

CITY OF PINEVILLE
Pineville, Kentucky

REPORT OF AUDIT
Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

September 2, 2021

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, 2021, 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

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, 2021, 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, 2021, 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 2, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, 2021

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, 2021. 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 \$763,752 in 2021 and \$821,392 in 2020.
- The General Fund had \$1,741,754 in revenues (excluding interfund transfers), which primarily consisted of the occupational, property, franchise, alcohol/license fees and municipal insurance taxes. There were \$1,843,314 in General Fund expenditures.
- Governmental capital assets had a net increase of \$26,062.
- Notes are used to finance long-term capital projects and equipment. The total debt decreased by \$272,031 due to the City paying off all long-term debt.

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, 2021

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, 2021

Fiscal year 2021 government-wide net position of the primary government compared to 2020 is as follows:

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|---------------------|---------------------|
| Current assets | \$ 789,543 | \$ 814,770 |
| Noncurrent assets | <u>1,730,198</u> | <u>1,704,136</u> |
| Total Assets | <u>\$ 2,519,741</u> | <u>\$ 2,518,906</u> |
| Current liabilities | \$ 1,565 | \$ 32,146 |
| Noncurrent liabilities | <u>-</u> | <u>242,296</u> |
| Total Liabilities | <u>\$ 1,565</u> | <u>\$ 274,442</u> |
| Net position | | |
| Net investment in capital assets | \$ 1,730,198 | \$ 1,432,105 |
| Restricted | <u>311,600</u> | <u>473,321</u> |
| Unrestricted | <u>476,378</u> | <u>339,038</u> |
| Total Net Position | <u>\$ 2,518,176</u> | <u>\$ 2,244,464</u> |

CITY OF PINEVILLE
Pineville, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2021

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>2021</u> | | <u>2020</u> | |
|--|--------------------|----------------|--------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| REVENUES | | | | |
| Taxes | \$ 1,683,745 | 71.92 % | \$ 1,566,002 | 71.30 % |
| Intergovernmental revenues | 37,863 | 1.62 | 47,280 | 2.16 |
| FEMA | 80,941 | 3.46 | - | - |
| Sanitation department | 133,724 | 5.71 | 224,008 | 10.20 |
| Police department | 65,082 | 2.78 | 62,699 | 2.85 |
| Parks/Recreation department | 1,590 | .07 | 5,881 | .27 |
| Other local revenues | 42,682 | 1.82 | 64,075 | 2.92 |
| Fire department | 33,594 | 1.43 | 34,363 | 1.56 |
| Earnings on investments | 4,224 | .18 | 12,714 | .58 |
| General government | 82,412 | 3.52 | 66,155 | 3.01 |
| Corona Relief funds | 167,015 | 7.13 | - | - |
| Grants | 8,400 | .36 | 113,082 | 5.15 |
| TOTAL REVENUES | <u>2,341,272</u> | <u>100.00</u> | <u>2,196,259</u> | <u>100.00</u> |
| EXPENDITURES | | | | |
| General government | 304,057 | 12.99 | 416,753 | 18.98 |
| Police department | 512,924 | 21.91 | 475,479 | 21.65 |
| Fire department | 290,118 | 12.39 | 248,088 | 11.30 |
| Street department | 420,987 | 17.98 | 316,518 | 14.41 |
| Sanitation department | 142,215 | 6.07 | 244,717 | 11.14 |
| Parks/Recreation department | 1,900 | .07 | 17,917 | .82 |
| Debt service | 286,023 | 12.22 | 43,336 | 1.97 |
| Capital outlay | 235,717 | 10.07 | 279,729 | 12.74 |
| Special projects/events | 146,083 | 6.24 | 156,690 | 7.13 |
| Special revenue projects | 85,629 | 3.66 | 18,734 | .85 |
| TOTAL EXPENDITURES | <u>2,425,653</u> | <u>103.60</u> | <u>2,217,961</u> | <u>100.99</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ (84,381)</u> | <u>(3.60)%</u> | <u>\$ (21,702)</u> | <u>(.99)%</u> |

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council did not amend 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 \$144,832 as compared to budget. General Fund revenues were \$131,117 more than budget excluding sanitation fees, which are not budgeted, of \$133,724. General Fund expenditures were \$279,262 less than budget excluding sanitation expenses of \$142,215 which are not budgeted. The City ended the year with a fund balance that was \$137,340 more than what was budgeted.

CITY OF PINEVILLE
Pineville, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2021

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2021, the City had \$4,475,970 invested in capital assets for governmental funds. This represents an increase of \$201,802.

