

CITY OF PIKEVILLE, KENTUCKY

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2025

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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Kelley **G**alloway
Smith **G**oolsby, PSC

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pikeville, Kentucky (the “City”) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pikeville, Kentucky as of June 30, 2025, and the respective changes in its financial position and cash flows, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter—Adoption of New Accounting Standard and Correction of an Error

As discussed in Note (16) to the financial statements, the City adopted GASB Statement No. 101, *Compensated Absences*, which resulted in a decrease to beginning net position of \$298,439. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair

presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 5 through 12, the budgetary comparison information on pages 57 and 58, and the Schedule of Proportionate Share of the Net Pension and OPEB Liability (Asset) and Schedule of Pension and OPEB Contributions on pages 59

through 67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2025 on our consideration of the City of Pikeville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pikeville, Kentucky's internal control over financial reporting and compliance.

Kelley Halloway Smith Hoopsky, PSC

Ashland, Kentucky
December 5, 2025

City of Pikeville, Kentucky Management's Discussion and Analysis

Our discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2025. Please read in conjunction with the independent auditor's report on pages 2-4 and the accompanying basic financial statements, which begin to appear on page 13.

FINANCIAL HIGHLIGHTS

- The City's net position increased by \$2,409,240 (2.1%). There was an increase in its governmental activities (2.3%) and an increase in business type activities (1.4%) representing a \$1,966,598 increase and a \$442,642 increase, respectively.
- The City's combined revenues increased 10.9% (\$3,710,131), while combined expenses increased 2.5% (\$851,123). Revenues increased due to an increase in interest income.
- The net pension liability required to be recorded under GASB No. 68 decreased during the year. The City's staff members are covered by the Kentucky County Employee Retirement System. Under this system, the City's share of the pension liability was \$10,015,386 as of June 30, 2024, which represents a decrease of \$2,058,758 from the June 30, 2023 balance of \$12,074,144.
- OPEB liability (asset) was required to be recorded under GASB No. 75 during the year. The City's staff members are covered by the Kentucky County Employee Retirement System. Under this system, the City's share of the OPEB liability (asset) was (\$107,685) as of June 30, 2024 which represents an increase in the asset of \$81,908 from the June 30, 2023 balance of (\$25,777).

OVERVIEW OF THIS ANNUAL REPORT

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

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

GOVERNMENT – WIDE FINANCIAL STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The City has two kinds of funds:

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

NET POSITION

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

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	FYE 2025	FYE 2024	FYE 2025	FYE 2024	FYE 2025	FYE 2024
Current and Other Assets	\$ 28,584,918	\$ 26,236,162	\$ 10,328,026	\$ 10,208,114	\$ 38,912,944	\$ 36,444,276
Noncurrent assets	1,074,087	1,141,114	5,821	4,400	1,079,908	1,145,514
Capital Assets	90,530,010	91,182,627	40,784,438	40,826,800	131,314,448	132,009,427
Deferred Outflows	2,446,178	3,265,132	53,339	63,557	2,499,517	3,328,689
Total Assets & Def Outflows	122,635,193	121,825,035	51,171,624	51,102,871	173,806,817	172,927,906
Long-Term Liabilities	11,853,962	12,897,614	16,740,609	17,451,333	28,594,571	30,348,947
Net Pension & OPEB Liability	9,926,834	12,033,955	201,323	204,498	10,128,157	12,238,453
Current and Other Liabilities	3,112,855	1,895,052	1,656,384	1,317,787	4,769,239	3,212,839
Deferred Inflows	11,046,648	10,270,118	93,032	91,619	11,139,680	10,361,737
Total Liabilities & Def Inflows	35,940,299	37,096,739	18,691,348	19,065,237	54,631,647	56,161,976
Net Position:						
Net Investment in Capital Asset	77,808,808	77,562,102	23,297,058	22,656,470	101,105,866	100,218,572
Restricted	1,425,097	1,512,348	1,442,455	1,369,540	2,867,552	2,881,888
Unrestricted	7,460,989	5,653,846	7,740,763	8,011,624	15,201,752	13,665,470
Total Net Position	\$ 86,694,894	\$ 84,728,296	\$ 32,480,276	\$ 32,037,634	\$ 119,175,170	\$ 116,765,930

The City’s net position in the governmental activities increased by \$1,966,598 compared to slight increase in the prior year. The business-type net position increased by \$442,642 (1.4%), compared to a 9.4% decrease in the prior year. Governmental activities included an increase of \$316,268 in franchise and restaurant tax revenues in the current year which resulted in the overall increase in total governmental revenue. The net position from one activity generally cannot be used to make up for any deficits in the other activities.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>FYE 2025</u>	<u>FYE 2024</u>	<u>FYE 2025</u>	<u>FYE 2024</u>	<u>FYE 2025</u>	<u>FYE 2024</u>
Revenues						
<u>Program Revenues</u>						
Charges for Services	\$ 1,097,196	\$ 893,922	\$ 10,825,382	\$ 10,174,011	\$ 11,922,578	\$ 11,067,933
Operating Grants, Contributions	3,158,483	248,448	-	-	3,158,483	248,448
Capital Grants, Contributions	152,965	-	1,006,114	711,234	1,159,079	711,234
<u>General Revenue</u>						
Property Taxes	1,053,514	1,066,939	-	-	1,053,514	1,066,939
Other Taxes & License Fees	16,770,712	16,113,007	-	-	16,770,712	16,113,007
Investment Earnings	1,049,262	950,088	305,433	356,266	1,354,695	1,306,354
Other Revenues	2,197,711	3,392,726	-	-	2,197,711	3,392,726
Total Revenue	<u>25,479,843</u>	<u>22,665,130</u>	<u>12,136,929</u>	<u>11,241,511</u>	<u>37,616,772</u>	<u>33,906,641</u>
Program Expenses						
General Government	5,081,300	6,276,511	-	-	5,081,300	6,276,511
Public Safety	9,008,248	7,323,935	-	-	9,008,248	7,323,935
Streets	3,072,366	2,690,928	-	-	3,072,366	2,690,928
Parking Garage	64,227	67,246	-	-	64,227	67,246
Tourism/Community Dev.	3,190,048	3,143,376	-	-	3,190,048	3,143,376
Economic Development	780,045	758,013	-	-	780,045	758,013
Recreation	1,207,914	1,214,664	-	-	1,207,914	1,214,664
Ridge Cliff	376,445	309,781	-	-	376,445	309,781
Other Expenses	201,602	205,272	-	-	201,602	205,272
Interest on long-term debt	526,034	391,387	458,285	470,934	984,319	862,321
Gas, Water, Sewer & Sanitation	-	-	11,177,430	11,142,572	11,177,430	11,142,572
Total Program Expenses	<u>23,508,229</u>	<u>22,381,113</u>	<u>11,635,715</u>	<u>11,613,506</u>	<u>35,143,944</u>	<u>33,994,619</u>
Loss on disposal	<u>(5,016)</u>	<u>-</u>	<u>(58,572)</u>	<u>(2,958,537)</u>	<u>(63,588)</u>	<u>(2,958,537)</u>
Net Change In Net Position	<u>\$ 1,966,598</u>	<u>\$ 284,017</u>	<u>\$ 442,642</u>	<u>\$ (3,330,532)</u>	<u>\$ 2,409,240</u>	<u>\$ (3,046,515)</u>

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

the City’s budget for governmental activities. The business-type activities have always been on the full accrual basis and accordingly, have always included depreciation in the expenses.

This year’s governmental activities revenues were \$25,479,843 as compared to \$22,665,130 in the prior year. The year’s governmental activities cost was \$23,508,229 as compared to \$22,381,113 in the prior year.

This year’s business-type activities revenues were \$12,136,929 as compared to \$11,241,511 in the prior year. This year’s business-type activities costs were \$11,635,715 as compared to \$11,613,506 in the prior year.

GOVERNMENTAL ACTIVITIES – FUND FINANCIAL STATEMENTS

Condensed Governmental Activities - Expenditures by Programs

	<u>FYE 2025</u>	<u>FYE 2024</u>	<u>Change</u>
General administration	\$ 4,402,319	\$ 3,894,521	\$ 507,798
Public safety	8,085,402	7,318,140	767,262
Streets	2,364,989	2,036,244	328,745
Parking Garage	64,227	67,246	(3,019)
Tourism/Community Development	263,014	217,313	45,701
Economic Development	780,045	758,013	22,032
Recreation	808,635	765,385	43,250
Fiber	-	-	-
Lake cleanup	60,918	59,888	1,030
Landscape	129,124	133,247	(4,123)
Ridge Cliff	376,445	309,781	66,664
Capital Outlay	4,291,517	2,323,073	1,968,444
Debt Service	1,840,555	1,776,963	63,592
Other	<u>2,861,322</u>	<u>2,636,063</u>	<u>225,259</u>
Total Expenditures	<u>\$ 26,328,512</u>	<u>\$ 22,295,877</u>	<u>\$ 4,032,635</u>

The capital outlay increase of \$1,968,444 is mostly from construction in progress from grant funded capital project of a build ready site at the Kentucky Enterprise Industrial Park.

BUDGET HIGHLIGHTS

The City amended the General Fund budget due to unexpected circumstances or unusual events that occurred during the year. The total budgeted revenues were increased by \$2,112,004 (mostly occupational license fees) while expenditures (including other financing uses) budgeted were increased by \$2,244,402 most of which (\$2,029,099) was due to an increase in general government operations and (\$299,000) on ambulance. Actual revenues for the year reflected a positive variance of \$448,167.

The favorable variance in total actual expenditures (including other financing uses) is \$4,309,451 due to certain project timing (fiber) and a positive variance in general government expense. The budget contains proposed expenditures and expected revenues based on the modified accrual basis of accounting as further explained in the Notes to the Financial Statements. Accordingly, the budget and actual comparison reflects expenditures for capital outlay and debt service but does not reflect depreciation as an expense. A comparison of the final amended budget to actual amounts for governmental activities is presented in the table below only for the General Fund.

Condensed General Fund - Revenues

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
Taxes	\$ 5,363,900	\$ 5,417,098	\$ 53,198
Licenses	12,300,000	12,407,128	107,128
Intergovernmental	1,715,339	1,350,514	(364,825)
Charges for Services	850,000	949,127	99,127
Other Revenues	2,651,511	3,205,151	553,640
Capital Financing	<u>349,844</u>	<u>415,199</u>	<u>65,355</u>
Total Revenues	<u>\$ 23,230,594</u>	<u>\$ 23,744,217</u>	<u>\$ 513,623</u>

Condensed General Fund - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
General Government	\$ 5,912,549	\$ 4,402,319	\$ 1,510,230
Public Safety	8,530,987	8,085,402	445,585
Streets	2,863,713	2,364,989	498,724
Recreation	831,773	778,635	53,138
Other	2,547,848	1,673,773	874,075
Capital Outlay	1,286,626	792,031	494,595
Debt Service	1,089,309	1,056,734	32,575
Transfers	<u>4,413,403</u>	<u>4,012,874</u>	<u>400,529</u>
Total Expenditures	<u>\$ 27,476,208</u>	<u>\$ 23,166,757</u>	<u>\$ 4,309,451</u>

CAPITAL ASSETS

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

Capital Assets at Year End With Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	FYE 2025	FYE 2024	FYE 2025	FYE 2024	FYE 2025	FYE 2024
Land & Improvements	\$ 15,905,394	\$ 15,905,394	\$ 138,000	\$ 138,000	\$ 16,043,394	\$ 16,043,394
Bldgs & Improvements	66,203,908	69,234,688	-	-	66,203,908	69,234,688
Vehicles & Equipment	5,288,098	5,690,663	3,022,705	2,174,079	8,310,803	7,864,742
Construction in progress	3,132,610	351,882	523,946	38,132	3,656,556	390,014
Water, Gas & Sewer System	-	-	37,099,787	38,476,589	37,099,787	38,476,589
Total Capital Assets	<u>\$ 90,530,010</u>	<u>\$ 91,182,627</u>	<u>\$ 40,784,438</u>	<u>\$ 40,826,800</u>	<u>\$ 131,314,448</u>	<u>\$ 132,009,427</u>

Significant capital expenditures during fiscal year 2025 included the purchase of four garbage trucks for \$806,000 and construction in progress of a build ready site for approximately \$3.1 million.

DEBT

Table below provides a summary of all of the City's outstanding indebtedness. In addition to the amounts listed below, liabilities for unpaid compensated absences in the amounts of \$507,811 are outstanding at June 30, 2025 as compared to \$572,816, as restated, outstanding at June 30, 2024.

