

CITY OF MORGANTOWN, KENTUCKY

ANNUAL FINANCIAL REPORT

JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Morgantown, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Morgantown, Kentucky, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Morgantown, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, and each major fund of the City of Morgantown, Kentucky, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 30 through 32 and certain pension and OPEB information on pages 33 and 34 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City of Morgantown, Kentucky has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2025, on our consideration of the City of Morgantown, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Morgantown, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Morgantown, Kentucky's internal control over financial reporting and compliance.

Hensley & Throneberry, CPAs

September 10, 2025

BASIC FINANCIAL STATEMENTS

CITY OF MORGANTOWN, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2024

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Utilities Commission</u>
Assets		
Current assets		
Cash	\$ 3,011,076	\$ 789,209
Property tax receivable, net	3,901	-0-
Accounts receivable, net	-0-	167,174
Grants receivable	-0-	180,520
Accrued unbilled income	-0-	115,477
Prepaid expenses	54,333	34,996
Materials and supplies	-0-	91,552
Total current assets	3,069,310	1,378,928
Noncurrent assets		
Restricted cash	-0-	181,100
Certificates of deposit	-0-	543,511
Capital assets, net	13,328,106	2,478,864
Total noncurrent assets	13,328,106	3,203,475
Total assets	16,397,416	4,582,403
Deferred outflows of resources		
Deferred outflows – pension	1,071,484	454,060
Deferred outflows – OPEB	385,960	160,599
Total deferred outflows of resources	1,457,444	614,659
Total assets and deferred outflows of resources	\$ 17,854,860	\$ 5,197,062
Liabilities		
Current liabilities		
Accounts payable	\$ 130,082	\$ 340,113
Payroll taxes payable	8,963	2,697
Retirement payable	45,202	-0-
Other payables	-0-	68,032
Accrued wages	48,566	32,814
Accrued compensated absences	116,123	32,623
Capital lease payable, current portion	-0-	13,862
General obligation lease payable, current portion	132,083	-0-
Total current liabilities	481,019	490,141
Noncurrent liabilities		
Customer deposits	-0-	137,402
Capital lease payable, noncurrent portion	-0-	29,744
General obligation lease payable, noncurrent portion, plus premium	2,981,320	-0-
Net pension liability	2,580,982	1,249,731
Net OPEB liability	64,472	(26,890)
Total noncurrent liabilities	5,626,774	1,389,987
Total liabilities	6,107,793	1,880,128
Deferred inflows of resources		
Deferred inflows – pension	494,881	269,988
Deferred inflows – OPEB	879,940	480,882
Total deferred inflows of resources	1,374,821	750,870
Net position		
Invested in capital assets, net of related debt	10,214,703	2,435,258
Unrestricted	157,543	130,806
Total net position	10,372,246	2,566,064
Total liabilities, deferred inflows of resources, and net position	\$ 17,854,860	\$ 5,197,062

CITY OF MORGANTOWN, KENTUCKY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

