

CITY OF PIKEVILLE, KENTUCKY

FINANCIAL STATEMENTS

For the year ended June 30, 2020

Wallen, Puckett, & Anderson, PSC

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 1349

PIKEVILLE, KENTUCKY 41502

CITY OF PIKEVILLE, KENTUCKY
FINANCIAL STATEMENTS

TABLE OF CONTENTS

June 30, 2020

	<u>PAGE #</u>
<u>GENERAL PURPOSE FINANCIAL STATEMENTS</u>	
Municipal Officials	1
Independent Auditor's Report	2-3
Management Discussion and Analysis	5-12
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances –Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds to the Statement of Activities	19
Proprietary Fund Financial Statements	
Fund Balance Sheets	20
Statement of Revenues, Expenses and Changes in Net Position	21
Statements of Cash Flows	22
Component Unit – City of Pikeville Exposition Center Corporation	
Statement of Net Position – City of Pikeville Exposition Center Corporation	23
Statement of Activities – City of Pikeville Exposition Center Corporation	24
Statement of Cash Flows – City of Pikeville Exposition Center Corporation	25-26
Notes to the Financial Statements	27-64
<u>INDIVIDUAL MAJOR FUND FINANCIAL STATEMENTS AND COUNTY EMPLOYEE RETIREMENT SYSTEM</u>	
Statement of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	66
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Coal Severance Tax	67
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Capital Projects - Projects Control	68
Statement of Revenue, Expenditures and Changes in Net Position – Budget and Actual – Water	69
Statement of Revenue, Expenditures and Changes in Net Position – Budget and Actual – Sewer	70
Statement of Revenue, Expenditures and Changes in Net Position – Budget and Actual – Gas	71
Statement of Revenue, Expenditures and Changes in Net Position – Budget and Actual – Sanitation	72
Statement of Revenue, Expenditures and Changes in Net Position – Budget and Actual – Outside Water	73
Statement of Revenue, Expenditures and Changes in Net Position – Budget and Actual – Outside Sewer	74
Schedule of the City's Proportionate Share of the Net Pension Liability - County Employees Retirement System (CERS) Non-hazardous and Hazardous	75
Schedule of the City's Proportionate Share of the Net OPEB Liability – Medical Insurance Plan	76
Schedule of City Contributions – Medical Insurance Plan	77
Notes to the Required Supplementary Information - Kentucky Retirement System – County Employee OPEB Plan	78-83

CITY OF PIKEVILLE, KENTUCKY
FINANCIAL STATEMENTS

TABLE OF CONTENTS
June 30, 2020

COMBINING FINANCIAL STATEMENTS

Balance Sheet – Combining – Other Governmental Funds	85
Statement of Revenues, Expenditures and Changes in Fund Balances – Combining – Other Governmental Funds	86

REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

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>	88-89
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	90-91
Schedule of Expenditures of Federal Awards	92-93
Notes to Schedule of Expenditures of Federal Awards	94
Schedule of Findings and Questioned Costs	95-96
Summary Schedule of Prior Audit Findings	97

CITY OF PIKEVILLE, KENTUCKY

MUNICIPAL OFFICIALS

JUNE 30, 2020

	Office	Name	Term	
Elective	Mayor	James A Carter	01/01/2019	12/31/2022
	Commissioners	Patrick McNamee	01/01/2019	12/31/2020
		Bob Shurtleff	01/01/2019	12/31/2020
		Steve Hartsock	01/01/2019	12/31/2020
		Allison Powers	01/01/2019	12/31/2020
Appointed	City Manager	Philip R. Elswick		
	Finance Director	Tonya Taylor		
	City Clerk	Robbi Bentley		
	City Attorney	Rusty R. Davis		

Wallen, Puckett, & Anderson, psc
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
City of Pikeville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pikeville, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Pikeville, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pikeville, Kentucky, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note U to the financial statements, in 2020, the City adopted new accounting guidance, *GASB No. 87, Leases*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-12 and 63-79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020, 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 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 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.

WALLEN, PUCKETT, AND ANDERSON, P. S. C.

Wallen, Puckett and Anderson, PSC

Certified Public Accountants
Pikeville, Kentucky

December 14, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

June 30, 2020

Our discussion and analysis of the City of Pikeville's financial performance provides an overview of the city's financial activities for the fiscal year ending June 30, 2020. Please review in conjunction with the city's financial statements.

REVIEWING THE ANNUAL REPORT

The annual report covers multiple financial statements. The Statement of Net Position and the Statement of Activities supply data about the activities of the city as a whole and provide information regarding the city's finances. For government activities, these statements provide long-term and short-term information about the city's overall status. Financial reporting is similar to that found in the private sector with its basis in full accrual accounting. Fund financial statements show city operations in more detail than government-wide statements, as they provide information about the city's most important funds.

FINANCIAL HIGHLIGHTS

Due to this year's operations, the city's Net Position is as follows: Net Position of business-type activities was \$38,124,513 and Net Position of governmental activities was \$75,285,574.

- The current year's expense total was \$26,135,674 as compared to the \$32,926,160 generated in fees and charges, grants, general revenues, and taxes for governmental programs (before extraordinary items). In the previous year, expenses were \$21,360,698 as compared to the \$22,133,484 generated in tax and other revenues for governmental programs (before extraordinary items).
- For business-type activities, city revenues were \$9,073,732. Expenses were \$9,322,408. In the previous year, city revenues were \$8,882,926. Expenses were \$8,900,369.
- The annual cost of all city programs was \$35,458,082. The previous year's cost was \$34,613,199.

THE CITY AS A WHOLE ANALYSIS

Because the Statement of Net Position and the Statement of Activities provide facts about the city as a whole, the statements can help determine if a city's financial condition has improved or deteriorated as a result of the year's activities. All assets and liabilities are included in the statements using the accrual basis of accounting. The accrual method is comparable to the accounting used by most private corporations. All current year revenues and expenses are included. It does not matter when cash is paid or received.

These statements give an account of the city's Net Position and any changes in those assets. However, to truly judge the condition of the city, some non-financial factors, such as diversification of the taxpayer base or the condition of the city's infrastructure, must be considered in addition to the financial information provided in this report.

The Statement of Net Position and the Statement of Activities divide the city into two types of activities:

- 1) Governmental activities: The city's basic services are accounted for in this section, including the police, fire, public works, parks departments and general administration. Property taxes, franchise fees, and state and federal grants finance the majority of these activities.
- 2) Business-type activities: These activities are reported in the fund financial statements and generally report services for which the city charges customers a fee. There are two kinds of Business-type activities. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as Business-type activities in the government-wide statements. Services are provided to customers external to the city organization such as water utilities. Internal service funds provide services and charge fees to customers within the city organization such as fleet services (maintenance and repair of vehicles) and the print shop (mail and printing services for city departments). Because the city's internal service funds primarily serve governmental functions, they are included within the Governmental activities of the government-wide financial statements.

Management's Discussion and Analysis

June 30, 2020

DETAILING THE MOST IMPORTANT FUNDS

The fund financial statements provide detailed information about the most important funds of the city. Certain funds are mandated by State law and by bond agreements. Other funds are established to manage money, meet legal requirements or for certain taxes or grants.

- Government funds: Basic services are reported in government funds. Government fund financial statements detail how money flows in and out of the funds and reports the balances at year-end that are on hand for disbursement. Government funds are reported using an accounting method called modified accrual accounting. This method measures cash and financial assets that can easily be converted to cash. The governmental fund accountability focuses on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the next term.

Budgetary comparison statements are included in the basic financial statements for the general fund and major revenue fund. These statements and schedules demonstrate compliance within the city adopted and final revised budget.

- Proprietary funds: Proprietary funds are those in which the city charges for services it provides, both to city units and outside customers. Proprietary funds are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. The city's enterprise funds, a component of proprietary funds, are the same as the business-type activities we report in the government-wide statements, but they give more detailed information such as cash flow. Another component of proprietary funds are internal service funds. Internal service funds cover activities that provide supplies and services for city programs.

CITY SERVING AS TRUSTEE

Due to trust arrangements, the city is often accountable for assets that can only be used for trust beneficiaries. All of these trustee proceedings are detailed in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position, if required. Because the city cannot use these assets to finance its operations, these activities are not included in other financial statements. However, the city must be certain the assets detailed in these funds are used for their intended purposes.

NOTES TO FINANCIAL STATEMENTS

The notes provide additional information that is necessary for a full understanding of the data provided in the accompanying financial statements.

OTHER INFORMATION

In addition to the financial statements and notes, this report contains supplementary information and details of the accompanying financial statements.

Management's Discussion and Analysis
June 30, 2020

TABLE 1
NET ASSETS

	Governmental Activities		Business-type Activities		Total Primary Government	
	Current	Previous	Current	Previous	Current	Previous
	Year	Year	Year	Year	Year	Year
Current and other Assets:	21,717,477	24,755,751	9,981,838	11,439,000	31,699,315	36,194,751
Capital Assets:	78,801,830	65,645,965	50,025,639	47,916,510	128,827,469	113,562,475
Total Assets	100,519,307	90,401,716	60,007,477	59,355,510	160,526,784	149,757,226
Deferred Outflows of Resources	4,050,306	3,973,618	63,663	56,215	4,113,969	4,029,833
Long-term liabilities:	6,517,747	6,831,025	20,114,870	20,749,251	26,632,617	27,580,276
Other liabilities:	2,178,531	891,045	1,569,356	3,317,173	3,747,887	4,208,218
Pension / OPEB Costs	17,373,024	15,928,470	241,905	219,824	17,614,929	16,148,294
Total Liabilities	26,069,302	23,650,540	21,926,131	24,286,248	47,995,433	47,936,788
Deferred Inflows of Resources	3,214,737	2,229,706	20,496	21,857	3,235,233	2,251,563
Net Assets:						
Invested in Capital Assets, net of related debt:	71,886,215	58,705,906	29,284,506	26,550,711	101,170,721	85,256,617
Restricted:	2,479,331	8,013,698	284,840	214,340	2,764,171	8,228,038
Unrestricted (deficit):	920,028	1,775,484	8,555,167	8,338,569	9,475,195	10,114,053
Total Net Assets	75,285,574	68,495,088	38,124,513	35,103,620	113,410,087	103,598,708

CITY AS A WHOLE

The city's combined Net Position from the previous year was \$103,598,708 as compared to \$113,387,777 this year. However, Net Position and expenses from governmental and business-type activities must be reviewed separately. Table 1 focuses on the Net Position and Table 2 focuses on changes in the Net Position of the city's governmental and business-type activities.

The city's Net Position for governmental activities were \$75,285,574 this year as compared to \$68,495,088 last year. Unrestricted Net Position was \$1,775,484 last year as compared to \$920,028 this year. Unrestricted Net Position are those that can be used to finance every-day operations without restrictions set by legislation, debt covenants, or other legal regulations.

The Net Position of the city's business-type activities was \$38,124,513 this year as compared to \$35,103,620 last year.

Management's Discussion and Analysis
June 30, 2020

City revenues (excluding extraordinary items) for the current year were \$45,269,455 as compared to \$37,091,067 in the previous year. The total yearly cost of all programs and services was \$35,458,082 as compared to \$30,261,067 in the previous year.

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenues						
Program Revenues Restricted						
Charges for Services	77,002	91,344	9,073,732	8,882,926	9,150,734	8,974,270
Restricted Operating Grants	1,749,600	1,317,939	0	0	1,749,600	1,317,939
Restricted Capital Grants	10,311,983	6,695,543	2,629,372	5,867,258	12,941,355	12,562,801
Restricted Other	181,256	0	0	0	181,256	0
General Revenue			0	0	0	
Property Taxes	1,113,662	1,094,079	0	0	1,113,662	1,094,079
Other Taxes	13,083,249	13,338,371	0	0	13,083,249	13,338,371
Interest & Investment Income	268,863	398,253	98,359	162,328	367,222	560,581
Other General Revenues	6,680,092	(758,533)	2,285	1,995	6,682,377	(756,538)
Total Revenues	33,465,707	22,176,996	11,803,748	14,914,507	45,269,455	37,091,503
Program Expenses						
General Government	9,161,029	6,257,494	0	0	9,161,029	6,257,494
Public Safety	7,073,205	6,807,740	0	0	7,073,205	6,807,740
Public Works	0	0	0	0	0	0
Culture & Recreation	1,472,148	1,237,882	0	0	1,472,148	1,237,882
Interest on Long-Term Debt	238,524	134,223	0	0	238,524	134,223
Business Activities						
Water &/or Sewer	0	0	6,326,769	5,695,308	6,326,769	5,695,308
Other Utilities	0	0	2,995,639	3,205,061	2,995,639	3,205,061
Parking Facilities	83,813	87,192	0	0	83,813	87,192
Other Expenses	8,129,259	6,836,167	0	0	8,129,259	6,836,167
Total Expenses	26,157,978	21,360,698	9,322,408	8,900,369	35,480,386	30,261,067
Excess (deficiency) Before Extraord	7,307,729	816,298	2,481,340	6,014,138	9,789,069	6,830,436
Extraordinary Items & Transfers	(539,553)	(43,512)	539,553	43,512	0	0
Increase (Decrease) in Net Assets	6,768,176	772,786	3,020,893	6,057,650	9,789,069	6,830,436

Management's Discussion and Analysis
June 30, 2020

GOVERNMENTAL ACTIVITIES

This year's governmental activities revenues (Table 2) were \$33,465,707 as compared to \$22,176,996 last year. The year's governmental activities cost was \$26,135,668 as compared to \$21,360,698 in the previous year.

Table 3 details the cost of the city's major programs as well as each program's net cost (total cost less revenues generated by the program). The net cost indicates the financial burden that was shifted to the city's taxpayers by each of these programs.

Table 3
Governmental Activities

	Total Cost of Services	
	Current Year	Previous Year
Police Department	2,494,344	2,634,668
Fire Department	3,072,898	2,799,226
Public Works	0	0
Education	0	0
Parks and Recreation	1,472,148	1,237,882
All others	19,096,278	14,688,922
Totals	26,135,668	21,360,698

BUSINESS-TYPE ACTIVITIES

This year's Business-type activities revenues (see Table 2) were \$11,803,748 as compared to \$14,914,507 last year. This year's expenses were \$9,322,408 as compared to \$8,900,369 in the previous year.

GENERAL FUND BUDGETARY STATEMENTS

The City Council revisits the budget several times during the year. The current year's budgets focus on general funds, major funds and on availability of fund resources.

CITY FUNDS

At year end the city reported a government net position (see Table 1) of \$113,410,087 as compared to \$103,598,708 in the previous year.

Management's Discussion and Analysis
June 30, 2020

CAPITAL ASSETS
Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Land	14,373,685	14,373,685	138,000	138,000	14,511,685	14,511,685
Buildings and Improvements	19,602,085	19,404,813			19,602,085	19,404,813
Equipment	2,112,544	2,193,810	2,370,473	2,352,932	4,483,017	4,546,742
Infrastructure	23,207,632	23,953,568	47,497,580	24,796,766	70,705,212	48,750,334
Intangible right-to-use Lease Assets	567,834	394,422	19,587	25,320	587,421	0
Other	18,938,050	5,325,667	0	20,603,492	18,938,050	25,929,159
Totals	78,801,830	65,645,965	50,025,640	47,916,510	128,827,470	113,142,733

At the close of the year, the city had invested \$128,827,470 in capital assets such as land, buildings and improvements, equipment or infrastructure (see Table 4). \$113,142,733 was invested in similar assets last year.

The current year's chief capital asset additions included:

- Sewer Plant Improvements
- Vehicles for various departments.
- Speculative Building at Kentucky Enterprise Industrial Park

DEBT MANAGEMENT

At the close of the year, the city had \$27,699,013 in outstanding bonds and notes as compared to \$28,150,064 in the previous year (see table 5).

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-type Activities		Totals	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
General obligation bonds (backed by the city)	6,319,392	6,607,470	4,404,273	4,526,498	10,723,665	11,133,968
Revenue bonds and notes (backed by specific tax and fee revenues)	0	0	16,216,000	16,499,500	16,216,000	16,499,500
Other bonds or outstanding obligations	638,488	490,128	120,860	26,468	759,348	516,596
Totals	6,957,880	7,097,598	20,741,133	21,052,466	27,699,013	28,150,064

Management's Discussion and Analysis
June 30, 2020

GASB 68 AND GASB 75

These were allocated to the government activities

Table 6
Pension and OPEB Information

	Pension Information					
	Government Activities		Business-Type Activities		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Deferred Outflow	<u>\$ 2,727,260</u>	<u>\$ 2,931,248</u>	<u>\$ 48,477</u>	<u>\$ 42,965</u>	<u>\$ 2,775,737</u>	<u>\$ 2,974,213</u>
Net Pension Liability	<u>\$ 13,858,095</u>	<u>\$ 12,316,239</u>	<u>\$ 207,376</u>	<u>\$ 170,206</u>	<u>\$ 14,065,471</u>	<u>\$ 12,486,445</u>
Deferred Inflows	<u>\$ 1,132,855</u>	<u>\$ 981,760</u>	<u>\$ 8,199</u>	<u>\$ 12,447</u>	<u>\$ 1,141,054</u>	<u>\$ 994,207</u>
Pension Expense	<u>\$ 1,896,939</u>	<u>\$ 1,583,155</u>	<u>\$ 27,410</u>	<u>\$ 56,337</u>	<u>\$ 1,924,349</u>	<u>\$ 1,639,492</u>

	Other Post Employment Benefits					
	Government Activities		Business-Type Activities		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Deferred Outflow	<u>\$ 1,323,046</u>	<u>\$ 1,042,370</u>	<u>\$ 15,276</u>	<u>\$ 13,250</u>	<u>\$ 1,338,322</u>	<u>\$ 1,055,620</u>
Net OPEB Liability	<u>\$ 3,514,929</u>	<u>\$ 3,612,231</u>	<u>\$ 34,529</u>	<u>\$ 49,618</u>	<u>\$ 3,549,458</u>	<u>\$ 3,661,849</u>
Deferred Inflows	<u>\$ 1,313,970</u>	<u>\$ 785,796</u>	<u>\$ 12,297</u>	<u>\$ 9,410</u>	<u>\$ 1,326,267</u>	<u>\$ 795,206</u>
OPEB Expense	<u>\$ 150,195</u>	<u>\$ 283,947</u>	<u>\$ (14,228)</u>	<u>\$ 1,841</u>	<u>\$ 135,967</u>	<u>\$ 285,788</u>

Management's Discussion and Analysis
June 30, 2020

ECONOMIC ISSUES / UPCOMING YEARLY BUDGETS

City public officials considered many issues when establishing the upcoming year's budget, tax rates, and fees.