Table A-7

Debt Outstanding at Year End

	Governmental Activities		Business-type Activities		Total Primary Government	
	FYE 2025	FYE 2024	FYE 2025	FYE 2024	FYE 2025	FYE 2024
Bonds Payable	\$ 5,831,350	\$ 6,248,481	\$ 17,390,953	\$ 18,089,399	\$ 23,222,303	\$ 24,337,880
Other financing	5,687,977	6,243,234	-	-	5,687,977	6,243,234
Lease Obligations	1,201,875	1,128,810	96,428	80,931	1,298,303	1,209,741
Total Year End Debt	<u>\$ 12,721,202</u>	<u>\$ 13,620,525</u>	<u>\$ 17,487,381</u>	<u>\$ 18,170,330</u>	<u>\$ 30,208,583</u>	<u>\$ 31,790,855</u>

New leases in the amount of \$415,199 and \$-0- were entered into during the year ending June 30, 2025 for Governmental and Business-Type Activities, respectively. Governmental Activities debt and leases payable had principal payments, net of premiums and discounts, of \$1,314,522. No new

bonds were issued in Business-Type Activities and existing debt and leases payable had principal payments, net of premiums and discounts, of \$732,406.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

City public officials consider many factors when setting the annual budget. The 2025-26 fiscal year budget reflects anticipated changes in the local economy, expected grant money, and anticipated tax revenue.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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

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

	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 18,552,646	\$ 6,983,475	\$ 25,536,121	\$ 1,294,832
Investments	3,565,200	-	3,565,200	156,059
Accounts receivable:				
Taxes & licenses	24,333	-	24,333	-
Intergovernmental	1,137,490	-	1,137,490	-
Customers, net	-	1,867,211	1,867,211	223,497
Other	-	-	-	37,292
Lease receivable	111,542	-	111,542	106,817
Interfund receivables (payables)	(3,430)	3,430	-	-
Inventory	-	-	-	122,562
Prepaid expenses	91,139	31,455	122,594	45,486
Restricted assets -				
Cash and cash equivalents	5,105,998	1,442,455	6,548,453	131,181
Lease receivable, net of current portion	859,452	-	859,452	511,646
Net OPEB asset	214,635	5,821	220,456	-
Nondepreciable capital assets	19,038,004	661,946	19,699,950	-
Depreciable capital assets	141,901,083	83,011,728	224,912,811	1,550,749
Accumulated depreciation	(70,409,077)	(42,889,236)	(113,298,313)	(866,831)
Total assets	<u>120,189,015</u>	<u>51,118,285</u>	<u>171,307,300</u>	<u>3,313,290</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension related	1,840,643	40,143	1,880,786	-
Deferred OPEB related	605,535	13,196	618,731	-
Total deferred outflows of resources	<u>2,446,178</u>	<u>53,339</u>	<u>2,499,517</u>	<u>-</u>
LIABILITIES				
Accounts payable	1,544,731	566,922	2,111,653	229,056
Accrued expenses	193,073	14,797	207,870	157,547
Accrued interest payable	-	201,817	201,817	-
Customer deposits	-	126,077	126,077	-
Current portion of long-term debt	1,349,660	746,771	2,096,431	10,458
Accrued compensated absences, current	25,391	-	25,391	-
Accrued compensated absences, non-current	482,420	-	482,420	-
Unearned revenues	-	-	-	1,326,468
Bonds and notes payable, non-current	10,506,641	16,676,452	27,183,093	-
Lease obligations, non-current	864,901	64,157	929,058	-
Net pension liability	9,814,063	201,323	10,015,386	-
Net OPEB liability	112,771	-	112,771	-
Total liabilities	<u>24,893,651</u>	<u>18,598,316</u>	<u>43,491,967</u>	<u>1,723,529</u>
DEFERRED INFLOWS OF RESOURCES				
Uncollected real estate taxes	24,333	-	24,333	-
Deferred inflows leases	941,069	-	941,069	-
Other deferred revenues	4,053,625	-	4,053,625	-
Deferred pension related	2,736,139	34,005	2,770,144	-
Deferred OPEB related	3,291,482	59,027	3,350,509	-
Total deferred inflows of resources	<u>11,046,648</u>	<u>93,032</u>	<u>11,139,680</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	77,808,808	23,297,058	101,105,866	673,460
Restricted	1,425,097	1,442,455	2,867,552	(13,166)
Unrestricted	7,460,989	7,740,763	15,201,752	929,467
Total net position	<u>\$ 86,694,894</u>	<u>\$ 32,480,276</u>	<u>\$ 119,175,170</u>	<u>\$ 1,589,761</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental Activities:								
General government	\$ 5,081,300	\$ 148,069		\$ -	\$ (4,933,231)	\$ -	\$ (4,933,231)	\$ -
Public safety	9,008,248	949,127	35,648	-	(8,023,473)	-	(8,023,473)	-
Streets	3,072,366	-	113,249	-	(2,959,117)	-	(2,959,117)	-
Parking garage	64,227	-	-	-	(64,227)	-	(64,227)	-
Tourism	3,190,048	-	9,059	-	(3,180,989)	-	(3,180,989)	-
Economic development	780,045	-	-	-	(780,045)	-	(780,045)	-
Recreation	1,207,914	-	-	-	(1,207,914)	-	(1,207,914)	-
Fiber	-	-	-	-	-	-	-	-
Lake cleanup	72,478	-	-	-	(72,478)	-	(72,478)	-
Landscape	129,124	-	-	-	(129,124)	-	(129,124)	-
Ridge Cliff	376,445	-	-	-	(376,445)	-	(376,445)	-
Interest on long-term debt	526,034	-	-	-	(526,034)	-	(526,034)	-
Total governmental activities	<u>23,508,229</u>	<u>1,097,196</u>	<u>157,956</u>	<u>-</u>	<u>(22,253,077)</u>	<u>-</u>	<u>(22,253,077)</u>	<u>-</u>
Business-Type Activities:								
Water	3,025,382	3,190,469	-	344,619	-	509,706	509,706	-
Sewer	2,482,529	2,177,840	-	480,985	-	176,296	176,296	-
Gas	1,716,054	1,746,714	-	2,670	-	33,330	33,330	-
Sanitation	2,033,034	1,810,069	-	114,800	-	(108,165)	(108,165)	-
Outside water	838,740	973,386	-	4,795	-	139,441	139,441	-
Outside sewer	1,081,691	926,904	-	58,245	-	(96,542)	(96,542)	-
Interest on long-term debt	458,285	-	-	-	-	(458,285)	(458,285)	-
Total business-type activities	<u>11,635,715</u>	<u>10,825,382</u>	<u>-</u>	<u>1,006,114</u>	<u>-</u>	<u>195,781</u>	<u>195,781</u>	<u>-</u>
Total primary government	<u>\$ 35,143,944</u>	<u>\$ 11,922,578</u>	<u>\$ 157,956</u>	<u>\$ 1,006,114</u>	<u>(22,253,077)</u>	<u>195,781</u>	<u>(22,057,296)</u>	<u>-</u>
Discretely presented component units	<u>\$ 6,022,207</u>	<u>\$ 3,433,005</u>	<u>\$ 2,313,820</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(275,382)</u>
General Revenues:								
Property taxes, levied for general purposes					1,053,514	-	1,053,514	-
Franchise taxes					1,115,610	-	1,115,610	-
Occupational license fees					12,407,128	-	12,407,128	-
Other taxes					3,247,974	-	3,247,974	114,133
Intergovernmental revenue					3,153,492	-	3,153,492	-
Other					2,197,711	-	2,197,711	62,919
Gain (loss) on disposal of assets					(5,016)	(58,572)	(63,588)	-
Transfer					-	-	-	-
Investment income (loss)					1,049,262	305,433	1,354,695	68,967
Total general revenues and transfers					<u>24,219,675</u>	<u>246,861</u>	<u>24,466,536</u>	<u>246,019</u>
Change in net position					1,966,598	442,642	2,409,240	(29,363)
Net position, June 30, 2024, as restated					<u>84,728,296</u>	<u>32,037,634</u>	<u>116,765,930</u>	<u>1,619,124</u>
Net position, June 30, 2025					<u>\$ 86,694,894</u>	<u>\$ 32,480,276</u>	<u>\$ 119,175,170</u>	<u>\$ 1,589,761</u>

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

CITY OF PIKEVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General	Tourism Convention	Projects Control	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 17,159,801	\$ 57,546	\$ 875,965	\$ 459,334	\$ 18,552,646
Investments	3,565,200	-	-	-	3,565,200
Restricted cash and cash equivalents	414,844	-	3,680,901	1,010,253	5,105,998
Receivables, net:					
Taxes & licenses	24,333	-	-	-	24,333
Lease receivable	970,994	-	-	-	970,994
Other	140,612	-	996,878	-	1,137,490
Prepaid expense	91,139	-	-	-	91,139
Due from other funds	-	-	413,100	-	413,100
	<u>22,366,923</u>	<u>57,546</u>	<u>5,966,844</u>	<u>1,469,587</u>	<u>29,860,900</u>
Total assets	\$ 22,366,923	\$ 57,546	\$ 5,966,844	\$ 1,469,587	\$ 29,860,900
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 862,103	\$ -	\$ 682,628	\$ -	\$ 1,544,731
Accrued expenses	193,073	-	-	-	193,073
Due to other funds	413,011	-	-	3,519	416,530
	<u>1,468,187</u>	<u>-</u>	<u>682,628</u>	<u>3,519</u>	<u>2,154,334</u>
Total liabilities	1,468,187	-	682,628	3,519	2,154,334
Deferred Inflows of Resources:					
Uncollected real estate taxes	24,333	-	-	-	24,333
Deferred inflows leases	941,069	-	-	-	941,069
Other deferred revenues	148,056	302	3,743,846	161,421	4,053,625
Total deferred inflows of resources	1,113,458	302	3,743,846	161,421	5,019,027
Fund Balances:					
Nonspendable	121,064	-	-	-	121,064
Restricted	414,844	-	-	1,010,253	1,425,097
Assigned	-	57,244	-	294,394	351,638
Unassigned	19,249,370	-	1,540,370	-	20,789,740
	<u>19,785,278</u>	<u>57,244</u>	<u>1,540,370</u>	<u>1,304,647</u>	<u>22,687,539</u>
Total fund balances	19,785,278	57,244	1,540,370	1,304,647	22,687,539
Total liabilities, deferred inflows of resources, and fund balances	\$ 22,366,923	\$ 57,546	\$ 5,966,844	\$ 1,469,587	\$ 29,860,900

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

CITY OF PIKEVILLE, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2025

Total fund balance - total governmental funds	\$ 22,687,539
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$160,939,087 net of accumulated depreciation of \$70,409,077 used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	90,530,010
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the governmental funds.	(3,581,443)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Net pension liabilities	(9,814,063)
Net OPEB liabilities	(112,771)
Net OPEB assets	214,635
Compensated absences	(507,811)
Notes and capital leases payable	<u>(12,721,202)</u>
Net position, end of year - Governmental Activities	<u>\$ 86,694,894</u>

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

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

	General	Tourism Convention	Projects Control	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 1,053,514	\$ -	\$ -	\$ -	\$ 1,053,514
Franchise taxes	1,115,610	-	-	-	1,115,610
Occupational license fees	12,407,128	-	-	-	12,407,128
Other taxes	3,247,974	-	-	-	3,247,974
Permits and fees	148,069	-	-	-	148,069
Intergovernmental	1,350,514	9,059	1,838,079	113,796	3,311,448
Charges for services	949,127	-	-	-	949,127
Investment earnings	914,622	2,885	80,039	51,716	1,049,262
Other revenues	1,551,874	-	-	55,251	1,607,125
Total revenues	22,738,432	11,944	1,918,118	220,763	24,889,257
Expenditures					
General government	4,402,319	-	-	-	4,402,319
Public safety	8,085,402	-	-	-	8,085,402
Streets	2,364,989	-	-	-	2,364,989
Parking garage	64,227	-	-	-	64,227
Tourism/Community development	263,014	2,825,696	-	35,626	3,124,336
Economic development	780,045	-	-	-	780,045
Recreation	778,635	-	-	30,000	808,635
Fiber	-	-	-	-	-
Lake cleanup	60,918	-	-	-	60,918
Landscape	129,124	-	-	-	129,124
Ridge Cliff	376,445	-	-	-	376,445
Capital outlay	792,031	-	3,471,511	27,975	4,291,517
Debt service	1,056,734	-	-	783,821	1,840,555
Total expenditures	19,153,883	2,825,696	3,471,511	877,422	26,328,512
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,584,549	(2,813,752)	(1,553,393)	(656,659)	(1,439,255)
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	-	-	-	-	-
Capital lease inception	415,199	-	-	-	415,199
Loan proceeds	-	-	-	-	-
Tourism contribution	590,586	-	-	-	590,586
Transfers in	-	2,821,356	400,000	791,518	4,012,874
Transfers out	(4,012,874)	-	-	-	(4,012,874)
Total other financing sources (uses)	(3,007,089)	2,821,356	400,000	791,518	1,005,785
Net change in fund balances	577,460	7,604	(1,153,393)	134,859	(433,470)
Fund balances beginning of year	19,207,818	49,640	2,693,763	1,169,788	23,121,009
Fund balances end of year	<u>\$ 19,785,278</u>	<u>\$ 57,244</u>	<u>\$ 1,540,370</u>	<u>\$ 1,304,647</u>	<u>\$ 22,687,539</u>

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

**CITY OF PIKEVILLE, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Net change in fund balances - total governmental funds \$ (433,470)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital assets capitalized	3,786,452
Depreciation expense	(4,434,053)
Adjustment to gain	(5,016)

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

Pension and OPEB expense	2,088,358
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The issuance of long-term debt provides current financial resources governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.