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

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|---------------------|---------------------|
| Buildings and improvements | \$ 2,778,775 | \$ 2,736,275 |
| Recreation buildings and equipment | 132,210 | 124,695 |
| Infrastructure | 340,012 | 340,012 |
| Vehicles | 803,338 | 757,559 |
| Equipment | 348,681 | 295,987 |
| Construction in progress | <u>72,954</u> | <u>19,640</u> |
| Totals | <u>\$ 4,475,970</u> | <u>\$ 4,274,168</u> |

Debt Administration

At year-end, the City has no outstanding notes. Two notes totaling \$272,031 were paid off in the current year.

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, 2021

| | <u>ASSETS</u> | <u>Primary Government Governmental Activities</u> |
|----------------------------------|-------------------------------------|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | | \$ 763,752 |
| Due (to) from component unit | | <u>25,791</u> |
| Total current assets | | <u>789,543</u> |
| NONCURRENT ASSETS | | |
| Capital assets, net | | <u>1,730,198</u> |
| Total noncurrent assets | | <u>1,730,198</u> |
| TOTAL ASSETS | | <u>2,519,741</u> |
| | <u>LIABILITIES AND NET POSITION</u> | |
| CURRENT LIABILITIES | | |
| Credit card payable | | <u>1,565</u> |
| Total current liabilities | | <u>1,565</u> |
| TOTAL LIABILITIES | | <u>1,565</u> |
| NET POSITION | | |
| Net investment in capital assets | | 1,730,198 |
| Restricted | | 311,600 |
| Unrestricted | | <u>476,378</u> |
| TOTAL NET POSITION | | <u>\$ 2,518,176</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, 2021

| 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 | \$ 372,885 | \$ 82,412 | \$ - | \$ - | \$ (290,473) |
| Police department | 590,054 | - | 69,281 | - | (520,773) |
| Fire department | 291,187 | - | 22,594 | 11,000 | (257,593) |
| Street department | 458,545 | - | 33,664 | - | (424,881) |
| Sanitation department | 142,215 | 133,724 | - | - | (8,491) |
| Parks/Recreation department | 1,900 | 1,590 | - | - | (310) |
| Interest | 13,992 | - | - | - | (13,992) |
| Special projects and events | 171,153 | 42,682 | 8,400 | - | (120,071) |
| Special revenue projects | 85,629 | - | 247,956 | - | 162,327 |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>2,127,560</u> | <u>260,408</u> | <u>381,895</u> | <u>11,000</u> | <u>(1,474,257)</u> |
| TOTAL PRIMARY GOVERNMENTAL | <u>\$ 2,127,560</u> | <u>\$ 260,408</u> | <u>\$ 381,895</u> | <u>\$ 11,000</u> | <u>(1,474,257)</u> |
| GENERAL REVENUES | | | | | |
| Taxes | | | | | |
| Property | | | | | 158,861 |
| Franchise | | | | | 161,086 |
| Municipal insurance | | | | | 294,340 |
| Occupational | | | | | 585,333 |
| Payment in lieu of taxes | | | | | 30,212 |
| Restaurant | | | | | 231,112 |
| Alcohol tax/license fees | | | | | 222,801 |
| Earnings on investments | | | | | 4,224 |
| Total general revenues | | | | | 1,687,969 |
| Transfers (to) from component unit | | | | | 60,000 |
| Total general revenues and transfers | | | | | 1,747,969 |
| Change in net position | | | | | 273,712 |
| Net position, July 1, 2020 | | | | | 2,244,464 |
| Net position, June 30, 2021 | | | | | <u>\$ 2,518,176</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, 2021

| | General Fund | Special Revenue Funds | Total Governmental Funds |
|-------------------------------------|-------------------|-----------------------------|--------------------------------|
| ASSETS AND RESOURCES | | | |
| Cash and cash equivalents | \$ 466,351 | \$ 297,401 | \$ 763,752 |
| Due (to) from component unit | 25,791 | - | 25,791 |
| Due (to) from other funds | (14,229) | 14,229 | - |
| TOTAL ASSETS AND RESOURCES | <u>\$ 477,913</u> | <u>\$ 311,630</u> | <u>\$ 789,543</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Credit card payables | \$ 1,535 | \$ 30 | \$ 1,565 |
| Restricted | | | |
| Municipal roads | - | 6,663 | 6,663 |
| Economic development | - | 1,836 | 1,836 |
| Tourism and recreation | - | 180,442 | 180,442 |
| Public safety | - | 116,117 | 116,117 |
| FEMA | - | 6,542 | 6,542 |
| Unassigned | 476,378 | - | 476,378 |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 477,913</u> | <u>\$ 311,630</u> | <u>\$ 789,543</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, 2021

| | |
|---|------------|
| Total Fund Balances – Governmental Funds | \$ 787,978 |
|---|------------|