CONTACT INFORMATION

This report has been created to give our citizens, taxpayers, customers, investors and creditors a summary of city finances and to show how its revenues are used. If you have any questions regarding this report, or if you need additional financial information, please contact:

Tonya Taylor
Finance Director
243 Main Street
Pikeville, Kentucky 41501
Phone: 606 437 5103 Fax: 606 437 5106
tonya.taylor@pikevilleky.gov

BASIC FINANCIAL STATEMENTS

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business Type	Total	Component Units
ASSETS				
Cash	\$ 9,479,552	\$ 4,811,770	\$ 14,291,322	\$ 893,768
Certificates of Deposit and Savings	7,711,325	2,489,715	10,201,040	0
Receivables (Net of Allowance for Uncollectibles)				
Taxes	3,414	0	3,414	0
Accounts	3,035,415	1,063,074	4,098,489	54,388
Other	0	547,082	547,082	81,020
Due From Other Funds	459,778	27	459,805	0
Inventories	0	0	0	125,106
Prepaid Expenses	50,000	9,345	59,345	27,622
Restricted Assets				
Cash	359,214	572,485	931,699	0
Certificates of Deposit	576,514	447,846	1,024,360	0
Other Receivables	0	0	0	0
Bond Issuance Costs	42,265	40,494	82,759	0
Capital Assets, Net				
Land	14,373,685	138,000	14,511,685	0
Other Capital Assets, Net	64,428,145	49,887,639	114,315,784	317,183
TOTAL ASSETS	\$ 100,519,307	\$ 60,007,477	\$ 160,526,784	\$ 1,499,087
DEFERRED OUTFLOWS OF RESOURCES	\$ 4,050,306	\$ 63,663	\$ 4,113,969	\$ 0
LIABILITIES				
Accounts Payable	\$ 1,356,464	\$ 171,171	\$ 1,527,635	\$ 137,437
Accrued Expenses	376,835	252,259	629,094	90,727
Current Portion of Long-Term Debt	440,133	626,263	1,066,396	0
Customer's Deposit	3,630	61,270	64,900	182,153
Due To Other Funds	1,469	458,393	459,862	0
Net Pension/OPEB Liability	17,373,024	241,905	17,614,929	0
Bonds Payable	6,014,392	20,059,273	26,073,665	0
Notes Payable	0	33,072	33,072	275,526
Lease Obligations	503,355	22,525	525,880	0
TOTAL LIABILITIES	\$ 26,069,302	\$ 21,926,131	\$ 47,995,433	\$ 685,843
DEFERRED INFLOWS OF RESOURCES				
Differences between expected and actual experience	\$ 2,446,825	\$ 20,496	\$ 2,467,321	\$ 0
Uncollected Real Estate Taxes	3,414	0	3,414	0
Deferred Inflows Leases	697,265	0	697,265	0
Deferred Revenues	67,233	0	67,233	174,148
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 3,214,737	\$ 20,496	\$ 3,235,233	\$ 174,148
NET POSITION				
Investment in Capital Assets, Net of Related Debt	71,886,215	29,284,506	101,170,721	299,457
Restricted For:				
Sinking Fund Reserve	0	284,840	284,840	0
Capital Projects	1,291,982	0	1,291,982	0
Debt Service	101,940	0	101,940	0
Tourism	1,067,029	0	1,067,029	0
Other	18,380	0	18,380	0
Unrestricted	920,028	8,555,167	9,475,195	339,639
TOTAL NET POSITION	\$ 75,285,574	\$ 38,124,513	\$ 113,410,087	\$ 639,096

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF ACTIVITIES
June 30, 2020

June 30, 2020

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Postion			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total	
Primary Government								
Governmental Activities								
General Government	\$ 9,161,029	\$ 0	\$ 0	\$ 0	\$ (9,161,029)		\$ (9,161,029)	
Public Safety	7,073,205	0	0	0	(7,073,205)		(7,073,205)	
Streets	3,411,526	0	0	0	(3,411,526)		(3,411,526)	
Parking Garage	83,813	0	0	0	(83,813)		(83,813)	
Tourism	180,336	0	0	0	(180,336)		(180,336)	
Economic Development	264,425	0	0	0	(264,425)		(264,425)	
Recreation	1,472,148	0	0	0	(1,472,148)		(1,472,148)	
Events	373,746	0	0	0	(373,746)		(373,746)	
Lake Cleanup	51,214	0	0	0	(51,214)		(51,214)	
Landscape	110,478	0	0	0	(110,478)		(110,478)	
Hellier Manor / Ridge Cliff	233,012	0	0	0	(233,012)		(233,012)	
Grants / Loan Advances	3,720,736	0	0	0	(3,720,736)		(3,720,736)	
Other	0	0	0	0	0		0	
Total Governmental Funds	\$ 26,135,668	\$ 0	\$ 0	\$ 0	\$ (26,135,668)		\$ (26,135,668)	
Business-Type Activities								
Water	\$ 2,702,441	\$ 2,789,780	\$ 0	\$ 40,404		\$ 127,743	\$ 127,743	
Sewer	2,033,346	1,704,449	0	2,588,968		2,260,071	2,260,071	
Gas	1,524,380	1,408,838	0	0		(115,542)	(115,542)	
Sanitation	1,471,259	1,461,607	0	0		(9,652)	(9,652)	
Outside Water	810,476	951,269	0	0		140,793	140,793	
Outside Sewer	780,506	757,789	0	0		(22,717)	(22,717)	
Other	0	0	0	0		0	0	
Total Business-type Activities	\$ 9,322,408	\$ 9,073,732	\$ 0	\$ 2,629,372		\$ 2,380,696	\$ 2,380,696	
Total Primary Government	\$ 35,458,076	\$ 9,073,732	\$ 0	\$ 2,629,372				
Component Unit	\$ 2,808,738	\$ 1,852,371	\$ 0	\$ 0				(1,494,968)
General Revenues- - Detailed:								
Ad Valorem Taxes					\$ 1,113,662	\$ 0	\$ 1,113,662	\$
Franchise Taxes					703,454	0	703,454	
Occupational License Fees					10,056,378	0	10,056,378	
Other Taxes					2,323,417	0	2,323,417	218,024
Permits and Fees					77,002	0	77,002	
Intergovernmental Revenue					12,061,582	0	12,061,582	
Other Grants					181,256	0	181,256	1,021,700
Interest Income					268,863	98,359	367,222	8,994
Other					5,761,951	0	5,761,951	
Royalties					0	2,285	2,285	
Tourism Contribution for Expo/Jenny Wiley					918,142	0	918,142	
Gain (loss) on disposal of assets					0	0	0	
Transfers					(539,553)	539,553	0	
Total General Revenues, Contributions, Special Items, and Transfers					\$ 32,926,154	\$ 640,197	\$ 33,566,351	\$ 1,248,718
Change in Net Postion					\$ 6,790,486	\$ 3,020,893	\$ 9,811,379	\$ (246,250)
Net Postion - Beginning					68,495,088	35,103,620	103,598,708	885,346
Prior Period Adjustments							0	0
Net Postion - Ending					\$ 75,285,574	\$ 38,124,513	\$ 113,410,087	\$ 639,096

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Coal Severance	Projects Control	Other Government Funds	Total
ASSETS					
Cash and Investments					
Cash	\$ 8,482,437	\$ 0	\$ 898,508	\$ 98,607	\$ 9,479,552
Certificates of Deposit and Savings	7,711,325	0	0	0	7,711,325
Receivables (Net of Allowance for Uncollectibles)					
Taxes	3,414	0	0	0	3,414
Miscellaneous	1,868,979	0	1,166,436	0	3,035,415
Due From Other Funds	199,004	0	260,774	0	459,778
Prepaid Expenses	50,000	0	0	0	50,000
Hellier Manor	0	0	0	0	0
Inventories	0	0	0	0	0
Restricted Assets					
Cash	0	257,274	0	101,940	359,214
Certificates of Deposit and Savings	0	576,514	0	0	576,514
TOTAL ASSETS	\$ 18,315,159	\$ 833,788	\$ 2,325,718	\$ 200,547	\$ 21,675,212

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

LIABILITIES

Accounts Payable	\$ 324,114	\$ 0	\$ 1,032,350	\$ 0	\$ 1,356,464
Accrued Expenses	376,835	0	0	0	376,835
Customer's Deposit	3,630	0	0	0	3,630
Due To Other Funds	56	0	1,386	27	1,469
TOTAL LIABILITIES	\$ 704,635	\$ 0	\$ 1,033,736	\$ 27	\$ 1,738,398

DEFERRED INFLOWS OF RESOURCES

Uncollected Real Estate Taxes	\$ 3,414	\$ 0	\$ 0	\$ 0	\$ 3,414
Deferred Inflows Leases	697,265	0	0	0	697,265
Deferred Revenues	26,403	0	0	40,830	67,233
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 727,082	\$ 0	\$ 0	\$ 40,830	\$ 767,912

FUND BALANCES

Nonspendable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for:					
Debt Service	0	0	0	101,940	101,940
Tourism	1,067,029	0	0	0	1,067,029
Other	0	0	0	0	0
Committed	0	0	0	0	0
Assigned To:					
Capital Projects	0	0	1,291,982	0	1,291,982
Other Purposes	0	0	0	18,380	18,380
Unrestricted	15,816,413	833,788	0	39,370	16,689,571
TOTAL FUND BALANCES	\$ 16,883,442	\$ 833,788	\$ 1,291,982	\$ 159,690	\$ 19,168,902
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 18,315,159	\$ 833,788	\$ 2,325,718	\$ 200,547	\$ 21,675,212

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2020

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 19,168,902

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

City's Proportionate Share of the Net Pension Liability / OPEB Liability (12,263,690)

City's Proportionate Share of the Net OPEB Liability (3,505,853)

Capital Assets used in governmental activities are not financial resources
and therefore are not reported in the fund statements. 78,801,830

Long-Term Liabilities, including bonds payable, are not due and payable in the
the current period and therefore are not reported in the funds. (6,915,615)

Total Net Position - Governmental Activities \$ 75,285,574

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	General	Coal Severance	Projects Control	Other Funds	Totals
REVENUES					
Ad Valorem Taxes	\$ 1,113,662	\$ 0	\$ 0	\$ 0	1,113,662
Franchise Taxes	703,454	0	0	0	703,454
Occupational License Fees	10,056,378	0	0	0	10,056,378
Other Taxes	2,323,417	0	0	0	2,323,417
Permits and Fees	77,002		0	0	77,002
Intergovernmental Revenue	1,749,599	233,063	10,069,083	9,837	12,061,582
Other Grants	181,256	0	0	0	181,256
Interest Income	232,770	11,325	23,408	1,360	268,863
Other Revenue	5,660,554	0	0	101,397	5,761,951
Total Revenues	<u>\$ 22,098,092</u>	<u>\$ 244,388</u>	<u>\$ 10,092,491</u>	<u>\$ 112,594</u>	<u>\$ 32,547,565</u>
EXPENDITURES					
CURRENT					
General Government	\$ 7,688,053	\$ 0	\$ 0	\$ 107,244	7,795,297
Public Safety	6,685,374	0	0	1,193	6,686,567
Streets	2,539,059	0	0	0	2,539,059
Parking Garage	83,813	0	0	0	83,813
Tourism	180,336	0	0	0	180,336
Economic Development	264,425	0	0	0	264,425
Recreation	1,170,172	0	0	0	1,170,172
Events	373,746	0	0	0	373,746
Lake Cleanup	51,214	0	0	0	51,214
Landscape	110,478	0	0	0	110,478
Hellier Manor / Ridge Cliff	233,012	0	0	0	233,012
Capital Outlay	0	141,425	13,568,939	16,759	13,727,123
Debt Service					
Principal Retirement	103,012	0	0	295,000	398,012
Interest	38,000	0	0	200,524	238,524
Grants / Loan Advances	228,353	35,000	1,503,911	1,953,472	3,720,736
Total Expenditures	<u>\$ 19,749,047</u>	<u>\$ 176,425</u>	<u>\$ 15,072,850</u>	<u>\$ 2,574,192</u>	<u>\$ 37,572,514</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 2,349,045</u>	<u>\$ 67,963</u>	<u>\$ (4,980,359)</u>	<u>\$ (2,461,598)</u>	<u>\$ (5,024,949)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0	0
Inception of Leases	195,297	0	0	0	195,297
Proceeds from Sale of Fixed Assets	0	0	0	0	0
Tourism Contribution for Expo/Jenny Wiley/York House	918,142	0	0	0	918,142
Operating Transfers In	87	0	505,778	2,453,107	2,958,972
Operating Transfers Out	(2,918,481)	0	(579,951)	(87)	(3,498,519)
Total Other Financing Sources (Uses)	<u>\$ (1,804,955)</u>	<u>\$ 0</u>	<u>\$ (74,173)</u>	<u>\$ 2,453,020</u>	<u>\$ 573,892</u>
NET CHANGE IN FUND BALANCES	\$ 544,090	\$ 67,963	\$ (5,054,532)	\$ (8,578)	\$ (4,451,057)
FUND BALANCES - BEGINNING OF YEAR	16,339,352	765,825	6,346,514	168,268	23,619,959
Prior Period Adjustment	0	0	0	0	0
FUND BALANCES-END OF YEAR	<u>\$ 16,883,442</u>	<u>\$ 833,788</u>	<u>\$ 1,291,982</u>	<u>\$ 159,690</u>	<u>\$ 19,168,902</u>

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Net change in fund balances - total governmental funds. \$ (4,451,057)

Amounts reported for the governmental activities
in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in
the statement of activities, the cost of those assets is allocated over their
useful lives and reported as depreciation expense. 15,402,174

The cost of capital assets is allocated over their useful
lives and reported as depreciation expense. (2,316,229)

The net book value of assets sold

Proceeds from Long-Term Debt (195,297)

The repayment of debt principal is an expenditure of government funds,
but the repayment reduces long-term debt in the statement of net 398,012

Bond Issuance, Discount (6,905)

Bond Issuance Costs 6,923

Pension Costs (1,896,939)

OPEB Costs (150,196)

Change in net position of governmental activities \$ 6,790,486

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY

FUND BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2020

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Utility Deposits	Total
ASSETS								
Cash	\$ 978,165	\$ 1,116,580	\$ 354,907	\$ 1,175,315	\$ 380,189	\$ 806,614	\$ 0	\$ 4,811,770
Certificates Of Deposit and Savings	318,777	351,741	1,200,856	565,157	52,782	402	0	2,489,715
Customer's Accounts Receivable	344,315	181,829	82,730	205,511	128,691	119,998	0	1,063,074
Other Receivables	0	527,874	0	0	19,208	0	0	547,082
Prepaid Expenses	9,245	0	100	0	0	0	0	9,345
Due From Other Funds	27	0	0	0	0	0	0	27
Bond Issuance Cost	11,904	0	0	0	9,880	18,710	0	40,494
Property, Plant and Equipment	10,663,077	30,153,023	624,100	753,064	1,814,921	6,017,454	0	50,025,639
Restricted Assets:								
Cash	103,282	336,645	0	0	45,328	87,231	0	572,486
Certificates of Deposit and Savings	69,943	90,962	0	0	71,232	215,709	0	447,846
TOTAL ASSETS	<u>\$ 12,498,735</u>	<u>\$ 32,758,654</u>	<u>\$ 2,262,693</u>	<u>\$ 2,699,047</u>	<u>\$ 2,522,231</u>	<u>\$ 7,266,118</u>	<u>\$ 0</u>	<u>\$ 60,007,478</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 19,032</u>	<u>\$ 11,480</u>	<u>\$ 11,343</u>	<u>\$ 10,674</u>	<u>\$ 5,716</u>	<u>\$ 5,418</u>	<u>\$ 0</u>	<u>\$ 63,663</u>
LIABILITIES AND NET POSITION								
LIABILITIES								
Accounts Payable	\$ 35,058	\$ 50,000	\$ 26,595	\$ 35,096	\$ 15,587	\$ 8,835	\$ 0	\$ 171,171
Accrued Interest	42,064	148,067	8,069	0	19,127	34,932	0	252,259
Due To Other Funds	0	458,193	0	200	0	0	0	458,393
Current Portion of Long-Term Debt	238,800	203,500	0	0	48,500	135,463	0	626,263
Customer's Deposits	30,610	0	13,675	0	16,985	0	0	61,270
Net Pension Liability / OPEB Liability	72,159	43,793	43,194	40,425	21,788	20,546	0	241,905
Notes Payable	0	0	0	0	0	33,072	0	33,072
Bonds Payable (Net of Discount/Premium)	3,009,345	13,231,795	0	0	1,221,559	2,596,574	0	20,059,273
Lease Obligations	0	0	0	22,525	0	0	0	22,525
Total Liabilities	<u>\$ 3,428,036</u>	<u>\$ 14,135,348</u>	<u>\$ 91,533</u>	<u>\$ 98,246</u>	<u>\$ 1,343,546</u>	<u>\$ 2,829,422</u>	<u>\$ 0</u>	<u>\$ 21,926,131</u>
DEFERRED INFLOWS OF RESOURCES								
Differences between projected and actual earnings on pension plan	\$ 6,136	\$ 3,617	\$ 3,735	\$ 3,456	\$ 1,807	\$ 1,745	\$ 0	\$ 20,496
Total Deferred Inflows of Resources	<u>\$ 6,136</u>	<u>\$ 3,617</u>	<u>\$ 3,735</u>	<u>\$ 3,456</u>	<u>\$ 1,807</u>	<u>\$ 1,745</u>	<u>\$ 0</u>	<u>\$ 20,496</u>
NET POSITION								
Invested in capital Assets, net of related debt	\$ 7,414,932	\$ 16,717,729	\$ 624,100	\$ 730,539	\$ 544,862	\$ 3,252,345	\$ 0	\$ 29,284,507
Reserve for Depreciation	0	0	0	0	0	0	0	0
Sinking Fund Reserve	43,392	54,048	0	0	37,800	149,600	0	284,840
Reserve for Operation and Maintenance	0	0	0	0	0	0	0	0
Reserve for Revenue Bond Retirement, et al	0	0	0	0	0	0	0	0
Unreserved	1,625,271	1,859,392	1,554,668	1,877,480	599,932	1,038,424	0	8,555,167
Total Net Position	<u>\$ 9,083,595</u>	<u>\$ 18,631,169</u>	<u>\$ 2,178,768</u>	<u>\$ 2,608,019</u>	<u>\$ 1,182,594</u>	<u>\$ 4,440,369</u>	<u>\$ 0</u>	<u>\$ 38,124,514</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 12,517,767</u>	<u>\$ 32,770,134</u>	<u>\$ 2,274,036</u>	<u>\$ 2,709,721</u>	<u>\$ 2,527,947</u>	<u>\$ 7,271,536</u>	<u>\$ 0</u>	<u>\$ 60,071,141</u>

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 For The Fiscal Year Ended June 30, 2020

