

CITY OF PINEVILLE  
Pineville, Kentucky

REPORT OF AUDIT  
Year Ended June 30, 2020

## CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis (Unaudited)	4-7
Basic Financial Statements:	
Government – Wide Financial Statements:	
Statement of Net Position – Cash Basis	8
Statement of Activities – Cash Basis	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds – Cash Basis	10
Reconciliation of the Balance Sheet – Governmental Funds – Cash Basis to the Statement of Net Position – Cash Basis	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Cash Basis	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Cash Basis to the Statement of Activities – Cash Basis	13
Notes to the Basic Financial Statements	14-28
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund – Cash Basis – Budget and Actual	29
Statement of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Funds – Cash Basis – Budget and Actual	30-34
Notes to Required Supplementary Information – Budget and Actual	35
Combining Balance Sheets – Nonmajor Governmental Funds – Special Revenue Funds – Cash Basis	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Special Revenue Funds – Cash Basis	37
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 <u>Government Auditing Standards</u>	38-39

# Marr, Miller & Myers, PSC

Certified Public Accountants  
(606) 528-2454 (FAX 528-1770)  
www.marrmillermyers.com

P.O. Box 663  
Corbin, Kentucky 40702

## INDEPENDENT AUDITOR'S REPORT

September 3, 2020

Mayor and City Council  
City of Pineville  
Pineville, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Pineville (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's primary government as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### **Auditor's Responsibility**

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

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

# **Marr, Miller & Myers, PSC**

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the primary government of the City of Pineville, KY as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements referred to above include only the primary government of the City of Pineville, KY, which consists of all funds, agencies, departments, and offices that comprise the City's legal entity. These primary government financial statements do not include financial data for the City's legally separate component unit (Pineville Utility Commission), which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of the City of Pineville, KY, as of June 30, 2020, the changes in its financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis (Unaudited) and budgetary comparison information on pages 4-7 and 29-34, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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.

# **Marr, Miller & Myers, PSC**

## *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of the City of Pineville, KY's basic financial statements. The Combining Balance Sheets – Nonmajor Governmental Funds – Special Revenue Funds – Cash Basis and the Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Special Revenue Funds – Cash Basis are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Balance Sheets – Nonmajor Governmental Funds – Special Revenue Funds – Cash Basis and the Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Special Revenue Funds – Cash Basis 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 U.S. generally accepted auditing standards. In our opinion, the Combining Balance Sheets – Nonmajor Governmental Funds – Special Revenue Funds – Cash Basis and the Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Special Revenue Funds – Cash Basis are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Marr, Miller & Myers, PSC*

Certified Public Accountants

CITY OF PINEVILLE  
Pineville, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2020

As management of the City of Pineville (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

### **FINANCIAL HIGHLIGHTS**

- The ending cash balance for the City was \$821,392 in 2020 and \$741,977 in 2019.
- The General Fund had \$1,668,156 in revenues (excluding interfund transfers), which primarily consisted of the occupational, property, franchise, alcohol/license fees and municipal insurance taxes. There were \$1,700,730 in General Fund expenditures.
- Governmental capital assets had a net increase of \$228,325.
- Notes are used to finance long-term capital projects and equipment. The total debt decreased by \$28,103 due to scheduled principal payments.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis on pages 8-9 provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

### **OVERVIEW OF FINANCIAL STATEMENTS**

#### **The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis**

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the modified cash basis of accounting.

These two statements report the City's net position and changes in them. You can think of the City's net position, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets (roads, buildings, and sidewalks) to assess the overall health of the City.

The government-wide financial statements outlines the City's basic services including the police, fire, street, sanitation, recreation and general administration. Municipal insurance tax, occupational tax, property taxes, and state and federal grants finance most of these activities.

CITY OF PINEVILLE  
Pineville, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2020

**Reporting the City's Most Significant Funds**

**Fund Financial Statements**

The fund financial statements begin on page 10 and provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law. However, the City Council may establish many other funds to help it control and manage money for particular purposes (for example, capital projects) or to show that it is meeting legal responsibilities for grant funds (Municipal Aid Road Fund).

**Governmental funds:** All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called cash basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis) and governmental funds in two reconciliations on pages 11 and 13.

**Net Position for the period ending June 30, 2020**

Fiscal year 2020 government-wide net position of the primary government compared to 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Current assets	\$ 814,770	\$ 796,386
Noncurrent assets	<u>1,704,136</u>	<u>1,604,967</u>
Total Assets	<u>\$ 2,518,906</u>	<u>\$ 2,401,353</u>
Current liabilities	\$ 32,146	\$ 30,342
Noncurrent liabilities	<u>242,296</u>	<u>272,117</u>
Total Liabilities	<u>\$ 274,442</u>	<u>\$ 302,459</u>
Net position		
Net investment in capital assets	\$ 1,432,105	\$ 1,306,531
Restricted	473,321	639,141
Unrestricted	<u>339,038</u>	<u>153,222</u>
Total Net Position	<u>\$ 2,244,464</u>	<u>\$ 2,098,894</u>

CITY OF PINEVILLE  
Pineville, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2020

**REVENUES AND EXPENDITURES SUMMARY**

**Governmental Activities**

The following table presents a summary of the primary government revenues and expenditures (excluding transfers) for the fiscal years ended June 30:

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUES</b>				
Taxes	\$ 1,566,002	71.30 %	\$ 1,505,776	73.30 %
Intergovernmental revenues	47,280	2.16	42,744	2.08
Sanitation department	224,008	10.20	222,615	10.84
Police department	62,699	2.85	83,615	4.07
Parks/Recreation department	5,881	.27	4,714	.23
Other local revenues	64,075	2.92	50,197	2.44
Fire department	34,363	1.56	32,856	1.60
Earnings on investments	12,714	.58	16,340	.80
General government	66,155	3.01	92,858	4.52
Grants	113,082	5.15	2,656	.12
<b>TOTAL REVENUES</b>	<u>2,196,259</u>	<u>100.00</u>	<u>2,054,371</u>	<u>100.00</u>
<b>EXPENDITURES</b>				
General government	416,753	18.98	371,793	18.10
Police department	475,479	21.65	544,097	26.48
Fire department	248,088	11.30	272,225	13.25
Street department	316,518	14.41	403,489	19.64
Sanitation department	244,717	11.14	229,999	11.20
Parks/Recreation department	17,917	.82	28,634	1.39
Debt service	43,336	1.97	12,129	.59
Capital outlay	279,729	12.74	71,401	3.48
Special projects/events	156,690	7.13	212,529	10.35
Special revenue projects	18,734	.85	21,161	1.03
<b>TOTAL EXPENDITURES</b>	<u>2,217,961</u>	<u>100.99</u>	<u>2,167,457</u>	<u>105.51</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (21,702)</u>	<u>(.99)%</u>	<u>\$ (113,086)</u>	<u>(5.51)%</u>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City Council amended the General Fund budget. The current year budget relied on the expectation of moderate increases in occupational, property and municipal insurance taxes. The actual results showed increases in overall tax revenue of \$80,507 as compared to budget. General Fund revenues were \$22,912 more than budget excluding sanitation fees, which are not budgeted, of \$224,008. General Fund expenditures were \$282,948 less than budget excluding sanitation expenses of \$244,717 which are not budgeted. Budgeted transfers from the Pineville Utility Commission were \$120,000 but actual receipts were only \$40,000. Even with this loss revenue, the City ended the year with a fund balance that was \$184,118 more than what was budgeted.



CITY OF PINEVILLE  
Pineville, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2020

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2020, the City had \$4,274,168 invested in capital assets for governmental funds. This represents a net increase of \$228,325.

A summary of capital assets, governmental activities, at June 30 is as follows:

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 2,736,275	\$ 2,693,103
Recreation buildings and equipment	124,695	124,695
Infrastructure	340,012	214,159
Vehicles	757,559	675,433
Equipment	295,987	330,433
Construction in progress	19,640	8,020
Totals	<u>\$ 4,274,168</u>	<u>\$ 4,045,843</u>

**Debt Administration**

At year-end, the City has \$272,031 of outstanding notes. That is a decrease of 9.36%.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City is experiencing slow-growing revenues and rising operating costs. More economical ways of delivering services to the citizens and paying for those services is currently being researched. On a positive note, the citizens continue to enjoy a very low property tax rate compared to other communities.

In summary, the City enjoys a high level of services, excellent facilities, and adequate financial reserves at a very low tax rate. However, the steady development in the City has generated new revenue to offset increased costs.

**PINEVILLE UTILITY SYSTEM**

The financial statements of the City do not include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board. The Pineville Utility Commission meets the definition of a component unit. A separate audit report has been issued.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, 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, contact the City Clerk's Office at P.O. Box 688, Pineville, Kentucky 40977 or phone at 606-337-2958.

CITY OF PINEVILLE  
Pineville, Kentucky

STATEMENT OF NET POSITION – CASH BASIS  
June 30, 2020

	<u>ASSETS</u>	<u>Primary Government Governmental Activities</u>
CURRENT ASSETS		
Cash and cash equivalents		\$ 821,392
Due (to) from component unit		<u>(6,622)</u>
Total current assets		<u>814,770</u>
NONCURRENT ASSETS		
Capital assets, net		<u>1,704,136</u>
Total noncurrent assets		<u>1,704,136</u>
TOTAL ASSETS		<u>2,518,906</u>
	<u>LIABILITIES AND NET POSITION</u>	
CURRENT LIABILITIES		
Current portion of notes payable		29,735
Credit card payable		<u>2,411</u>
Total current liabilities		<u>32,146</u>
NONCURRENT LIABILITIES		
Noncurrent portion of notes payable		<u>242,296</u>
Total noncurrent liabilities		<u>242,296</u>
TOTAL LIABILITIES		<u>274,442</u>
NET POSITION		
Net investment in capital assets		1,432,105
Restricted		473,321
Unrestricted		<u>339,038</u>
TOTAL NET POSITION		<u>\$ 2,244,464</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PINEVILLE  
Pineville, Kentucky

STATEMENT OF ACTIVITIES – CASH BASIS  
Year Ended June 30, 2020

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
					Total
GOVERNMENTAL ACTIVITIES:					
General government	\$ 504,789	\$ 30,715	\$ 35,440	\$ -	\$ (438,634)
Police department	531,817	860	61,839	-	(469,118)
Fire department	248,088	-	34,363	-	(213,725)
Street department	352,704	-	47,280	109,740	(195,684)
Sanitation department	244,717	224,008	-	-	(20,709)
Parks/Recreation department	17,917	5,881	-	-	(12,036)
Interest	15,233	-	-	-	(15,233)
Special projects and events	156,690	64,075	3,342	-	(89,273)
Special revenue projects	18,734	-	-	-	(18,734)
TOTAL GOVERNMENTAL ACTIVITIES	<u>2,090,689</u>	<u>325,539</u>	<u>182,264</u>	<u>109,740</u>	<u>(1,473,146)</u>
TOTAL PRIMARY GOVERNMENTAL	<u>\$ 2,090,689</u>	<u>\$ 325,539</u>	<u>\$ 182,264</u>	<u>\$ 109,740</u>	<u>(1,473,146)</u>
GENERAL REVENUES					
Taxes					
Property					165,448
Franchise					157,124
Municipal insurance					256,406
Occupational					546,980
Payment in lieu of taxes					25,049
Restaurant					195,380
Alcohol tax/license fees					219,615
Earnings on investments					<u>12,714</u>
Total general revenues					1,578,716
Transfers (to) from component unit					<u>40,000</u>
Total general revenues and transfers					<u>1,618,716</u>
Change in net position					145,570
Net position, July 1, 2019					<u>2,098,894</u>
Net position, June 30, 2020					<u>\$ 2,244,464</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PINEVILLE  
Pineville, Kentucky  
  