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. | <u>1,730,198</u> |
|---|------------------|

| | |
|--|---------------------|
| Total Net Position – Governmental Funds | <u>\$ 2,518,176</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
GOVERNMENTAL FUNDS – CASH BASIS
Year Ended June 30, 2021

| | General Fund | Special Revenue Funds | Total Governmental Funds |
|---|-------------------|-----------------------------|--------------------------------|
| REVENUES | | | |
| Taxes | | | |
| Property | \$ 158,861 | \$ - | \$ 158,861 |
| Franchise | 161,086 | - | 161,086 |
| Municipal insurance | 294,340 | - | 294,340 |
| Occupational | 585,333 | - | 585,333 |
| Payment in lieu of taxes | 30,212 | - | 30,212 |
| Restaurant | - | 231,112 | 231,112 |
| Alcohol tax/license fees | - | 222,801 | 222,801 |
| Intergovernmental revenues | - | 37,863 | 37,863 |
| FEMA | 26,322 | 54,619 | 80,941 |
| Sanitation department | 133,724 | - | 133,724 |
| Police department | 65,082 | - | 65,082 |
| Parks/Recreation department | 1,590 | - | 1,590 |
| Fire department | 33,594 | - | 33,594 |
| Earnings on investments | 2,183 | 2,041 | 4,224 |
| General government | 82,412 | - | 82,412 |
| Corona Relief funds | 167,015 | - | 167,015 |
| Grants | - | 8,400 | 8,400 |
| Other local revenues | - | 42,682 | 42,682 |
| TOTAL REVENUES | <u>1,741,754</u> | <u>599,518</u> | <u>2,341,272</u> |
| EXPENDITURES | | | |
| General government | 304,057 | - | 304,057 |
| Police department | 460,889 | 52,035 | 512,924 |
| Fire department | 290,118 | - | 290,118 |
| Street department | 386,866 | 34,121 | 420,987 |
| Sanitation department | 142,215 | - | 142,215 |
| Parks/Recreation department | 1,900 | - | 1,900 |
| Debt service | 167,023 | 119,000 | 286,023 |
| Capital outlay | 52,694 | 183,023 | 235,717 |
| Special projects/events | - | 146,083 | 146,083 |
| Special revenue projects | 37,552 | 48,077 | 85,629 |
| TOTAL EXPENDITURES | <u>1,843,314</u> | <u>582,339</u> | <u>2,425,653</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(101,560)</u> | <u>17,179</u> | <u>(84,381)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | 238,900 | - | 238,900 |
| Operating transfers out | - | (178,900) | (178,900) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>238,900</u> | <u>(178,900)</u> | <u>60,000</u> |
| Net change in fund balances | 137,340 | (161,721) | (24,381) |
| Fund balances, July 1, 2020 | 339,038 | 473,321 | 812,359 |
| Fund balances, June 30, 2021 | <u>\$ 476,378</u> | <u>\$ 311,600</u> | <u>\$ 787,978</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, 2021

Net Change In Fund Balances per fund financial statements **\$ (24,381)**

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 | \$ 235,717 | |
| Depreciation | <u>(209,655)</u> | 26,062 |

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.

272,031

Change In Net Position of Governmental Activities **\$ 273,712**

CITY OF PINEVILLE
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

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, 2021

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, 2021

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 31st 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 SYSTEM

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, 2021

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, 2021

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, 2021, the carrying amount of the City's deposits (cash and investments) was \$763,752 and the bank balance was \$780,958. 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 2021 fiscal year was based, was \$55,002,446. The tax rates assessed for the year ended June 30, 2021 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, 2021

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 annual property tax revenue for five years.