Functions/Programs of Primary Government	Expenses	Charges for Services	Operating Grants	Capital Grants	Net (Expense) Revenue and Changes in Net Position	
					Primary Governmental	Component
					Activities	Unit
Governmental activities						
General government	\$ 1,121,781	\$ 7,225	\$ 11,864	\$ -0-	\$(1,102,692)	\$ -0-
Public safety						
Police	918,543	-0-	45,959	-0-	(872,584)	-0-
Fire	1,693	2,520	-0-	-0-	827	-0-
Highway and streets	870,091	-0-	50,624	-0-	(819,467)	-0-
Recreational	539,920	51,962	-0-	-0-	(487,958)	-0-
Cemetery	5,539	10,900	-0-	-0-	5,361	-0-
Tourism Commission	-0-	-0-	-0-	-0-	-0-	-0-
Industrial Holding Corporation	8,440	-0-	-0-	-0-	(8,440)	-0-
Interest on long-term debt	84,096	-0-	-0-	-0-	(84,096)	-0-
Total governmental activities	<u>3,550,103</u>	<u>72,607</u>	<u>108,447</u>	<u>-0-</u>	<u>(3,369,049)</u>	<u>-0-</u>
Total primary government	<u>\$ 3,550,103</u>	<u>\$ 72,607</u>	<u>\$ 108,447</u>	<u>\$ -0-</u>	<u>(3,369,049)</u>	<u>-0-</u>
Component unit						
Utilities Commission	\$ 2,225,608	\$ 2,647,107	\$ -0-	\$ -0-	-0-	421,499
General revenues						
Taxes						
Property					332,871	-0-
Municipal insurance					468,305	-0-
Restaurant transient					361,623	-0-
Franchise					64,428	-0-
Occupational fees					2,319,680	-0-
Alcohol regulatory fees					89,674	-0-
Interest income					48,496	34,821
IHC lease income					7,200	-0-
Donations					88,118	-0-
Miscellaneous					46,870	-0-
Gain / (Loss) on disposition of capital asset					<u>(32,864)</u>	<u>-0-</u>
Total general revenues					3,794,401	34,821
Change in net position					425,352	456,320
Net position, beginning of year					9,946,894	2,109,744
Net position, end of year					<u>\$10,372,246</u>	<u>\$ 2,566,064</u>

CITY OF MORGANTOWN, KENTUCKY
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2024

	Governmental Funds			
	General	Tourism Special Revenue	IHC Special Revenue	Total Governmental Funds
Assets				
Cash	\$ 2,369,661	\$ 144,855	\$ 496,560	\$ 3,011,076
Property tax receivable, net	3,901	-0-	-0-	3,901
Interfund receivable	47,507	-0-	-0-	47,507
Prepaid expenses	54,333	-0-	-0-	54,333
Total assets	\$ 2,475,402	\$ 144,855	\$ 496,560	\$ 3,116,817
Liabilities				
Accounts payable	\$ 130,082	\$ -0-	\$ -0-	\$ 130,082
Payroll taxes payable	8,963	-0-	-0-	8,963
Retirement payable	45,202	-0-	-0-	45,202
Accrued wages	48,566	-0-	-0-	48,566
Accrued compensated absences	116,123	-0-	-0-	116,123
Interfund payable	-0-	47,507	-0-	47,507
Total liabilities	348,936	47,507	-0-	396,443
Fund balances				
Nonspendable				
Prepaid items	54,333	-0-	-0-	54,333
Assigned to:				
Industrial development	-0-	-0-	496,560	496,560
Tourism	-0-	97,348	-0-	97,348
Parks	89,946	-0-	-0-	89,946
Cemetery care	125,717	-0-	-0-	125,717
Community development block grant	446,151	-0-	-0-	446,151
Unassigned	1,410,319	-0-	-0-	1,410,319
Total fund balances	2,126,466	97,348	496,560	2,720,374
Total liabilities and fund balances	\$ 2,475,402	\$ 144,855	\$ 496,560	\$ 3,116,817

CITY OF MORGANTOWN, KENTUCKY
BALANCE SHEET – GOVERNMENTAL FUNDS (Continued)
June 30, 2024

Reconciliation of the balance sheet of governmental funds to the statement of net position

Total fund balances – total governmental funds	\$ 2,720,374
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Amounts reported for *governmental activities* in the statement of net position
are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	13,328,106
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Some liabilities are not due and payable in the current period, and therefore,
are not reported in the funds:

General obligation lease payable	(3,113,403)
Net pension liability	(2,580,982)
Net OPEB liability	(64,472)
Net deferred outflows and inflows related to pensions	576,603
Net deferred outflows and inflows related to OPEB	<u>(493,980)</u>

Net position of governmental activities	<u>\$ 10,372,246</u>
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CITY OF MORGANTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS
Year Ended June 30, 2024