BALANCE SHEET  
GOVERNMENTAL FUNDS – CASH BASIS  
June 30, 2020

	General Fund	Special Revenue Funds	Total Governmental Funds
ASSETS AND RESOURCES			
Cash and cash equivalents	\$ 361,040	\$ 460,352	\$ 821,392
Due (to) from component unit	(6,622)	-	(6,622)
Due (to) from other funds	(13,000)	13,000	-
TOTAL ASSETS AND RESOURCES	<u>\$ 341,418</u>	<u>\$ 473,352</u>	<u>\$ 814,770</u>
LIABILITIES AND FUND BALANCES			
Credit card payables	\$ 2,380	\$ 31	\$ 2,411
Restricted			
Municipal roads	-	7,015	7,015
Economic development	-	625	625
Tourism and recreation	-	344,894	344,894
Public safety	-	120,787	120,787
Unassigned	339,038	-	339,038
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 341,418</u>	<u>\$ 473,352</u>	<u>\$ 814,770</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PINEVILLE  
Pineville, Kentucky

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

<b>Total Fund Balances – Governmental Funds</b>	<b>\$ 812,359</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, but they are reported in the statement of net position.	1,704,136
Certain liabilities, such as notes payable, are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net position.	<u>(272,031)</u>
<b>Total Net Position – Governmental Funds</b>	<b><u>\$ 2,244,464</u></b>

The accompanying notes are an integral part of these financial statements.

CITY OF PINEVILLE  
Pineville, Kentucky

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

	General Fund	Special Revenue Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes			
Property	\$ 165,448	\$ -	\$ 165,448
Franchise	157,124	-	157,124
Municipal insurance	256,406	-	256,406
Occupational	546,980	-	546,980
Payment in lieu of taxes	25,049	-	25,049
Restaurant	-	195,380	195,380
Alcohol tax/license fees	-	219,615	219,615
Intergovernmental revenues	-	47,280	47,280
Sanitation department	224,008	-	224,008
Police department	62,699	-	62,699
Parks/Recreation department	5,881	-	5,881
Fire department	34,363	-	34,363
Earnings on investments	3,776	8,938	12,714
General government	66,155	-	66,155
Grants	109,740	3,342	113,082
Other local revenues	10,527	53,548	64,075
TOTAL REVENUES	<u>1,668,156</u>	<u>528,103</u>	<u>2,196,259</u>
<b>EXPENDITURES</b>			
General government	416,753	-	416,753
Police department	441,974	33,505	475,479
Fire department	248,088	-	248,088
Street department	270,100	46,418	316,518
Sanitation department	244,717	-	244,717
Parks/Recreation department	17,917	-	17,917
Debt service	1,747	41,589	43,336
Capital outlay	14,469	265,260	279,729
Special projects/events	44,965	111,725	156,690
Special revenue projects	-	18,734	18,734
TOTAL EXPENDITURES	<u>1,700,730</u>	<u>517,231</u>	<u>2,217,961</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(32,574)</u>	<u>10,872</u>	<u>(21,702)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	216,692	-	216,692
Operating transfers out	-	(176,692)	(176,692)
TOTAL OTHER FINANCING SOURCES (USES)	<u>216,692</u>	<u>(176,692)</u>	<u>40,000</u>
Net change in fund balances	184,118	(165,820)	18,298
Fund balances, July 1, 2019	154,920	639,141	794,061
Fund balances, June 30, 2020	<u>\$ 339,038</u>	<u>\$ 473,321</u>	<u>\$ 812,359</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PINEVILLE  
Pineville, Kentucky

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

**Net Change In Fund Balances per fund financial statements** **\$ 18,298**

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

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

Capital outlays	\$ 279,729	
Depreciation	<u>(180,560)</u>	99,169

Payments on the notes payable are an expenditure in the governmental funds, but the repayments reduce noncurrent liabilities in the statement of net position and does not result in an expense in the statement of activities.

28,103

**Change In Net Position of Governmental Activities** **\$ 145,570**

CITY OF PINEVILLE  
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies that affect the significant elements of the financial statements of the City of Pineville are summarized as follows:

**REPORTING ENTITY**

The City of Pineville (City) is a fourth-class city and has oversight responsibilities over all activities related to the operation of the City. The City receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) pronouncement since the Council members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of Pineville.

The financial statements of the City do not include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board. The Pineville Utility Commission meets the definition of a component unit. A separate audit report has been issued.

**BASIS OF PRESENTATION**

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements: Fund financial statements report detailed information about the City. Their focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column.



CITY OF PINEVILLE  
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balances.

The City has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the City.
- (B) The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. These are not major funds of the City.

BASIS OF ACCOUNTING

The financial statements of the City have been prepared on the modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

CASH AND CASH EQUIVALENTS

The City has bank accounts and certificates of deposit. The monies are either maintained in a central bank account or used to purchase legal investments.

It is the policy of the City to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that had a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The Kentucky Revised Statutes authorized the City to invest in United States and State of Kentucky bonds, notes and other obligations; bank certificates of deposit; banker's acceptances; and commercial paper notes rated prime and issued by United States corporations. It is the City's policy to invest in all of the above types of investments.

INVESTMENTS

The City's investments are comprised solely of certificates of deposit.

CAPITAL ASSETS AND DEPRECIATION

General capital assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

CITY OF PINEVILLE  
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than 1 year.