NOTE 5 – CAPITAL ASSETS

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

| | Balance July 1, 2020 | Additions | Deletions | Balance June 30, 2021 |
|---|-------------------------|-------------------|---------------------|--------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Buildings and improvements | \$ 2,736,275 | \$ 42,500 | \$ - | \$ 2,778,775 |
| Infrastructure | 340,012 | - | - | 340,012 |
| Recreation buildings and equipment | 124,695 | 7,515 | - | 132,210 |
| Vehicles | 757,559 | 79,694 | (33,915) | 803,338 |
| Equipment | 295,987 | 52,694 | - | 348,681 |
| Construction in progress | 19,640 | 53,314 | - | 72,954 |
| Totals at cost | 4,274,168 | 235,717 | (33,915) | 4,475,970 |
| Less accumulated depreciation | (2,570,032) | 33,915 | (209,655) | (2,745,772) |
| Governmental activities capital assets, net | <u>\$ 1,704,136</u> | <u>\$ 269,632</u> | <u>\$ (243,570)</u> | <u>\$ 1,730,198</u> |

Governmental activities depreciation was allocated as follows:

| | |
|--------------------|-------------------|
| General government | \$ 68,828 |
| Street department | 37,558 |
| Fire | 1,069 |
| Police department | 77,130 |
| Other | 25,070 |
| Total | <u>\$ 209,655</u> |

CITY OF PINEVILLE
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 6 – NOTES PAYABLE

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

| | Balance <u>July 1, 2020</u> | <u>Borrowings</u> | <u>Repayments</u> | Balance <u>June 30, 2021</u> |
|---|--------------------------------|-------------------|---------------------|---------------------------------|
| 4.75% note payable, secured by Bell Theater, monthly payments of \$734 including interest, matures December 2036 | \$ 108,653 | \$ - | \$ (108,653) | \$ - |
| 5.00% note payable, secured by 2018 Global M3 street sweeper, annual payments of \$32,265 including interest, matures January, 2026 | <u>163,378</u> | <u>-</u> | <u>(163,378)</u> | <u>-</u> |
| Totals | <u>\$ 272,031</u> | <u>\$ -</u> | <u>\$ (272,031)</u> | <u>\$ -</u> |

Interest of \$3,645 for the year is included in general government expenses and \$10,347 is included in Restaurant Tax.

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 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.

CITY OF PINEVILLE
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

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.

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, 2021, 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 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, 2021, was 24.06% (19.30% for Pension and 4.76% for OPEB) of annual creditable compensation. Contributions to the pension plan from the City were \$56,856.

Contributions – Hazardous

For the fiscal year ended June 30, 2021, 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, 2021, 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 \$107,864.

CITY OF PINEVILLE
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Pension Liabilities and Pension Expense – Non-Hazardous

At June 30, 2021, the City had a liability of \$724,884 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the City's proportion was .009451 percent.

For the year ended June 30, 2021, the City recognized pension expense of \$56,856.

Pension Liabilities and Pension Expense – Hazardous

At June 30, 2021, the City had a liability of \$1,655,371 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the City's proportion was .054904 percent.

For the year ended June 30, 2021, the City recognized pension expense of \$107,864.

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

For financial reporting, the actuarial valuation as of June 30, 2020, was performed by Cavanaugh Macdonald Consulting (CMC). 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, 2019. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles. Subsequent to the actuarial valuation date (June 30, 2019), 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, 2020, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2020.

The actuarial assumptions are:

| | |
|---------------------------|---|
| 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.

CITY OF PINEVILLE
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – RETIREMENT PLANS (CONTINUED)

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, 2020:

| | |
|-------------------------------|---|
| Valuation Date | June 30, 2018 |
| Experience Study | July 1, 2008 – June 30, 2013 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percent of pay |
| Remaining Amortization Period | 25 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:

CITY OF PINEVILLE
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Non-Hazardous

| | 1% Decrease (5.25%) | Current Discount Rate (6.25%) | 1% Increase (7.25%) |
|---|------------------------|----------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$ 893,940 | \$ 724,884 | \$ 584,899 |

Hazardous

| | 1% Decrease (5.25%) | Current Discount Rate (6.25%) | 1% Increase (7.25%) |
|---|------------------------|----------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$ 2,045,803 | \$ 1,655,371 | \$ 1,336,676 |

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>.

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.

CITY OF PINEVILLE
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

OPEB Liabilities

At June 30, 2021, the City had a liability of \$228,140 (non-hazardous) and \$507,214 (hazardous) for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2020, 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, 2020, the City's proportion was .009448 percent (non-hazardous) and .054887 percent (hazardous).

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

| | |
|-------------------------------|--|
| Valuation Date | June 30, 2018 |
| Experience Study | July 1, 2008 – June 30, 2013 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percent of Pay |
| Remaining Amortization Period | 25 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. |
| 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.