899,322

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

65,005

Change in net position of governmental activities

\$ 1,966,598

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

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Total Business-Type Activities
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1,785,828	\$ 967,900	\$ 1,431,428	\$ 1,046,176	\$ 1,566,111	\$ 186,032	\$ 6,983,475
Accounts receivable, net	579,828	493,969	103,848	342,872	155,738	190,956	1,867,211
Due from other funds	532	895	389	624	-	1,010	3,450
Prepaid expenses	9,245	-	100	-	7,568	14,542	31,455
Total current assets	<u>2,375,433</u>	<u>1,462,764</u>	<u>1,535,765</u>	<u>1,389,672</u>	<u>1,729,417</u>	<u>392,540</u>	<u>8,885,591</u>
Restricted cash and cash equivalents	355,759	591,233	59,268	-	176,457	259,738	1,442,455
Capital assets:							
Property, plant, and equipment	24,460,265	39,537,129	3,583,367	4,094,259	2,536,176	9,462,478	83,673,674
Accumulated depreciation	(15,526,445)	(17,301,691)	(2,962,622)	(2,834,787)	(1,054,899)	(3,208,792)	(42,889,236)
Total capital assets	<u>8,933,820</u>	<u>22,235,438</u>	<u>620,745</u>	<u>1,259,472</u>	<u>1,481,277</u>	<u>6,253,686</u>	<u>40,784,438</u>
Net OPEB asset	1,433	1,359	446	1,383	680	520	5,821
Total assets	<u>11,666,445</u>	<u>24,290,794</u>	<u>2,216,224</u>	<u>2,650,527</u>	<u>3,387,831</u>	<u>6,906,484</u>	<u>51,118,305</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows - Pensions	9,880	9,373	3,079	9,536	4,691	3,584	40,143
Deferred outflows - OPEB	3,248	3,081	1,012	3,135	1,542	1,178	13,196
Total deferred outflows of resources	<u>13,128</u>	<u>12,454</u>	<u>4,091</u>	<u>12,671</u>	<u>6,233</u>	<u>4,762</u>	<u>53,339</u>
Total assets and deferred outflows of resources	<u>\$ 11,679,573</u>	<u>\$ 24,303,248</u>	<u>\$ 2,220,315</u>	<u>\$ 2,663,198</u>	<u>\$ 3,394,064</u>	<u>\$ 6,911,246</u>	<u>\$ 51,171,644</u>
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 177,591	\$ 277,767	\$ 58,780	\$ 38,703	\$ 4,947	\$ 9,134	\$ 566,922
Accrued expenses	3,640	3,453	1,113	3,532	1,728	1,331	14,797
Accrued interest	25,595	132,320	-	-	13,643	30,259	201,817
Due to other funds	-	-	-	-	20	-	20
Customer deposits	71,107	-	21,774	-	31,864	1,332	126,077
Current portion of long-term debt	107,200	472,500	-	32,271	55,298	79,502	746,771
Total current liabilities	<u>385,133</u>	<u>886,040</u>	<u>81,667</u>	<u>74,506</u>	<u>107,500</u>	<u>121,558</u>	<u>1,656,404</u>
Non-current liabilities:							
Bonds payable, net	2,278,782	11,218,410	-	-	955,859	2,223,401	16,676,452
Lease obligations	-	-	-	64,157	-	-	64,157
Net pension liability	49,550	47,007	15,440	47,824	23,527	17,975	201,323
Net OPEB liability	-	-	-	-	-	-	-
Total non-current liabilities	<u>2,328,332</u>	<u>11,265,417</u>	<u>15,440</u>	<u>111,981</u>	<u>979,386</u>	<u>2,241,376</u>	<u>16,941,932</u>
Total liabilities	<u>2,713,465</u>	<u>12,151,457</u>	<u>97,107</u>	<u>186,487</u>	<u>1,086,886</u>	<u>2,362,934</u>	<u>18,598,336</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows - Pension	8,369	7,940	2,608	8,078	3,974	3,036	34,005
Deferred inflows - OPEB	14,528	13,782	4,527	14,022	6,898	5,270	59,027
Total deferred inflows of resources	<u>22,897</u>	<u>21,722</u>	<u>7,135</u>	<u>22,100</u>	<u>10,872</u>	<u>8,306</u>	<u>93,032</u>
NET POSITION							
Net investment in capital assets	6,547,838	10,544,528	620,745	1,163,044	470,120	3,950,783	23,297,058
Restricted	355,759	591,233	59,268	-	176,457	259,738	1,442,455
Unrestricted	2,039,614	994,308	1,436,060	1,291,567	1,649,729	329,485	7,740,763
Total net position	<u>8,943,211</u>	<u>12,130,069</u>	<u>2,116,073</u>	<u>2,454,611</u>	<u>2,296,306</u>	<u>4,540,006</u>	<u>32,480,276</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 11,679,573</u>	<u>\$ 24,303,248</u>	<u>\$ 2,220,315</u>	<u>\$ 2,663,198</u>	<u>\$ 3,394,064</u>	<u>\$ 6,911,246</u>	<u>\$ 51,171,644</u>

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

**CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Total Business-Type Activities
OPERATING REVENUES							
Sales	\$ 3,121,598	\$ 2,149,450	\$ 1,731,538	\$ 1,801,436	\$ 967,399	\$ 912,314	\$ 10,683,735
Other income	68,871	28,390	15,176	8,633	5,987	14,590	141,647
Total operating revenues	<u>3,190,469</u>	<u>2,177,840</u>	<u>1,746,714</u>	<u>1,810,069</u>	<u>973,386</u>	<u>926,904</u>	<u>10,825,382</u>
OPERATING EXPENSES							
Personnel costs	43,043	41,009	13,926	43,782	19,780	15,651	177,191
Gas purchased	-	-	940,381	-	-	-	940,381
Contractual services	1,792,566	587,669	624,861	938,894	580,071	265,568	4,789,629
Tipping fees	-	-	-	399,424	-	-	399,424
Operational	569,030	553,683	32,598	332,099	143,886	365,976	1,997,272
Repairs and maintenance	42,707	110,436	25,104	39,173	1,022	120,197	338,639
Bad debts	55,164	35,751	16,065	42,294	19,893	33,197	202,364
Depreciation	522,872	1,153,981	63,119	237,368	74,088	281,102	2,332,530
Total operating expenses	<u>3,025,382</u>	<u>2,482,529</u>	<u>1,716,054</u>	<u>2,033,034</u>	<u>838,740</u>	<u>1,081,691</u>	<u>11,177,430</u>
OPERATING INCOME (LOSS)	<u>165,087</u>	<u>(304,689)</u>	<u>30,660</u>	<u>(222,965)</u>	<u>134,646</u>	<u>(154,787)</u>	<u>(352,048)</u>
NON-OPERATING REVENUES (EXPENSES)							
Investment income (loss)	64,978	39,868	59,224	56,502	67,831	17,030	305,433
Grant income	336,744	472,905	-	114,800	-	50,875	975,324
Gain (loss) on disposal of assets	-	(35,080)	-	(22,841)	-	(651)	(58,572)
Interest expense	(58,012)	(298,777)	-	(12,088)	(26,880)	(62,528)	(458,285)
Total non-operating revenues (expenses)	<u>343,710</u>	<u>178,916</u>	<u>59,224</u>	<u>136,373</u>	<u>40,951</u>	<u>4,726</u>	<u>763,900</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>508,797</u>	<u>(125,773)</u>	<u>89,884</u>	<u>(86,592)</u>	<u>175,597</u>	<u>(150,061)</u>	<u>411,852</u>
TRANSFERS	(211,000)	211,000	-	-	-	-	-
CAPITAL CONTRIBUTIONS	<u>7,875</u>	<u>8,080</u>	<u>2,670</u>	<u>-</u>	<u>4,795</u>	<u>7,370</u>	<u>30,790</u>
CHANGE IN NET POSITION	<u>305,672</u>	<u>93,307</u>	<u>92,554</u>	<u>(86,592)</u>	<u>180,392</u>	<u>(142,691)</u>	<u>442,642</u>
NET POSITION, JUNE 30, 2024	<u>8,637,539</u>	<u>12,036,762</u>	<u>2,023,519</u>	<u>2,541,203</u>	<u>2,115,914</u>	<u>4,682,697</u>	<u>32,037,634</u>
NET POSITION, JUNE 30, 2025	<u>\$ 8,943,211</u>	<u>\$ 12,130,069</u>	<u>\$ 2,116,073</u>	<u>\$ 2,454,611</u>	<u>\$ 2,296,306</u>	<u>\$ 4,540,006</u>	<u>\$ 32,480,276</u>