	Water	Sewer	Gas	Sanitation	Outside Water	Outside Sewer	TOTAL
OPERATING REVENUES	\$ 2,789,780	\$ 1,704,449	\$ 1,408,838	\$ 1,461,607	\$ 951,269	\$ 757,789	\$ 9,073,732
OPERATING EXPENSES							
Personnel Costs	\$ 43,548	\$ 33,350	\$ 22,110	\$ 23,290	\$ 16,164	\$ 12,612	\$ 151,074
Gas Purchased	0	0	816,190	0	0	0	816,190
Contractual Services	1,450,875	479,488	563,684	762,790	534,120	190,512	3,981,469
Dumping Fees	0	0	0	386,789	0	0	386,789
Operational	514,260	295,780	27,573	77,940	125,436	197,012	1,238,001
Repairs and Maintenance	21,263	104,931	8,540	20,570	2,419	75,480	233,203
Bad Debts	39,451	31,195	11,500	37,041	22,017	20,375	161,579
Depreciation	559,614	745,518	74,783	160,688	74,125	211,869	1,826,597
Total Operating Expenses	\$ 2,629,011	\$ 1,690,262	\$ 1,524,380	\$ 1,469,108	\$ 774,281	\$ 707,860	\$ 8,794,902
Operating Income (Loss)	\$ 160,769	\$ 14,187	\$ (115,542)	\$ (7,501)	\$ 176,988	\$ 49,929	\$ 278,830
NONOPERATING INCOME (EXPENSES)							
Royalties	\$ 0	\$ 0	\$ 2,285	\$ 0	\$ 0	\$ 0	\$ 2,285
Interest Income	11,691	16,471	20,231	21,780	4,239	12,421	86,833
Interest Rebate	0	0	0	0	3,322	8,204	11,526
Interest Expense	(73,430)	(343,084)	0	(2,151)	(36,195)	(72,646)	(527,506)
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	0	0	0
Grants	40,404	2,588,968	0	0	0	0	2,629,372
Total Nonoperating Income (Expense)	\$ (21,335)	\$ 2,262,355	\$ 22,516	\$ 19,629	\$ (28,634)	\$ (52,021)	\$ 2,202,510
NET INCOME (LOSS)(Before Transfers)	\$ 139,434	\$ 2,276,542	\$ (93,026)	\$ 12,128	\$ 148,354	\$ (2,092)	\$ 2,481,340
TRANSFERS							
Operating Transfers In	\$ 121,348	\$ 458,648	\$ 0	\$ 0	\$ 0	\$ 0	\$ 579,996
Operating Transfers (Out)	(40,462)	20	0	0	(1)	0	(40,443)
Total Transfers	\$ 80,886	\$ 458,668	\$ 0	\$ 0	\$ (1)	\$ 0	\$ 539,553
CHANGE IN NET POSITION	\$ 220,320	\$ 2,735,210	\$ (93,026)	\$ 12,128	\$ 148,353	\$ (2,092)	\$ 3,020,893
NET POSITION - BEGINNING OF YEAR	\$ 8,863,275	\$ 15,895,958	\$ 2,271,794	\$ 2,595,891	\$ 1,034,241	\$ 4,442,461	\$ 35,103,620
Prior Period Adjustment	0	0	0	0	0	0	0
NET POSITION - END OF YEAR	\$ 9,083,595	\$ 18,631,168	\$ 2,178,768	\$ 2,608,019	\$ 1,182,594	\$ 4,440,369	\$ 38,124,513

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2020

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Utility Deposits	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash Received from Customers	\$ 2,882,461	\$ 1,673,648	\$ 1,447,781	\$ 1,421,305	\$ 941,375	\$ 738,019	\$ 0	\$ 9,104,589
Cash Received from Other Operating Revenues	50,458	19,542	8,490	5,250	6,737	15,584	0	106,061
Miscellaneous Revenues	0	0	0	0	0	0	0	0
Cash Payments for Personnel Costs	(39,960)	(29,396)	(20,990)	(21,586)	(14,320)	(11,550)	0	(137,802)
Cash Payments for Gas Purchases	0	0	(816,190)	0	0	0	0	(816,190)
Cash Payments for Contractual Services	(1,450,875)	(479,488)	(563,684)	(762,790)	(532,215)	(190,512)	0	(3,979,564)
Cash Payments for Other Operating Expenses	(515,777)	(2,356,946)	(51,185)	(723,755)	(114,252)	(292,550)	0	(4,054,465)
Net Cash Provided by Operating Activities	\$ 926,307	\$ (1,172,640)	\$ 4,222	\$ (81,576)	\$ 287,325	\$ 258,991	\$ 0	\$ 222,629
Cash Flows from Non-Capital Financing Activities								
Operating Transfers In	\$ 121,348	\$ 458,648	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 579,996
Operating Transfers (Out)	(40,462)	20	0	0	(1)	0	0	(40,443)
Increase (Decrease) in Amounts Due To/From Other Funds	4,781	461,523	(2,790)	(8,020)	(18,101)	122	0	437,515
Other	0	0	0	0	0	0	0	0
Net Cash Flows from Non-Capital Financing Activities	\$ 85,667	\$ 920,191	\$ (2,790)	\$ (8,020)	\$ (18,102)	\$ 122	\$ 0	\$ 977,068
Cash Flows from Capital Financing Activities								
Interest Expense	\$ (76,215)	\$ (345,435)	\$ 0	\$ (2,151)	\$ (36,431)	\$ (73,463)	\$ 0	\$ (533,695)
Interest Rebate	0	0	0	0	3,322	8,204	0	11,526
Purchase \ Construction of Fixed Assets	(195,907)	(3,601,178)	(35,289)	(79,062)	0	(24,290)	0	(3,935,726)
Increase in Restricted Other Receivables	0	569,391	0	0	0	0	0	569,391
Grants	40,404	2,588,968	0	0	0	0	0	2,629,372
Proceeds from Asset Dispositions	0	0	0	0	0	0	0	0
Proceeds from Long-Term Debt	0	0	0	0	0	0	0	0
Bond Issuance Costs	4,803	0	0	0	0	773	0	5,576
Retirement of Principal	(236,333)	(208,690)	0	(3,944)	(48,239)	(127,460)	0	(624,666)
Net Cash Flows from Capital Financing Activities	\$ (463,248)	\$ (996,944)	\$ (35,289)	\$ (85,157)	\$ (81,348)	\$ (216,236)	\$ 0	\$ (1,878,222)
Cash Flows from Investing Activities								
Bond Issuance Costs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Royalties	0	0	2,285	0	0	0	0	2,285
Interest Income	11,691	16,471	20,231	21,780	4,239	12,421	0	86,833
Net Cash Flows from Investing Activities	\$ 11,691	\$ 16,471	\$ 22,516	\$ 21,780	\$ 4,239	\$ 12,421	\$ 0	\$ 89,118
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 560,417	\$ (1,232,922)	\$ (11,341)	\$ (152,973)	\$ 192,114	\$ 55,298	\$ 0	\$ (589,407)
Cash and Cash Equivalents at Beginning of Year	909,750	3,128,849	1,567,104	1,893,445	357,417	1,054,658	0	8,911,223
Cash and Cash Equivalents at End of Year	\$ 1,470,167	\$ 1,895,927	\$ 1,555,763	\$ 1,740,472	\$ 549,531	\$ 1,109,956	\$ 0	\$ 8,321,816
RECONCILIATION OF INCOME (LOSS) FROM OPERATING ACTIVITIES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES								
Income (Loss) from Operations	\$ 160,769	\$ 14,187	\$ (115,542)	\$ (7,501)	\$ 176,988	\$ 49,929	\$ 0	\$ 278,830
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities:								
Depreciation and Amortization	559,614	745,518	74,783	160,688	74,125	211,869	0	1,826,597
(Increase) Decrease in Customer Accounts Receivable	182,590	19,936	47,433	1,989	14,915	16,189	0	283,052
(Increase) Decrease in Prepaid Expenses	0	0	(100)	0	0	0	0	(100)
(Increase) Decrease in Deferred Outflows of Resources	(2,122)	(1,767)	(992)	(1,105)	(846)	(616)	0	(7,448)
Increase (Decrease) in Accounts Payable	10,126	(1,956,235)	(3,803)	(238,456)	13,603	(20,058)	0	(2,194,823)
Increase (Decrease) in Accrued Expenses	0	0	(619)	0	0	0	0	(619)
Increase (Decrease) in Customer Deposits	9,620	0	950	0	5,850	0	0	16,420
Increase (Decrease) in Net Pension Liability	6,138	5,874	2,430	3,067	2,774	1,798	0	22,081
Increase (Decrease) in Deferred Inflows of Resources	(428)	(153)	(318)	(258)	(84)	(120)	0	(1,361)
Net Cash Provided by Operating Activities	\$ 926,307	\$ (1,172,640)	\$ 4,222	\$ (81,576)	\$ 287,325	\$ 258,991	\$ 0	\$ 222,629
Noncash Investing, Capital, and Financing Activities:								
Amortization of Bond Premium (Discount)	\$ 1,934	\$ 0	\$ 0	\$ 0	\$ (450)	\$ (773)	\$ 0	\$ 711
Total Noncash Investing, Capital, and Financing Activities:	\$ 1,934	\$ 0	\$ 0	\$ 0	\$ (450)	\$ (773)	\$ 0	\$ 711

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE EXPOSITION CENTER CORPORATION

Statement of Net Position June 30, 2020

ASSETS

Current Assets

Cash on Hand and In Bank	\$	893,768
Accounts receivable - Trade		54,388
Accounts receivable - Other		81,020
Inventories		125,106
Prepaid Expenses		27,622
Total Current Assets	\$	<u>1,181,904</u>

Property and Equipment

Leasehold Improvements	\$	63,799
Machinery & Equipment		292,288
Computer Equipment		47,923
Vehicles		25,000
Furniture and Fixtures		52,387
Other Assets		7,083
Total Fixed Assets	\$	<u>488,480</u>
Less Accumulated Depreciation		<u>(171,297)</u>
Net Fixed Assets		317,183

Total Assets \$ 1,499,087

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	137,437
Accrued Payroll and Related Expenses		40,489
Accrued Expenses		50,238
Advance Outlet Sales		182,153
Advance Deposits		0
Deferred Revenue		174,148
Current Portion of Long-Term Debt		4,199
Total Current Liabilities	\$	<u>588,664</u>

Long-Term Liabilities

Notes Payable	\$	13,527
Paycheck Protection Program		<u>257,800</u>
Total Net Assets	\$	271,327

Net Assets

Without Donor Restrictions	\$	0
With Donor Restrictions		<u>639,096</u>
Total Net Assets	\$	639,096

Total Liabilities and Net Assets \$ 1,499,087

See independent auditor's report and accompanying notes to the financial statements.

CITY OF PIKEVILLE EXPOSITION CENTER CORPORATION

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
UNRESTRICTED NET ASSETS			
Revenues, Gains and Other Support			
Rental	\$ 173,543	\$ 0	\$ 173,543
Food and Beverage Concessions	491,483	0	491,483
Food and Beverage Catering	147,716	0	147,716
Novelty & Other Sales	226,869	0	226,869
Club Seating	3,775	0	3,775
Advertising and Sponsorship	353,933	0	353,933
Tickets	126,684	0	126,684
Miscellaneous Income	552,000	0	552,000
Net Assets Released from Restrictions			
Satisfaction of Program Restrictions	1,485,974	(1,485,974)	0
Total Revenues, Gains and Other Support	<u>\$ 3,561,977</u>	<u>\$ (1,485,974)</u>	<u>\$ 2,076,003</u>
Expenses			
Cost of Good Sold			
Catering	\$ 1,286	\$ 0	\$ 1,286
Food / Beverage / other - Concessions	125,566	0	125,566
Direct Labor - Concessions	40,929	0	40,929
Other Direct Costs - Concessions	41,637	0	41,637
Food / Beverage / other - Catering	132,717	0	132,717
Direct Labor - Catering	217	0	217
Other Direct Costs - Catering	186	0	186
Novelty and Costs of Other Sales	12,860	0	12,860
Direct Labor - Novelty	5,494	0	5,494
Promoter Share	173,342	0	173,342
Ticket Service Charge Expense	5,942	0	5,942
Other event costs	520,135	0	520,135
Total Cost of Goods Sold	<u>\$ 1,060,311</u>	<u>\$ 0</u>	<u>\$ 1,060,311</u>
Gross Profit	<u>\$ 2,501,666</u>	<u>\$ (1,485,974)</u>	<u>\$ 1,015,692</u>
OPERATING EXPENSES			
Personnel Costs	\$ 1,264,898	\$ 0	\$ 1,264,898
Contractual Service	183,458	0	183,458
Professional Services	14,542	0	14,542
Operational	125,885	0	125,885
Insurance	131,879	0	131,879
Advertising	168,541	0	168,541
Repairs and Maintenance	119,095	0	119,095
Rent	5,250	0	5,250
Supplies	150,531	0	150,531
Utilities	270,033	0	270,033
Depreciation	76,548	0	76,548
Total Operating Expenses	<u>\$ 2,510,660</u>	<u>\$ 0</u>	<u>\$ 2,510,660</u>
Increase (Decrease) in Net Assets from Operations	<u>\$ (8,994)</u>	<u>\$ (1,485,974)</u>	<u>\$ (1,494,968)</u>
Non Operating Revenues and Gains			
City of Pikeville	\$ 0	\$ 1,021,700	\$ 1,021,700
Interest Income	8,994	0	8,994
Hotel/Motel Tax	0	93,991	93,991
Sales Tax Rebate	0	124,033	124,033
Total Non Operating Revenues and Gains	<u>\$ 8,994</u>	<u>\$ 1,239,724</u>	<u>\$ 1,248,718</u>
Increase (Decrease) in Net Assets	<u>\$ 0</u>	<u>\$ (246,250)</u>	<u>\$ (246,250)</u>
NET ASSETS			
Beginning of Year	0	885,346	885,346
End of Year	<u>\$ 0</u>	<u>\$ 639,096</u>	<u>\$ 639,096</u>

See independent auditor's report and accompanying notes to the financial statements.

CITY OF PIKEVILLE EXPOSITION CENTER CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020

Cash Flows from Operating Activities:

Cash Received from Rentals	\$	173,543
Cash Received from Food and Beverage		802,246
Cash Received from Ticket Sales / Seating		130,459
Cash Received from Advertising and Sponsorships		363,207
Cash Received from Other Operating Revenues		778,869
Cash Payments for Personnel Costs		(1,331,250)
Cash Payments for Contractual Services		(198,000)
Cash Payments for Materials and other direct Costs		(1,084,958)
Cash Payments for Other Operating Expenses		(942,021)
Net Cash Provided (Used) By Operating Activities	\$	<u>(1,307,905)</u>

Cash Flows From Investing Activities

Repayment of Long Term Debt	\$	(3,629)
Paycheck Protection Program		257,800
Acquisition of Fixed Assets		<u>(144,756)</u>
Net Cash Flows Provided (Used) Investing Activities		109,415

Cash Flow From Financing Activities

Interest Income	\$	8,994
Sales Tax Rebate		124,033
Hotel/Motel Tax Collected		93,991
Contributions from:		
City of Pikeville		<u>1,021,700</u>
Net Cash Provided (Used) By Financing Activities		<u>1,248,718</u>
Net Increase In Cash and Cash Equivalents	\$	<u>50,228</u>

Cash At Beginning of Year	843,540
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Cash At End of Year	<u><u>\$ 893,768</u></u>
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See independent auditor's report and accompanying notes to the financial statements.

CITY OF PIKEVILLE EXPOSITION CENTER CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020

RECONCILIATION OF INCOME (LOSS) FROM OPERATING ACTIVITIES
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Increase (Decrease) in Net Assets \$ (246,250)

Adjustments to Reconcile Net Income to Net Cash Provided

By Operating Activities:

Depreciation Expense 76,548

Non Operating Revenues (1,248,718)

(Increase) Decrease in:

Accounts receivable - Trade 9,274

Accounts receivable - Other (41,358)

Inventory (71,287)

Prepaid Expenses 46,526

Increase (Decrease) in:

Accounts Payable (11,852)

Accrued Payroll and Related Expenses 22,736

Accrued Sales Tax (19,712)

Accrued Expenses 48,331

Advance Outlet Sales 142,700

Deferred Revenue (14,843)

Net Cash Provided (Used) By Operating Activities \$ (1,307,905)

See independent auditor's report and accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The financial statements of the City of Pikeville, Kentucky have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for government 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.

The more significant of the City's accounting policies are described below.

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

3 – Government-Wide and Fund Financial Statements

a) Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole, excluding fiduciary activities. The primary governments are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3 – Government-Wide and Fund Financial Statements (concluded)

b) Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

4 – Measurement Focus, Basis of Accounting, and financial statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, franchise taxes (fees), environmental fines and grants. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Likewise, fund balances that are committed or assigned would be used first for their approved purposes and unassigned fund balances would be used as needed.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5 - Fund Types and Major Funds

The City reports the following major funds:

a) Governmental Funds

General Fund - the General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Projects Control - is used to account 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 Fund Types – accounts for funds used to pay debt service costs. Principal sources of revenue are City funding and interest income.

b) Proprietary Funds

The City reports the following major enterprise funds:

Water – accounts for the operating activities of the City's water utilities service.

Sewer – accounts for the operating activities of the City's sewer utilities service.

Gas – accounts for the operating activities of the City's natural gas utilities service.

Sanitation – accounts for the operating activities of the City's garbage collection service.

Outside Water – accounts for the operating activities of the City's water utilities service to customers who are located outside the city limits.

Outside Sewer – accounts for the operating activities of the City's sewer utilities service to customers who are located outside the city limits.

c) Other Fund Types

The City also reports the following fund type:

Agency – reports fiduciary resources held by the City in a custodial capacity as an agent on behalf of others. The City's agency fund is used to account for various deposits.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6 – 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 the primary government along with its discretely presented Component Unit.

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

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

City of Pikeville Exposition Center Corporation is a legally separate entity that operates the Appalachian Wireless Arena (East Kentucky Exposition Center). It is shown as a discretely presented component unit because:

- i. All City Commissioners are on the board of directors,
- ii. City is under contract with the Eastern Kentucky Exposition Center Corporation Board to operate it,
- iii. City enacted a restaurant tax to support the Expo Center,

The complete financials of the City of Pikeville Exposition Center Corporation (a not for profit organization) can be requested.

- 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.