	Governmental Funds			
	General	Tourism Special Revenue	IHC Special Revenue	Total Governmental Funds
Revenues				
Property taxes	\$ 397,300	\$ -0-	\$ -0-	\$ 397,300
Licenses and permits	2,884,883	-0-	-0-	2,884,883
Restaurant transient taxes	-0-	359,698	-0-	359,698
Intergovernmental	108,447	-0-	-0-	108,447
Charges for services	65,382	-0-	-0-	65,382
Interest income	38,009	1,365	9,122	48,496
Other revenues	136,613	-0-	7,500	144,113
Total revenues	3,630,634	361,063	16,622	4,008,319
Expenditures				
General government	1,007,007	-0-	-0-	1,007,007
Public safety				
Police	759,059	-0-	-0-	759,059
Fire	26,719	-0-	-0-	26,719
Highways and streets	671,010	-0-	-0-	671,010
Recreational	317,497	-0-	-0-	317,497
Cemetery	3,329	-0-	-0-	3,329
Industrial Holding Corporation	-0-	-0-	-0-	-0-
Capital outlay	560,912	-0-	-0-	560,912
Debt service				
Principal	130,000	-0-	-0-	130,000
Interest	98,140	-0-	-0-	98,140
Total expenditures	3,573,673	-0-	-0-	3,573,673
Excess (deficit) of revenues over (under) expenditures	56,962	361,063	16,622	434,647
Other financing sources (uses)				
Proceeds from disposition of capital asset	117,985			117,985
Transfers in / (out)	347,414	(347,414)	-0-	-0-
Total other financing sources (uses)	465,399	(347,414)	-0-	117,985
Net change in fund balances	522,361	13,649	16,622	552,632
Fund balances, beginning of year	1,604,105	83,699	479,938	2,167,742
Fund balances, end of year	\$ 2,126,466	\$ 97,348	\$ 496,560	\$ 2,720,374

CITY OF MORGANTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUND (Continued)
Year Ended June 30, 2024

Net change in fund balances – total governmental funds **\$ 526,877**

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. (109,189)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.

Amortization of debt premium	14,044
Principal payments	130,000

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds:

Pension expense	(53,167)
OPEB expense	<u>(83,213)</u>

Change in net position of governmental activities **\$ 425,352**

CITY OF MORGANTOWN, KENTUCKY
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT
June 30, 2024

	Water and Sewer System	Gas System	Total
Assets			
Current assets			
Cash	\$ 322,011	\$ 467,198	\$ 789,209
Accounts receivable	110,478	56,696	167,174
Grants receivable	180,520	-0-	180,520
Accrued unbilled income	87,460	28,017	115,477
Prepaid insurance	17,498	17,498	34,996
Materials and supplies	<u>43,410</u>	<u>48,142</u>	<u>91,552</u>
Total current assets	781,377	617,551	1,378,928
Noncurrent assets			
Restricted cash	69,791	111,309	181,100
Certificates of deposit	104,720	438,791	543,511
Capital assets, net	<u>2,024,609</u>	<u>454,255</u>	<u>2,478,864</u>
Total noncurrent assets	<u>2,199,120</u>	<u>1,004,355</u>	<u>3,203,475</u>
Total assets	2,960,497	1,621,906	4,582,403
Deferred outflows of resources			
Deferred outflows – pension	221,430	262,630	454,060
Deferred outflows – OPEB	<u>78,319</u>	<u>82,280</u>	<u>160,599</u>
Total deferred outflows of resources	299,749	314,910	614,659
Total assets and deferred outflows of resources	<u>\$ 3,260,246</u>	<u>\$ 1,936,816</u>	<u>\$ 5,197,062</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 309,444	\$ 30,669	\$ 340,113
Payroll taxes payable	1,510	1,187	2,697
Other payables	34,817	33,215	68,032
Accrued wages	13,301	19,513	32,814
Accrued compensated absences	15,450	17,173	32,623
Capital lease payable, current	<u>6,931</u>	<u>6,931</u>	<u>13,862</u>
Total current liabilities	381,453	108,688	490,141
Noncurrent liabilities			
Customer deposits	47,942	89,460	137,402
Capital lease payable, noncurrent	14,872	14,872	29,744
Net pension liability	609,452	640,279	1,249,731
Net OPEB liability	<u>(13,113)</u>	<u>(13,777)</u>	<u>(26,890)</u>
Total noncurrent liabilities	<u>659,153</u>	<u>730,834</u>	<u>1,389,987</u>
Total liabilities	1,040,606	839,522	1,880,128
Deferred inflows of resources			
Deferred inflows – pension	131,664	138,324	269,988
Deferred inflows – OPEB	<u>234,510</u>	<u>246,372</u>	<u>480,882</u>
Total deferred inflows of resources	366,174	384,696	750,870
Net position			
Invested in capital assets, net of related debt	2,002,806	432,452	2,435,258
Unrestricted	<u>(149,340)</u>	<u>280,146</u>	<u>130,806</u>
Total net position	<u>1,853,466</u>	<u>712,598</u>	<u>2,566,064</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,260,246</u>	<u>\$ 1,936,816</u>	<u>\$ 5,197,062</u>

