA funds of \$70,019 during the year ended June 30, 2022 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.



Kelley **G**alloway
Smith **G**oolsby, 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, 2022, 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, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
December 8, 2022




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 Program

Opinion on Each Major Federal Program

We have audited City of Pikeville's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Kelley Galloway Smith Holsby, PSC
Ashland, Kentucky
December 8, 2022

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements-

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

Unmodified

Internal control over financial reporting:

- ☐ Material weakness(es) identified? Yes X No
- ☐ Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to the financial statements noted?

 Yes X No

Federal Awards-

Internal control over major federal programs:

- ☐ Material weakness(es) identified? Yes X No
- ☐ Significant deficiency(ies) identified? Yes X None reported

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

Unmodified

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

 Yes X No

Identification of Major Programs:

AL No.

CDBG	14.228
American Rescue Funds	21.027

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

\$750,000

Auditee qualified as low risk auditee?

 X Yes No

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022

There were no findings in the prior year.