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

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Business Type Activities
Cash Flows from Operating Activities							
Cash received from customers	\$ 2,990,654	\$ 1,858,527	\$ 1,732,989	\$ 1,791,931	\$ 977,798	\$ 907,816	\$ 10,259,715
Other cash receipts	68,871	28,390	15,176	8,633	5,987	14,590	141,647
Cash payments for gas supplies	-	-	(1,631,670)	-	-	-	(1,631,670)
Cash payments for water supplies	(2,348,502)	-	-	-	(748,764)	-	(3,097,266)
Cash payments for sewer supplies	-	(1,085,370)	-	-	-	(794,672)	(1,880,042)
Cash payments for sanitation supplies	-	-	-	(1,752,056)	-	-	(1,752,056)
Cash payments to employees for services	(41,949)	(39,801)	(12,831)	(40,716)	(19,920)	(15,336)	(170,553)
Net cash provided by (used for) operating activities	<u>669,074</u>	<u>761,746</u>	<u>103,664</u>	<u>7,792</u>	<u>215,101</u>	<u>112,398</u>	<u>1,869,775</u>
Cash Flows from Capital and Related Financing Activities							
Acquisition and construction of capital assets	(284,476)	(830,169)	(155,860)	(856,285)	(9,158)	(212,792)	(2,348,740)
Interest paid on long-term debt	(58,832)	(302,539)	-	(12,088)	(27,450)	(63,546)	(464,455)
Principal paid on long-term debt	(107,846)	(457,409)	-	(33,960)	(54,949)	(78,243)	(732,407)
Change in customer deposits	11,732	-	(783)	-	(252)	1,332	12,029
Change in due from (to) other funds	(5,734)	132,822	4,386	(841)	(192)	31,343	161,784
Issuance of debt	-	-	-	49,457	-	-	49,457
Proceeds from sale of assets	-	-	-	-	-	-	-
Transfers in (out)	(211,000)	211,000	-	-	-	-	-
Capital grants received	336,744	472,905	-	114,800	-	50,875	975,324
Capital contributions received	7,875	8,080	2,670	-	4,795	7,370	30,790
Net cash used for capital and related financing activities	<u>(311,537)</u>	<u>(765,310)</u>	<u>(149,587)</u>	<u>(738,917)</u>	<u>(87,206)</u>	<u>(263,661)</u>	<u>(2,316,218)</u>
Cash Flows from Investing Activities							
Interest income from investments	64,978	39,868	59,224	56,502	67,831	17,030	305,433
Net cash provided by investing activities	<u>64,978</u>	<u>39,868</u>	<u>59,224</u>	<u>56,502</u>	<u>67,831</u>	<u>17,030</u>	<u>305,433</u>
Net increase (decrease) in cash and cash equivalents	422,515	36,304	13,301	(674,623)	195,726	(134,233)	(141,010)
Cash and cash equivalents, June 30, 2024	<u>1,719,072</u>	<u>1,522,829</u>	<u>1,477,395</u>	<u>1,720,799</u>	<u>1,546,842</u>	<u>580,003</u>	<u>8,566,940</u>
Cash and cash equivalents, June 30, 2025	<u>\$ 2,141,587</u>	<u>\$ 1,559,133</u>	<u>\$ 1,490,696</u>	<u>\$ 1,046,176</u>	<u>\$ 1,742,568</u>	<u>\$ 445,770</u>	<u>\$ 8,425,930</u>
Cash and Cash Equivalents Reported As:							
Unrestricted	\$ 1,785,828	\$ 967,900	\$ 1,431,428	\$ 1,046,176	\$ 1,566,111	\$ 186,032	\$ 6,983,475
Restricted	355,759	591,233	59,268	-	176,457	259,738	1,442,455
	<u>\$ 2,141,587</u>	<u>\$ 1,559,133</u>	<u>\$ 1,490,696</u>	<u>\$ 1,046,176</u>	<u>\$ 1,742,568</u>	<u>\$ 445,770</u>	<u>\$ 8,425,930</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ 165,087	\$ (304,689)	\$ 30,660	\$ (222,965)	\$ 134,646	\$ (154,787)	\$ (352,048)
Adjustments to reconcile operating loss to net cash provided by operating activities:							
Depreciation	522,872	1,153,981	63,119	237,368	74,088	281,102	2,332,530
Net pension and OPEB adjustment	1,191	1,301	1,125	3,161	(93)	350	7,035
Changes in assets and liabilities:							
Decrease (increase) in accounts receivable	(130,944)	(290,923)	1,451	(9,505)	10,399	(4,498)	(424,020)
Decrease (increase) in prepaids	-	-	-	-	452	862	1,314
(Decrease) increase in accounts payable and accrued expenses	110,868	202,076	7,309	(267)	(4,391)	(10,631)	304,964
Total adjustments	503,987	1,066,435	73,004	230,757	80,455	267,185	2,221,823
Net cash provided by (used for) operating activities	<u>\$ 669,074</u>	<u>\$ 761,746</u>	<u>\$ 103,664</u>	<u>\$ 7,792</u>	<u>\$ 215,101</u>	<u>\$ 112,398</u>	<u>\$ 1,869,775</u>

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

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF FINANCIAL POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2025

	City of Pikeville Exposition Center Corporation	City of Pikeville Economic and Industrial Authority Corporation	Total
ASSETS			
Current Assets			
Cash	\$ 1,139,887	\$ 154,945	\$ 1,294,832
Certificate of deposit	-	156,059	156,059
Restricted cash	-	131,181	131,181
Accounts receivable - trade	223,497	-	223,497
Accounts receivable - other	37,292	-	37,292
Inventories	122,562	-	122,562
Lease receivable	-	106,817	106,817
Prepaid expenses	45,486	-	45,486
Total Current Assets	1,568,724	549,002	2,117,726
Lease receivable, net of current portion	-	511,646	511,646
Capital Assets			
Nondepreciable capital assets	-	-	-
Depreciable capital assets	1,550,749	-	1,550,749
Accumulated depreciation	(866,831)	-	(866,831)
Total Assets	\$ 2,252,642	\$ 1,060,648	\$ 3,313,290
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 229,056	\$ -	\$ 229,056
Accrued expenses	157,547	-	157,547
Advance ticket sales	975,355	-	975,355
Unearned revenue	219,932	131,181	351,113
Current portion of long-term debt	10,458	-	10,458
Total Current Liabilities	1,592,348	131,181	1,723,529
Long-Term Liabilities			
Notes Payable, net of current portion	-	-	-
Leases Payable, net of current portion	-	-	-
Total Long-Term Liabilities	-	-	-
Total Liabilities	1,592,348	131,181	1,723,529
NET POSITION			
Net investment in capital assets	673,460	-	673,460
Restricted	(13,166)	-	(13,166)
Unrestricted	-	929,467	929,467
Total net position	\$ 660,294	\$ 929,467	\$ 1,589,761

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

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	City of Pikeville Exposition Center Corporation	City of Pikeville Economic and Industrial Authority	Total
City of Pikeville Exposition Center Corporation	\$ 6,021,782	\$ 3,433,005	\$ 2,195,000	\$ -	\$ (393,777)	\$ -	\$ (393,777)
City of Pikeville Economic and Industrial Authority	425	-	118,820	-	-	118,395	118,395
Total discretely presented component units	<u>\$ 6,022,207</u>	<u>\$ 3,433,005</u>	<u>\$ 2,313,820</u>	<u>\$ -</u>	<u>(393,777)</u>	<u>118,395</u>	<u>(275,382)</u>
General Revenues:							
					114,133	-	114,133
					62,919	-	62,919
					-	-	-
					-	-	-
					-	-	-
					51,276	17,691	68,967
					<u>228,328</u>	<u>17,691</u>	<u>246,019</u>
					(165,449)	136,086	(29,363)
					825,743	793,381	1,619,124
					<u>\$ 660,294</u>	<u>\$ 929,467</u>	<u>\$ 1,589,761</u>

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

CITY OF PIKEVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

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

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

(1) Related Organizations

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

- Pikeville Housing Authority
- Industrial Development & Economic Authority (IDEA)
- Hillbilly Days Board
- Pikeville/Pike County Museum Board
- Pikeville Pike County Airport Board
- Pikeville/Pike County/Elkhorn City Joint Planning Commission

(2) Committees appointed by the Commissioners:

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

b. Basis of Presentation, Fund Accounting

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

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

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

The following fund types are used by the City:

Governmental Funds

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

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

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

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

Debt Service Funds. Debt Service Funds are used to account for debt payments on outstanding bonds. The City has the Debt Service the App, Event Center/Pool Station, Series 2017, Series 2024 and fire truck lease and station debt service funds.

Proprietary Fund

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

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

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

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

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

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

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

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

<u>Fund</u>	<u>Fund Type</u>	<u>Major/Non-Major</u>
General Fund	Governmental	Major
Tourism/Convention	Special Revenue	Major
Projects Control	Capital Projects	Major
Debt Service the App	Debt Service	Non-major
Event Center Pool Station Debt Service	Debt Service	Non-major
Series 2017 Debt Service	Debt Service	Non-major
Series 2024 Debt Service	Debt Service	Non-major
Fire Truck and Station Debt Service	Debt Service	Non-major
Coal Severance Fund	Special Revenue	Non-major
Detective Arrest - Federal	Special Revenue	Non-major
State Police Case	Special Revenue	Non-major
Main Street	Special Revenue	Non-major
Cash Flow Fund	Special Revenue	Non-major
Water Fund	Proprietary	Major
Sewer Fund	Proprietary	Major
Gas Fund	Proprietary	Major
Sanitation Fund	Proprietary	Major
Outside Water	Proprietary	Major
Outside Sewer	Proprietary	Major

c. Measurement Focus and Basis of Accounting

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

regardless of the measurement focus applied.

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

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

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

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

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

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

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

d. Component Units

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

The Component Unit column in the government-wide financial statements includes the financial data of the City's discretely presented component unit. It is reported in a separate column to emphasize that they are legally separate from the City. The following Component Units are included

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

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

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

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

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

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

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

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

e. Assets, Liabilities, and Net Position

Assets

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

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

To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding fair value measurement of investments is disclosed in Note (15). Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

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

Accounts Receivable. In the fund financial statements, material receivables in governmental funds include revenue accruals, such as grants, licenses, fees and permits, interest earnings, and similar intergovernmental revenues since they are usually both measurable and

available. Non-exchange transactions earned, but not collected within 60 days of the end of the fiscal year, are not included in the fund financial statements in accordance with the modified accrual basis of accounting. Receivables related to interest and other investment earnings are recorded using the modified accrual basis of accounting, in the same manner as non-exchange transactions. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to customer accounts receivable.

The allowance for General Fund receivables, including property tax and environmental as of June 30, 2025 was \$806,507. The allowance for uncollectible utility receivables as of June 30, 2025 was \$871,251 in Proprietary Funds.

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

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

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

Depreciation of all exhaustible property is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the asset's estimated useful lives, using the straight-line method of depreciation.

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

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

The estimated useful lives are as follows:

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

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

The City has complied with GASB No. 34 and included certain infrastructure in the government-wide financial statements. A listing of streets and their respective length, in feet, were provided by the city engineer with an estimated replacement cost per foot. The weighted average age of the streets was used to determine the date in which to book the streets. The replacement cost per foot was discounted back to that date and applied to the accumulated depreciation which was calculated

from that date to adoption. Also, the City's bridges were booked using the same method on a "per square foot" basis.

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

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

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

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

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

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

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

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

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

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

f. Revenues, Expenditures, and Expenses

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

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

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

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

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

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

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

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

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

g. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

h. Pension and OPEB

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

i. Compensated Absences

In accordance with GASB Statement No. 101, *Compensated Absences*, compensated absences are accrued as a liability when earned, accumulate from year to year, and are more likely than not to be used or paid. The liability includes:

- The portion of accumulated sick leave expected to either be used or paid out upon retirement (50%).
- Other accruable paid time off (PTO) (100%).

The liability is measured using the employee's current pay rate at the financial statement date and includes applicable salary-related payments:

- Classified employees: Employer share of both Social Security (6.2%) and Medicare (1.45%) and retirement matching.

The entire compensated absences liability is reported in the government-wide financial statements. For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the general fund. The noncurrent portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position.

j. Budgeting

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

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

k. Recent Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"), which supersedes the guidance in Statement No. 16, *Accounting for Compensated Absences*, issued in 1992. GASB 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. It also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Additionally, it establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The City adopted GASB 101 in the current fiscal year. As a result of this adoption, beginning net position was decreased by \$298,439 to recognize additional compensated absences liabilities in accordance with the new standard.

In January 2024, the GASB issued Statement No. 102, *Certain Risk Disclosures* ("GASB 102"), which aims to enhance the transparency of financial reporting by requiring disclosures about risks that state and local governments face due to certain concentrations or constraints. A concentration is defined as a lack of diversity in significant inflows or outflows of resources, while a constraint is a limitation imposed by an external party or by the government's highest level of decision-making authority. Governments must disclose information about these risks if they are vulnerable to a substantial impact from them. The disclosures should include the nature of the concentration or constraint, any associated events that could cause a substantial impact, and actions taken to mitigate the risk. The requirements of GASB 102 are effective for fiscal years beginning after June 15, 2024. Adoption of this statement did not have a material impact on the financial statements.

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

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

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

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, which enhances financial reporting transparency by requiring separate note disclosures for certain types of capital assets, including a) Lease assets under GASB Statement No. 87, b) Subscription-based information technology arrangements (SBITAs) under GASB Statement No. 96, c) Intangible right-to-use assets under GASB Statement No. 94, d) Other intangible assets not otherwise separately reported, and e) Capital assets held for sale. The provisions of GASB 104 are effective for fiscal years beginning after June 15, 2025. Management is currently evaluating the impact of this Statement on its financial statements.

(2) PROPERTY TAX REVENUES

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

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

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

The 2024 assessed value for real property was \$564,958,076. Assessed value of tangible property, motor vehicle, and motorboats was \$147,599,640. The tax rate on real property adopted was \$.148 per \$100 valuation. The tax rate on tangible property adopted was \$.148 per \$100 valuation.

Property taxes for fiscal year 2025 were levied on November 1, 2024 on the assessed valuation of property, located in the City as of the preceding January 1, the lien date. The due date and collection periods for all taxes, exclusive of vehicle taxes and local deposit franchise taxes, are as follows:

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

(3) CASH AND INVESTMENTS

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

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

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth and its agencies, insured savings and loans, mutual funds, or interest-bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. In addition, trust funds may invest in uninsured corporate securities. At June 30, 2025, the City had \$32,691,722 in financial institutions, of which \$1,259,358 was insured and \$31,432,364 was collateralized.