- i. The City pays the salary of the director.
- ii. The City provides office space.
- iii. The Board of directors is partially appointed by the City Commission.
- iv. The entity is financially dependent on the City.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7 - Fixed Assets

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The City has complied with GASB 34 and included certain infrastructure assets 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 were 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 was calculated from that date to adoption. Also, the City's bridges were booked using same method on a "per square foot" basis.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increase (revenues) and decrease (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility plant	40 years
Machinery and Equipment	5-10 years

8 - Budgets and Budgetary Accounting

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) In accordance with the City Charter, prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with actual for the current year and prior year budget. The City Charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
- b) Public hearings are conducted to obtain taxpayer comment.
- c) Prior to June 30, the budget is to be legally enacted through passage of an ordinance.
- d) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Funds.
- e) Budgets for the General, Debt Service, Special Revenue Funds, and Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- f) Appropriations lapse at the end of each fiscal year.
- g) The City Council may authorize supplemental appropriations during the year.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9 - Investments Policy

With prior approval of the Mayor and City Commission the Finance Director may invest in obligations of the United States and its agencies and instrumentality.

Without prior approval of the Mayor and City Commission the Finance Director may invest in certificates of deposit issued by or other-interest bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by section 41.240(4) of the Kentucky Revised Statutes.

For the current fiscal year, the City invested only in certificates of deposit and savings accounts. Investments are stated at cost or amortized cost approximates market.

10 - Restricted Assets

These assets consist of cash and short-term investments restricted for tourism, debt service and other grants.

11 - Reserves

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)11 - Reserves (Concluded)

	<u>2020</u>	<u>2019</u>
<u>A) Water Fund</u>		
Marions Branch	\$ 43,392	\$ 32,544
<u>B) Gas Fund</u>	\$ 0	\$ 0
<u>C) Sewer Fund</u>		
Marions Branch	\$ 10,848	\$ 8,136
Sewer Plant	43,200	0
Total Sewer Fund	\$ 54,048	\$ 8,136
<u>D) Outside Water</u>		
Taxable Series 2010S-2	\$ 37,800	\$ 34,020
<u>E) Outside Sewer</u>		
Reserve for Sinking Fund		
Taxable Series 2010S-1	\$ 61,800	\$ 55,620
Taxable Series 2010S-2	37,800	34,020
KIA Loan # A00-03	50,000	50,000
Total Outside Sewer	\$ 149,600	\$ 139,640
Total Reserve for Sinking		
Fund Balance	\$ 284,840	\$ 214,340

Reserve Funding:

	<u>Required</u>	<u>Cash</u>	<u>Over (Under)</u>
	<u>Reserves</u>	<u>Reserves</u>	<u>Funded</u>
A) Water Fund	\$ 43,392	\$ 69,943	\$ 26,551
B) Gas Fund	0	0	0
C) Sewer Fund	54,048	90,962	36,914
D) Outside Water	37,800	71,231	33,431
E) Outside Sewer	149,600	215,709	66,109
	\$ 284,840	\$ 447,845	\$ 163,005

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)12 - Revenue Recognition - Property Taxes

The City's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for both real and personal property located in the City. The City adopts the county assessment of property situated within the city limits, for both real and personal property. The assessed value of the roll, upon which the levy for 2020 fiscal year was based, was \$514,301,373 real and \$113,665,326 tangible.

The tax rates assessed for the year ended June 30, 2020 were \$.150 per \$100 valuation for real estate and \$.150 per \$100 valuation for tangible personal property.

Taxes are due on November 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2020 were 98.554% of the tax levy. Property taxes on vehicles are assessed at January 1, and are billed when the vehicle is licensed. These funds are collected by the Pike County Court Clerk and remitted to the City. These amounts were not used in computing the above percentage.

All property tax revenues are recognized and recorded when they become measurable and available. Available means due, or past due and receivable within the current period and collected no longer than sixty days after the close of the current period.

Property taxes receivable as of June 30, 2020 and 2019 are composed of the following:

<u>Year of Levy</u>	<u>2020 Amount</u>	<u>2019 Amount</u>
2019	\$ 18,260	\$ 0
2018	9,740	12,226
2017	7,951	8,485
2016	5,879	6,450
2015	4,729	4,909
2014	3,275	3,343
2013	2,018	2,339
2012	2,142	2,142
2011	3,574	3,574
2010	2,797	2,797
2009	3,682	3,682
2008	4,082	3,799
2007	2,723	2,773
2006	3,448	3,473
2005	3,285	3,310
2004	5,269	5,269
2003	0	4,155
	<u>\$ 82,854</u>	<u>\$ 72,726</u>
Less: Allowance for doubtful accounts	79,437	67,080
Net Property Taxes Receivable	<u>\$ 3,417</u>	<u>\$ 5,646</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)13 - Receivables - Proprietary Funds

Receivables are recorded at net realizable value. Net realizable value is equal to gross receivables less an allowance for uncollectable accounts.

2020	Gas	Water	Sewer	Sanitation	Outside Water	Outside Sewer	TOTAL
Total Accounts Receivable	\$ 103,326	408,333	\$ 227,097	\$ 256,674	\$ 160,730	\$ 149,872	\$ 1,306,032
Less: Allowance for							
Doubtfull Accounts	20,596	64,018	45,268	51,163	32,039	29,874	242,958
Net Receivables	<u>\$ 82,730</u>	<u>\$ 344,315</u>	<u>\$ 181,829</u>	<u>\$ 205,511</u>	<u>\$ 128,691</u>	<u>\$ 119,998</u>	<u>\$ 1,063,074</u>

2019	Gas	Water	Sewer	Sanitation	Outside Water	Outside Sewer	TOTAL
Total Accounts Receivable	\$ 139,259	\$ 551,472	\$ 215,839	\$ 221,622	\$ 153,628	\$ 145,686	\$ 1,427,506
Less: Allowance for							
Doubtfull Accounts	9,096	24,567	14,074	14,122	10,022	9,499	81,380
Net Receivables	<u>\$ 130,163</u>	<u>\$ 526,905</u>	<u>\$ 201,765</u>	<u>\$ 207,500</u>	<u>\$ 143,606</u>	<u>\$ 136,187</u>	<u>\$ 1,346,126</u>

14 - Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is entitled to receive accrued vacation but not accrued sick leave. Accumulated vacation pay at June 30, 2020 and 2019, respectively was \$238,301 and \$108,243.

15 - Statement of Cash Flows

For purposes of the Statement of Cash Flows; the Gas Fund, Water and Sewer Fund, and the Sanitation Fund; all highly liquid investments (including restricted assets) were considered to be cash equivalents. Highly liquid investments are defined as investments that (a) are readily convertible to known amounts of cash and/or (b) are near to their maturity that they present insignificant risk of changes in value because of changes in interest rates.

16 - Utility Deposits

The City requires a deposit be made before services will be provided for those customers who are tenants. Those deposits are for gas (\$75.00) and water (\$75.00). When the customer has services disconnected the deposit plus interest accrued is applied to their last bill and the remainder being refunded. Interest is set annual by the Public Service Commission.

17 - Prepaid Expenses

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

18 - Long-term Debt and Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the outstanding interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources or other financing uses, respectively, and issuance costs are reported as debt service expenditures.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

19 - Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is classified, rescinded or modified pursuant to ordinances passed by City Commission, City's highest level of decision making authority.
- Assigned – includes amounts that City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Finance Director under the authorization of the Mayor's Office.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. City reports all amounts that meet the unrestricted General Fund Balance Policy as unassigned.

20 - Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from the CERS' fiduciary net position have been determined on the same basis as they are reported to CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are recorded at fair value. See note 12 for further discussion.

21 - Postemployment Benefits Other Than OPEBs (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the KRS (CERS) System of the State of Kentucky and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by TRS. 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

22 - Date of Managements Review

Subsequent events were evaluated through December 14, 2020, which is the date the financial statements were available for review.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE B – DEFERRED OUTFLOW OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

In June of 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement provides financial reporting guidance for deferred outflows of resources, which are consumptions of net position by the government that is applicable to a future reporting period and deferred inflows of resources which are acquisitions of net position by the government that is applicable to a future reporting period.

Statement No. 63 amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The adoption of Statement No. 63 resulted in a change in the presentation of the *Statement of Net Assets* to what is now referred to as the *Statement of Net Position* and the term “net assets” is changed to “net position” throughout the financial statements. Statement No. 63 also amends the reporting of the “net investment in capital assets” component of net position. This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are now required to be included in this component of net position.

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

NOTE C - LONG-TERM DEBT

The following is a summary of bonds and notes payable of the City for the year ended June 30, 2020.

CHANGES IN LONG-TERM DEBT:

<u>DESCRIPTION</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Bonds	\$ 11,260,000	\$ 0	\$ 560,000	\$ 10,700,000
Plus: Premium	118,692	0	10,365	108,327
Less: Discount	(93,832)	0	(9,171)	(84,661)
Net General Obligation Bonds	\$ 11,284,860	\$ 0	\$ 561,194	\$ 10,723,666
Revenue Bonds	16,499,500	0	283,500	16,216,000
Notes Payable	162,439		64,104	98,335
Total	<u>\$ 27,946,799</u>	<u>\$ 0</u>	<u>\$ 908,798</u>	<u>\$ 27,038,001</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE C - LONG-TERM DEBT (Continued)

Bonds and Notes Payable at June 30, 2020 are comprised of the following:

Bank of New York \$3,025,000 Series 2012A (Jenny Wiley) with varying interest of 0.60% to 3.125% which is an effective rate of 2.9%, with the balance of principal due April 1, 2032. This loan is secured by system revenues. Payments due are \$26,169.38 (2021) and \$166,169.38 (2021); \$24,629.38 (2022); \$169,629.38 (2022).	1,960,000
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. This loan is secured by system revenues. Payments due are \$15,922.50 (2021); \$50,922.50 (2021) and \$15,537.50 (2022); \$50,537.50 (2022).	915,000
Bank of New York \$1,405,000 Series 2012C (Refinancing) maturing though January 1, 2023, with varying interest of 1.00% to 2.250% with the balance of principal due January 1, 2023. This loan is secured system revenes. Payments due are \$3,881.25 (2021) and \$148,881.25 (2021); \$2,250.00 (2022); and \$147,250.00 (2022).	345,000
Community Trust Bank \$3,730,000 Series 2017 maturing though November 1, 2037, with net average interest of 5.00% with the balance of principal due November 1, 2037. This loan is secured system revenes. Payments due are \$187,146.88 (2021); \$50,121.88 (2021); \$225,121.88 (2022); and \$47,496.88 (2022).	3,465,000
Community Trust Bank \$4,125,000 Series 2019 maturing though December 1, 2043, with interest of 3.1490446% with the balance of principal due December 1, 2043. Payments due are \$185,530.00 (2021); \$63,730.00 (2021); \$188,730.00 (2022) and \$61,855.00 (2022).	4,015,000
Total General Obligation Bonds	\$ 10,700,000
Plus: Premiums	108,327
Less: Discounts	(84,661)
Net General Obligation Bonds Payable	\$ 10,723,666
<u>Revenue Bonds</u>	
USDA Rural Development \$1,500,000 Build America Bonds, Taxable Series 2010S-1 maturing through January 1, 2050, with interest at 2.25% and is secured by system revenues. Payments of \$14,506.88 (2021); \$44,006.88 (2021); \$14,175.00 (2022); and \$44,175.00 (2022).	\$ 1,289,500
USDA Rural Development \$1,837,000 Build America Bonds, Taxable Series 2010S-2 maturing through January 1, 2050, with interest at 2.50% and is secured by system revenues. Payments in the amount of \$19,731.25 (2021); \$55,731.25 (2021); \$19,281.25 (2022); and \$56,281.25 (2022);.	1,578,500
USDA Rural Development \$3,166,000 Water and Sewer Revenue Bonds Series 2016A maturing through January 1, 2055, with interest at 2.25% and is secured by system revenues. Payments in the amount of \$33,941.25 (2021); \$86,441.25 (2021); \$33,350.63 (2022); and \$87,350.63 (2022).	3,017,000
USDA Rural Development \$5,500,000 Water and Sewer Revenue Bonds Series 2017A maturing through January 1, 2057, with interest at 2.50% and is secured by system revenues. Payments in the amount of \$67,643.75 (2021); \$158,143.75 (2021); \$66,512.50 (2022); and \$159,512.50 (2022).	5,411,500
USDA Rural Development \$5,000,000 Water and Sewer Revenue Bonds Series 2017B maturing through January 1, 2057, with interest at 2.50% and is secured by system revenues. Payments in the amount of \$61,493.75 (2021); \$143,993.75 (2021); \$60,462.50 (2022); and \$144,962.50 (2022).	4,919,500
Total Revenue Bonds	\$ 16,216,000
Total Bonds Payable	\$ 26,939,666

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE C - LONG-TERM DEBT (Continued)

Notes Payable and Capital Leases

KENTUCKY INFRASTRUCTURE AUTHORITY – This loan in the amount of \$848,416.47 was assumed from the Mountain Water District when the City assumed operation of the Mossy Bottom Sewage System.

The loan is for a term of 14.5 years, at an interest rate of 1.80%, with the last installment due in December

2021 and is secured by system revenues. Semi Annual Payments are due in the amounts \$98,335.27 (2021). \$ 98,335

Total \$ 27,038,001

CURRENT MATURITIES

The maturities of the Bonds Payable are as follows:

Principal Portion

		General Obligation / Revenue Bonds					
		General Obligation	Water	Sewer	Outside Sewer	Outside Water	Total Proprietary
							TOTAL
2021	\$	305,000	\$ 238,800	\$ 203,500	\$ 70,200	\$ 48,500	\$ 561,000
2022		315,000	243,700	243,300	70,800	50,700	608,500
2023		315,000	154,900	377,600	72,300	51,200	656,000
2024		330,000	104,800	442,900	72,800	53,500	674,000
2025		340,000	106,000	452,700	78,600	54,700	692,000
2026	2030	1,850,000	442,300	2,066,900	406,600	249,200	3,165,000
2031	2035	1,440,000	290,000	1,662,000	464,650	210,350	2,627,000
2036	2040	1,050,000	332,400	1,676,600	513,600	223,900	2,746,500
2041	2045	430,000	380,800	1,585,700	468,000	155,000	2,589,500
2046	2050	0	436,000	1,795,000	460,000	173,500	2,864,500
2051	2055	0	498,800	2,032,200	0	0	2,531,000
2056	2060	0	0	826,000	0	0	826,000
2061	2065	0	0	0	0	0	0
		<u>\$ 6,375,000</u>	<u>\$ 3,228,500</u>	<u>\$ 13,364,400</u>	<u>\$ 2,677,550</u>	<u>\$ 1,270,550</u>	<u>\$ 20,541,000</u>
							<u>\$ 26,916,000</u>

Interest Portion

		General Obligation	General Obligation / Revenue Bonds				Total
			Water	Sewer	Outside Water	Outside Sewer	
2021	\$	192,924	\$ 75,389	\$ 344,795	\$ 35,461	\$ 69,540	\$ 718,109
2022		184,819	69,572	339,109	34,365	67,737	695,601
2023		176,529	63,672	330,829	33,042	66,105	670,176
2024		167,835	59,715	319,591	31,802	64,008	642,951
2025		158,798	56,913	307,247	29,837	62,581	615,375
2026	2030	644,794	244,172	1,349,758	128,665	279,572	2,646,960
2031	2035	368,769	205,335	1,119,115	98,824	222,072	2,014,115
2036	2040	162,738	170,847	895,334	65,003	152,648	1,446,569
2041	2045	33,125	131,346	698,912	33,500	86,090	982,973
2046	2050	0	86,085	491,734	13,119	32,784	623,721
2051	2055	0	34,254	257,239	0	0	291,493
2056	2060	0	0	31,038	0	0	31,038
		<u>\$ 2,090,329</u>	<u>\$ 1,197,299</u>	<u>\$ 6,484,700</u>	<u>\$ 503,617</u>	<u>\$ 1,103,137</u>	<u>\$ 11,379,081</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE C - LONG-TERM DEBT (Concluded)The maturities of Notes Payable are as follows

	Proprietary Funds		
	Principal	Interest	Total
2,021	\$ 65,263	\$ 1,478	\$ 66,741
2,022	33,073	298	33,371
2,023	0		
2,024	0		
2,025	0		
2026-2030	0		
	<u>\$ 98,336</u>	<u>\$ 1,776</u>	<u>\$ 100,112</u>

NOTE D - LEASE COMMITMENTS

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

Dilco Development Company - leases the Dils Cemetery located adjacent to the Pikeville Bypass Road and Chloe Creek Road for \$1.00 per year. The lease is for a term of fifteen years, automatically renewed for successive one-year terms under the same terms and conditions, termination can be by either party upon giving 180 days' notice prior to the end of the term.

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE E – CHANGES IN CAPITAL ASSETS

The following is a summary of changes in the Capital Assets as of June 30, 2020.