All reported capital assets, with the exception of land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for governmental fund capital assets:

<u>Description</u>	<u>Useful Life</u>
Buildings and improvements	10-30 years
Parks and recreation equipment	10-15 years
Equipment	7-10 years
Vehicles	5 years
Infrastructure-roads/sidewalks	20 years

**INTERFUND ACTIVITY**

Transfers between funds on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

**COMPENSATED ABSENCES**

The City allows employees paid time off (PTO) based upon length of service and type of employee (full-time salaried, part-time salaried or hourly). Employees may accumulate a maximum of one hundred fifty hours PTO per year that can be carried over to the subsequent year. Any PTO not used by January 31<sup>st</sup> may not be carried over, unless approved in writing by the mayor. Upon termination, an employee who has completed twelve months of employment is compensated at their current pay rate for unused PTO up to one hundred hours, provided proper notice has been given. There are no accruals for PTO reflected in the basic financial statements.

**COUNTY EMPLOYEE RETIREMENT SYSTEMS**

Employer contributions to CERS are calculated based upon creditable compensation for active members reported by employers. Employer contributions are accrued when earned and the employer has made a formal commitment to provide the contributions.

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including

CITY OF PINEVILLE  
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

RESTRICTED RESOURCES

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NET POSITION

Net position in government-wide financial statements is classified as net investment in capital assets, restricted and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

*Nonspendable Fund Balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- *Inventories* – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

*Restricted Fund Balance* – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

*Committed Fund Balance* – Portion of fund balance that can only be used for specific purposes imposed by a majority vote of the City of Pineville's Council members. Any changes or removal of specific purposes also requires majority action by the Council.

*Assigned Fund Balance* – Portion of fund balance that has been budgeted by the Council.

- *Purchase Obligations* – Portion of fund balance that is appropriated in the subsequent year's budget that is not already classified in restricted or committed.

*Unassigned Fund Balance* – Portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the City's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF PINEVILLE  
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS

Budgetary Basis of Accounting: The City's budgetary process accounts for certain transactions on a basis other than U.S. Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are that revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Council at their regular meetings.

NOTE 2 – CASH AND CASH EQUIVALENTS

The City's funds are required to be deposited and invested under statutory regulations. The depository bank deposits for safekeeping and trust with the City's third-party agent approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation coverage.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- |            |   |
|------------|---|
| Category 1 | Deposits, which are insured or collateralized with securities, held by the City or by its agent in the City's name.                           |
| Category 2 | Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. |
| Category 3 | Deposits, which are not collateralized or insured.  |

Based on these three levels of risk, the City's cash deposits are classified as Category 1 and 2.

At June 30, 2020, the carrying amount of the City's deposits (cash and investments) was \$821,392 and the bank balance was \$836,360. The entire bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

NOTE 3 – PROPERTY TAXES

The City's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. The assessed value of the certified roll, upon which the levy for the 2020 fiscal year was based, was \$52,151,967. The tax rates assessed for the year ended June 30, 2020 to finance general fund operations were \$.279 per \$100 valuation for real estate and tangible property. Taxes are due on October 1, and become delinquent by January 1 following the October 1 levy date.

CITY OF PINEVILLE  
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 4 – TAX ABATEMENTS**

On October 12, 2015, the City approved an ordinance related to the establishment of a moratorium on reassessment of property tax values of qualified rehabilitation properties in the Pineville Main Street District Area.

A program is established in which these properties in the Historic Main Street Pineville district may qualify for a five-year moratorium on reassessment of property value for the purpose of ad valorem taxes. Properties which qualify for this program are those in the target areas which, if commercial, are at least twenty-five years old and have improvements made to them which equal at least twenty-five percent (25%) of the value of the property as shown on the most recent assessment by the Property Valuation Office, and, if residential, are at least twenty-five years old, provide independent living facilities for at least one family and have improvements made to them which equal ten percent (10%) of the value of the property as shown on the most recent assessment by the Property Valuation Office. The moratorium on reassessment shall be for the term of five years. Application for the moratorium shall be made no more than thirty (30) days prior to the commencement of the improvement. Applications shall be submitted to the Pineville City Clerk's office with copies to Main Street Pineville. Value of the improvements shall be fully documented by the applicant. The applicant shall have no more than two (2) years to complete the project.

The City approved an incentive package on January 29, 2016 with a local developer. The original assessment of this property was \$435,000. The expected improvements were projected to be \$1,200,000. Based on these estimates, the City will forego approximately \$2,100 in property tax revenue for five years.

**NOTE 5 – CAPITAL ASSETS**

A summary of capital assets activity during the fiscal year follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<b>GOVERNMENTAL ACTIVITIES</b>				
Buildings and improvements	\$ 2,693,103	\$ 43,172	\$ -	\$ 2,736,275
Infrastructure	214,159	125,853	-	340,012
Recreation buildings and equipment	124,695	-	-	124,695
Vehicles	675,433	82,126	-	757,559
Equipment	330,433	16,958	(51,404)	295,987
Construction in progress	8,020	11,620	-	19,640
Totals at cost	4,045,843	279,729	(51,404)	4,274,168
Less accumulated depreciation	(2,440,876)	51,404	(180,560)	(2,570,032)
Governmental activities capital assets, net	<u>\$ 1,604,967</u>	<u>\$ 331,133</u>	<u>\$ (231,964)</u>	<u>\$ 1,704,136</u>

Governmental activities depreciation was allocated as follows:

General government	\$ 66,049
Street department	36,186
Other	21,987
Police department	56,338
Total	<u>\$ 180,560</u>

CITY OF PINEVILLE  
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 6 – NOTES PAYABLE**

The following is a summary of the notes payable - governmental activities at June 30:

	Balance July 1, 2019	Borrowings	Repayments	Balance June 30, 2020
2.875% note payable, unsecured, varying annual payments plus interest, matured January, 2020	\$ 1,698	\$ -	\$ (1,698)	\$ -
4.75% note payable, secured by Bell Theater, monthly payments of \$734 including interest, matures December 2036	112,895	-	(4,242)	108,653
5.00% note payable, secured by 2018 Global M3 street sweeper, annual payments of \$32,265 including interest, matures January, 2026	185,541	-	(22,163)	163,378
<b>Totals</b>	<b>\$ 300,134</b>	<b>\$ -</b>	<b>\$ (28,103)</b>	<b>\$ 272,031</b>

Interest of \$49 for the year is included in general government expenses, \$5,081 is included in Bell Theater and \$10,103 is included in Restaurant Tax.