CITY OF PINEVILLE
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

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 23 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:

| | <u>1% Decrease</u> | <u>Current Discount</u> | <u>1% Increase</u> |
|---|--------------------|-------------------------|--------------------|
| City's Net OPEB Liability – Non-hazardous | \$ <u>293,094</u> | \$ <u>228,140</u> | \$ <u>174,792</u> |
| City's Net OPEB Liability – Hazardous | \$ <u>688,530</u> | \$ <u>507,214</u> | \$ <u>361,110</u> |

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:

| | <u>1% Decrease</u> | <u>1% Increase</u> |
|---|--------------------|--------------------|
| City's Net OPEB Liability – Non-hazardous | \$ <u>176,638</u> | \$ <u>290,640</u> |
| City's Net OPEB Liability – Hazardous | \$ <u>362,470</u> | \$ <u>685,164</u> |

CITY OF PINEVILLE
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

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") on September 30, 2015, which gave them exclusive rights to collect and dispose of all garbage generated within the city limits of Pineville, KY. 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. A first amendment to this agreement was entered into with Waste Connections of Kentucky, Inc. d/b/a Poff Carting Services as successor-in-interest to Poff Carting Services, LLC on October 28, 2021. The first amendment extended the original agreement and revised certain terms, and extended the agreement for an additional five years. The amount paid under this contract was \$135,712 for the year ended June 30, 2021.

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.

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 | 58,900 |
| Operating | Component Unit | General | Operations | 60,000 |

NOTE 14 – DUE (TO) FROM COMPONENT UNIT

Due (to) from component unit consisted of the following at June 30, 2021:

| | |
|---|------------------|
| <u>Governmental Activities</u> | |
| Due (to) from component unit – Pineville Utility Commission | <u>\$ 25,791</u> |

CITY OF PINEVILLE
Pineville, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 15 – DEFICIT OPERATING/FUND BALANCES

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

| | |
|----------------------|--------------|
| General | \$ (101,560) |
| Restaurant Tax | \$ (168,998) |
| Municipal Road Aid | \$ (352) |
| Alcohol Tax | \$ (5,342) |
| PD Equitable Sharing | \$ (1,891) |

NOTE 16 – FUND BALANCE DESIGNATIONS

The following governmental funds had restricted fund balances at June 30, 2021:

| <u>Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|-----------------|---------------|------------------------|
| Special Revenue | \$ 6,663 | Municipal roads |
| Special Revenue | 1,836 | Economic development |
| Special Revenue | 180,442 | Tourism and recreation |
| Special Revenue | 116,117 | Public safety |
| Special Revenue | 6,542 | FEMA |

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 2, 2021, 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, 2021

| | Budgeted Amounts | | | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Taxes | | | | |
| Property | \$ 154,000 | \$ 154,000 | \$ 158,861 | \$ 4,861 |
| Franchise | 156,000 | 156,000 | 161,086 | 5,086 |
| Municipal insurance | 250,000 | 250,000 | 294,340 | 44,340 |
| Occupational tax | 500,000 | 500,000 | 585,333 | 85,333 |
| Payment in lieu of taxes | 25,000 | 25,000 | 30,212 | 5,212 |
| FEMA | - | - | 26,322 | 26,322 |
| Sanitation department | - | - | 133,724 | 133,724 |
| Police department | 56,850 | 56,850 | 65,082 | 8,232 |
| Parks/Recreation department | 5,000 | 5,000 | 1,590 | (3,410) |
| Fire department | 33,333 | 33,333 | 33,594 | 261 |
| Earnings on investments | 1,000 | 1,000 | 2,183 | 1,183 |
| Corona Relief funds | 109,740 | 109,740 | 167,015 | 57,275 |
| General government | 99,400 | 99,400 | 82,412 | (16,988) |
| Other local revenues | 15,000 | 15,000 | - | (15,000) |
| Carryover of funds | 339,038 | 339,038 | - | (339,038) |
| TOTAL REVENUES | <u>1,744,361</u> | <u>1,744,361</u> | <u>1,741,754</u> | <u>(2,607)</u> |
| EXPENDITURES | | | | |
| General government | 330,795 | 330,795 | 304,057 | 26,738 |
| Police department | 561,341 | 561,341 | 460,889 | 100,452 |
| Fire department | 301,005 | 301,005 | 290,118 | 10,887 |
| Street department | 478,880 | 478,880 | 386,866 | 92,014 |
| Sanitation department | - | - | 142,215 | (142,215) |
| Parks/Recreation department | 18,700 | 18,700 | 1,900 | 16,800 |
| Special projects/events | 289,640 | 289,640 | 257,269 | 32,371 |
| Other | - | - | - | - |
| TOTAL EXPENDITURES | <u>1,980,361</u> | <u>1,980,361</u> | <u>1,843,314</u> | <u>137,047</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(236,000)</u> | <u>(236,000)</u> | <u>(101,560)</u> | <u>134,440</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 236,000 | 236,000 | 238,900 | 2,900 |
| Operating transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>236,000</u> | <u>236,000</u> | <u>238,900</u> | <u>2,900</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | <u>137,340</u> | <u>\$ 137,340</u> |
| FUND BALANCE, JULY 1, 2020 | | | <u>339,038</u> | |
| FUND BALANCE, JUNE 30, 2021 | | | <u>\$ 476,378</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, 2021