CHANGES IN FIXED ASSETS – GOVERNMENTAL ACTIVITIESASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Property, Plant, and Equipment	\$ 32,637,182	\$ 1,088,045	\$ 0	\$ 33,725,227
Land	14,373,685	0	0	14,373,685
Vehicles	5,183,836	8,645	124,450	5,068,031
Equipment	5,228,775	489,231	7,599	5,710,407
Infrastructure	56,101,339	0	0	56,101,339
Intangible right-to-use Lease Asset	436,673	274,390	0	711,063
	<u>\$ 113,961,490</u>	<u>\$ 1,860,311</u>	<u>\$ 132,049</u>	<u>\$ 115,689,752</u>
Construction In Progress	5,325,667	15,116,294	1,503,911	18,938,050
TOTALS	<u>\$ 119,287,157</u>	<u>\$ 16,976,605</u>	<u>\$ 1,635,960</u>	<u>\$ 134,627,802</u>

ACCUMULATED DEPRECIATION / AMORTIZATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Property, Plant, and Equipment	\$ 13,232,369	\$ 890,773	\$ 0	\$ 14,123,142
Vehicles	4,425,069	207,610	124,450	4,508,229
Equipment	3,793,732	371,532	7,599	4,157,665
Infrastructure	32,147,771	745,936	0	32,893,707
Amortization - Intangible right-to-use Lease Asset	42,251	100,978	0	143,229
TOTALS	<u>\$ 53,641,192</u>	<u>\$ 2,316,829</u>	<u>\$ 132,049</u>	<u>\$ 55,825,972</u>
NET ASSETS	<u>\$ 65,645,965</u>			<u>\$ 78,801,830</u>

Depreciation expense was charged to Governmental Activities

General Government	\$ 825,062
Public Safety	316,724
Streets	872,467
Recreation and Parks	301,976
Total Depreciation Expense Governmental Activities	<u>\$ 2,316,229</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE F - PROPRIETARY FUNDS PROPERTY, PLANT AND EQUIPMENT

The following is a summary of the Property, Plant and Equipment of the Enterprise Funds as of June 30, 2020

CHANGES IN FIXED ASSETS - GAS FUNDASSETS

Description	Beginning	Additions	Deletions	Ending Cost
Land	\$ 138,000	\$ 0	\$ 0	\$ 138,000
Plant and Distribution System	2,370,787	3,500	0	2,374,287
Equipment	550,604	31,788	0	582,392
Vehicles	258,072	0	0	258,072
	<u>\$ 3,317,463</u>	<u>\$ 35,288</u>	<u>\$ 0</u>	<u>\$ 3,352,751</u>
Construction in Process	0	0	0	0
TOTALS	<u>\$ 3,317,463</u>	<u>\$ 35,288</u>	<u>\$ 0</u>	<u>\$ 3,352,751</u>

ACCUMULATED DEPRECIATION

Description	Beginning	Current	Deletions	Ending
Plant and Distribution System	\$ 2,142,719	\$ 17,212	\$ 0	\$ 2,159,931
Equipment	277,670	44,427	0	322,097
Vehicles	233,480	13,144	0	246,624
TOTALS	<u>\$ 2,653,869</u>	<u>\$ 74,783</u>	<u>\$ 0</u>	<u>\$ 2,728,652</u>
NET ASSETS	<u>\$ 663,594</u>			<u>\$ 624,099</u>

CHANGES IN FIXED ASSETS - WATERASSETS

Description	Beginning	Additions	Deletions	Ending Cost
Plant and Distribution System	\$ 21,261,743	\$ 741,919	\$ 6,340	\$ 21,997,322
Equipment	1,345,678	42,804	0	1,388,482
Vehicles	182,774	0	0	182,774
	<u>\$ 22,790,195</u>	<u>\$ 784,723</u>	<u>\$ 6,340</u>	<u>\$ 23,568,578</u>
Construction in Process	588,817	121,348	710,165	0
TOTALS	<u>\$ 23,379,012</u>	<u>\$ 906,071</u>	<u>\$ 716,505</u>	<u>\$ 23,568,578</u>

ACCUMULATED DEPRECIATION

Description	Beginning	Current	Deletions	Ending
Plant and Distribution System	\$ 11,679,291	\$ 461,475	\$ 6,340	\$ 12,134,426
Equipment	503,172	87,767	0	590,939
Vehicles	169,765	10,372	0	180,137
TOTALS	<u>\$ 12,352,228</u>	<u>\$ 559,614</u>	<u>\$ 6,340</u>	<u>\$ 12,905,502</u>
NET ASSETS	<u>\$ 11,026,784</u>			<u>\$ 10,663,076</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE F - PROPRIETARY FUNDS PROPERTY, PLANT AND EQUIPMENT (Continued)CHANGES IN FIXED ASSETS – SEWER

<u>ASSETS</u>				
Description	Beginning Cost	Additions	Deletions	Ending Cost
Plant and Distribution System	\$ 18,017,319	\$ 23,326,422	\$ 0	\$ 41,343,741
Equipment	373,024	234,400	7,121	600,303
Vehicles	242,084	0	0	242,084
	<u>\$ 18,632,427</u>	<u>\$ 23,560,822</u>	<u>\$ 7,121</u>	<u>\$ 42,186,128</u>
Construction In Progress	19,959,643	3,310,324	23,269,967	0
TOTALS	<u>\$ 38,592,070</u>	<u>\$ 26,871,146</u>	<u>\$ 23,277,088</u>	<u>\$ 42,186,128</u>

ACCUMULATED DEPRECIATION

Description	Ending Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 10,778,552	\$ 707,214	\$ 0	\$ 11,485,766
Equipment	339,291	12,121	7,121	344,291
Vehicles	176,864	26,183	0	203,047
TOTALS	<u>\$ 11,294,707</u>	<u>\$ 745,518</u>	<u>\$ 7,121</u>	<u>\$ 12,033,104</u>
NET ASSETS	<u>\$ 27,297,363</u>			<u>\$ 30,153,024</u>

CHANGES IN FIXED ASSETS – SANITATION

<u>ASSETS</u>				
Description	Beginning	Additions	Deletions	Ending Cost
Property and Plant	\$ 238,915	\$ 9,016	\$ 0	\$ 247,931
Equipment	642,624	70,046	0	712,670
Vehicles	1,586,047	0	0	1,586,047
Intangible right-to-use Lease Asset	28,664	0	0	28,664
	<u>\$ 2,496,250</u>	<u>\$ 79,062</u>	<u>\$ 0</u>	<u>\$ 2,575,312</u>
Constructruction in progress	0	0	0	0
TOTALS	<u>\$ 2,496,250</u>	<u>\$ 79,062</u>	<u>\$ 0</u>	<u>\$ 2,575,312</u>

<u>ACCUMULATED DEPRECIATION</u>				
Description	Beginning Balance	Current	Deletions	Ending
Property and Plant	\$ 156,842	\$ 7,767	\$ 0	\$ 164,609
Equipment	487,497	54,151	0	541,648
Vehicles	1,013,877	93,037	0	1,106,914
Amortization -				
Intangible right-to-use Lease Ass	3,344	5,733	0	9,077
TOTALS	<u>\$ 1,661,560</u>	<u>\$ 160,688</u>	<u>\$ 0</u>	<u>\$ 1,822,248</u>
NET ASSETS	<u>\$ 834,690</u>			<u>\$ 753,064</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE F - PROPRIETARY FUNDS PROPERTY, PLANT AND EQUIPMENT (Continued)CHANGES IN FIXED ASSETS – OUTSIDE WATER

<u>ASSETS</u>				
Description	Beginning	Additions	Deletions	Ending Cost
Distribution System	\$ 2,134,766	\$ 0	\$ 0	\$ 2,134,766
Equipment	283,623	0	0	283,623
Vehicles	79,518	0	0	79,518
	<u>\$ 2,497,907</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,497,907</u>
Construction in progress	0	0	0	0
TOTALS	<u>\$ 2,497,907</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,497,907</u>

<u>ACCUMULATED DEPRECIATION</u>				
Description	Beginning	Additions	Deletions	Ending
Distribution System	\$ 488,838	\$ 53,363	\$ 0	\$ 542,201
Equipment	40,504	20,761	0	61,265
Vehicles	79,519	0	0	79,519
TOTALS	<u>\$ 608,861</u>	<u>\$ 74,124</u>	<u>\$ 0</u>	<u>\$ 682,985</u>
NET ASSETS	<u>\$ 1,889,046</u>			<u>\$ 1,814,922</u>

CHANGES IN FIXED ASSETS – OUTSIDE SEWER

<u>ASSETS</u>				
Description	Beginning Cost	Additions	Deletions	Ending Cost
Distribution System	\$ 7,589,031	\$ 58,032	\$ 0	\$ 7,647,063
Equipment	289,031	21,291	0	310,322
Vehicles	36,825	0	0	36,825
	<u>\$ 7,914,887</u>	<u>\$ 79,323</u>	<u>\$ 0</u>	<u>\$ 7,994,210</u>
Constructruction in progress	55,032	0	55,032	0
TOTALS	<u>\$ 7,969,919</u>	<u>\$ 79,323</u>	<u>\$ 55,032</u>	<u>\$ 7,994,210</u>

<u>ACCUMULATED DEPRECIATION</u>				
Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Distribution System	\$ 1,569,553	\$ 191,044	\$ 0	\$ 1,760,597
Equipment	158,508	20,825	0	179,333
Vehicles	36,825	0	0	36,825
TOTALS	<u>\$ 1,764,886</u>	<u>\$ 211,869</u>	<u>\$ 0</u>	<u>\$ 1,976,755</u>
NET ASSETS	<u>\$ 6,205,033</u>			<u>\$ 6,017,455</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE F - PROPRIETARY FUNDS PROPERTY, PLANT AND EQUIPMENT (Concluded)NET Fixed Assets:

<u>Fund</u>	<u>Beginning</u>	<u>Ending</u>
Gas	\$ 663,594	\$ 624,099
Water	11,026,784	10,663,076
Sewer	27,297,363	30,153,024
Sanitation	834,690	753,064
Outside Water	1,889,046	1,814,922
Outside Sewer	6,205,033	6,017,455
	<u>\$ 47,916,510</u>	<u>\$ 50,025,640</u>

NOTE G - COMMITMENTS AND CONTINGENCIES

LITIGATION - Various claims and lawsuits are pending against the City. In the opinion of the City attorney, the potential loss on all claims will not be significant to the City's Financial Statements.

FEDERAL GRANT PROGRAMS - In the course of operations, the City receives grant funds from various federal and state government agencies to be used for designated purpose only. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions surrounding the granting of funds. If a grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the City for its expenditures. In management's opinion, any liability for any refunds or reimbursements which may arise as a result of audits of grant funds would not have a material impact on the financial position of the City. Continuation of the City's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

Construction Commitments - The City has active construction projects as of June 30, 2020 and has committed to other projects that will begin in fiscal year end June 30, 2021.

NOTE H - MANAGEMENT CONTRACT

The City contracted with the UMG to manage the Street, Parks, Water and Sewer, Gas, and Garbage departments of the City. The contract went into effect on December 2006.

UMG is paid a monthly fee and in turn they pay certain expenses relating to the operation of the above departments.

The City bills and collects all utility charges and related fees.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE I - HELLIER MANOR APARTMENTS, LTD (HDG GRANT)

In 1984 the City received a Housing Development Grant (HDG) from the U. S. Department of Housing and Urban Development in the amount of \$1,430,002. The City loaned the grant proceeds to Hellier Manor Apartments, Ltd. (HMA) who used the funds, in addition to bond proceeds, to construct the Ridge Cliff Apartments.

Hellier Manor Apartments, LTD settle this case by donating the building to the City.

The City has subsequently entered into an agreement with the Pikeville Housing Authority to manage the facility.

NOTE J – 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. The contributions, by employees, to the 457 and 401 (k) are as follows:

<u>Year</u>		<u>457</u>	<u>401 (k)</u>
2020	\$	28,304	\$ 11,400
2019	\$	24,270	\$ 9,300
2018	\$	17,960	\$ 7,840
2017	\$	22,060	\$ 7,440
2016	\$	20,910	\$ 10,380
2015	\$	22,792	\$ 12,955
2014	\$	20,615	\$ 9,490
2013	\$	18,485	\$ 4,105
2012	\$	19,377	\$ 5,470
2011	\$	17,127	\$ 4,865
2010	\$	16,197	\$ 5,630

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE K - 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.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits estimated to be payable in the future. This obligation could not be computed as information as to the number employees who are eligible, life expectancy, and the amount of other pensions or retirement benefits being received by those eligible. Due to the inability to compute the liability, no conclusions as to the materiality can be ascertained.

NOTE L - DEPOSITS WITH FINANCIAL INSTITUTIONS

At June 30, 2020, the carrying amount of the City's deposits with financial institutions was \$26,447,497 and the bank balance, per statements, was \$26,764,557. The bank balance is categorized as follows:

Amount Insured by FDIC	\$ 1,003,883
Amount collateralized with an FHLB letter of credit:	25,756,576
Amount collateralized with securities held by third party in the City's name:	4,098
Uncollateralized (\$0 of this amount is collateralized with securities held by pledging financial institution)	0
Total Bank Balance	<u>\$ 26,764,557</u>

NOTE M – CERTIFICATES OF DEPOSITS/SAVINGS ACCOUNTS

The City maintains various interest-bearing accounts as listed below.

<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
1 year	0.100%	\$ 848,648
1 year	0.150%	47,970
1 year	0.200%	299,774
1 year	0.260%	154,608
1 year	0.300%	3,663,298
1 year	0.500%	21,157,978
Non Interest Bearing		275,221
		<u>\$ 26,447,497</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE N – FUTURE ACCOUNTING PRONOUNCEMENTS

The GASB has issued several reporting standards that will become effective for fiscal 2020 and later years' financial statements.

- Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations.
- Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments.
- Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements
- Statement No. 89 Accounting for Interest Cost Incurred before the End of a Construction Period, the objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

NOTE O - LEASE AGREEMENTS

South East Kentucky Chamber of Commerce, Inc. – Leases the building at 178 College Street. The lease is for a term of one (1) year. Rent will be in the amount of \$650 per month.

Pikeville Area Family YMCA, Inc. - YMCA leases several properties:

a - Land located in Bob Amos Park for consideration of \$1.00 per year for a term of fifty years. This agreement is dated December 31, 1991.

b - Softball Field located in Bob Amos Park for consideration of \$1.00 per year for a period of one year and the right to renew for five additional one-year terms. Either party has the right to cancel by giving thirty days written notice of the parties' intent to terminate this lease or renewal thereof.

Model City Day Care Center, Inc. - Leases daycare facilities located on Bank Street in Pikeville, Kentucky for \$1.00 per year. The lease is for a term of two years ending on December 31, 1992, renewable for two-consecutive two-year terms under the same terms and conditions, upon on written notice by Model City Day Care Center, Inc. of its intent to renew 180 days prior to the end of the term of the lease or any renewal thereof. Any renewal is contingent on the Model City Day Care Center, Inc. being in substantial compliance with this agreement.

As amended on December 14, 2009 the term of the lease is extended to include the period of January 1, 2010 to December 31, 2012 and is extendable for two consecutive two-year terms by written notification 180 days prior to the end of the term.

Channel 51 - Leases the land located on Hambley Boulevard for consideration of \$13,474.38 a year.

Pikeville Independent Board of Education - Use of the Hambley Athletic Complex for consideration of \$20,000 per year for the life of the general obligation bonds; \$4,334 per month for the Maintenance and Operation rental Fee. The Board is billed monthly.

University of Pikeville – Use of Hambley complex \$2,667.00 per month.

Texas Roadhouse – Use of land on Thompson Road for construction of a restaurant. Lease is for a term of fifteen (15) years with annual rental of \$80,000 for the first five years and \$83,200 for remainder of original term. Tenant has the right to renew for three successive and additional five-year periods.

Pikeville Farmer's Market Inc. – Property located at 130 Adams Lane known as the Pikeville Pavilion for the purpose of offering their locally produced goods for sale to the general public. The term of this lease is month to month, and both parties may at their discretion terminate this agreement at any time in writing. Lessee agrees to pay one dollar (\$1) annually.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE O - LEASE AGREEMENTS (concluded)

Baily Hotel, LLC – The right to the use of parking spaces on the ramp leading to the fourth floor of the parking garage, but not exceeding 180 parking spaces. Lease dated January 10, 2011 and renewed January 10, 2012. The term of the lease is twenty years from the day the hotel opens. There is a twenty-year extension with the lessee giving the lessor a note of extension at least 90 days before the end of the original term. The lessee agrees to pay monthly three dollars (\$3) per night per rented room in the lessee two (2) hotels or three percent (3%) of the gross monthly room receipts whichever is greater.

Rustic Roots on Second Street, LLC – building located at 237 Second Street Suite 4, Pikeville, KY 41501 to be used solely as an artisan/cultural retail business. The term of the lease is for a period of five (5) years commencing on October 14, 2014 and has two (2) automatic five (5) year roll over of terms unless lessee terminates the lease in writing within 60 days prior to the end of the lease. Lessee agrees to pay one-dollar (\$1) annually for the first five (5) years, then rent will be as set forth in the lease.

East Kentucky Network, LLC D/B/A Appalachian Wireless – Use of a portion of the parking garage to construct, maintain and operate telephone and power service lines property for service of the Licensee's equipment and facilities. Term of the agreement is five (5) years unless either party provides written notice that it does not wish to renew within 60 days prior to the end of the then-current term. Lessee agrees to pay \$250 per month.

Pikeville Medical Center, Inc. – Tract of land located on Chloe Road and Baily Blvd contiguous to the current Fire Station #1. Lease begins July 31, 2017 for an initial term of 10 years, with automatic renewals for consecutive five (5) year terms unless either party provides written notice of non-renewal at least 90 days prior to the end of the then current term. PMC agrees to pay \$15,000 per year, with the City having the right to increase the rent on August 20, 2020 by no more than 2.5% of previous annual rent once every three (3) years.

Spoiled Rotten Children's Boutique, LLC. – The York House located at 223 Main Street, to be solely used as a retail store offering children's clothing and accessories. Lease for a five (5) year period with an automatic rollover into another five (5) year term unless either party notifies the other of their intent to terminate within 60 days prior to the end of the term. Lessee agrees to pay one-dollar (\$1) annually for the first three (3) years, \$400 for the fourth year and then rent will increase \$100 per month annually in years five (5) through ten (10).

Muddy Boots – Lease agreement to operate the City's river trails, zip line, and Equestrian Barn ends December 31, 2022, which lessor may then renew at sole discretion for a period ending December 31, 2023. \$1/year.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE P – PLEDGED REVENUE COVERAGE

Fiscal Year	Revenue Bonds and Notes Payable			
	Gross Revenue	Debt Service Principal	Interest	Coverage
2002	\$ 4,620,257	\$ 567,537	\$ 407,874	4.74
2003	5,040,960	576,461	387,744	5.23
2004	5,391,881	616,787	381,534	5.40
2005	4,769,404	871,390	437,375	3.64
2006	5,612,167	584,498	331,730	6.13
2007	5,126,124	770,672	292,404	4.82
2008	6,063,199	553,948	314,241	6.98
2009	7,554,997	570,439	327,950	8.41
2010	7,446,899	1,394,763	301,648	4.39
2011	6,693,360	432,848	349,203	8.56
2012	7,115,680	2,291,527	361,955	2.68
2013	7,079,499	426,256	162,841	12.02
2014	7,020,728	1,507,434	234,396	4.03
2015	6,969,259	270,110	124,765	17.65
2016	6,375,367	277,670	147,534	14.99
2017	6,211,082	279,749	200,366	12.94
2018	7,104,566	336,347	247,689	12.16
2019	7,318,110	399,965	441,240	8.70
2020	7,612,125	611,874	531,660	6.66

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE Q - RETIREMENT PLAN

KENTUCKY RETIREMENT SYSTEM - County Employees Retirement System (CERS)

Plan descriptions: All eligible full-time employees are covered under the County Employees' Retirement System (CERS). CERS is a cost sharing, multi-employer, defined benefit, and public employers' retirement system administered by the Kentucky Retirement Systems. The plan covers substantially all regular fulltime members employed in non-hazardous and hazardous duty positions of each county, city 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 operates on a fiscal year ending on June 30 and 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://kvret.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.

The benefits of all vested members are based on years of service and final compensation. Annual benefits are computed based on 2.2% of Final Compensation multiplied by Years of Service as defined under the plan. The Plan provides for benefits upon early retirement based on the number of years of service and age. Additional details can be found in the Plan.

Tier 1: Nonhazardous: This tier is for members who began participation on or before September 1, 2008. Retirement benefits are based upon a 5-High Final Compensation. When Final Compensation is based on the 5-High, it must include at least 48 months and a minimum of five fiscal years. The years used do not have to be full (12 month) years.

Tier 2: Nonhazardous: This tier is for members who began participation on or after September 1, 2008 and January 1, 2014. Retirement benefits are based upon your last 5 years' salaries. When Final Compensation is based on the last five salaries, it must include 60 months - the years used must be full (12 month) years.