The following is a summary of principal maturities and interest requirements:

Year	Principal	Interest	Total
2021	\$ 29,735	\$ 12,069	\$ 41,804
2022	31,165	10,639	41,804
2023	32,665	9,138	41,803
2024	34,239	7,564	41,803
2025	35,889	5,914	41,803
2026-30	68,234	12,148	80,382
2031-35	40,104	3,339	43,443
<b>Totals</b>	<b>\$ 272,031</b>	<b>\$ 60,811</b>	<b>\$ 332,842</b>

**NOTE 7 – 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. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the City participates in the Kentucky League of Cities and Kentucky Risk Management Associations Trust. These public entity risk pools operate as common risk management and insurance programs for all cities. The City pays an annual premium to each fund for coverage. Contributions to the workers' compensation fund are based on premium rates established by such funds in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not

CITY OF PINEVILLE  
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 7 – RISK MANAGEMENT (CONTINUED)

payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro-rata basis.

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The City has purchased certain policies, which are retrospectively rated, which include workers' compensation insurance.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the City at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

NOTE 8 – RETIREMENT PLANS

Plan Description

The City of Pineville participates in the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Employees Retirement Systems (KERS) administers the CERS. CERS issues publicly available financial reports that include financial statements and required supplementary information. CERS' report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

Benefits Provided – Non-Hazardous and Hazardous

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Contributions – Non-Hazardous

For the fiscal year ended June 30, 2020, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Plan members who began participating after September 1, 2008 were required to contribute 6% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal

CITY OF PINEVILLE  
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 8 – RETIREMENT PLANS (CONTINUED)

contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first date of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The City's contractually required contribution rate for the year ended June 30, 2020, was 24.06% (19.30% for Pension and 4.76% for OPEB) percent of annual creditable compensation. Contributions to the pension plan from the City were \$59,020.

Contributions – Hazardous

For the fiscal year ended June 30, 2020, plan members were required to contribute 8% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first date of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The City's contractually required contribution rate for the year ended June 30, 2020, was 39.58% (30.06% for pension and 9.52% for OPEB) of annual creditable compensation. Contributions to the pension plan from the City were \$127,523.

Pension Liabilities and Pension Expense – Non-Hazardous

At June 30, 2020, the City had a liability of \$721,098 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2019, the City's proportion was .010253 percent.

For the year ended June 30, 2020, the City recognized pension expense of \$59,020.

Pension Liabilities and Pension Expense – Hazardous

At June 30, 2020, the City had a liability of \$1,611,744 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2019, the City's proportion was .058348 percent.

For the year ended June 30, 2020, the City recognized pension expense of \$127,523.

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2019, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2019 was based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles. Subsequent to the actuarial



CITY OF PINEVILLE  
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

valuation date (June 30, 2018), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2019, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2019.

Inflation Rate	2.30%
Payroll Growth Rate	2.0% for CERS hazardous and non-hazardous.
Salary Increases	3.30% to 10.30%, varies by service for CERS non-hazardous; 3.55% to 19.05%, varies by service for CERS hazardous
Investment Rate of Return	6.25% for CERS hazardous and non-hazardous

The mortality table used for active members in RP-2000 Combined Mortality Table projected with Scale BB to 2013 (Multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for both the CERS Hazardous and Non-hazardous, assumes that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Equity	18.75%
Non-U.S. Equity	18.75%
Private Equity	10.00%
Specialty Credit/High Yield	15.00%
Real Estate	5.00%
Opportunistic	3.00%
Real Return	15.00%
Core Bonds	13.50%
Cash	1.00%
	<u>100.00%</u>

Actuarial Methods and Assumptions Used to Determine the Actuarial Determined Contribution

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2019:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay

CITY OF PINEVILLE  
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

Remaining Amortization Period	26 years, Closed
Payroll Growth Rate	2.00% for CERS hazardous and non-hazardous
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation Rate	2.30%
Salary Increases	3.30% to 11.55%, varies by service, for CERS non-hazardous; 3.05% to 18.55%, varies by service, for CERS hazardous
Investment Rate of Return	6.25% for CERS hazardous and non-hazardous

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

**Non-Hazardous**

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
City's proportionate share of the net pension liability	\$ 901,889	\$ 721,098	\$ 570,410

**Hazardous**

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
City's proportionate share of the net pension liability	\$ 2,015,042	\$ 1,611,744	\$ 1,381,098

**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>.

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN**

**General Information**

*Plan description* – The County Employees' Retirement System (CERS) employees are provided OPEBs through the system. It is a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>.

CITY OF PINEVILLE  
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Medical Insurance Plan

*Plan description* – CERS provides post-employment healthcare benefits to eligible members and dependents. The CERS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the KRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

*Benefits provided* – To be eligible for medical benefits, the member must have retired either for service or disability. The CERS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. CERS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the CERS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the CERS Medicare Eligible Health Plan.

OPEB Liabilities

At June 30, 2020, the City had a liability of \$172,417 (non-hazardous) and \$431,605 (hazardous) for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the City's proportion was .010251 percent (non-hazardous) and .058336% (hazardous).

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

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	26 Years, Closed
Payroll Growth Rate	2.0% for CERS non-hazardous and hazardous
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 Increases	3.30% to 11.55%, varies by service for CERS non-hazardous; 3.05% to 18.55%, varies by service for CERS hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

CITY OF PINEVILLE  
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Phase-in Provision

Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous and hazardous

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS'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>
U.S. Equity	18.75%	4.30%
Non-U.S. Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

*Discount rate* – The projection of cash flows used to determine the discount rate of 5.68% for CERS Non-hazardous, and 5.69% for CERS Hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the CAFR.