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

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

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

At June 30, 2025, the City had the following investments and maturities:

Investment Type -	Investment Maturities (in years)				
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Mutual Funds	\$ 1,860,095	\$ 1,860,095	\$ -	\$ -	\$ -
Money Markets	1,134,113	1,134,113	-	-	-
Brokered C.D.'s	570,992	570,992	-	-	-

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

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

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

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

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

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

In addition, certain cash is restricted by external parties and/or grant agreements. Total restricted reserves for governmental activities and business-type activities as of June 30, 2025 were \$5,105,998 and \$1,442,455, respectively.

(4) CAPITAL ASSETS

The activity related to capital assets for the fiscal year ended June 30, 2025 was as follows:

	Balance June 30, 2024	Additions	Reclassifications and Disposals	Balance June 30, 2025
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 15,905,394	\$ -	\$ -	\$ 15,905,394
Construction in progress	351,882	3,132,610	351,882	3,132,610
Capital assets being depreciated:				
Buildings & land improvements	123,471,543	-	-	123,471,543
Vehicles	5,818,288	-	128,813	5,689,475
Equipment	8,465,878	878,705	460,648	8,883,935
Intangible right-to-use lease	3,680,401	425,221	249,492	3,856,130
	157,693,386	4,436,536	1,190,835	160,939,087
Accumulated depreciation	(66,510,759)	(4,434,053)	(535,735)	(70,409,077)
	<u>\$ 91,182,627</u>	<u>\$ 2,483</u>	<u>\$ 655,100</u>	<u>\$ 90,530,010</u>

There were transfers between classes of \$298,202 during the year ending June 30, 2025.

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025
Business-type Activities:				
Land	\$ 138,000	\$ -	\$ -	\$ 138,000
Plant and distribution systems	73,854,256	521,982	228,961	74,147,277
Vehicles	2,477,517	890,748	32,183	3,336,082
Equipment	4,950,994	400,739	8,621	5,343,112
Intangible right-to-use lease	164,464	49,457	28,664	185,257
Construction in progress	38,132	485,814	-	523,946
	81,623,363	2,348,740	298,429	83,673,674
Accumulated depreciation	(40,796,563)	(2,332,530)	(239,857)	(42,889,236)
	<u>\$ 40,826,800</u>	<u>\$ 16,210</u>	<u>\$ 58,572</u>	<u>\$ 40,784,438</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 2,327,279
Public safety	922,846
Streets	707,377
Tourism	65,712
Recreation	399,279
Lake cleanup	11,560
	<u>\$ 4,434,053</u>

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

Water fund	\$ 522,872
Sewer fund	1,153,981
Gas fund	63,119
Sanitation fund	237,368
Outside water	74,088
Outside sewer	281,102
	<u>\$ 2,332,530</u>

(5) INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2025 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Projects Fund	General Fund	\$ 413,100
General Fund	Cash Flow Fund	89
Utility Funds	Cash Flow Fund	3,430

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Debt Service	General	Debt Service	Debt Service	\$ 791,518
Operating	General	Tourism	Operations	2,821,356
Advance	General	Projects Control	Grant Advance	400,000

(6) LONG-TERM DEBT

Long-term debt at June 30, 2025 is comprised of the following:

Bank of New York, \$3,025,000 Series 2012A (Jenny Wiley) with varying interest of 0.60% to 3.125% which is an effective rate of 2.9%, with the balance of principal due April 1, 2032.	\$ 1,225,000
Community Trust Bank, \$4,125,000 Series 2019 maturing through December 1, 2043, with interest at 3.149%.	3,385,000
Truist Bank, \$821,453 General Obligation Series 2022 maturing through June 1, 2032, with net average interest of 2.92%.	598,338
Community Trust Bank, \$3,730,000 Series 2017 maturing through November 1, 2037, with net average interest of 5.00%, secured by system revenues.	2,090,000
Bank of New York, \$1,170,000 Series 2012B (Refinancing), with varying interest of 0.90% to 4.00% with the balance of principal due January 1, 2042, secured by system revenues.	735,000

USDA Rural Development \$500,000 Fire Station GO Bonds Series 2022 maturing through January 1, 2063, with interest at 2.25%.	484,000
	<u>8,517,338</u>
Plus: Premiums	59,193
Less: Discounts	<u>(38,728)</u>
Net bonds payable	<u>8,537,803</u>

USDA Rural Development \$1,500,000 Build America Bonds, Taxable Series 2010S-1, maturing through January 1, 2050, with interest at 2.25%, secured by system revenues.	1,135,000
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USDA Rural Development \$1,837,000 Build America Bonds, Taxable Series 2010S-2, maturing through January 1, 2050, with interest at 2.50%, secured by system revenues.	1,388,500
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USDA Rural Development \$3,166,000 Water and Sewer Revenue Bonds Series 2016A maturing through January 1, 2055, with interest at 2.25%, secured by system revenues.	2,739,500
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USDA Rural Development \$5,500,000 Water and Sewer Revenue Bonds Series 2017A maturing through January 1, 2057, with interest at 2.50%, secured by system revenues.	4,935,500
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USDA Rural Development \$5,000,000 Water and Sewer Revenue Bonds Series 2017B maturing through January 1, 2057, with interest at 2.50%, secured by system revenues.	4,486,000
Total revenue bonds	<u>14,684,500</u>

Kentucky Bond Corporation, Series 2023A \$260,000 financed Purchase lease maturing through January 1, 2033, with interest ranging from 4.0% to 4.125%, secured by a scoreboard.	214,583
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Inter Mountain Corporation, \$4,620,611 financed purchase lease maturing June 1, 2033, with interest imputed at 3.97%, secured by Phase I of the fiber network.	3,802,997
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Inter Mountain Corporation, \$405,850 financed purchase lease maturing December 1, 2033, with interest imputed at 8.01%, secured by Phase I of the fiber network.	361,095
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Community Trust Bank, \$1,681,462 financed purchase lease maturing through August 23, 2036, with interest at 2.5%, secured by a fire truck.	1,309,302
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Total debt	<u>5,687,977</u>
	<u>\$ 28,910,280</u>

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

Current portion - City of Pikeville	\$ 1,349,660
Long-term portion	<u>11,371,542</u>
Total	<u>\$ 12,721,202</u>

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

Current portion - City of Pikeville	\$ 746,771
Long-term portion	<u>16,740,609</u>
Total	<u>\$ 17,487,380</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2025:

	(As restated) Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Amount due Within One Year
Governmental activities:					
Bonds payable	\$ 6,276,394	\$ -	\$ 424,056	\$ 5,852,338	\$ 436,276
Other financing	6,243,234	-	555,257	5,687,977	576,410
Plus: Premiums	6,521	-	1,516	5,005	-
Less: Discounts	(34,434)	-	(8,441)	(25,993)	-
Compensated absences	572,816	-	65,005	507,811	25,391
Lease obligations	<u>1,128,810</u>	<u>415,199</u>	<u>342,134</u>	<u>1,201,875</u>	<u>336,974</u>
	<u>14,193,341</u>	<u>415,199</u>	<u>1,379,527</u>	<u>13,229,013</u>	<u>1,375,051</u>
Business-type activities:					
Bonds payable	3,035,000	-	370,000	2,665,000	385,000
Revenue bonds	15,006,500	-	322,000	14,684,500	329,500
Plus: Premiums	61,391	-	7,203	54,188	-
Less: Discounts	(13,492)	-	(757)	(12,735)	-
Lease obligation	<u>80,931</u>	<u>49,457</u>	<u>33,960</u>	<u>96,428</u>	<u>32,771</u>
	<u>18,170,330</u>	<u>49,457</u>	<u>732,406</u>	<u>17,487,381</u>	<u>746,771</u>
	<u>\$ 32,363,671</u>	<u>\$ 464,656</u>	<u>\$ 2,111,933</u>	<u>\$ 30,716,394</u>	<u>\$ 2,121,822</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for bonds and notes payable as of June 30, 2025 are as follows:

Principal Portion:

	General Obligation	Proprietary Funds					Total
		Water	Sewer	Outside Sewer	Outside Water	Total Proprietary	
2026	\$ 1,012,686	\$ 107,200	\$ 472,500	\$ 79,502	\$ 55,298	\$ 714,500	\$ 1,727,186
2027	1,047,557	112,100	482,800	81,069	57,031	733,000	1,780,557
2028	1,085,043	117,400	493,200	81,953	59,447	752,000	1,837,043
2029	1,124,944	52,000	304,000	83,149	36,851	476,000	1,600,944
2030	1,162,561	53,600	314,400	83,972	37,528	489,500	1,652,061
2031-2035	4,080,402	290,000	1,662,000	468,506	206,495	2,627,001	6,707,403
2036-2040	1,257,122	332,400	1,676,600	518,273	232,370	2,759,643	4,016,765
2041-2045	489,500	380,800	1,585,700	454,856	155,000	2,576,356	3,065,856
2046-2050	67,000	436,000	1,795,000	460,000	173,500	2,864,500	2,931,500
2051-2055	75,000	498,800	2,032,200	-	-	2,531,000	2,606,000
2056-2060	83,500	-	826,000	-	-	826,000	909,500
2061-2063	55,000	-	-	-	-	-	55,000
	<u>\$ 11,540,315</u>	<u>\$ 2,380,300</u>	<u>\$ 11,644,400</u>	<u>\$ 2,311,280</u>	<u>\$ 1,013,520</u>	<u>\$ 17,349,500</u>	<u>\$ 28,889,815</u>

Interest Portion:

	General Obligation	Proprietary Funds					Total
		Water	Sewer	Outside Sewer	Outside Water	Total Proprietary	
2026	\$ 389,354	\$ 54,084	\$ 294,484	\$ 60,377	\$ 28,445	\$ 437,390	\$ 826,744
2027	354,228	51,173	281,302	58,358	26,812	417,645	771,873
2028	317,172	48,123	267,837	55,884	25,549	397,393	714,565
2029	278,692	45,981	257,089	53,594	24,386	381,050	659,742
2030	238,169	44,811	249,047	51,358	23,472	368,688	606,857
2031-2035	608,574	205,335	1,119,115	222,072	98,824	1,645,346	2,253,920
2036-2040	207,070	170,847	895,334	152,648	65,003	1,283,832	1,490,902
2041-2045	68,754	131,346	698,912	86,690	33,500	950,448	1,019,202
2046-2050	28,598	86,085	491,734	32,784	13,119	623,722	652,320
2051-2055	20,711	34,254	257,239	-	-	291,493	312,204
2056-2060	11,903	-	31,038	-	-	31,038	42,941
2061-2063	2,486	-	-	-	-	-	2,486
	<u>\$ 2,525,711</u>	<u>\$ 872,039</u>	<u>\$ 4,843,131</u>	<u>\$ 773,765</u>	<u>\$ 339,110</u>	<u>\$ 6,828,045</u>	<u>\$ 9,353,756</u>

(7) LEASE OBLIGATIONS

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

Governmental Activities:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 336,974	\$ 73,976
2027	318,341	52,698
2028	287,526	31,459
2029	167,880	12,285
2030	91,154	3,257
	<u>\$ 1,201,875</u>	<u>\$ 173,675</u>

Proprietary Activities:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 32,771	\$ 5,486
2027	39,139	3,321
2028	9,588	1,668
2029	10,374	882
2030	4,556	36
	<u>\$ 96,428</u>	<u>\$ 11,393</u>

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

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

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

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

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

Enterprise Fleet Management (2523) - entered into a five-year lease for a vehicle on September 30, 2020. Monthly payments of \$668.04 are due for the first 6 months, with the first payment made on November 20, 2020, and then the remaining payments become \$100.38. The City guarantees the

lessor will receive the fair market value (\$4,051.86, as amended) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.15%.

Enterprise Fleet Management (2795) - entered into a five-year lease for a vehicle on November 24, 2020. Monthly payments of \$319.87 are due, with the first payment made on January 20, 2021. The City guarantees the lessor will receive the fair market value (\$8,585.45, as amended) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.19%.

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

Enterprise Fleet Management (8674) - entered into a five-year lease for a vehicle on March 2, 2021. Monthly payments of \$489.12 are due, with the first payment made on April 20, 2021. The City guarantees the lessor will receive the fair market value (\$5,493.40, as amended) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.30%.

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

Enterprise Fleet Management (6799) - entered into a five-year lease for a vehicle on September 1, 2021. Monthly payments of \$487.30 are due, with the first payment made on October 20, 2021. The City guarantees the lessor will receive the fair market value (\$6,076.16) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.35%.