See accompanying notes.

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CITY OF MORGANTOWN, KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNIT
Year Ended June 30, 2024

	Water and Sewer System	Gas System	Total
Operating revenues			
Sales	\$ 1,015,604	\$ 1,258,270	\$ 2,273,874
Penalties	11,967	7,933	19,900
Tap fees, service charges, and miscellaneous	6,665	3,845	10,510
Installation fees	7,800	10,120	17,920
Grants	324,903	-0-	324,903
Total operating revenues	1,366,939	1,280,168	2,647,107
Operating expenses			
Salaries	312,193	337,275	649,468
Gas purchases	-0-	464,865	464,865
Employee benefits	126,859	135,110	261,969
Depreciation	123,375	52,950	176,325
Sewer plant	102,570	-0-	102,570
Water plant	87,465	-0-	87,465
Payroll taxes	27,718	30,878	58,596
Insurance	28,433	28,433	56,866
General repairs	6,027	689	6,716
Purifying agents	30,568	-0-	30,568
Sewer lift station	50,852	-0-	50,852
Professional services	13,825	14,525	28,350
Retirement	28,285	(36,673)	(8,388)
Office supplies	15,264	15,648	30,912
Engineering fees	-0-	22,721	22,721
Miscellaneous	8,960	11,872	20,832
Equipment maintenance	8,621	9,837	18,458
Gas and oil	9,590	9,590	19,180
Materials and supplies	21,390	38,582	59,972
Commissioner fees	10,240	10,240	20,480
Power purchased	6,781	7,310	14,091
Telephone	7,497	5,297	12,794
Training	10,885	1,589	12,474
Utilities	5,455	-0-	5,455
Bad debts	2,678	10,712	13,390
Dues	936	2,574	3,510
Contract labor	1,431	968	2,399
Total operating expenses	1,047,898	1,174,992	2,222,890
Operating income	319,041	1050,176	424,217
Non-operating revenues / (expenses)			
Interest income	9,884	24,937	34,821
Interest expense	(1,359)	(1,359)	(2,718)
Total non-operating revenues / (expenses)	8,525	23,578	32,103
Change in net position	327,566	128,754	456,320
Net position, beginning of year	1,525,900	583,844	2,109,744
Net position, end of year	\$ 1,853,466	\$ 712,598	\$ 2,566,064

See accompanying notes.

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CITY OF MORGANTOWN, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
Year Ended June 30, 2024

	<u>Water and Sewer System</u>	<u>Gas System</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 1,195,907	\$ 1,294,204	\$ 2,490,111
Cash payments to suppliers	(252,741)	(750,294)	(1,003,035)
Cash payments to employees	(409,643)	(446,918)	(856,561)
Net cash provided by operating activities	533,523	96,992	630,515
Cash flows from capital and related financing activities			
Repayment of capital lease	(6,615)	(6,615)	(13,230)
Interest paid on capital lease	(1,359)	(1,359)	(2,718)
Purchase of equipment	(324,903)	(4,850)	(329,753)
Net cash used by capital and related financing activities	(332,877)	(12,824)	(345,701)
Cash flows from investing activities			
Purchase of certificate of deposit	(3,797)	(115,780)	(119,576)
Interest income	9,884	24,937	34,821
Net cash used by investing activities	6,087	(90,843)	(84,755)
Net decrease in cash	206,733	(6,675)	200,058
Cash, beginning of year	185,069	585,182	770,251
Cash, end of year	<u>\$ 391,802</u>	<u>\$ 578,507</u>	<u>\$ 970,309</u>
Reconciliation of cash to the statement of net position			
Cash	\$ 322,011	\$ 467,198	\$ 789,209
Restricted cash	69,791	111,309	181,100
Total cash	<u>\$ 391,802</u>	<u>\$ 578,507</u>	<u>\$ 970,309</u>