The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate as well as what the District'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 or 1-percentage-point higher than the current rate:

CITY OF PINEVILLE  
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2020

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

	1% Decrease	Current Discount	1% Increase
City's Net OPEB Liability – Non-hazardous	\$ 230,968	\$ 172,417	\$ 124,175
City's Net OPEB Liability – Hazardous	\$ 602,175	\$ 431,605	\$ 293,151

*Sensitivity of the City's proportionate share of the collective net OPEB liability – CERS to changes in the healthcare cost trend rates* – The following presents the City's proportionate share of the collective net OPEB liability – CERS, as well as what the City's proportionate share of the collective net OPEB liability – CERS 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	1% Increase
City's Net OPEB Liability – Non-hazardous	\$ 128,228	\$ 226,002
City's Net OPEB Liability – Hazardous	\$ 300,317	\$ 591,768

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The City receives funding from federal, state and local government agencies. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the City for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the City's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

No provision was made in the accompanying financial statements for any contingent liabilities.

NOTE 11 – MAJOR CONTRACT

The City entered into a contract with Poff Carting Services, LLC ("POFF"), now Waste Connections, Inc., on September 30, 2015, which gave them exclusive rights to collect and dispose of all garbage generated within the city limits of Pineville, KY. POFF agrees to charge \$13 per month per household for this service. The term of this contract is for five years and may be renewed for an additional five years upon approval by POFF and the City. The amount paid under this contract was \$216,834 for the year ended June 30, 2020.

NOTE 12 – OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

The Accounting Standards require disclosure of information about financial instruments for which risk could exceed amounts reflected in the financial statements and information about significant geographic, industry, or other concentrations of credit risk for all financial instruments. We noted no additional items that needed to be disclosed.

CITY OF PINEVILLE  
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 13 – TRANSFER OF FUNDS**

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>
Operating	Alcohol Tax	General	ABC Wages	\$ 120,000
Operating	Restaurant Tax	General	Main Street Wages	56,692
Operating	Component Unit	General	Operations	40,000

**NOTE 14 – DUE (TO) FROM COMPONENT UNIT**

Due (to) from component unit consisted of the following at June 30, 2020:

<u>Governmental Activities</u>	
Due (to) from component unit – Pineville Utility Commission	\$ (6,622)

**NOTE 15 – DEFICIT OPERATING/FUND BALANCES**

The following governmental funds had operations that resulted in current year operating deficits:

General	\$ 32,574
Restaurant Tax	\$ 154,865
Bell Theater	\$ 791
Local Government Economic Assistance	\$ 878
Alcohol tax	\$ 19,289
PD Equitable Sharing	\$ 159

**NOTE 16 – FUND BALANCE DESIGNATIONS**

The following governmental funds had restricted fund balances at June 30, 2020:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Special Revenue	\$ 7,015	Municipal roads
Special Revenue	625	Economic development
Special Revenue	344,894	Tourism and recreation
Special Revenue	120,787	Public safety

**NOTE 17 – SUBSEQUENT EVENTS**

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through September 3, 2020, the date on which we issued our financial statements.

CITY OF PINEVILLE  
Pineville, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND  
CASH BASIS – BUDGET AND ACTUAL  
Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes				
Property	\$ 151,000	\$ 155,000	\$ 165,448	\$ 10,448
Franchise	161,500	151,000	157,124	6,124
Municipal insurance	240,000	240,000	256,406	16,406
Occupational tax	450,000	500,000	546,980	46,980
Payment in lieu of taxes	23,924	24,500	25,049	549
Sanitation department	-	-	224,008	224,008
Police department	79,594	82,291	62,699	(19,592)
Parks/Recreation department	3,000	-	5,881	5,881
Fire department	32,144	33,333	34,363	1,030
Earnings on investments	4,000	3,725	3,776	51
Grants	-	-	109,740	109,740
General government	91,900	76,467	66,155	(10,312)
Other local revenues	81,423	-	10,527	10,527
Carryover of funds	154,920	154,920	-	(154,920)
TOTAL REVENUES	<u>1,473,405</u>	<u>1,421,236</u>	<u>1,668,156</u>	<u>246,920</u>
EXPENDITURES				
General government	399,619	394,869	416,753	(21,884)
Police department	534,319	562,565	441,974	120,591
Fire department	282,877	298,809	248,088	50,721
Street department	406,509	347,160	270,100	77,060
Sanitation department	-	-	244,717	(244,717)
Parks/Recreation department	16,162	38,019	17,917	20,102
Special projects/events	25,439	97,539	44,965	52,574
Other	-	-	16,216	(16,216)
TOTAL EXPENDITURES	<u>1,664,925</u>	<u>1,738,961</u>	<u>1,700,730</u>	<u>38,231</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(191,520)</u>	<u>(317,725)</u>	<u>(32,574)</u>	<u>285,151</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	191,520	317,725	216,692	(101,033)
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>191,520</u>	<u>317,725</u>	<u>216,692</u>	<u>(101,033)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>184,118</u>	<u>\$ 184,118</u>
FUND BALANCE, JULY 1, 2019			<u>154,920</u>	
FUND BALANCE, JUNE 30, 2020			<u>\$ 339,038</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF PINEVILLE  
Pineville, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – SPECIAL REVENUE FUNDS  
CASH BASIS – BUDGET AND ACTUAL  
Year Ended June 30, 2020

	<u>Municipal Road Aid</u>		<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
REVENUES			
Intergovernmental revenues:			
Street department	\$ 32,000	\$ 32,000	\$ 34,476
Carryover of funds	4,969	4,969	-
Earnings on investments	700	500	201
TOTAL REVENUES	<u>37,669</u>	<u>37,469</u>	<u>34,677</u>
EXPENDITURES			
Street department	37,669	37,469	32,631
Capital outlay	-	-	-
TOTAL EXPENDITURES	<u>37,699</u>	<u>37,469</u>	<u>32,631</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>2,046</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>2,046</u>
FUND BALANCES, JULY 1, 2019			<u>4,969</u>
FUND BALANCES, JUNE 30, 2020			<u>\$ 7,015</u>

The accompanying notes are an integral part of these financial statements.