| | <u>Municipal Road Aid</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 | | | |
| Intergovernmental revenues: | | | |
| Street department | \$ 28,000 | \$ 28,000 | \$ 33,664 |
| Carryover of funds | 7,015 | 7,015 | - |
| Earnings on investments | - | - | 105 |
| TOTAL REVENUES | <u>35,015</u> | <u>35,015</u> | <u>33,769</u> |
| | | | <u>(1,246)</u> |
| EXPENDITURES | | | |
| Street department | 35,015 | 35,015 | 34,121 |
| Capital outlay | - | - | - |
| TOTAL EXPENDITURES | <u>35,015</u> | <u>35,015</u> | <u>34,121</u> |
| | | | <u>894</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>-</u> | <u>-</u> | <u>(352)</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>(352)</u> |
| FUND BALANCES, JULY 1, 2020 | | | <u>7,015</u> |
| FUND BALANCES, JUNE 30, 2021 | | | <u>\$ 6,663</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, 2021

| | <u>Local Government Economic Assistance</u> | | | Variance with Final Budget Favorable (Unfavorable) |
|--|---|--------------|-----------------|---|
| | <u>Budgeted Amounts</u> | | | |
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Intergovernmental revenues: | | | | |
| Coal and mineral grants | \$ 7,300 | \$ 7,300 | \$ 4,199 | \$ (3,101) |
| Carryover of funds | 625 | 625 | - | (625) |
| Earnings on investments | 50 | 50 | 12 | (38) |
| TOTAL REVENUES | <u>7,975</u> | <u>7,975</u> | <u>4,211</u> | <u>(3,764)</u> |
| EXPENDITURES | | | | |
| Police department | 6,000 | 6,000 | 3,000 | 3,000 |
| Street department | 1,975 | 1,975 | - | 1,975 |
| Special projects/events | - | - | - | - |
| Capital outlay | - | - | - | - |
| TOTAL EXPENDITURES | <u>7,975</u> | <u>7,975</u> | <u>3,000</u> | <u>4,975</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>-</u> | <u>-</u> | <u>1,211</u> | <u>1,211</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> | 1,211 | <u>\$ 1,211</u> |
| FUND BALANCES, JULY 1, 2020 | | | <u>625</u> | |
| FUND BALANCES, JUNE 30, 2021 | | | <u>\$ 1,836</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, 2021

| | <u>Restaurant Tax</u> | | |
|---|-------------------------|--------------|---------------|
| | <u>Budgeted Amounts</u> | | Variance with |
| | <u>Original</u> | <u>Final</u> | Final Budget |
| | | | Favorable |
| | | | (Unfavorable) |
| REVENUES | | | |
| Restaurant tax | \$ 190,000 | \$ 190,000 | \$ 231,112 |
| Carryover of funds | 327,923 | 327,923 | - |
| Earnings on investments | 2,982 | 2,982 | 1,119 |
| TOTAL REVENUES | 520,905 | 520,905 | 232,231 |
| EXPENDITURES | | | |
| Special projects/events | 374,642 | 374,642 | 120,000 |
| Parks/Recreation department | 113,998 | 113,998 | - |
| Special revenue projects | - | - | - |
| Capital outlay | - | - | 103,329 |
| Debt service | 32,265 | 32,265 | 119,000 |
| TOTAL EXPENDITURES | 520,905 | 520,905 | 342,329 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | - | - | (110,098) |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers out | - | - | (58,900) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | (58,900) |
| NET CHANGE IN FUND BALANCES | \$ - | \$ - | (168,998) |
| FUND BALANCES, JULY 1, 2020 | | | 327,973 |
| FUND BALANCES, JUNE 30, 2021 | | | \$ 158,975 |