CITY OF MORGANTOWN, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT (Continued)
Year Ended June 30, 2024

	<u>Water and Sewer System</u>	<u>Gas System</u>	<u>Total</u>
Reconciliation of income from operations to net cash provided by operating activities			
Income (loss) from operations	\$ 319,401	\$ 105,176	\$ 424,217
Adjustments to reconcile loss from operations to net cash provided by operating activities			
Depreciation	123,375	52,950	176,325
Decrease (increase) in deferred outflows	(47,019)	(25,656)	(72,675)
Increase (decrease) in deferred inflows	198,700	192,920	391,620
Change in assets and liabilities			
(Increase) decrease in accounts receivable	15,751	12,544	28,295
(Increase) decrease in grants receivable	(180,520)	-0-	(180,520)
(Increase) decrease in accrued unbilled income	(8,286)	(323)	(8,609)
(Increase) decrease in prepaid insurance	(1,232)	(1,232)	(2,464)
(Increase) decrease in materials and supplies	218	(481)	(263)
Increase (decrease) in accounts payable	277,122	13,338	290,460
Increase (decrease) in payroll taxes payable	445	55	500
Increase (decrease) in other payables	27,033	28,588	55,621
Increase (decrease) in accrued wages	435	(2,312)	(1,877)
Increase (decrease) in accrued compensated absences	1,086	(1,596)	510
Increase (decrease) in customer deposits	2,023	1,815	3,838
Increase (decrease) in net pension liability	(11,928)	(70,899)	(82,827)
Increase (decrease) in net OPEB liability	<u>(182,721)</u>	<u>(207,895)</u>	<u>(390,616)</u>
Net cash provided by operating activities	<u>\$ 533,523</u>	<u>\$ 96,992</u>	<u>\$ 630,515</u>

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The City of Morgantown, Kentucky, (the “City”) operates under a mayor-council form of government and provides the following services authorized by its charter: public safety (police and fire department), highways and streets, recreational, planning and zoning, cemetery, industrial development, general administrative services, and utilities (water, sewer, and gas).

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

Reporting Entity

In evaluating how to define the City for financial reporting purposes, all potential component units have been considered. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not only - criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, and the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Based upon the above criteria, the Morgantown City Tourism and Convention Commission (the “Tourism Commission”) and the Industrial Holding Corporation (the “IHC”) are included as blended component units of the City. The Tourism Commission was created by ordinance to account for monies derived from a restaurant transient tax. The monies are to be used to promote convention and tourist activity in Morgantown. The City appoints the Commissioners and has the ability to impose its will on the organization.

The Morgantown Utilities Commission (the “Utilities Commission”) is included as a discretely presented component unit of the City. The Utilities Commission operates under Kentucky Statutes KRS 91A.350-400 and KRS 142.400-408. The Board of Directors are appointed by the Mayor through prescribed procedures as outlined in KRS 91A.360. The Utilities Commission provides gas, water, and sewer services in the City. The City has the authority to appoint the Utilities Commission’s governing body and the ability to impose its will on the Utilities Commission. The Utilities Commission is separately audited, and a copy of the independent auditor’s report can be obtained by writing to the Morgantown Utilities Commission at 1308 S. Main Street, Morgantown, KY 42261.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed, but the statements distinguish governmental activities generally supported by taxes and the City’s general revenues, which primarily rely on fees and charges for support.

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Fund financial statements are provided for governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental column of the government-wide presentation.

The statement of net position presents assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is related to the acquisition, construction, and improvement of capital assets. The outstanding debt is also offset by any unspent proceeds from such debt.
- Restricted net assets result from restrictions placed by external sources such as creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets consist of net position which does not meet the definition of the two preceding categories.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources, such as taxes and other items not properly included among program revenues, are reported instead as general revenues.