CITY OF PINEVILLE  
Pineville, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – SPECIAL REVENUE FUNDS  
CASH BASIS – BUDGET AND ACTUAL  
Year Ended June 30, 2020

	<u>Local Government Economic Assistance</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues:				
Coal and mineral grants	\$ 9,500	\$ 7,300	\$ 12,804	\$ 5,504
Carryover of funds	1,503	1,503	-	(1,503)
Earnings on investments	230	130	105	(25)
TOTAL REVENUES	<u>11,233</u>	<u>8,933</u>	<u>12,909</u>	<u>3,976</u>
EXPENDITURES				
Police department	2,000	933	-	933
Street department	6,926	8,000	13,787	(5,787)
Special projects/events	2,307	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>11,233</u>	<u>8,933</u>	<u>13,787</u>	<u>(4,854)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(878)</u>	<u>(878)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>(878)</u>	<u>\$ (878)</u>
FUND BALANCES, JULY 1, 2019			<u>1,503</u>	
FUND BALANCES, JUNE 30, 2020			<u>\$ 625</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF PINEVILLE  
Pineville, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – SPECIAL REVENUE FUNDS  
CASH BASIS – BUDGET AND ACTUAL  
Year Ended June 30, 2020

	<u>Restaurant Tax</u>		
	<u>Budgeted Amounts</u>		<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Final Budget</u>
			<u>Favorable</u>
			<u>(Unfavorable)</u>
REVENUES			
Restaurant tax	\$ 200,000	\$ 205,000	\$ 195,380
Carryover of funds	482,838	482,838	-
Earnings on investments	9,700	9,020	6,183
TOTAL REVENUES	<u>692,538</u>	<u>696,858</u>	<u>201,563</u>
EXPENDITURES			
Special projects/events	642,538	564,593	84,602
Parks/Recreation department	50,000	100,000	-
Special revenue projects	-	-	18,734
Capital outlay	-	-	164,134
Debt service	-	32,265	32,266
TOTAL EXPENDITURES	<u>692,538</u>	<u>696,858</u>	<u>299,736</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(98,173)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	-	-	(56,692)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(56,692)</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>(154,865)</u>
FUND BALANCES, JULY 1, 2019			<u>482,838</u>
FUND BALANCES, JUNE 30, 2020			<u>\$ 327,923</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PINEVILLE  
Pineville, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – SPECIAL REVENUE FUNDS  
CASH BASIS – BUDGET AND ACTUAL  
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Alcohol Tax</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Alcohol tax/license fees	\$ 115,000	\$ 187,000	\$ 219,615	\$ 32,615
Carryover of funds	131,794	131,794	-	(131,794)
Earnings on investments	750	2,100	2,307	207
TOTAL REVENUES	<u>247,544</u>	<u>320,894</u>	<u>221,922</u>	<u>(98,972)</u>
EXPENDITURES				
General government	-	10,894	-	10,894
Special revenue projects	5,500	-	-	-
Police department	81,383	300,000	20,085	279,915
Fire department	-	10,000	-	10,000
Special projects/events	160,661	-	-	-
Capital outlay	-	-	101,126	(101,126)
TOTAL EXPENDITURES	<u>247,544</u>	<u>320,894</u>	<u>121,211</u>	<u>199,683</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>100,711</u>	<u>100,711</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	-	-	(120,000)	(120,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(120,000)</u>	<u>(120,000)</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>(19,289)</u>	<u>\$ (19,289)</u>
FUND BALANCES, JULY 1, 2019			<u>131,794</u>	
FUND BALANCES, JUNE 30, 2020			<u>\$ 112,505</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF PINEVILLE  
Pineville, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – SPECIAL REVENUE FUNDS  
CASH BASIS – BUDGET AND ACTUAL  
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other local revenues	\$ 19,500	\$ 24,500	\$ 12,845	\$ (11,655)
Carryover of funds	3,357	3,357	-	(3,357)
Earnings on investments	100	70	83	13
TOTAL REVENUES	<u>22,957</u>	<u>27,927</u>	<u>12,928</u>	<u>(14,999)</u>
EXPENDITURES				
Special projects/events	22,957	19,727	4,396	15,331
Debt service	-	8,200	9,323	(1,123)
TOTAL EXPENDITURES	<u>22,957</u>	<u>27,927</u>	<u>13,719</u>	<u>14,208</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(791)</u>	<u>(791)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>(791)</u>	<u>\$ (791)</u>
FUND BALANCES, JULY 1, 2019			<u>3,357</u>	
FUND BALANCES, JUNE 30, 2020			<u>\$ 2,566</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF PINEVILLE  
Pineville, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET AND ACTUAL  
Year Ended June 30, 2020

The City's budgetary process accounts for transactions on the modified cash basis of accounting. In accordance with state law, the City prepares an annual budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget ordinance shall be submitted to the council not later than thirty days prior to the beginning of the fiscal year it covers. The council adopts the budget ordinance after the required two readings. The budget ordinance is then published by title and summary within thirty days of its adoption. The City has the ability to amend the budget. The budget was amended during the year.