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

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

Enterprise Fleet Management (1674) - entered into a five-year lease for a vehicle on November 24, 2021. Monthly payments of \$859.12 are due, with the first payment made on December 5, 2021.

The City guarantees the lessor will receive the fair market value (\$5,163.21) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.86%.

Enterprise Fleet Management (2555) - entered into a five-year lease for a vehicle on December 8, 2021. Monthly payments of \$217.70 are due, with the first payment made on January 20, 2022. The City guarantees the lessor will receive the fair market value (\$6,102.25, as amended) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.81%.

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

Enterprise Fleet Management (6041) - entered into a five-year lease for a vehicle on April 26, 2022. Monthly payments of \$721.15 are due, with the first payment made on May 20, 2022. The City guarantees the lessor will receive the fair market value (\$8,324.20) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.88%.

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

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

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

Enterprise Fleet Management (6523) - entered into a five-year lease for a vehicle on August 1, 2022. Monthly payments of \$856.51 are due, with the first payment made on August 20, 2022. The City guarantees the lessor will receive the fair market value (\$4,880.37) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.83%.

Enterprise Fleet Management (2221) - entered into a six-year lease for a vehicle on December 5, 2022. Monthly payments of \$1,008.94 are due, with the first payment made on January 20, 2023. The City guarantees the lessor will receive the fair market value (\$6,259.68) at the end of the lease

term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.72%.

Enterprise Fleet Management (3037) - entered into a five-year lease for a vehicle on February 14, 2023. Monthly payments of \$866.19 are due, with the first payment made on March 20, 2023. The City guarantees the lessor will receive the fair market value (\$4,402.15) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.69%.

Enterprise Fleet Management (9255) - entered into a five-year lease for a vehicle on March 8, 2023. Monthly payments of \$1,423.31 are due, with the first payment made on April 20, 2023. The City guarantees the lessor will receive the fair market value (\$7,701.90) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.51%.

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

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

Enterprise Fleet Management (2741) - entered into a five-year lease for a vehicle on May 25, 2023. Monthly payments of \$588.08 are due, with the first payment made on June 20, 2023. The City guarantees the lessor will receive the fair market value (\$6,451.20, as amended) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.48%.

Enterprise Fleet Management (1082) - entered into a five-year lease for a vehicle on May 25, 2023. Monthly payments of \$959.57 are due, with the first payment made on June 20, 2023. The City guarantees the lessor will receive the fair market value (\$10,595.85, as amended) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.48%.

Enterprise Fleet Management (1742) - entered into a five-year lease for a vehicle on July 14, 2023. Monthly payments of \$1,170.52 are due, with the first payment made on July 20, 2023. The City guarantees the lessor will receive the fair market value (\$5,914.90) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.54%.

Enterprise Fleet Management (1589) - entered into a five-year lease for a vehicle on August 10, 2023. Monthly payments of \$39.02 before equity are due, with the first payment made on August 20, 2023. The City guarantees the lessor will receive the fair market value (\$11,657.60, as amended)

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

Enterprise Fleet Management (2421) - entered into a five-year lease for a vehicle on August 11, 2023. Monthly payments of \$1,023.44 are due, with the first payment made on September 20, 2023. The City guarantees the lessor will receive the fair market value (\$4,894.95) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 8.01%.

Enterprise Fleet Management (2454) - entered into a five-year lease for a vehicle on August 11, 2023. Monthly payments of \$1,023.44 are due, with the first payment made on September 20, 2023. The City guarantees the lessor will receive the fair market value (\$4,895.91) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 8.01%.

Enterprise Fleet Management (2505) - entered into a five-year lease for a vehicle on August 11, 2023. Monthly payments of \$1,023.44 are due, with the first payment made on September 20, 2023. The City guarantees the lessor will receive the fair market value (\$4,894.95) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 8.01%.

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

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

Enterprise Fleet Management (7817) - entered into a five-year lease for a vehicle on August 11, 2023. Monthly payments of \$744.49 are due, with the first payment made on September 20, 2023. The City guarantees the lessor will receive the fair market value (\$7,256.94) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 8.01%.

Enterprise Fleet Management (3654) - entered into a five-year lease for a vehicle on February 6, 2024. Monthly payments of \$698.27 are due, with the first payment made on March 20, 2024. The City guarantees the lessor will receive the fair market value (\$6,907.90, as amended) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.55%.

Enterprise Fleet Management (5408) - entered into a five-year lease for a vehicle on February 26, 2024. Monthly payments of \$1,148.86 are due, with the first payment made on March 20, 2024. The City guarantees the lessor will receive the fair market value (\$10,286.75) at the end of the lease

term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.93%.

Enterprise Fleet Management (9482) - entered into a five-year lease for a vehicle on July 10, 2024. Monthly payments of \$937.98 are due, with the first payment made on August 20, 2024. The City guarantees the lessor will receive the fair market value (\$4,577.05) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.90%.

Enterprise Fleet Management (7110) - entered into a five-year lease for a vehicle on July 25, 2024. Monthly payments of \$1,090.59 are due, with the first payment made on August 20, 2024. The City guarantees the lessor will receive the fair market value (\$5,844.85) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.78%.

Enterprise Fleet Management (3678) - entered into a five-year lease for a vehicle on September 4, 2024. Monthly payments of \$932.78 are due, with the first payment made on October 20, 2024. The City guarantees the lessor will receive the fair market value (\$4,401.61) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.29%.

Enterprise Fleet Management (6981) - entered into a five-year lease for a vehicle on February 9, 2025. Monthly payments of \$1,010.46 are due, with the first payment made on March 20, 2025. The City guarantees the lessor will receive the fair market value (\$5,292.08) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.77%.

Enterprise Fleet Management (7088) - entered into a five-year lease for a vehicle on February 19, 2025. Monthly payments of \$1,010.46 are due, with the first payment made on March 20, 2025. The City guarantees the lessor will receive the fair market value (\$5,292.08) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.77%.

Enterprise Fleet Management (5937) - entered into a five-year lease for a vehicle on April 29, 2025. Monthly payments of \$1,011.20 are due, with the first payment made on May 20, 2025. The City guarantees the lessor will receive the fair market value (\$5,482.10) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.02%.

Enterprise Fleet Management (6305) - entered into a five-year lease for a vehicle on April 29, 2025. Monthly payments of \$1,011.20 are due, with the first payment made on May 20, 2025. The City guarantees the lessor will receive the fair market value (\$5,482.10) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.02%.

Enterprise Fleet Management (5706) - entered into a five-year lease for a vehicle on April 29, 2025. Monthly payments of \$1,011.20 are due, with the first payment made on May 20, 2025. The City guarantees the lessor will receive the fair market value (\$5,482.10) at the end of the lease term, if

the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.02%.

Prosource - five-year lease for a copier for city hall utility office. Monthly payments are in the amount of \$310.11 are due, with the first payment made on February 15, 2025. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.29%.

Prosource - five-year lease for a copier for city hall property tax office. Monthly payments are in the amount of \$364.11 are due, with the first payment made on February 15, 2025. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.29%.

(8) PRIVATE-PUBLIC PARTNERSHIP AGREEMENT

The City entered into a private-public partnership agreement on February 24, 2020 with Inter Mountain Cable, Inc. (the "PPP Agreement") to deploy a fiber optic network capable of providing its citizens with high speed broadband services to support economic development within the City. As part of the agreement, Inter Mountain Cable, Inc. (the "Operator") agreed to construct and maintain the infrastructure, allow the City to repay construction costs over time with no interest, provide network management services, and offer pricing concessions to subscribers residing in that Phase of the network. The project is to occur over three phases. Phase I will be repaid on a ten-year schedule and Phases II and III will each be repaid on a fifteen-year schedule. Phase I was completed and accepted by the City on June 1, 2023. An additional amount was incurred and accepted by the City for Phase I on December 1, 2023.

The City is required to follow the provisions of GASB Statement No. 94. Accordingly the City is to record a capital asset for the network constructed by Inter Mountain Cable, Inc., a receivable for installment payments expected to be received, if any, and a deferred inflow of resources at commencement. However, there should be a reduction in the carrying value of any receivable and deferred inflow of resources for any amounts paid to the Operator to purchase the underlying asset. Since the asset is being financed and no other residual receipts are anticipated, no receivable or deferred inflow of resources for the costs incurred is necessary.

(9) PENSION PLAN

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

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

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

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

Contributions: Funding for CERS is provided by members, who contribute 5.00% nonhazardous and 8.00% hazardous (6.00% and 9.00% for employees hired after September 1, 2008, respectively) of

their salary through payroll deductions and by employers of members who contribute 19.71% nonhazardous (19.71% - pension, 0.00% - insurance) and 38.61% hazardous (36.49% - pension, 2.12% - insurance) of the member's salary. During the year ending June 30, 2025, the City contributed \$940,831 and \$205,126 to the CERS Nonhazardous and Hazardous Pension Fund, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2025, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2023. An expected total pension liability as of June 30, 2024 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, 2024. At June 30, 2024, the City's proportion for nonhazardous and hazardous was 0.127497% and 0.092944%, respectively.

For the year ended June 30, 2025, the City recognized pension expense of (\$158,526). At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Nonhazardous</u>		
Differences between expected and actual experience	\$ 369,057	\$ -
Changes of assumptions	-	344,494
Net difference between projected and actual earnings on investments	-	490,237
Changes in proportion and differences between City contributions and proportionate share of contributions	210,442	453,170
City contributions subsequent to the measurement date	940,831	-
	<u>\$ 1,520,330</u>	<u>\$ 1,287,901</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 155,330	\$ -
Changes of assumptions	-	134,917
Net difference between projected and actual earnings on investments	-	127,588
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,219,738
City contributions subsequent to the measurement date	205,126	-
	<u>\$ 360,456</u>	<u>\$ 1,482,243</u>

At June 30, 2025, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$940,831 and \$205,126 for nonhazardous and hazardous, respectively. These

contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

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

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2026	\$ (376,352)	\$ (696,628)
2027	(34,342)	(346,744)
2028	(188,453)	(240,169)
2029	(109,255)	(43,372)
	<u>\$ (708,402)</u>	<u>\$ (1,326,913)</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2023. The financial reporting actuarial valuation as of June 30, 2024, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Payroll growth	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%, net of pension plan investment expense, including inflation

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

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%

Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	<u>13.00%</u>	5.35%
Total	<u>100.00%</u>	4.69%

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

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

	<u>1% Decrease (5.50%)</u>	<u>Current discount rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
City's proportionate share of the net pension liability			
Nonhazardous	\$ 9,829,692	\$ 7,624,861	\$ 5,795,432
Hazardous	\$ 3,077,551	\$ 2,390,525	\$ 1,829,606

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, 2025, there was no payable to CERS for nonhazardous and hazardous, which includes pension and OPEB contributions.

(10) OTHER POSTEMPLOYMENT BENEFIT (“OPEB”) PLAN

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

Plan description: The County Employees Retirement System (“CERS”) Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. This system consists of two plans – *Nonhazardous* and *Hazardous*. Each Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

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

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

members receive a contribution subsidy for only the member’s health insurance premium. Hazardous members receive a contribution subsidy for both the member and dependent coverage.

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

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

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2025, CERS allocated 0.00% of the 19.71% nonhazardous and 2.12% of the 36.49% hazardous actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2025, the City contributed \$0 and \$11,917 to the CERS Nonhazardous and Hazardous Insurance Fund, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

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

At June 30, 2025, the City reported as a liability its proportionate share of the net OPEB liability(asset). The net OPEB liability (asset) was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability (asset) was based on an actuarial valuation as of June 30, 2023. An expected total pension liability as of June 30, 2024 was determined using standard roll-forward techniques. The City's proportion of the net OPEB liability (asset) was based on contributions to CERS during the fiscal year ended June 30, 2024. At June 30 2024, the City's proportion for nonhazardous and hazardous was 0.127446% and 0.092967%, respectively.

For the year ended June 30, 2025, the City recognized OPEB expense (benefit) of (\$695,241), including an implicit subsidy of \$59,305. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Nonhazardous</u>		
Differences between expected and actual experience	\$ 122,307	\$ 1,734,557
Changes of assumptions	199,760	155,555
Net difference between projected and actual earnings on investments	-	201,179
Changes in proportion and differences between City contributions and		

proportionate share of contributions	177,717	144,294
City contributions subsequent to the measurement date	-	-
	<u>\$ 499,784</u>	<u>\$ 2,235,585</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 30,538	\$ 412,769
Changes of assumptions	76,492	99,246
Net difference between projected and actual earnings on investments	-	70,864
Changes in proportion and differences between City contributions and proportionate share of contributions	-	532,045
City contributions subsequent to the measurement date	11,917	-
	<u>\$ 118,947</u>	<u>\$ 1,114,924</u>

At June 30, 2025, the City reported deferred outflows of resources related to OPEB for City contributions subsequent to the measurement date of \$-0- and \$11,917 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2026.