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

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Major governmental revenues sources susceptible to accrual include property taxes, franchise taxes (fees), and intergovernmental revenues. In general, other revenues are recognized when cash is received.

GASB No. 54 defines how fund balances of governmental funds are presented in the financial statements. Fund balances are classified as follows:

Non-spendable - Amounts that cannot be spent either because they are not in a spendable form or they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposed city charter, city code, state or federal laws, or extremely imposed conditions by grantors or creditors.

Committed - Amounts that can be used only for specific purposes determined by a formal action by city council ordinance.

Assigned - Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget or ordinance is passed by City Council.

Unassigned - All amounts not included in other spendable classifications.

The activities from the Utilities Commission use the accrual basis of accounting, which is the same method of accounting used to reflect their discretely presented activity in the government-wide statements. Non-operating revenues such as interest income and other income not from the delivery of services are reported after income from operations.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed. It is the policy of the City to eliminate internal activity in the government-wide financial statements.

Fund Types and Major Funds

The City reports the General Fund as its major governmental fund and the primary operating fund of the City. The General Fund was established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established. The General Fund is considered a major fund.

Special revenue funds are established to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for a specific purpose. The City has two special revenue funds, which account for specific revenues and expenditures of the Tourism Commission and the Industrial Holding Corporation.

The Tourism Commission special revenue fund is a major fund and reports revenues from a restaurant transient tax. The Industrial Holding Corporation special revenue fund is a major fund and reports revenues from property leases and interest income from financing property sales. The Industrial Holding Corporation fund holds title to various real estate properties in the City and is responsible for mortgage debt on the properties.

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

The City's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cost approximates fair value.

The City is authorized by statute to invest in: (1) obligations of the United States and of its agencies and instrumentalities; (2) bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; (3) shares of any savings and loan association insured by an agency of the government of the United States up to the amount so insured; and (4) interest-bearing deposits in national or state banks chartered in Kentucky and insured by an agency of the government of the United States up to the amount so insured, and in larger amounts providing such banks shall pledge as security obligations of the United States government, its agencies and instrumentalities.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets and Depreciation

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Construction interest is capitalized. Estimated useful lives for depreciable assets are as follows:

	Years
Buildings	40-50
Improvements, other than buildings	20-50
Utility Distribution System	20-50
Infrastructure	12-25
Equipment and Furnishings	5-10
Vehicles	2-25

For information describing capital assets, see Note 5.

Compensated Absences

The City permits employees to carry forward unused vacation time from one calendar year to the next not to exceed forty (40) working days. Employees may accumulate sick leave throughout employment. Upon termination of employment, employees are paid for accumulated vacation and one half of accumulated sick leave computed at their hourly rate at the time of separation from service.

Long-term Obligations

In the government-wide financial statements and component unit proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities or component unit proprietary fund statement of net position. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period.

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property Tax

Taxes are levied in September and are payable through December 31 of each year, becoming delinquent as of January 31. The City bills and collects its own property taxes. City property tax revenues are recognized when levied to the extent that they are both measurable and available.

The 2023 tax rate was \$0.094 per \$100 assessed valuation for real property and \$0.094 per \$100 assessed valuation for tangible property. The City is permitted by the State Constitution to levy taxes up to \$0.75 per \$100 assessed valuation; however, according to statutes, the City may not increase the tax rate on real property by more than four percent per year (exclusive of assessment growth) without obtaining consent through referendum.

Motor vehicle taxes are due and collected in the birth month of the vehicle's licensee. They are collected by the County Clerk of Butler County and remitted to the City monthly.

Estimates

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

Subsequent Events

Management has evaluated subsequent events through September 10, 2025, the date financial statements were available to be issued.

NOTE 2. BUDGETARY INFORMATION

The Mayor submits an annual budget to the City Council in accordance with the City Charter and Kentucky Revised Statutes. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by the City Council. Total expenditures for a fund legally may not exceed the total appropriations. The budget is usually amended near year end.