Tier 3: Cash Balance Plan: This new benefit tier is for members who began participation on or after January 1, 2014. A Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. A Cash Balance Plan resembles a defined contribution plan because it determines the value of benefits for each participant based on individual accounts. However, the assets of the plan remain in a single investment pool like a traditional defined benefit plan. A Cash Balance Plan resembles a defined benefit plan since it uses a specific formula to determine benefits. The Hybrid Cash Balance plan was established as part of Senate Bill 2, which was enacted by the Kentucky General Assembly during its 2013 Regular Session.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE Q - RETIREMENT PLAN (Continued)

Hazardous retirement benefits are based upon a 3-High Final Compensation. When Final Compensation is based on the 3-High, it must include at least 24 months and a minimum of three fiscal years. The years used do not have to be full (12 month) years.

Contributions: Employers contribute at the rate determined by the Board of Trustees, of the Kentucky Retirement Systems, to be necessary for the actuarial soundness of the systems as required by KRS 61.565. The employer rate is reviewed annually following the valuation by a consulting actuary. *Employer contributions are not deposited to member accounts.* Employer contributions are deposited to the Retirement Allowance Account and are used to pay monthly benefits and the expenses of the systems. Funding for this Plan is provided through payroll withholdings from the employee's total compensation subject to contribution. All required contributions were made. Covered wages and contribution percentages and amounts of contributions required for CERS are shown on the previous page.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of

employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

CERS does not make separate measurements of assets and pension benefit obligation for individual employers. As the City is only one of several employers participating in the Plan, it is not practicable to determine the City's portion of the unfunded past service cost or the vested benefits of the City's portion of the Plan assets.

At June 30, 2020, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The City's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2019. At June 30, 2019, the City's proportion was 0.107591% non-hazardous and 0.235259% hazardous.

Covered Payroll and Contribution Data					
Year	Rate – Non-hazardous		Amount		
	Employee	Employer	Covered Wages	Employee	Employer
2020	5.00%	24.06%	\$ 2,984,589	169,054	716,837
2019	5.00%	21.48%	2,756,429	155,531	592,081
2018	5.00%	19.18%	2,426,209	136,815	465,347
2017	5.00%	18.68%	2,165,430	106,711	404,502
2016	5.00%	17.06%	1,962,589	106,981	334,818
2015	5.00%	17.67%	1,786,555	96,828	315,839
2014	5.00%	18.89%	1,732,512	92,820	326,563

Year	Rate – Hazardous		Amount		
	Employee	Employer	Covered Wages	Employee	Employer
2020	8.00%	39.58%	\$ 1,209,041	96,723	478,538
2019	8.00%	35.34%	1,339,837	107,187	473,498
2018	8.00%	31.55%	1,525,138	122,011	481,181
2017	8.00%	31.06%	1,568,223	125,458	487,090
2016	8.00%	32.95%	1,549,162	123,933	510,449
2015	8.00%	34.30%	1,627,210	130,176	558,296
2014	8.00%	35.70%	1,589,779	127,182	567,551

Year	TotalAmount		
	Covered Wages	Employee	Employer
2020	\$ 4,193,630	\$ 265,777	\$ 1,195,376
2019	4,096,266	262,718	1,065,579
2018	3,951,347	258,826	946,528
2017	3,733,653	232,169	891,592
2016	3,511,751	230,914	845,267
2015	3,413,765	227,004	874,135
2014	3,322,291	220,002	894,114

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE Q - RETIREMENT PLAN (Continued)

For the year ended June 30, 2020, the City recognized pension expense of \$2,697,850. At June 30, 2019, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$1,195,376, plus deferred outflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of:

Deferred Outflows of Resources for:

Liability Experience	\$ 469,314
Changes of Assumptions	1,396,668
Investment Experience	245,224
Change in Proportion & Differences Between Employer Contributions & Proportionate Share of Plan Contributions	664,531
Total Deferred Outflows	<u>\$ 2,775,737</u>

Deferred Inflows of Resources for:

Liability Experience	\$ 31,972
Changes of Assumptions	0
Investment Experience	459,178
Change in Proportion & Differences Between Employer Contributions & Proportionate Share of Plan Contributions	649,904
Total Deferred Inflows	<u>\$ 1,141,054</u>

City contributions subsequent to the measurement date of \$1,195,376 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as shown:

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Item	CERS Non-Hazardous	CERS Hazardous
Determined by the Actuarial Valuation as of:	June 30, 2017	June 30, 2017
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay	Level Percent of Pay
Remaining Amortization Period:	26 Years, Closed	26 Years, Closed
Payroll Growth Rate:	2.00%	2.00%
Investment Rate of Return:	6.75%	6.75%
Inflation:	2.30%	2.30%
Salary Increases:	3.30% to 11.55%, varies by service	3.05% to 18.55%, varies by service
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE Q - RETIREMENT PLAN (Continued)

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 years for females). For disabled members, the RP-200 Combined Disabled Mortality Table projected with scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. These assumptions are used to measure the probabilities of each benefit payment being made after retirement. These assumptions contain margin for mortality improvements.

Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset 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 table Asset Class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long- Term Expected</u>
Growth		
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	<u>100.00%</u>	

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE Q - RETIREMENT PLAN (Continued)

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 6.75%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2019, is based on the June 30, 2018, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. 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.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 %, 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:

City's proportionate share of the net pension liability:			
	1 % Decrease	Current	1% Increase
	(5.25%)	(6.25%)	(7.25)
Non-hazardous	\$ 9,464,074	\$ 7,566,923	\$ 5,985,666
Hazardous	8,124,644	6,498,548	5,165,385
	<u>\$ 17,588,718</u>	<u>\$ 14,065,471</u>	<u>\$ 11,151,051</u>

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, 2018 the City had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE R – COUNTY EMPLOYEE RETIREMENT SYSTEM OPEB PLAN

General Information about the OPEB Plan

Plan description – employees of the City are provided OPEBs through the County Employees Retirement System (CERS)—a cost-sharing, multiple-employer defined benefit OPEB plan administered by the Kentucky General Assembly. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the CERS Medical Insurance and Life Insurance Plans. The following information is about the CERS plans:

Medical Insurance Plan

Plan description – Under the provisions of Kentucky Revised Statute Section 61.701, the KRS Board administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS: (1) KERS; (2) CERS; and (3) SPRS. The assets of the Insurance Fund are also segregated by plan.

Benefits provided – The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The City contracts with State to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions - Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 17.06% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2019, the City reported a liability of \$3,661,849 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the City. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the City's proportion was .096298 percent non-hazardous, which was an increase of .008644% from its proportion measured as of June 30, 2018 (.087654 percent). The City's proportion was .235213 percent hazardous, which was a decrease of .038589% from its proportion measured as of June 30, 2018 (.273802 percent).

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE R – COUNTY EMPLOYEE RETIREMENT SYSTEM OPEB PLAN (Continued)
General Information about the OPEB Plan (Concluded)

The amount recognized by the City as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the City were as follows:

City's proportionate share of the net OPEB liability	
Non-Hazardous	\$ 1,809,212
Hazardous	1,740,246
Total	<u>\$ 3,549,458</u>

For the year ended June 30, 2019, the City recognized OPEB expense of:

Non-Hazardous	\$ 249,711
Hazardous	196,256
Total	<u>\$ 445,967</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Non-Hazardous	Hazardous	Total	Non-Hazardous	Hazardous	Total
Liability Experience	\$ 0	\$ 0	\$ 0	\$ 545,881	\$ 323,743	\$ 869,624
Changes of assumptions	535,363	525,895	1,061,258	3,580	3,295	6,875
Investment Experience	11,917	11,892	23,809	92,274	111,945	204,219
Changes in proportion and differences between District contributions and proportionate share of contributions	253,255	0	253,255	2,540	243,009	245,549
District contributions subsequent to the measurement date	0	0	0	0	0	0
Total	<u>\$ 800,535</u>	<u>\$ 537,787</u>	<u>\$ 1,338,322</u>	<u>\$ 644,275</u>	<u>\$ 681,992</u>	<u>\$ 1,326,267</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE R – COUNTY EMPLOYEE RETIREMENT SYSTEM OPEB PLAN (Continued)OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$0 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

Year ended June 30:

	Non- Hazardous	Hazardous
2019	\$ 37,817	\$ 36,957
2020	37,817	(55,591)
2021	63,366	(101,988)
2022	14,304	(23,582)
2023	1,039	0
Thereafter	1,916	0
	<u>\$ 156,259</u>	<u>\$ (144,204)</u>

Actuarial assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.30%
Payroll growth rate	2.00%
Projected salary increases	3.30% to 11.55% Varies by Service
Investment rate of return	6.25%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Ages 65 and older	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

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 for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE R – COUNTY EMPLOYEE RETIREMENT SYSTEM OPEB PLAN (Continued)OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

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:

Asset Class	All Insurance	
	Target Allocation	Long-Term Expected Real Rate of Return
Growth		
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%
Cash	1.00%	20.00%
Diversifying Strategies		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	

Discount Rate - The projection of cash flows used to determine the discount rate of 5.68% for CERS Non-hazardous, and 5.69% for CERS Hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE R – COUNTY EMPLOYEE RETIREMENT SYSTEM OPEB PLAN (Continued)OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Concluded)

The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, 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 (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<u>1% Decrease Rate (4.68%)</u>	<u>Current Discount Rate (5.68%)</u>	<u>1% Increase Rate (6.68%)</u>
City's net OPEB liability			
Non Hazardous	\$ 2,423,599	\$ 1,809,212	\$ 1,302,997
	<u>Rate (4.69%)</u>	<u>Rate (5.69%)</u>	<u>Rate (6.69%)</u>
Hazardous	\$ 2,427,994	\$ 1,740,246	\$ 1,181,995

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:

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
City's net OPEB liability			
Non-Hazardous	\$ 1,345,520	\$ 1,809,212	\$ 2,371,493
Hazardous	\$ 1,210,890	\$ 1,740,246	\$ 2,386,033

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE S – INTER FUND TRANSFERS

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Tourism / Convention	Operating	\$ 1,957,582
General	Debt Service Jenny Wiley		
	Construction	Debt Service	195,140
General	Event Center / Pool Station		
	Debt Service	Debt Service	242,710
General	Projects Control	Fixed Assets	447,505
General	Series 2017 Debt Service	Debt Service	57,675
General	Projects Control	Fixed Assets	17,869
Projects Control	Water	Fixed Assets	121,348
Projects Control	Sewer	Fixed Assets	233,603
Projects Control	Sewer	Fixed Assets	225,000
Main Street	General	Operating	87
Water	Projects Control	Fixed Assets	40,404
			<u>\$ 3,538,923</u>

NOTE T – INTER FUND RECEIVABLES AND PAYABLES

Inter-fund balances at June 30, 2020:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Purpose</u>	<u>Amount</u>
Water	Cashflow	Operating	\$ 27
General	Projects	Operating	1,386
General	Sewer	Operating	197,418
Projects	Sewer	Operating	260,775
General	Sanitation	Operating	200
Total All Funds			<u>\$ 459,806</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020NOTE U - LEASE OBLIGATIONS

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

Government Funds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 135,133	\$ 28,244	\$ 163,377
2022	141,794	21,582	163,376
2023	147,697	14,591	162,288
2024	150,750	6,124	156,874
2025	63,113	1,444	64,557
2026-2030	0	0	0
	<u>\$ 638,487</u>	<u>\$ 71,985</u>	<u>\$ 710,472</u>

Proprietary Funds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 4,184	\$ 1,223	\$ 5,407
2022	4,439	968	5,407
2023	4,710	698	5,408
2024	9,191	207	9,398
2025	0	0	0
2026-2030	0	0	0
	<u>\$ 22,524</u>	<u>\$ 3,096</u>	<u>\$ 25,620</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 (6866) – entered into a five-year lease for a vehicle on September 14, 2018. Monthly payments of \$496.98 are due, with the first payment made on September 20, 2018. The City guarantees the lessor will receive the fair market value (\$7,831.29) 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 5.70%.

Enterprise Fleet Management (3136) – entered into a five-year lease for a vehicle on November 8, 2018. Monthly payments of \$450.34 are due, with the first payment made on December 20, 2018. The City guarantees the lessor will receive the fair market value (\$6,937.69) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.93%.

Enterprise Fleet Management (7327) – entered into a five-year lease for a vehicle on November 15, 2018. Monthly payments of \$463.09 are due, with the first payment made on December 20, 2018. The City guarantees the lessor will receive the fair market value (\$5,181.62) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.93%.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE U - LEASE OBLIGATIONS (Continued)

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 \$679.35 are due, with the first payment made on April 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,522.82) 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 \$679.35 are due, with the first payment made on April 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,522.82) 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 \$679.35 are due, with the first payment made on April 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,522.82) 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%.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE U - LEASE OBLIGATIONS (Concluded)

Enterprise Fleet Management (6554) – entered into a five-year lease for a vehicle on March 11, 2019. Monthly payments of \$679.35 are due, with the first payment made on April 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,522.82) 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 \$679.35 are due, with the first payment made on April 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,522.82) 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 \$487.51 are due, with the first payment made on December 20, 2019. The City guarantees the lessor will receive the fair market value (\$5,857.55) 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%.

INDIVIDUAL MAJOR FUND FINANCIAL STATEMENTS
AND
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY - COUNTY EMPLOYEE RETIREMENT SYSTEM

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
REVENUES				
Ad Valorem Taxes	\$ 969,000	\$ 1,048,360	\$ 1,113,662	\$ 65,302
Franchise Taxes	680,000	683,360	703,454	20,094
Occupational License Fees	8,575,000	9,575,000	10,056,378	481,378
Other Taxes	2,305,000	2,305,000	2,323,417	18,417
Permits and Fees	85,000	85,000	77,002	(7,998)
Grants - Federal	492,424	918,560	1,031,066	112,506
Grants - State	402,000	1,352,415	718,533	(633,882)
Other Grants	127,008	752,008	181,256	(570,752)
Interest Income	90,000	159,500	232,770	73,270
Other Revenue	1,021,354	5,467,589	5,660,554	192,965
Total Revenues	<u>\$ 14,746,786</u>	<u>\$ 22,346,792</u>	<u>\$ 22,098,092</u>	<u>\$ (248,700)</u>
EXPENDITURES				
CURRENT				
General Government	\$ 4,020,167	\$ 10,200,578	\$ 7,688,053	\$ 2,512,525
Public Safety				
Police	2,787,023	2,916,334	2,494,344	421,990
Fire	3,082,340	3,382,736	3,072,898	309,838
Ambulance Service	148,200	144,950	122,328	22,622
Dispatch Service	394,535	587,698	509,900	77,798
Codes	180,926	201,426	149,695	51,731
911	498,400	507,238	325,209	182,029
Emergency Shelter	11,000	11,000	11,000	0
Streets	3,389,271	3,489,271	2,539,059	950,212
Economic Development	339,370	339,370	264,425	74,945
Parking Garage	108,550	108,550	83,813	24,737
Recreation	1,335,960	1,353,360	1,170,172	183,188
Fiber	598,659	598,659	0	598,659
Events	499,940	513,840	373,746	140,094
Tourism	246,067	304,660	180,336	124,324
Lake Cleanup	89,830	82,830	51,214	31,616
Landscape	126,477	132,477	110,478	21,999
Hellier Manor / Ridge Cliff	0	244,000	233,012	10,988
Capital Outlay	0	0	0	0
Debt Service				
Principal Retirement	25,292	103,184	103,012	172
Interest	141,685	79,503	38,000	41,503
Grants / Loan Advances	225,400	238,487	228,353	10,134
Total Expenditures	<u>\$ 18,249,092</u>	<u>\$ 25,540,151</u>	<u>\$ 19,749,047</u>	<u>\$ 5,791,104</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (3,502,306)</u>	<u>\$ (3,193,359)</u>	<u>\$ 2,349,045</u>	<u>\$ 5,542,404</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0
Proceeds from Sale of Fixed Assets	0	0	0	0
Inception of Leases	0	260,067	195,297	(64,770)
East Kentucky Exposition Center / Tourism	1,348,792	929,541	918,142	(11,399)
Operating Transfers In	0	87	87	0
Operating Transfers (Out)	(3,554,109)	(2,962,224)	(2,918,481)	43,743
Total Other Financing Sources (Uses)	<u>\$ (2,205,317)</u>	<u>\$ (1,772,529)</u>	<u>\$ (1,804,955)</u>	<u>\$ (32,426)</u>
Net Change In Fund Balance	\$ (5,707,623)	\$ (4,965,888)	\$ 544,090	\$ 5,509,978
FUND BALANCES - BEGINNING OF YEAR	5,708,212	4,967,090	16,339,352	11,372,262
FUND BALANCES-END OF YEAR	<u>\$ 589</u>	<u>\$ 1,202</u>	<u>\$ 16,883,442</u>	<u>\$ 16,882,240</u>

See independent auditor's report and accompanying notes to the financial statements.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES AND EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - COAL SEVERANCE
For The Year End June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental Revenue	\$ 190,000	\$ 239,000	\$ 233,063	\$ (5,937)
Other Grants	0	0	0	0
Interest Income	8,000	9,000	11,325	2,325
Other Revenue	0	0	0	0
TOTAL REVENUES	<u>\$ 198,000</u>	<u>\$ 248,000</u>	<u>\$ 244,388</u>	<u>\$ (3,612)</u>
EXPENDITURES				
Current				
General Government	\$ 0	\$ 0	\$ 0	\$ 0
Grants / Loan Advances				
Animal Shelter	0	0	0	0
Big Sandy Heritage Center	0	0	0	0
Senior Citizens Center	30,000	35,000	35,000	0
Capital Outlay	231,980	276,980	141,425	135,555
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
TOTAL EXPENDITURES	<u>\$ 261,980</u>	<u>\$ 311,980</u>	<u>\$ 176,425</u>	<u>\$ 135,555</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (63,980)</u>	<u>\$ (63,980)</u>	<u>\$ 67,963</u>	<u>\$ (139,167)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers In	0	0	0	0
Operating Transfers (Out)	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCE	\$ (63,980)	\$ (63,980)	\$ 67,963	\$ (139,167)
FUND BALANCE - BEGINNING OF YEAR	64,600	64,600	765,825	701,225
FUND BALANCE - END OF YEAR	<u>\$ 620</u>	<u>\$ 620</u>	<u>\$ 833,788</u>	<u>\$ 562,058</u>