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

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2026	\$ (660,460)	\$ (326,640)
2027	(543,212)	(259,823)
2028	(488,463)	(253,138)
2029	(43,666)	(149,730)
2030	-	(18,563)
	<u>\$ (1,735,801)</u>	<u>\$ (1,007,894)</u>

Actuarial Methods and Assumptions: The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Payroll Growth Rate	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting 7.10% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Post-65	Initial trend starting at 8.00% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the

	Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010

Assumption Changes: The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

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

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

Discount rate: The discount rate used to measure the total OPEB liability was 5.99%. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans' actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the City's proportionate share of the collective net OPEB liability (asset) of the System, calculated using the discount rate of 5.99%, as well as what the City's

proportionate share of the collective net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99%) or 1-percentage-point higher (6.99%) than the current rate:

	1% Decrease <u>(4.99%)</u>	Current discount rate <u>(5.99%)</u>	1% Increase <u>(6.99%)</u>
City's proportionate share of the net OPEB liability (asset) - Nonhazardous	\$ 298,082	\$ (220,456)	\$ (656,444)

The following table presents the City's proportionate share of the collective net OPEB liability (asset) of the Hazardous CERS Insurance Fund, calculated using the discount rate of 6.02, 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 (5.02%) or 1-percentage-point higher (7.02%) than the current rate:

	1% Decrease <u>(5.02%)</u>	Current discount rate <u>(6.02%)</u>	1% Increase <u>(7.02%)</u>
City's proportionate share of the net OPEB liability (asset) - Hazardous	\$ 311,647	\$ 112,771	\$ (53,428)

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

	1% Decrease <u></u>	Current trend rate <u></u>	1% Increase <u></u>
City's proportionate share of the net OPEB liability (asset)			
Nonhazardous	\$ (530,391)	\$ (220,456)	\$ 140,596
Hazardous	\$ (17,482)	\$ 112,771	\$ 265,009

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

Payables to the OPEB plan: At June 30, 2025, there was no payable to CERS for nonhazardous and hazardous, which includes pension and OPEB contributions.

(11) DEFERRED COMPENSATION PLAN

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

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

(12) COMMITMENTS AND CONTINGENCIES

Lease Commitments

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

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

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

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

Other

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

(13) RISK MANAGEMENT

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

(14) NONMONETARY TRANSACTIONS

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

(15) FAIR VALUE MEASUREMENTS

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

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

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

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

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

Level 3 Inputs. For these securities, the valuation methods used were (1) discounted cash flow model valuation, where the expected cash flows of the securities are discounted using a yield that incorporates compensation for illiquidity and (2) a market comparables method, where the securities are valued based on indications, from the secondary market, of what discounts buyers demand when purchasing similar securities.

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

<u>June 30, 2025</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Mutual Funds	\$ 1,860,095	\$ 1,860,095	\$ -	\$ -
Money Markets	1,134,113	1,134,113	-	-
Brokered C.D.'s	570,992	-	570,992	-

(16) RESTATEMENT OF BEGINNING NET POSITION

The beginning net position of the governmental activities has been restated as follows:

During the fiscal year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The adoption of this new accounting principle required a change in the method of recognizing liabilities for compensated absences. As a result, the beginning net position of governmental activities was decreased by \$298,439.

The cumulative effect of these adjustments is as follows:

	<u>Governmental Activities</u>
Beginning Net Position, as previously reported	\$ 85,026,735
Implementation of GASB 101	<u>(298,439)</u>
Beginning Net Position, as restated	<u>\$ 84,728,296</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property taxes	\$ 1,000,000	\$ 8,200	\$ 1,008,200	\$ 1,053,514	\$ 45,314
Franchise taxes	845,000	269,300	1,114,300	1,115,610	1,310
Occupational license fees	11,560,000	740,000	12,300,000	12,407,128	107,128
Other taxes	2,886,500	354,900	3,241,400	3,247,974	6,574
Permits and fees	74,500	31,000	105,500	148,069	42,569
Grants - Federal	755,335	245,113	1,000,448	602,230	(398,218)
Grants - State	496,400	2,558	498,958	531,156	32,198
Other grants	168,000	47,933	215,933	217,128	1,195
Charges for services	750,000	100,000	850,000	949,127	99,127
Investment income	250,000	289,000	539,000	914,622	375,622
Other revenue	1,392,526	24,000	1,416,526	1,551,874	135,348
Total revenues	<u>20,178,261</u>	<u>2,112,004</u>	<u>22,290,265</u>	<u>22,738,432</u>	<u>448,167</u>
Expenditures					
General Government:	3,883,450	2,029,099	5,912,549	4,402,319	1,510,230
Public Safety:					
Police	3,384,055	22,000	3,406,055	3,293,900	112,155
Fire	3,680,900	11,500	3,692,400	3,527,763	164,637
Ambulance Service	218,802	15,000	233,802	215,855	17,947
Dispatch Service	399,955	(26,400)	373,555	312,328	61,227
Codes	258,250	75,300	333,550	255,483	78,067
911	438,725	52,900	491,625	480,073	11,552
Streets	2,833,713	30,000	2,863,713	2,364,989	498,724
Economic Development	1,002,200	(25,703)	976,497	780,045	196,452
Parking Garage	73,200	1,500	74,700	64,227	10,473
Recreation	824,673	7,100	831,773	778,635	53,138
Fiber	619,788	(619,788)	-	-	-
Tourism	838,250	(47,000)	791,250	263,014	528,236
Lake Cleanup	66,250	5,950	72,200	60,918	11,282
Landscape	131,101	2,100	133,201	129,124	4,077
Ridge Cliff	500,000	-	500,000	376,445	123,555
Capital Outlay	1,166,600	120,026	1,286,626	792,031	494,595
Debt Service					
Principal	353,894	411,130	765,024	736,331	28,693
Interest	144,597	179,688	324,285	320,403	3,882
Total expenditures	<u>20,818,403</u>	<u>2,244,402</u>	<u>23,062,805</u>	<u>19,153,883</u>	<u>3,908,922</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	-	-	-	-	-
Inception of Leases and Loan Proceeds	300,000	49,844	349,844	415,199	65,355
Eastern Kentucky Exposition Center/Tourism	707,500	(117,015)	590,485	590,586	101
Transfers In	-	-	-	-	-
Transfers Out	(4,514,826)	101,423	(4,413,403)	(4,012,874)	400,529
	<u>(3,507,326)</u>	<u>34,252</u>	<u>(3,473,074)</u>	<u>(3,007,089)</u>	<u>465,985</u>
Net change in fund balance	(4,147,468)	(98,146)	(4,245,614)	577,460	4,823,074
Fund balance beginning of year	<u>4,147,514</u>	<u>99,203</u>	<u>4,246,717</u>	<u>19,207,818</u>	<u>14,961,101</u>
Fund balance end of year	<u>\$ 46</u>	<u>\$ 1,057</u>	<u>\$ 1,103</u>	<u>\$ 19,785,278</u>	<u>\$ 19,784,175</u>

CITY OF PIKEVILLE, KENTUCKY
TOURISM CONVENTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
Intergovernmental Revenue	\$ 11,013	\$ -	\$ 11,013	\$ 9,059	\$ (1,954)
Interest Income	1,500	1,000	2,500	2,885	385
Other Revenue	-	-	-	-	-
Total revenues	<u>12,513</u>	<u>1,000</u>	<u>13,513</u>	<u>11,944</u>	<u>(1,569)</u>
EXPENDITURES					
Tourism/Community Development	2,468,713	365,085	2,833,798	2,825,696	8,102
Capital Outlay	-	-	-	-	-
	<u>2,468,713</u>	<u>365,085</u>	<u>2,833,798</u>	<u>2,825,696</u>	<u>8,102</u>
Other Financing Sources (Uses)					
Transfers In	2,447,000	365,885	2,812,885	2,821,356	8,471
	<u>2,447,000</u>	<u>365,885</u>	<u>2,812,885</u>	<u>2,821,356</u>	<u>8,471</u>
Net change in fund balance	<u>(9,200)</u>	<u>1,800</u>	<u>(7,400)</u>	<u>7,604</u>	<u>15,004</u>
Fund Balance - Beginning of Year	<u>13,500</u>	<u>-</u>	<u>13,500</u>	<u>49,640</u>	<u>36,140</u>
Fund Balance - End of Year	<u>\$ 4,300</u>	<u>\$ 1,800</u>	<u>\$ 6,100</u>	<u>\$ 57,244</u>	<u>\$ 51,144</u>

**CITY OF PIKEVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2025**

	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)		2024 (2023)		2023 (2022)		2022 (2021)		2021 (2020)	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
PENSION										
City's proportion of the net pension liability	0.13%	0.09%	0.14%	0.12%	0.13%	0.13%	0.13%	0.17%	0.11%	0.21%
City's proportionate share of the net pension liability	\$ 7,624,861	\$ 2,390,525	\$ 8,834,441	\$ 3,239,703	\$ 9,208,896	\$ 4,084,070	\$ 7,971,388	\$ 4,656,143	\$ 8,796,781	\$ 6,256,305
City's covered-employee payroll	\$ 3,943,312	\$ 704,512	\$ 4,004,462	\$ 845,078	\$ 3,520,808	\$ 868,514	\$ 3,974,751	\$ 1,363,234	\$ 2,984,589	\$ 1,209,041
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	193.362%	339.316%	220.615%	383.361%	261.556%	470.236%	200.551%	341.551%	294.740%	517.460%
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.05%	57.48%	52.96%	52.42%	47.11%	57.33%	52.26%	47.81%	44.11%
INSURANCE FUND										
City's proportion of the net OPEB liability (asset)	0.13%	0.09%	0.14%	0.12%	0.13%	0.13%	0.12%	0.17%	0.11%	0.21%
City's proportionate share of the net OPEB liability (asset)	\$ (220,456)	\$ 112,771	\$ (190,086)	\$ 164,309	\$ 2,513,723	\$ 1,139,459	\$ 2,393,005	\$ 1,414,170	\$ 2,768,666	\$ 1,916,946
City's covered-employee payroll	\$ 3,943,312	\$ 704,512	\$ 4,004,462	\$ 845,078	\$ 3,520,808	\$ 868,514	\$ 3,974,751	\$ 1,363,234	\$ 2,984,589	\$ 1,209,041
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-5.591%	16.007%	-4.747%	19.443%	71.396%	131.196%	60.205%	103.736%	92.765%	158.551%
Plan fiduciary net position as a percentage of the total OPEB liability	104.89%	93.53%	104.23%	92.27%	60.95%	64.13%	62.91%	66.81%	51.67%	58.84%

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

**CITY OF PIKEVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY (ASSET) (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025**

	Reporting Fiscal Year (Measurement Date)									
	2020 (2019)		2019 (2018)		2018 (2017)		2017 (2016)		2016 (2015)	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
PENSION										
City's proportion of the net pension liability	0.11%	0.24%	0.10%	0.27%	0.09%	0.29%	0.08%	0.30%	0.08%	0.32%
City's proportionate share of the net pension liability	\$ 6,498,548	\$ 7,566,923	\$ 5,865,024	\$ 6,621,421	\$ 5,130,658	\$ 6,391,457	\$ 3,987,411	\$ 5,126,942	\$ 3,232,536	\$ 4,884,991
City's covered-employee payroll	\$ 2,756,429	\$ 1,339,837	\$ 2,426,209	\$ 1,525,138	\$ 2,165,430	\$ 1,568,223	\$ 1,962,589	\$ 1,549,162	\$ 1,786,555	\$ 1,627,210
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	235.760%	564.764%	241.736%	434.152%	236.935%	407.560%	203.171%	330.949%	180.937%	300.207%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	46.63%	53.54%	49.26%	53.30%	49.80%	55.50%	53.95%	59.97%	57.52%
INSURANCE FUND										
City's proportion of the net OPEB liability (asset)	0.11%	0.24%	0.10%	0.27%	0.09%	0.29%				
City's proportionate share of the net OPEB liability (asset)	\$ 1,809,212	\$ 1,740,246	\$ 1,709,752	\$ 1,952,097	\$ 1,762,145	\$ 2,361,635				
City's covered-employee payroll	\$ 2,756,429	\$ 1,339,837	\$ 2,426,209	\$ 1,525,138	\$ 2,165,430	\$ 1,568,223				
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	65.636%	129.885%	70.470%	127.995%	81.376%	150.593%				
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	64.44%	57.62%	64.24%	52.40%	59.00%				