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, 2021

| | <u>Budgeted Amounts</u> | | <u>Alcohol Tax</u> <u>Actual</u> | <u>Variance with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u> |
|--|-------------------------|----------------|-------------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Alcohol tax/license fees | \$ 180,000 | \$ 180,000 | \$ 222,801 | \$ 42,801 |
| Carryover of funds | 112,505 | 112,505 | - | (112,505) |
| Earnings on investments | 300 | 300 | 765 | 465 |
| TOTAL REVENUES | <u>292,805</u> | <u>292,805</u> | <u>223,566</u> | <u>(69,239)</u> |
| EXPENDITURES | | | | |
| General government | 12,000 | 12,000 | - | 12,000 |
| Special revenue projects | - | - | - | - |
| Police department | 280,805 | 280,805 | 29,214 | 251,591 |
| Fire department | - | - | - | - |
| Special projects/events | - | - | - | - |
| Capital outlay | - | - | 79,694 | (79,694) |
| TOTAL EXPENDITURES | <u>292,805</u> | <u>292,805</u> | <u>108,908</u> | <u>183,897</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>-</u> | <u>-</u> | <u>114,658</u> | <u>114,658</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>(5,342)</u> | <u>\$ (5,342)</u> |
| FUND BALANCES, JULY 1, 2020 | | | <u>112,505</u> | |
| FUND BALANCES, JUNE 30, 2021 | | | <u>\$ 107,163</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, 2021

| | <u>Budgeted Amounts</u> | | <u>Bell Theater</u> | Variance with Final Budget Favorable (Unfavorable) |
|--|-------------------------|---------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Other local revenues | \$ 23,500 | \$ 23,500 | \$ 12,140 | \$ (11,360) |
| Carryover of funds | 2,566 | 2,566 | - | (2,566) |
| Earnings on investments | 20 | 20 | - | (20) |
| TOTAL REVENUES | <u>26,086</u> | <u>26,086</u> | <u>12,140</u> | <u>(13,946)</u> |
| EXPENDITURES | | | | |
| Special projects/events | 17,886 | 17,886 | 10,176 | 7,710 |
| Debt service | <u>8,200</u> | <u>8,200</u> | <u>-</u> | <u>8,200</u> |
| TOTAL EXPENDITURES | <u>26,086</u> | <u>26,086</u> | <u>10,176</u> | <u>15,910</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>-</u> | <u>-</u> | <u>1,964</u> | <u>1,964</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | <u>\$ -</u> | <u>\$ -</u> | <u>1,964</u> | <u>\$ 1,964</u> |
| FUND BALANCES, JULY 1, 2020 | | | <u>2,566</u> | |
| FUND BALANCES, JUNE 30, 2021 | | | <u>\$ 4,530</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, 2021

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 not amended during the year.

CITY OF PINEVILLE
Pineville, Kentucky

COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS – CASH BASIS
June 30, 2021

| | <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 | \$ 9,456 | \$ 4,530 | \$ 3,588 | \$ 1,836 | \$ 147,851 |
| Due (to) from other funds | - | - | 3,075 | - | 11,154 |
| TOTAL ASSETS AND RESOURCES | <u>\$ 9,456</u> | <u>\$ 4,530</u> | <u>\$ 6,663</u> | <u>\$ 1,836</u> | <u>\$ 159,005</u> |
| FUND BALANCES | | | | | |
| Credit card payable | \$ - | \$ - | \$ - | \$ - | \$ 30 |
| Restricted | | | | | |
| Municipal roads | - | - | 6,663 | - | - |
| Economic development | - | - | - | 1,836 | - |
| Tourism and recreation | 9,456 | 4,530 | - | - | 158,975 |
| Public safety | - | - | - | - | - |
| FEMA | - | - | - | - | - |
| TOTAL FUND BALANCES | <u>\$ 9,456</u> | <u>\$ 4,530</u> | <u>\$ 6,663</u> | <u>\$ 1,836</u> | <u>\$ 159,005</u> |

| Cumberland Ford/ Narrows | Alcohol Tax | PD Equitable Sharing | Shop With A Cop | FEMA Project | Total |
|--------------------------------|-------------------|----------------------------|-----------------------|-----------------|-------------------|
| \$ 7,481 | \$ 107,163 | \$ 1,087 | \$ 7,867 | \$ 6,542 | \$ 297,401 |
| - | - | - | - | - | 14,229 |
| <u>\$ 7,481</u> | <u>\$ 107,163</u> | <u>\$ 1,087</u> | <u>\$ 7,867</u> | <u>\$ 6,542</u> | <u>\$ 311,630</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 30 |
| - | - | - | - | - | 6,663 |
| - | - | - | - | - | 1,836 |
| 7,481 | - | - | - | - | 180,442 |
| - | 107,163 | 1,087 | 7,867 | - | 116,117 |
| - | - | - | - | 6,542 | 6,542 |
| <u>\$ 7,481</u> | <u>\$ 107,163</u> | <u>\$ 1,087</u> | <u>\$ 7,867</u> | <u>\$ 6,542</u> | <u>\$ 311,630</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, 2021