CITY OF PINEVILLE  
Pineville, Kentucky

COMBINING BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS – CASH BASIS  
June 30, 2020

	<u>Main Street</u>	<u>Bell Theater</u>	<u>Municipal Road Aid</u>	<u>Local Government Economic Assistance</u>	<u>Restaurant Tax</u>
ASSETS AND RESOURCES					
Cash and cash equivalents	\$ 6,874	\$ 2,566	\$ 7,015	\$ 625	\$ 302,004
Due (to) from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,000</u>
TOTAL ASSETS AND RESOURCES	<u>\$ 6,874</u>	<u>\$ 2,566</u>	<u>\$ 7,015</u>	<u>\$ 625</u>	<u>\$ 328,004</u>
FUND BALANCES					
Credit card payable	\$ -	\$ -	\$ -	\$ -	\$ 31
Restricted					
Municipal roads	-	-	7,015	-	-
Economic development	-	-	-	625	-
Tourism and recreation	6,874	2,566	-	-	327,973
Public safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>\$ 6,874</u>	<u>\$ 2,566</u>	<u>\$ 7,015</u>	<u>\$ 625</u>	<u>\$ 328,004</u>

Cumberland Ford/ Narrows	Alcohol Tax	PD Equitable Sharing	Shop With A Cop	Total
\$ 7,481	\$ 125,505	\$ 2,978	\$ 5,304	\$ 460,352
-	(13,000)	-	-	13,000
<u>\$ 7,481</u>	<u>\$ 112,505</u>	<u>\$ 2,978</u>	<u>\$ 5,304</u>	<u>\$ 473,352</u>
\$ -	\$ -	\$ -	\$ -	\$ 31
-	-	-	-	7,015
-	-	-	-	625
7,481	-	-	-	344,894
-	112,505	2,978	5,304	120,787
<u>\$ 7,481</u>	<u>\$ 112,505</u>	<u>\$ 2,978</u>	<u>\$ 5,304</u>	<u>\$ 473,352</u>

CITY OF PINEVILLE  
Pineville, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS – CASH BASIS  
Year Ended June 30, 2020

	Main Street	Bell Theater	Municipal Road Aid	Local Government Economic Assistance	Restaurant Tax
<b>REVENUES</b>					
Restaurant tax	\$ -	\$ -	\$ -	\$ -	\$ 195,380
Alcohol tax/license fees	-	-	-	-	-
Intergovernmental revenues:					
Street department	-	-	34,476	-	-
Coal and mineral grants	-	-	-	12,804	-
Grants	750	-	-	-	-
Earnings on investments	-	83	201	105	6,183
Other local revenues	24,789	12,845	-	-	-
<b>TOTAL REVENUES</b>	<u>25,539</u>	<u>12,928</u>	<u>34,677</u>	<u>12,909</u>	<u>201,563</u>
<b>EXPENDITURES</b>					
Street department	-	-	32,631	13,787	-
Special projects/events	22,727	4,396	-	-	84,602
Police department	-	-	-	-	-
Special revenue projects	-	-	-	-	18,734
Capital outlay	-	-	-	-	164,134
Debt service	-	9,323	-	-	32,266
<b>TOTAL EXPENDITURES</b>	<u>22,727</u>	<u>13,719</u>	<u>32,631</u>	<u>13,787</u>	<u>299,736</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>2,812</u>	<u>(791)</u>	<u>2,046</u>	<u>(878)</u>	<u>(98,173)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	(56,692)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,692)</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,812	(791)	2,046	(878)	(154,865)
<b>FUND BALANCES, JULY 1, 2019</b>	<u>4,062</u>	<u>3,357</u>	<u>4,969</u>	<u>1,503</u>	<u>482,838</u>
<b>FUND BALANCES, JUNE 30, 2020</b>	<u>\$ 6,874</u>	<u>\$ 2,566</u>	<u>\$ 7,015</u>	<u>\$ 625</u>	<u>\$ 327,973</u>



<u>Cumberland Ford/ Narrows</u>	<u>Alcohol Tax</u>	<u>PD Equitable Sharing</u>	<u>Shop With A Cop</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 195,380
-	219,615	-	-	219,615
-	-	-	-	34,476
-	-	-	-	12,804
-	-	2,592	-	3,342
-	2,307	59	-	8,938
-	-	-	15,914	53,548
-	<u>221,922</u>	<u>2,651</u>	<u>15,914</u>	<u>528,103</u>
-	-	-	-	46,418
-	-	-	-	111,725
-	20,085	2,810	10,610	33,505
-	-	-	-	18,734
-	101,126	-	-	265,260
-	-	-	-	41,589
-	<u>121,211</u>	<u>2,810</u>	<u>10,610</u>	<u>517,231</u>
-	<u>100,711</u>	<u>(159)</u>	<u>5,304</u>	<u>10,872</u>
-	-	-	-	-
-	<u>(120,000)</u>	<u>-</u>	<u>-</u>	<u>(176,692)</u>
-	<u>(120,000)</u>	<u>-</u>	<u>-</u>	<u>(176,692)</u>
-	(19,289)	(159)	5,304	(165,820)
<u>7,481</u>	<u>131,794</u>	<u>3,137</u>	<u>-</u>	<u>639,141</u>
<u>\$ 7,481</u>	<u>\$ 112,505</u>	<u>\$ 2,978</u>	<u>\$ 5,304</u>	<u>\$ 473,321</u>

# Marr, Miller & Myers, PSC

Certified Public Accountants  
(606) 528-2454 (FAX 528-1770)  
www.marrmillermyers.com

P.O. Box 663  
Corbin, Kentucky 40702

## 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*

September 3, 2020

Mayor and City Council Members  
City of Pineville  
Pineville, Kentucky

We have audited, in accordance with U.S. generally accepted auditing standards 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, each major fund, and the aggregate remaining fund information of the City of Pineville, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 3, 2020.

### **Internal Control Over Financial Reporting**

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

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

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

# **Marr, Miller & Myers, PSC**

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## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Marr, Miller & Myers, PSC*

Certified Public Accountants