**CITY OF PIKEVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2025**

	2025		2024		2023		2022		2021	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
PENSION										
Contractually required contribution	\$ 940,831	\$ 205,126	\$ 920,369	\$ 289,625	\$ 937,044	\$ 361,778	\$ 745,355	\$ 294,079	\$ 767,127	\$ 409,788
Contributions in relation to the contractually required contribution	940,831	205,126	920,369	289,625	937,044	361,778	745,355	294,079	767,127	409,788
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 4,773,369	\$ 562,143	\$ 3,943,312	\$ 704,512	\$ 4,004,462	\$ 845,078	\$ 3,520,808	\$ 868,514	\$ 3,974,751	\$ 1,363,234
City's contributions as a percentage of its covered-employee payroll	19.71%	36.49%	23.34%	41.11%	23.40%	42.81%	21.17%	33.86%	19.30%	30.06%
INSURANCE FUND										
Contractually required contribution	\$ -	\$ 11,917	\$ -	\$ 18,176	\$ 135,751	\$ 57,296	\$ 203,503	\$ 90,934	\$ 189,198	\$ 129,780
Contributions in relation to the contractually required contribution	-	11,917	-	18,176	135,751	57,296	203,503	90,934	189,198	129,780
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 4,773,369	\$ 562,143	\$ 3,943,312	\$ 704,512	\$ 4,004,462	\$ 845,078	\$ 3,520,808	\$ 868,514	\$ 3,974,751	\$ 1,363,234
City's contributions as a percentage of its covered-employee payroll	0.00%	2.12%	0.00%	2.58%	3.39%	6.78%	5.78%	10.47%	4.76%	9.52%

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

**CITY OF PIKEVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025**

	2020		2019		2018		2017		2016	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
PENSION										
Contractually required contribution	\$ 576,026	\$ 363,438	\$ 447,093	\$ 333,083	\$ 351,315	\$ 338,581	\$ 302,077	\$ 340,461	\$ 243,754	\$ 313,860
Contributions in relation to the contractually required contribution	576,026	363,438	447,093	333,083	351,315	338,581	302,077	340,461	243,754	313,860
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 2,984,589	\$ 1,209,041	\$ 2,756,429	\$ 1,339,837	\$ 2,426,209	\$ 1,525,138	\$ 2,165,430	\$ 1,568,223	\$ 1,962,589	\$ 1,549,162
City's contributions as a percentage of its covered-employee payroll	19.30%	30.06%	16.22%	24.86%	14.48%	22.20%	13.95%	21.71%	12.42%	20.26%
INSURANCE FUND										
Contractually required contribution	\$ 142,066	\$ 115,101	\$ 144,988	\$ 140,281	\$ 114,032	\$ 142,600	\$ 102,425	\$ 146,629		
Contributions in relation to the contractually required contribution	142,066	115,101	144,988	140,281	114,032	142,600	102,425	146,629		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
City's covered-employee payroll	\$ 2,984,589	\$ 1,209,041	\$ 2,756,429	\$ 1,339,837	\$ 2,426,209	\$ 1,525,138	\$ 2,165,430	\$ 1,568,223		
City's contributions as a percentage of its covered-employee payroll	4.76%	9.52%	5.26%	10.47%	4.70%	9.35%	4.73%	9.35%		

**CITY OF PIKEVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
FOR THE YEAR ENDED JUNE 30, 2025**

(1) CHANGES OF ASSUMPTIONS

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

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

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

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

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

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

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020:

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

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

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

The following actuarial methods and assumptions were used to determine contribution rates for the year ending June 30, 2024:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years, closed
Payroll Growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

(3) CHANGES OF BENEFIT TERMS

CERS

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

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

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service a member attains over certain

thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023 House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member's Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

CITY OF PIKEVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
FOR THE YEAR ENDED JUNE 30, 2025

(1) CHANGES OF ASSUMPTIONS

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

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

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

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

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

For the June 30, 2022 measurement date, the single discount rates used to calculate the total OPEB liability was changed to 5.70%.

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

For the valuation performed as of June 30, 2024, the discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

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

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2024:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.20% at January 1, 2024, gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 9.00% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

(3) CHANGES OF BENEFIT TERMS

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

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

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member’s Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

SUPPLEMENTAL INFORMATION

**CITY OF PIKEVILLE, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025**

	Debt Service Funds					Special Revenue Funds					Total Nonmajor Governmental Funds
	Debt Service the App	Fire Truck and Station Debt Service	Event Center/ Pool Station Debt Service	Series 2017 Debt Service	Series 2022 Debt Service	Coal Severance	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	
Assets											
Cash	\$ 75,349	\$ 13,271	\$ 10,607	\$ 23,782	\$ 10,941	\$ -	\$ 15,212	\$ 227,777	\$ 65,738	\$ 16,657	\$ 459,334
Restricted cash and cash equivalents	-	-	-	-	-	1,010,253	-	-	-	-	1,010,253
Receivables	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 75,349</u>	<u>\$ 13,271</u>	<u>\$ 10,607</u>	<u>\$ 23,782</u>	<u>\$ 10,941</u>	<u>\$1,010,253</u>	<u>\$ 15,212</u>	<u>\$ 227,777</u>	<u>\$ 65,738</u>	<u>\$ 16,657</u>	<u>\$ 1,469,587</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-	3,519	3,519
Total liabilities	-	-	-	-	-	-	-	-	-	3,519	3,519
Deferred Inflows of Resources:											
Other deferred revenues	-	-	-	-	-	-	-	161,421	-	-	161,421
Total deferred inflows of resources	-	-	-	-	-	-	-	161,421	-	-	161,421
Fund Balances:											
Restricted	-	-	-	-	-	1,010,253	-	-	-	-	1,010,253
Assigned	-	-	-	-	-	-	-	-	-	-	-
Unassigned	75,349	13,271	10,607	23,782	10,941	-	15,212	66,356	65,738	13,138	294,394
Total fund balances	<u>75,349</u>	<u>13,271</u>	<u>10,607</u>	<u>23,782</u>	<u>10,941</u>	<u>1,010,253</u>	<u>15,212</u>	<u>66,356</u>	<u>65,738</u>	<u>13,138</u>	<u>1,304,647</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 75,349</u>	<u>\$ 13,271</u>	<u>\$ 10,607</u>	<u>\$ 23,782</u>	<u>\$ 10,941</u>	<u>\$1,010,253</u>	<u>\$ 15,212</u>	<u>\$ 227,777</u>	<u>\$ 65,738</u>	<u>\$ 16,657</u>	<u>\$ 1,469,587</u>

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

	Debt Service Funds					Special Revenue Funds					Total Nonmajor Governmental Funds
	Debt Service the App	Fire Truck Lease	Event Center/ Pool Station Debt Service	Series 2017 Debt Service	Series 2022 Debt Service	Coal Severance	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	
Revenues											
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,249	\$ 547	\$ -	\$ -	\$ -	\$ 113,796
Other revenue	-	-	-	-	-	-	-	-	55,251	-	55,251
Interest income	3,058	1,083	32	-	61	43,716	766	3,000	-	-	51,716
Total revenues	3,058	1,083	32	-	61	156,965	1,313	3,000	55,251	-	220,763
Expenditures											
Public safety - police	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	30,000	-	-	-	-	30,000
Tourism/Community Development	-	-	-	-	-	-	-	-	35,626	-	35,626
Capital outlay	-	-	-	-	-	15,000	5,525	7,450	-	-	27,975
Debt service	194,063	153,642	249,185	55,550	131,381	-	-	-	-	-	783,821
Total expenditures	194,063	153,642	249,185	55,550	131,381	45,000	5,525	7,450	35,626	-	877,422
Excess of Revenues Over (Under) Expenditures	(191,005)	(152,559)	(249,153)	(55,550)	(131,320)	111,965	(4,212)	(4,450)	19,625	-	(656,659)
Other Financing Sources (Uses)											
Transfers in	194,064	153,644	249,185	55,550	139,075	-	-	-	-	-	791,518
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	194,064	153,644	249,185	55,550	139,075	-	-	-	-	-	791,518
Net change in fund balances	3,059	1,085	32	-	7,755	111,965	(4,212)	(4,450)	19,625	-	134,859
Fund balances beginning of year	72,290	12,186	10,575	23,782	3,186	898,288	19,424	70,806	46,113	13,138	1,169,788
Fund balances end of year	\$ 75,349	\$ 13,271	\$ 10,607	\$ 23,782	\$ 10,941	\$ 1,010,253	\$ 15,212	\$ 66,356	\$ 65,738	\$ 13,138	\$ 1,304,647

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Grantor/Program Title	Federal AL Number	Pass-Through Grant Number	Subrecipient	Expenditures
<u>US Department of Transportation</u>				
Direct -				
Safe Streets for All Grant	20.939		\$ -	\$ 159,510
Passed through the Kentucky Transportation Cabinet -				
Highway Safety Grant	20.600	OP-2024-65	-	4,991
Highway Safety Grant	20.600	OP-2025-00-00-16-001	-	25,132
Transportation Alternative Program - Baird Ave. Pedestrian Improvement	20.205		-	10,474
Total US Department of Transportation				<u>200,107</u>
<u>U.S. Department of Treasury</u>				
Passed through the Kentucky Department of Tourism				
American Rescue - Moonshine Trail	21.027	PON2 860 2400000782	- *	129,762
American Rescue	21.027	PON2 860 2300001660	- *	9,059
American Rescue - Meetings and Conventions	21.027	PON2 860 2400000547	- *	14,161
American Rescue - Tourism	21.027	PON2 860 2300026039	- *	197,677
Passed through the Kentucky Infrastructure Authority				
American Rescue - Carbon Feeder	21.027	KIA 22CWW066	- *	125,374
American Rescue - Cleaner Water Sewer Extension	21.027	KIA 22CWS036	- *	282,616
Passed through the Kentucky Department of Local Government				
American Rescue	21.027	KY0233	- *	452,534
Total U.S. Department of Treasury			*	<u>1,211,183</u>
<u>U.S. Department of Justice</u>				
Equitable Sharing Program	16.922	N/A	-	5,525
Total U.S. Department of Justice				<u>5,525</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed Through Kentucky Department for Local Government:				
Community Development Block Grant	14.228	24-005	-	250,000
Total U.S. Department of Housing and Urban Development				<u>250,000</u>
<u>US Department of Homeland Security</u>				
Passed through the Kentucky Emergency Management -				
Hazard Mitigation	97.039	DR-4428-0026	-	96,780
Total US Department of Homeland Security				<u>96,780</u>
<u>National Endowment for Humanities</u>				
Passed through the Kentucky Humanities -				
Promotion of the Humanities	45.129	SO-284814-22	-	250
Total National Endowment for Humanities				<u>250</u>
<u>U.S. Department of Interior</u>				
Passed through the Kentucky Heritage Council -				
Historic Preservation Fund Grants-In-Aid	15.904	KY-24-10019	-	3,360
Historic Preservation Fund Grants-In-Aid	15.904	KY-24-10025	-	1,050
Total National Endowment for Humanities				<u>4,410</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,768,255</u>

* Major program.

CITY OF PIKEVILLE, KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025

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, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Pikeville, Kentucky, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Pikeville, Kentucky.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

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



Kelley **G**alloway
Smith **G**oolsby, PSC

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web www.kgsgcpa.com Member of  GLOBAL

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pikeville, Kentucky (the "City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 5, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Kelley Ballaway Smith Hoolsey, PSC

Ashland, Kentucky
December 5, 2025



Kelley **G**alloway
Smith **G**oolsby, PSC

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Pikeville's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Kelley Galloway Smith Hooley, PSC
Ashland, Kentucky
December 5, 2025

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements-

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

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? _____ Yes X No

Federal Awards-

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of Major Programs: AL No.

Coronavirus State and Local Fiscal Recovery Funds (American Rescue/ARPA) 21.027

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? X Yes _____ No

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

B. FINANCIAL STATEMENT FINDINGS

None noted in the current year.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted in the current year.

CITY OF PIKEVILLE, KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025

There were no findings in the prior year.