See independent auditor's report and accompanying notes to the financial statements.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES AND EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET (GAAP BASIS) AND ACTUAL - CAPITAL PROJECTS - PROJECTS CONTROL
 For The Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal Grants	\$ 17,654,728	\$ 6,129,728	\$ 1,670,403	\$ (4,459,325)
State Grants	11,893,344	11,893,344	8,398,680	(3,494,664)
Other Grants	0	0	0	0
Interest	0	0	23,408	23,408
Other	0	0	0	0
Total Revenues	<u>\$ 29,548,072</u>	<u>\$ 18,023,072</u>	<u>\$ 10,092,491</u>	<u>\$ (7,930,581)</u>
EXPENDITURES				
Miscellaneous	\$ 0	\$ 0	\$ 0	\$ 0
Capital Outlay	35,584,630	21,867,182	13,568,939	8,298,243
Grants to Others	0	1,503,912	1,503,911	1
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Total Expenditures	<u>\$ 35,584,630</u>	<u>\$ 23,371,094</u>	<u>\$ 15,072,850</u>	<u>\$ 8,298,244</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (6,036,558)</u>	<u>\$ (5,348,022)</u>	<u>\$ (4,980,359)</u>	<u>\$ 367,663</u>
OTHER FINANCING SOURCES (USES)				
Proceeds From Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers In	1,100,000	537,909	505,778	(32,131)
Operating Transfers (Out)	(698,483)	(703,303)	(579,951)	123,352
Total Other Financing Sources (Uses)	<u>\$ 401,517</u>	<u>\$ (165,394)</u>	<u>\$ (74,173)</u>	<u>\$ 91,221</u>
NET CHANGE IN FUND BALANCE	<u>\$ (5,635,041)</u>	<u>\$ (5,513,416)</u>	<u>\$ (5,054,532)</u>	<u>\$ 458,884</u>
FUND BALANCE - BEGINNING OF YEAR	5,635,041	5,513,416	6,346,514	833,098
FUND BALANCE - END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,291,982</u>	<u>\$ 1,291,982</u>

See independent auditor's report and accompanying notes to the financial statements.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL - WATER FUND
 For The Fiscal Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Water Sales	\$ 2,359,151	\$ 2,559,151	\$ 2,739,322	\$ 180,171
Service Charges	15,000	27,250	35,687	8,437
Penalties and Services	15,000	4,700	4,751	51
Water Tap Fees	15,000	15,000	10,020	(4,980)
Miscellaneous	0	0	0	0
TOTAL REVENUE	\$ 2,404,151	\$ 2,606,101	\$ 2,789,780	\$ 183,679
OPERATING EXPENSES				
Personnel Costs	\$ 56,650	\$ 67,350	\$ 43,548	\$ 23,802
Contractual Service	1,433,091	1,460,091	1,450,875	9,216
Operational	594,803	600,053	514,260	85,793
Repairs and Maintenance	543,748	548,748	21,263	527,485
Provision For Bad Debts	6,000	40,000	39,451	549
Depreciation	575,000	575,000	559,614	15,386
Total Operating Expenses	\$ 3,209,292	\$ 3,291,242	\$ 2,629,011	\$ 662,231
Operating Income (Loss)	\$ (805,141)	\$ (685,141)	\$ 160,769	\$ 845,910
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 5,088	\$ 5,088	\$ 11,691	\$ 6,603
Interest Expense	(85,663)	(85,663)	(73,430)	12,233
Premium (Discount) on Debt Restructuring	0	0	0	0
Grants	0	40,404	40,404	0
Gain (Loss) on Disposition	0	0	0	0
Total Nonoperating Revenues (Expenses)	\$ (80,575)	\$ (40,171)	\$ (21,335)	\$ 18,836
NET INCOME (LOSS)(Before Transfers)	\$ (885,716)	\$ (725,312)	\$ 139,434	\$ 864,746
TRANSFERS				
Operating Transfers In	\$ 0	\$ 30,000	\$ 121,348	\$ 91,348
Operating Transfers (Out)	0	(40,404)	(40,462) x	(58)
Total Transfers	\$ 0	\$ (10,404)	\$ 80,886	\$ 91,290
CHANGE IN NET POSITION	\$ (885,716)	\$ (735,716)	\$ 220,320	\$ 956,036
NET POSITION - BEGINNING OF YEAR	1,129,600	979,600	8,863,275	7,883,675
Prior Period Adjustment	0	0	0	0
NET POSITION - END OF YEAR	\$ 243,884	\$ 243,884	\$ 9,083,595	\$ 8,839,711

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL - SEWER FUND
 For The Fiscal Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sewer Service Charges	\$ 1,639,339	\$ 1,583,074	\$ 1,684,907	\$ 101,833
Penalties and Services	7,000	7,000	8,922	1,922
Water and Sewer Tap Fees	10,000	0	10,620	10,620
Miscellaneous Revenues	0	0	0	0
TOTAL REVENUE	\$ 1,656,339	\$ 1,590,074	\$ 1,704,449	\$ 114,375
OPERATING EXPENSES				
Personnel Costs	\$ 37,330	\$ 47,330	\$ 33,350	\$ 13,980
Contractual Service	478,573	485,073	479,488	5,585
Operational	302,000	305,400	295,780	9,620
Repairs and Maintenance	6,584,761	3,837,727	104,931	3,732,796
Provision For Bad Debts	4,000	35,000	31,195	3,805
Depreciation	985,000	985,000	745,518	239,482
Total Operating Expenses	\$ 8,391,664	\$ 5,695,530	\$ 1,690,262	\$ 4,005,268
Operating Income (Loss)	\$ (6,735,325)	\$ (4,105,456)	\$ 14,187	\$ 4,119,643
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 11,360	\$ 11,360	\$ 16,471	\$ 5,111
Interest Expense	(349,925)	(349,925)	(343,084)	6,841
Premium (Discount) on Debt Restructuring	0	0	0	0
Gain (Loss) on Disposition	0	0	0	0
Grants	4,180,029	2,588,911	2,588,968	57
Total Nonoperating Revenues (Expenses)	\$ 3,841,464	\$ 2,250,346	\$ 2,262,355	\$ 12,009
NET INCOME (LOSS) Before Transfers	\$ (2,893,861)	\$ (1,855,110)	\$ 2,276,542	\$ 4,131,652
TRANSFERS				
Operating Transfers In	\$ 698,483	\$ 551,954	\$ 458,648	\$ (93,306)
Operating Transfers (Out)	0	0	20	20
Total Transfers	\$ 698,483	\$ 551,954	\$ 458,668	\$ (93,286)
CHANGE IN NET POSITION	\$ (2,195,378)	\$ (1,303,156)	\$ 2,735,210	\$ 4,038,366
NET POSITION - BEGINNING OF YEAR	2,475,947	1,584,558	15,895,958	14,311,400
Prior Period Adjustment	0	0	0	0
NET POSITION - END OF YEAR	\$ 280,569	\$ 281,402	\$ 18,631,168	\$ 18,349,766

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL - GAS FUND
 For The Fiscal Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Gas Sales	\$ 1,338,500	\$ 1,338,500	\$ 1,400,348	\$ 61,848
Penalties & Service Charges	10,000	10,000	5,390	(4,610)
Tap Fees	5,000	5,000	3,100	(1,900)
Miscellaneous Income	0	0	0	0
TOTAL REVENUES	\$ 1,353,500	\$ 1,353,500	\$ 1,408,838	\$ 55,338
OPERATING EXPENSES				
Personnel Costs	49,950	49,950	\$ 22,110	27,840
Gas Purchased	1,116,000	1,078,250	816,190	262,060
Contractual Services	534,020	567,020	563,684	3,336
Operational	41,320	37,070	27,573	9,497
Repairs and Maintenance	57,700	56,700	8,540	48,160
Bad Debts	5,000	15,000	11,500	3,500
Depreciation	90,000	90,000	74,783	15,217
Total Operating Expenses	\$ 1,893,990	\$ 1,893,990	\$ 1,524,380	\$ 369,610
Operating Income	\$ (540,490)	\$ (540,490)	\$ (115,542)	\$ 424,948
NONOPERATING REVENUES (EXPENSES)				
Royalties	\$ 2,000	\$ 2,000	\$ 2,285	\$ 285
Interest Revenue	9,000	9,000	20,231	11,231
Interest Expense	0	0	0	0
Gain (Loss) on Disposition of Assets	0	0	0	0
Total Nonoperating Revenue (Expense)	\$ 11,000	\$ 11,000	\$ 22,516	\$ 11,516
NET INCOME (LOSS) Before Transfers	\$ (529,490)	\$ (529,490)	\$ (93,026)	\$ 436,464
TRANSFERS				
Operating Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers (Out)	0	0	0	0
Total Transfers	\$ 0	\$ 0	\$ 0	\$ 0
CHANGE IN NET POSITION	\$ (529,490)	\$ (529,490)	\$ (93,026)	\$ 436,464
NET POSITION - BEGINNING OF YEAR	529,600	529,600	2,271,794	1,742,194
Prior Period Adjustment	0	0	0	0
NET POSITION - END OF YEAR	\$ 110	\$ 110	\$ 2,178,768	\$ 2,178,658

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY

COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL - SANITATION FUND
For The Fiscal Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Garbage Fees	\$ 1,467,200	1,467,200	1,456,357	\$ (10,843)
Penalties	7,000	7,000	5,250	(1,750)
Miscellaneous	500	500	0	(500)
Total Revenues	<u>\$ 1,474,700</u>	<u>1,474,700</u>	<u>1,461,607</u>	<u>\$ (13,093)</u>
EXPENSES				
Personnel Costs	\$ 42,250	47,250	23,290	\$ 23,960
Contractual Services	768,070	768,070	762,790	5,280
Operational	104,700	93,200	77,940	15,260
Repairs and Maintenance	146,000	141,000	20,570	120,430
Dumping Fees	480,000	457,000	386,789	70,211
Bad Debts	3,500	38,000	37,041	959
Depreciation	200,000	200,000	160,688	39,312
Total Expenses	<u>\$ 1,744,520</u>	<u>1,744,520</u>	<u>1,469,108</u>	<u>\$ 275,412</u>
Operating Income	<u>\$ (269,820)</u>	<u>(269,820)</u>	<u>(7,501)</u>	<u>\$ 262,319</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 13,000	13,000	21,780	\$ 8,780
Interest Expense	(6,096)	(6,096)	(2,151)	3,945
Gain (Loss) on Disposition	0	0	0	0
Grant	0	0	0	0
Total Nonoperating Revenues	<u>\$ 6,904</u>	<u>6,904</u>	<u>19,629</u>	<u>\$ 12,725</u>
NET INCOME (LOSS) Before Transfers	<u>\$ (262,916)</u>	<u>(262,916)</u>	<u>12,128</u>	<u>\$ 275,044</u>
TRANSFERS				
Operating Transfers In	\$ 0	0	0	\$ 0
Operating Transfers (Out)	0	0	0	0
Total Transfers	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>\$ 0</u>
CHANGE IN NET POSITION	<u>\$ (262,916)</u>	<u>(262,916)</u>	<u>12,128</u>	<u>\$ 275,044</u>
NET POSITION - BEGINNING OF YEAR	263,050	263,050	2,595,891	2,332,841
Prior Period Adjustment	0	0	0	0
NET POSITION - END OF YEAR	<u>\$ 134</u>	<u>134</u>	<u>2,608,019</u>	<u>\$ 2,607,885</u>

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL - OUTSIDE WATER
 For The Fiscal Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Water Sales	\$ 754,900	\$ 844,900	\$ 942,627	\$ 97,727
Penalties & Service Charges	2,500	2,500	6,737	4,237
Tap Fees	0	0	1,905	1,905
Miscellaneous	0	0	0	0
TOTAL REVENUES	<u>\$ 757,400</u>	<u>\$ 847,400</u>	<u>\$ 951,269</u>	<u>\$ 103,869</u>
OPERATING EXPENSES				
Personnel Costs	\$ 19,550	\$ 25,550	\$ 16,164	\$ 9,386
Contractual Services	518,787	538,887	534,120	4,767
Operational	138,825	139,725	125,436	14,289
Repairs and Maintenance	69,752	59,752	2,419	57,333
Bad Debts	2,000	25,000	22,017	2,983
Depreciation	80,000	80,000	74,125	5,875
Total Operating Expenses	<u>\$ 828,914</u>	<u>\$ 868,914</u>	<u>\$ 774,281</u>	<u>\$ 94,633</u>
Operating Income	<u>\$ (71,514)</u>	<u>\$ (21,514)</u>	<u>\$ 176,988</u>	<u>\$ 198,502</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Revenue	\$ 1,100	\$ 1,100	\$ 4,239	\$ 3,139
Interest Rebate	0	0	3,322	3,322
Grants	0	0	0	0
Interest Expense	(41,421)	(41,421)	(36,195)	5,226
Gain (Loss) on Disposition of Assets	0	0	0	0
Total Nonoperating Revenue (Expense)	<u>\$ (40,321)</u>	<u>\$ (40,321)</u>	<u>\$ (28,634)</u>	<u>\$ 11,687</u>
NET INCOME (LOSS) Before Transfers	<u>\$ (111,835)</u>	<u>\$ (61,835)</u>	<u>\$ 148,354</u>	<u>\$ 210,189</u>
TRANSFERS				
Operating Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers (Out)	0	0	(1)	(1)
Total Transfers	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1)</u>	<u>\$ (1)</u>
CHANGE IN NET POSITION	<u>\$ (111,835)</u>	<u>\$ (61,835)</u>	<u>\$ 148,353</u>	<u>\$ 210,188</u>
NET POSITION - BEGINNING OF YEAR	162,700	112,700	1,034,241	921,541
Prior Period Adjustment	0	0	0	0
NET POSITION - END OF YEAR	<u>\$ 50,865</u>	<u>\$ 50,865</u>	<u>\$ 1,182,594</u>	<u>\$ 1,131,729</u>

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY

COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL - OUTSIDE SEWER
For The Fiscal Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Sewer Service Charges	\$ 701,100	\$ 701,100	\$ 742,205	\$ 41,105
Penalties & Service Charges	5,000	5,000	5,214	214
Water and Sewer Tap Fees	0	0	10,370	10,370
Miscellaneous Revenues	0	0	0	0
Total Revenues	<u>\$ 706,100</u>	<u>\$ 706,100</u>	<u>\$ 757,789</u>	<u>\$ 51,689</u>
EXPENSES				
Personnel Costs	\$ 22,200	\$ 32,200	\$ 12,612	\$ 19,588
Contractual Services	201,636	201,736	190,512	11,224
Operational	264,511	266,911	197,012	69,899
Repairs and Maintenance	131,598	98,098	75,480	22,618
Bad Debts	6,000	25,000	20,375	4,625
Depreciation	211,000	213,000	211,869	1,131
Total Expenses	<u>\$ 836,945</u>	<u>\$ 836,945</u>	<u>\$ 707,860</u>	<u>\$ 129,085</u>
Operating Income	<u>\$ (130,845)</u>	<u>\$ (130,845)</u>	<u>\$ 49,929</u>	<u>\$ 180,774</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 10,827	\$ 10,827	\$ 12,421	\$ 1,594
Interest Rebate	0	0	8,204	8,204
Grants	0	0	0	0
Interest Expense	(73,443)	(73,443)	(72,646)	797
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0
Total Nonoperating Revenues	<u>\$ (62,616)</u>	<u>\$ (62,616)</u>	<u>\$ (52,021)</u>	<u>\$ 10,595</u>
NET INCOME (LOSS) Before Transfers	<u>\$ (193,461)</u>	<u>\$ (193,461)</u>	<u>\$ (2,092)</u>	<u>\$ 191,369</u>
TRANSFERS				
Operating Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers (Out)	0	0	0	0
Total Transfers	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
CHANGE IN NET POSITION	<u>\$ (193,461)</u>	<u>\$ (193,461)</u>	<u>\$ (2,092)</u>	<u>\$ 191,369</u>
NET POSITION - BEGINNING OF YEAR	333,500	333,500	4,442,461	4,108,961
Prior Period Adjustment	0	0	0	0
NET POSITION - END OF YEAR	<u>\$ 140,039</u>	<u>\$ 140,039</u>	<u>\$ 4,440,369</u>	<u>\$ 4,300,330</u>

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY
Schedule of the District's Proportionate Share of the Net Pension Liability
County Employees Retirement System Non-Hazardous and Hazardous
For The Year Ended June 30, 2020

Last Ten Fiscal Years **

		2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Schedule of the City's Proportionate Share of the Net Pension Liability							
City's proportion of the net pension liability	Non Hazardous	0.10759%	0.09630%	0.08765%	0.08099%	0.07518%	0.07309%
	Hazardous	0.23526%	0.27379%	0.28568%	0.29878%	0.31822%	0.31257%
City's proportionate share of the net pension liability	Non Hazardous	\$ 7,566,923	\$ 5,865,024	\$ 5,130,658	\$ 3,987,411	\$ 3,232,536	2,371,374
	Hazardous	6,498,548	6,621,421	6,391,457	5,126,942	4,884,991	3,756,558
		<u>\$ 14,065,471</u>	<u>\$ 12,486,445</u>	<u>\$ 11,522,115</u>	<u>\$ 9,114,353</u>	<u>\$ 8,117,527</u>	<u>\$ 6,127,932</u>
City's covered-employee payroll		\$ 4,193,630	\$ 4,096,266	\$ 3,951,347	\$ 4,183,901	\$ 3,834,023	\$ 3,669,926
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		335.40086%	304.82505%	291.59967%	217.84342%	211.72348%	166.97699%
Plan fiduciary net position as a percentage of the total pension liability		335.40086%	304.82505%	291.59967%	217.84342%	211.72348%	166.97699%

Schedule of Contributions

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	\$ 1,195,376	\$ 1,065,579	\$ 946,528	\$ 891,593	\$ 845,267	\$ 874,135
Contributions in relation to the contractually required contribution	1,195,376	1,065,579	946,528	891,593	845,267	874,135
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered payroll	4,193,630	4,096,266	3,951,347	4,183,901	3,834,023	3,669,926
Contributions as a percentage of covered-employee payroll	28.5046%	26.0134%	23.9546%	21.3101%	22.0465%	23.8189%

** Schedule is intended to show information for ten years. Additional years
will be displayed as they become available.

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
County Employees Retirement Plan
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the collective net OPEB liability (asset)			
Non Hazardous	0.107566%	0.096298%	0.087654%
Hazardous	0.235121%	0.273802%	0.285680%
City's proportionate share of the collective net OPEB liability (asset)			
Non Hazardous	\$ 1,809,212	\$ 1,709,752	\$ 1,762,145
Hazardous	1,740,246	1,952,097	2,361,635
Total	<u>\$ 3,549,458</u>	<u>\$ 3,661,849</u>	<u>\$ 4,123,780</u>
City's covered-employee payroll			
Non Hazardous	\$ 3,471,637	\$ 3,135,774	\$ 2,426,209
Hazardous	1,209,041	1,339,837	1,525,138
Total	<u>\$ 4,680,678</u>	<u>\$ 4,475,611</u>	<u>\$ 3,951,347</u>
City's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	75.832%	81.818%	104.364%
Plan fiduciary net position as a percentage of the total OPEB liability	61.753%	59.757%	54.524%

* The amounts presented for each fiscal year were determined as of June 30.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS - MEDICAL INSURANCE PLAN
County Employees Retirement Plan
 Last 10 Fiscal Years*
 (Dollar amounts in thousands)

		<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution -	Non Hazardous	\$ 132,586	\$ 132,586	\$ 100,945
	Hazardous	<u>130,589</u>	<u>130,589</u>	<u>146,629</u>
		\$ 263,175	\$ 263,175	\$ 247,574
Contributions in relation to the				
Contractually required contribution		<u>(263,175)</u>	<u>(263,175)</u>	<u>(247,574)</u>
Contribution deficiency (excess)		<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll		<u>\$ 4,680,678</u>	<u>\$ 4,475,611</u>	<u>\$ 3,951,347</u>
Contributions as a percentage of covered employee payroll		<u>5.62%</u>	<u>5.88%</u>	<u>6.27%</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF PIKEVILLE, KENTUCKY
Notes to the Required Supplementary Information
for the Year Ended June 30, 2020

Kentucky Retirement System – County Employee OPEB Plan

Changes of benefit terms - None

Methods and assumptions used in the actuarially determined contributions – For financial reporting the actuarial valuation as of June 30, 2019, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2019, were based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2017, but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of GRS' replication. Subsequent to the actuarial valuation date (June 30, 2017), but prior to the measurement date, and before the required 2019 experience study, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2019:

Item Determined by the Actuarial Valuation as of:	CERS Non-Hazardous June 30, 2017	CERS Hazardous June 30, 2017
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay	Level Percent of Pay
Amortization Period:	26 Years, Closed	26 Years, Closed
Payroll Growth Rate:	2.00%	2.00%
Investment Return:	6.25%	6.25%
Inflation:	2.30%	2.30%
Salary Increases:	3.30% to 11.55% Varies by Service	3.05% to 18.55% Varies by Service
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Plan description – Classified employees of the City are provided OPEBs through the County Employees Retirement System (CERS)—a cost-sharing, multiple-employer defined benefit OPEB plan administered by the Kentucky General Assembly. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the CERS Medical Insurance and Life Insurance Plans. The following information is about the CERS plans:

CITY OF PIKEVILLE, KENTUCKY
Notes to the Required Supplementary Information
for the Year Ended June 30, 2020

Kentucky Retirement System – County Employee OPEB Plan

Medical Insurance Plan

Plan description – Under the provisions of Kentucky Revised Statute Section 61.701, the KRS Board administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS: (1) KERS; (2) CERS; and (3) SPRS. The assets of the Insurance Fund are also segregated by plan.