| | Main Street | Bell Theater | Municipal Road Aid | Local Government Economic Assistance | Restaurant Tax |
|---|-----------------|-----------------|-----------------------|---|-------------------|
| REVENUES | | | | | |
| Restaurant tax | \$ - | \$ - | \$ - | \$ - | \$ 231,112 |
| Alcohol tax/license fees | - | - | - | - | - |
| Intergovernmental revenues: | | | | | |
| Street department | - | - | 33,664 | - | - |
| Coal and mineral grants | - | - | - | 4,199 | - |
| FEMA | - | - | - | - | - |
| Grants | 8,400 | - | - | - | - |
| Earnings on investments | - | - | 105 | 12 | 1,119 |
| Other local revenues | <u>1,402</u> | <u>12,140</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL REVENUES | <u>9,802</u> | <u>12,140</u> | <u>33,769</u> | <u>4,211</u> | <u>232,231</u> |
| EXPENDITURES | | | | | |
| Street department | - | - | 34,121 | - | - |
| Special projects/events | 7,220 | 10,176 | - | - | 120,000 |
| Police department | - | - | - | 3,000 | - |
| Special revenue projects | - | - | - | - | - |
| Capital outlay | - | - | - | - | 103,329 |
| Debt service | - | - | - | - | 119,000 |
| TOTAL EXPENDITURES | <u>7,220</u> | <u>10,176</u> | <u>34,121</u> | <u>3,000</u> | <u>342,329</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>2,582</u> | <u>1,964</u> | <u>(352)</u> | <u>1,211</u> | <u>(110,098)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating transfers in | - | - | - | - | - |
| Operating transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(58,900)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(58,900)</u> |
| NET CHANGE IN FUND BALANCES | 2,582 | 1,964 | (352) | 1,211 | (168,998) |
| FUND BALANCES, JULY 1, 2020 | <u>6,874</u> | <u>2,566</u> | <u>7,015</u> | <u>625</u> | <u>327,973</u> |
| FUND BALANCES, JUNE 30, 2021 | <u>\$ 9,456</u> | <u>\$ 4,530</u> | <u>\$ 6,663</u> | <u>\$ 1,836</u> | <u>\$ 158,975</u> |

| <u>Cumberland Ford/ Narrows</u> | <u>Alcohol Tax</u> | <u>PD Equitable Sharing</u> | <u>Shop With A Cop</u> | <u>FEMA Project</u> | <u>Total</u> |
|---|------------------------|-------------------------------------|--------------------------------|-------------------------|-------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 231,112 |
| - | 222,801 | - | - | - | 222,801 |
| - | - | - | - | - | 33,664 |
| - | - | - | - | - | 4,199 |
| - | - | - | - | 54,619 | 54,619 |
| - | - | - | - | - | 8,400 |
| - | 765 | 40 | - | - | 2,041 |
| - | - | 17,890 | 11,250 | - | 42,682 |
| - | <u>223,566</u> | <u>17,930</u> | <u>11,250</u> | <u>54,619</u> | <u>599,518</u> |
| - | - | - | - | - | 34,121 |
| - | - | - | 8,687 | - | 146,083 |
| - | 29,214 | 19,821 | - | - | 52,035 |
| - | - | - | - | 48,077 | 48,077 |
| - | 79,694 | - | - | - | 183,023 |
| - | - | - | - | - | 119,000 |
| - | <u>108,908</u> | <u>19,821</u> | <u>8,687</u> | <u>48,077</u> | <u>582,339</u> |
| - | <u>114,658</u> | <u>(1,891)</u> | <u>2,563</u> | <u>6,542</u> | <u>17,179</u> |
| - | - | - | - | - | - |
| - | <u>(120,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(178,900)</u> |
| - | <u>(120,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(178,900)</u> |
| - | (5,342) | (1,891) | 2,563 | 6,542 | (161,721) |
| <u>7,481</u> | <u>112,505</u> | <u>2,978</u> | <u>5,304</u> | <u>-</u> | <u>473,321</u> |
| <u>\$ 7,481</u> | <u>\$ 107,163</u> | <u>\$ 1,087</u> | <u>\$ 7,867</u> | <u>\$ 6,542</u> | <u>\$ 311,600</u> |

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

September 2, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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 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

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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marr, Miller & Myers, PSC

Certified Public Accountants