Benefits provided – The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 17.06% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2020, the City reported a liability of \$3,549,458 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the City. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the City's proportion was 1.86 percent, which was an increase of .0001 from its proportion measured as of June 30, 2016 (1.85 percent).

The amount recognized by the City as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the City were as follows:

City's proportionate share of the net OPEB liability	\$3,549,458
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For the year ended June 30, 2020, the City recognized OPEB expense of \$445,967. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

CITY OF PIKEVILLE, KENTUCKY
Notes to the Required Supplementary Information
for the Year Ended June 30, 2020

Kentucky Retirement System – County Employee OPEB Plan

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Non-Hazardous	Hazardous	Total	Non-Hazardous	Hazardous	Total
Liability Experience	\$ 0	\$ 0	\$ 0	\$ 545,881	\$ 323,743	\$ 869,624
Changes of assumptions	535,363	525,895	1,061,258	3,580	3,295	6,875
Investment Experience	11,917	11,892	23,809	92,274	111,945	204,219
Changes in proportion and differences between District contributions and proportionate share of contributions	253,255	0	253,255	2,540	243,009	245,549
District contributions subsequent to the measurement date	0	0	0	0	0	0
Total	<u>\$ 800,535</u>	<u>\$ 537,787</u>	<u>\$ 1,338,322</u>	<u>\$ 644,275</u>	<u>\$ 681,992</u>	<u>\$ 1,326,267</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$0 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

Year ended June 30:

	Non- Hazardous	Hazardous
2019	\$ 37,817	\$ 36,957
2020	37,817	(55,591)
2021	63,366	(101,988)
2022	14,304	(23,582)
2023	1,039	0
Thereafter	1,916	0
	<u>\$ 156,259</u>	<u>\$ (144,204)</u>

Actuarial assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll Growth Rate	2.0% for CERS non-hazardous and hazardous
Salary Increases	3.30% to 11.55% Varies by Service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

CITY OF PIKEVILLE, KENTUCKY
Notes to the Required Supplementary Information
for the Year Ended June 30, 2020

Kentucky Retirement System – County Employee OPEB Plan

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 for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF PIKEVILLE, KENTUCKY
Notes to the Required Supplementary Information
for the Year Ended June 30, 2020

Kentucky Retirement System – County Employee OPEB Plan

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:

Asset Class	All Insurance	
	Target Allocation	Long-Term Expected Real Rate of Return
Growth		
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%
Cash	1.00%	20.00%
Diversifying Strategies		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	

Discount Rate - The projection of cash flows used to determine the discount rate of 5.68% for CERS Non-hazardous, and 5.69% for CERS Hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

CITY OF PIKEVILLE, KENTUCKY
Notes to the Required Supplementary Information
for the Year Ended June 30, 2020

Kentucky Retirement System – County Employee OPEB Plan

The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.68% non-hazardous and 5.69% hazardous, 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 than the current rate: (4.68%) or 1-percentage-point higher (6.68%) non-hazardous, and 1-percentage-point lower (4.69%) or 1-percentage-point higher (6.69%) hazardous :

	<u>1% Decrease Rate (4.68%)</u>	<u>Current Discount Rate (5.68%)</u>	<u>1% Increase Rate (6.68%)</u>
City's net OPEB liability			
Non Hazardous	\$ 2,423,599	\$ 1,809,212	\$ 1,302,997
	<u>Rate (4.69%)</u>	<u>Rate (5.69%)</u>	<u>Rate (6.69%)</u>
Hazardous	\$ 2,427,994	\$ 1,740,246	\$ 1,181,995

Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the City's proportionate share of the collective net OPEB liability, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
City's net OPEB liability			
Non-Hazardous	\$ 1,345,520	\$ 1,809,212	\$ 2,371,493
Hazardous	\$ 1,210,890	\$ 1,740,246	\$ 2,386,033

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

COMBINING FINANCIAL STATEMENTS

CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET - COMBINING
OTHER GOVERNMENTAL FUNDS
June 30, 2020

	Debt Service Jenny Wiley Construction	Event Center / Pool Station Debt Service	Series 2017 Debt Service	Tourism / Conventio	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	Total Other Governmental Funds
ASSETS									
Cash and Investments									
Cash	\$ 0	\$ 0	\$ 0	\$ 23,484	\$ 8,483	\$ 50,727	\$ 2,748	\$ 13,165	\$ 98,607
Certificates of Deposit and Savings	0	0	0	0	0	0	0	0	0
Receivables (Net of Allowance for Uncollectibles)									
Taxes	0	0	0	0	0	0	0	0	0
Accounts	0	0	0	0	0	0	0	0	0
Due From Other Funds	0	0	0	0	0	0	0	0	0
Prepaid Expenses	0	0	0	0	0	0	0	0	0
Hellier Manor	0	0	0	0	0	0	0	0	0
Inventories	0	0	0	0	0	0	0	0	0
Restricted Assets									
Cash	68,523	10,385	23,032	0	0	0	0	0	101,940
Certificates of Deposit and Savings	0	0	0	0	0	0	0	0	0
TOTAL ASSETS	<u>\$ 68,523</u>	<u>\$ 10,385</u>	<u>\$ 23,032</u>	<u>\$ 23,484</u>	<u>\$ 8,483</u>	<u>\$ 50,727</u>	<u>\$ 2,748</u>	<u>\$ 13,165</u>	<u>\$ 200,547</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
LIABILITIES									
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Expenses	0	0	0	0	0	0	0	0	0
Customer's Deposit	0	0	0	0	0	0	0	0	0
Due To Other Funds	0	0	0	0	0	0	0	27	27
TOTAL LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 27</u>	<u>\$ 27</u>
Uncollected Real Estate Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Deferred Inflows Leases	0	0	0	0	0	0	0	0	0
Deferred Revenues	0	0	0	0	0	40,830	0	0	40,830
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40,830</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40,830</u>
FUND BALANCES									
Nonspendable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for:									
Debt Service	68,523	10,385	23,032	0	0	0	0	0	101,940
Tourism	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
Committed	0	0	0	0	0	0	0	0	0
Assigned To:									
Capital Projects	0	0	0	0	0	0	0	0	0
Other Purposes	0	0	0	0	8,483	9,897	0	0	18,380
Unrestricted	0	0	0	23,484	0	0	2,748	13,138	39,370
TOTAL FUND BALANCES	<u>\$ 68,523</u>	<u>\$ 10,385</u>	<u>\$ 23,032</u>	<u>\$ 23,484</u>	<u>\$ 8,483</u>	<u>\$ 9,897</u>	<u>\$ 2,748</u>	<u>\$ 13,138</u>	<u>\$ 159,690</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 68,523</u>	<u>\$ 10,385</u>	<u>\$ 23,032</u>	<u>\$ 23,484</u>	<u>\$ 8,483</u>	<u>\$ 50,727</u>	<u>\$ 2,748</u>	<u>\$ 13,165</u>	<u>\$ 200,547</u>

See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - COMBINING
OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	Debt Service Jenny Wiley Construction	Event Center / Pool Station Debt Service	Series 2017 Debt Service	Tourism / Convention	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	Totals
REVENUES									
Ad Valorem Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Franchise Taxes	0	0	0	0	0	0	0	0	0
Occupational License Fees	0	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0	0
Permits and Fees	0	0	0	0	0	0	0	0	0
Intergovernmental Revenue	0	0	0	0	2,037	7,800	0	0	9,837
Other Grants	0	0	0	0	0	0	0	0	0
Interest Income	594	74	0	340	109	243	0	0	1,360
Other Revenue	0	0	0	0	0	0	101,397	0	101,397
Total Revenues	\$ 594	\$ 74	\$ 0	\$ 340	\$ 2,146	\$ 8,043	\$ 101,397	\$ 0	\$ 112,594
EXPENDITURES									
CURRENT									
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 107,244	\$ 0	\$ 107,244
Public Safety	0	0	0	0	1,193	0	0	0	1,193
Streets	0	0	0	0	0	0	0	0	0
Parking Garage	0	0	0	0	0	0	0	0	0
Tourism	0	0	0	0	0	0	0	0	0
Economic Development	0	0	0	0	0	0	0	0	0
Recreation	0	0	0	0	0	0	0	0	0
Events	0	0	0	0	0	0	0	0	0
Lake Cleanup	0	0	0	0	0	0	0	0	0
Landscape	0	0	0	0	0	0	0	0	0
Hellier Manor / Ridge Cliff	0	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	16,759	0	0	16,759
Debt Service									
Principal Retirement	140,000	110,000	45,000	0	0	0	0	0	295,000
Interest	55,139	132,710	12,675	0	0	0	0	0	200,524
Grants / Loan Advances	0	0	0	1,953,472	0	0	0	0	1,953,472
Total Expenditures	\$ 195,139	\$ 242,710	\$ 57,675	\$ 1,953,472	\$ 1,193	\$ 16,759	\$ 107,244	\$ 0	\$ 2,574,192
Excess of Revenues Over (Under) Expenditures	\$ (194,545)	\$ (242,636)	\$ (57,675)	\$ (1,953,132)	\$ 953	\$ (8,716)	\$ (5,847)	\$ 0	\$ (2,461,598)
OTHER FINANCING SOURCES (USES)									
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other	0	0	0	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0	0	0	0
Bond Issuance, Discount	0	0	0	0	0	0	0	0	0
Operating Transfers In	195,140	242,710	57,675	1,957,582	0	0	0	0	2,453,107
Operating Transfers Out	0	0	0	0	0	0	(87)	0	(87)
Total Other Financing Sources (Uses)	\$ 195,140	\$ 242,710	\$ 57,675	\$ 1,957,582	\$ 0	\$ 0	\$ (87)	\$ 0	\$ 2,453,020
NET CHANGE IN FUND BALANCES	\$ 595	\$ 74	\$ 0	\$ 4,450	\$ 953	\$ (8,716)	\$ (5,934)	\$ 0	\$ (8,578)
FUND BALNCES - BEGINNING OF YEAR	67,928	10,311	23,032	19,034	7,530	18,613	8,682	13,138	168,268
Prior Period Adjustment	0	0	0	0	0	0	0	0	0
FUND BALANCES-END OF YEAR	\$ 68,523	\$ 10,385	\$ 23,032	\$ 23,484	\$ 8,483	\$ 9,897	\$ 2,748	\$ 13,138	\$ 159,690

See independent auditor's report and accompanying notes to the financial statement.

REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Wallen, Puckett, & Anderson, 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*

To the Board of Commissioners
City of Pikeville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pikeville, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Pikeville, Kentucky's basic financial statements, and have issued our report thereon dated December 14, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

To the Board of Commissioners
City of Pikeville, Kentucky

Page 2

Purpose of this Report

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

WALLEN, PUCKETT, AND ANDERSON, P. S. C.

Wallen, Puckett and Anderson, PSC

Certified Public Accountants
Pikeville, Kentucky

December 14, 2020

Wallen, Puckett, & Anderson, 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

To the Board of Commissioners
City of Pikeville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the City of Pikeville, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Pikeville, Kentucky's major federal programs for the year ended June 30, 2020. City of Pikeville, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Pikeville, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Pikeville, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Pikeville, Kentucky, 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, 2020.

Report on Internal Control over Compliance

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

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

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

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

WALLEN, PUCKETT, AND ANDERSON, P. S. C.

Wallen, Puckett and Anderson, PSC

Certified Public Accountants

Pikeville, Kentucky

December 14, 2020

CITY OF PIKEVILLE, KENTUCKY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2020

<u>FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>PASSED THROUGH RURAL DEVELOPMENT</u>			
Marion's Branch Water Sewer	10.760	N/A	\$ 40,404
Waste Water Treatment Plant Upgrade-Grant	10.760	N/A	1,496,685
		Total 10.760	\$ 1,537,089
Cooperative Forestry Assistance - Kentucky Division of Forestry	10.664	19-DG-11083121-001	4,981
Farmer's Market and Local Food Promotion Program	10.168	N/A	32,470
Farmer's Market Weatherization	10.351	N/A	95,690
Total U.S. Department of Agriculture			\$ 1,670,230
<u>Economic Development</u>			
Waste Water Treatment Plant Upgrade	11.307	* N/A	676,700
Total Economic Development			\$ 676,700
<u>Department of the Interior</u>			
Commonwealth of Kentucky, Energy and Environmental Cabinet, Department for Natural Resources, Department of Abandoned Mine Lands Manufacturing Facility Phase I AML Pilot Program	15.252	S18AF20020	1,670,163
Total Department of Interior			\$ 1,670,163
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
Kentucky Transportation Cabinet		SC 625	
Highway Safety Grant	20.616	1900000902	22,248
		P02 628	
Downtown Pikeville Bikeway Project	20.205	160003733	240
Total U. S. Department of Transportation			\$ 22,488
<u>Department of the Treasury</u>			
Commonwealth of Kentucky		PON2 112	
Coronavirus Relief Fund for the States	21.019	2000004365	\$ 477,000
Total Department of the Treasury			\$ 477,000
<u>Department of Health and Human Services</u>			
CARES Act Provider Relief Fund	93.498	N/A	6,405
Total Department of Health and Human Services			\$ 6,405
<u>U. S. DEPARTMENT OF JUSTICE</u>			
HIDTA Taskforce/SEKY Corruption Taskforce	95.001	G19AP0001A	\$ 3,456
Equitable Sharing Program	16.922	N/A	1,193
Bulletproof Vest Partnership Program/Police Body Armor Grant*	16.607	N/A	1,590
Total U. S. Department of Justice			\$ 6,239

CITY OF PIKEVILLE, KENTUCKY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

<u>FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
<u>Federal Emergency Management Agency</u>			
<u>Kentucky Division of Emergency Management</u>			
FEMA DR4358 PW-42	97.036	*	8,449
FEMA DR4358 PW-54	97.036	*	23,186
FEMA DR4428 PW-713	97.036	*	3,405
FEMA DR4428 PW 732	97.036	*	196,224
FEMA DR4428 PW-344	97.036	*	12,750
Total U. S. of Homeland Security			<u>\$ 244,014</u>
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Big Sandy Broadband Community Development Block	14.228	15-064	60,428
Waste Water Treatment Plant Upgrade Community Development Block	14.228	14-032	194,365
		Total	<u>\$ 254,793</u>
Big Sandy Broadband ARC	23.001	KY-18327	76,628
Waste Water Treatment Plant Upgrade ARC	23.001	KY-18605	221,218
		Total	<u>\$ 297,846</u>
Total U. S. of Housing and Urban Development			<u>\$ 552,639</u>
			<u>\$ 5,325,878</u>

* Funds Expended Prior Year

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020

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, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Pikeville, Kentucky, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Pikeville, Kentucky.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D – LOAN BALANCES

Loans from the US Department of Agriculture, Rural Development.

Taxable Series 2010s-1 Build America Bonds	\$	1,289,500
Non-Taxable Series 2010s-2 Build America Bonds		1,578,500
Marion's Branch Water Sewer		3,017,000
Water and Sewer Revenue Bonds Series 2017A		5,411,000
Water and Sewer Revenue Bonds Series 2017B		4,919,500

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION I – SUMMARY OF AUDITORS’ RESULTS

1. The auditor’s report expresses an unmodified opinion on whether the financial statements of City of Pikeville, Kentucky were prepared in accordance with GAAP.
2. No significant deficiencies were disclosed during the audit of the financial statements. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of City of Pikeville, Kentucky were disclosed during the audit.
4. No significant deficiency in internal control over major federal award programs disclosed during the audit. No material weaknesses are reported.
5. The auditor’s report on compliance for the major federal award programs for City of Pikeville, Kentucky expresses an unmodified opinion on all major federal programs.
6. No Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs included:

Name	CFDA #
US Department of the Interior Commonwealth of KY, Energy and Environmental Cabinet, Department for natural resources, Department of Abandoned Mine Lands	15.252
US Department of Homeland Security FEMA - KY Division of Emergency Management	97.036

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. City of Pikeville, Kentucky was determined to be a low risk auditee.

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings related to federal awards.

SECTION III – FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings or questioned costs related to the major federal programs which are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.

CITY OF PIKEVILLE, KENTUCKY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020

There were no Findings on the City's prior audit report.