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 3. CASH, CASH EQUIVALENTS, AND CUSTODIAL CREDIT RISK

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, and interest-bearing deposits of insured national or state banks.

Custodial credit risk is the risk that in an event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; letters of credit issued by federal home loan banks; bonds, notes, letters of credit, or other obligations of the U.S. Treasury, U.S. agencies, or instrumentalities of the state of Kentucky; bonds of any city of the first, second, and third classes, county, school district, or educational institution of the state of Kentucky; or surety bonds having an aggregate current face value or current quoted market value at least equal to the amount of the deposits in excess of amounts insured by the FDIC.

Deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

- Category 1 – insured
- Category 2 – collateralized with securities held by the pledging financial institution's trust department or agent in the City's name
- Category 3 – collateralized with securities held by the pledged financial institution in the institution's name
- Category 4 – uninsured

At June 30, 2024, the book balance of the City's deposits was \$3,011,076, and the bank balances totaled \$3,016,312. The book balance of the Utilities Commission's deposits and certificates of deposit was \$1,513,820 and the bank balance was \$1,521,903.

Deposits at June 30, 2024, categorized by level of risk were:

	Category 1	Category 2	Category 3	Category 4	Bank Balance	Book Balance
Primary government	\$ 622,287	\$ 2,394,025	\$ -0-	\$ -0-	\$ 3,016,312	\$ 3,011,076
Component unit	500,000	797,358	-0-	224,545	1,521,903	1,513,820
Total	\$ 859,344	\$ 2,552,728	\$ -0-	\$ -0-	\$ 3,412,072	\$ 3,250,363

NOTE 4. NOTE RECEIVABLE

The City of Morgantown agreed to loan Pride Plastics of Morgantown funds not to exceed \$150,000 for the expansion of their Morgantown operations. These funds are to be repaid over a ten-year period at 1.75% interest, consisting of 120 monthly payments. Repayment commenced when the final loan balance was determined. The total amount loaned by the City to the company was \$105,000. The balance of the loan as of June 30, 2024 was \$102,959. There were no repayments received in the current year or the preceding seven years. Because of the lack of payments, the City recorded an allowance for doubtful accounts of \$102,959.

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 5. CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2024:

Governmental Activities

	<u>Balance</u> <u>07-01-23</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06-30-24</u>
Capital assets not being depreciated:				
Land	\$ 2,176,718	\$ 103,661	\$ (150,850)	\$ 2,129,529
Capital assets being depreciated:				
Buildings and improvement	3,734,514	-0-	-0-	3,734,514
Infrastructure	9,464,509	249,155	-0-	9,713,664
Vehicles	1,087,999	119,978	(27,296)	1,180,681
Furniture, machinery, and equipment	<u>899,451</u>	<u>88,118</u>	<u>-0-</u>	<u>987,569</u>
Total capital assets being depreciated	17,363,191	560,912	(178,146)	17,745,957
Less: accumulated depreciation				
Buildings and improvement	(1,293,696)	(40,724)	-0-	(1,334,420)
Infrastructure	(1,540,248)	(315,312)	-0-	(1,855,560)
Vehicles	(681,628)	(95,164)	27,296	(749,496)
Furniture, machinery, and equipment	<u>(410,324)</u>	<u>(68,051)</u>	<u>-0-</u>	<u>(478,375)</u>
Total accumulated depreciation	<u>(3,925,896)</u>	<u>(519,251)</u>	<u>27,296</u>	<u>(4,417,851)</u>
Capital assets, net	<u>\$ 13,437,295</u>	<u>\$ 41,661</u>	<u>\$ (150,850)</u>	<u>\$ 13,328,106</u>

A summary of changes in capital assets of the Utilities Commission for 2024 is as follows:

Component Unit

	<u>Balance</u> <u>07-01-23</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06-30-24</u>
Capital assets not being depreciated:				
Land	\$ 161,084	\$ -0-	\$ -0-	\$ 161,084
Capital assets being depreciated:				
Buildings, tanks, and improvements	2,487,489	-0-	-0-	2,487,489
Distribution system	5,451,159	324,903	-0-	5,776,062
Furniture, machinery, and equipment	<u>767,142</u>	<u>4,850</u>	<u>-0-</u>	<u>771,992</u>
Total capital assets being depreciated	8,705,790	329,753	-0-	9,035,543
Less: accumulated depreciation				
Buildings, tanks, and improvements	(1,939,943)	(43,267)	-0-	(1,983,210)
Distribution system	(4,023,766)	(96,491)	-0-	(4,120,257)
Furniture, machinery, and equipment	<u>(577,729)</u>	<u>(36,567)</u>	<u>-0-</u>	<u>(614,296)</u>
Total accumulated depreciation	<u>(6,541,438)</u>	<u>(176,325)</u>	<u>-0-</u>	<u>(6,717,763)</u>
Capital assets, net	<u>\$ 2,325,436</u>	<u>\$ 153,428</u>	<u>\$ -0-</u>	<u>\$ 2,478,864</u>

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 6. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2024:

	<u>Balance</u> <u>07-01-23</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06-30-24</u>	<u>Current</u> <u>Portion</u>
General obligation lease (a)	3,005,833	-0-	(130,000)	2,875,833	132,083
Premium on lease (a)	<u>251,613</u>	<u>-0-</u>	<u>(14,043)</u>	<u>237,570</u>	<u>-0-</u>
Total governmental activities	<u>\$3,257,446</u>	<u>\$ -0-</u>	<u>\$(144,043)</u>	<u>\$3,113,403</u>	<u>\$ 132,083</u>

(a) General Obligation Lease – Kentucky Bond Corporation Series 2021B

On April 21, 2021, the city entered into a lease agreement with the Kentucky Bond Corporation to finance a capital project of significant renovation to the City park. Proceeds of the variable rate (3.00% to 3.75%) lease agreement totaled \$3,285,000. There was also a premium of \$280,870 associated with the lease, and it is amortized over the life of the lease.

Future minimum annual lease payments under this agreement at June 30, 2024 are as follows:

June 30,	Principal	Interest	Total
2025	\$ 132,083	\$ 93,915	\$ 225,998
2026	137,083	89,622	226,705
2027	142,083	85,167	227,250
2028	147,083	80,549	227,632
2029	152,083	75,769	227,852
2030 – 2034	835,417	301,453	1,136,870
2035 – 2039	984,583	156,327	1,140,910
2040 – 2041	<u>345,418</u>	<u>16,108</u>	<u>361,526</u>
	<u>\$ 2,875,833</u>	<u>\$ 898,910</u>	<u>\$ 3,774,743</u>

The following is a summary of changes in long-term debt of the Utilities Commission for the year ended June 30, 2024:

	<u>Balance</u> <u>07/01/23</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/24</u>	<u>Current</u> <u>Portion</u>
Huntington National Bank	\$ 56,836	\$ -0-	\$ (13,330)	\$ 43,606	\$ 13,862

In August 2022, the Commission entered into a five-year capital lease agreement with Huntington National Bank for the acquisition of a vacuum excavator. The financed amount of the lease was \$72,500. The interest rate is 4.68%, and the lease is payable in five annual installments of \$15,947. The lease ends in September 2027.

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 6. LONG-TERM OBLIGATIONS (Continued)

The future principal and interest lease payments as of June 30, 2024 are as follows:

June 30,	Principal	Interest	Total
2025	\$ 13,862	\$ 2,085	\$ 15,947
2026	14,525	1,422	15,947
2027	15,219	728	15,947
	<u>\$ 43,606</u>	<u>\$ 4,235</u>	<u>\$ 47,841</u>

NOTE 7. DEPRECIATION EXPENSE

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government	\$ 46,681
Police	67,621
Fire	21,496
Highways and streets	161,903
Recreational	210,900
Cemetery	2,210
Industrial Holding Corporation	8,440
	<u>\$ 519,251</u>
Component unit	
Utility Commission	<u>\$ 176,325</u>

NOTE 8. INTEREST EXPENSE

Interest expense was charged as a direct expense to governmental activities as follows:

General government	\$ 90,175
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NOTE 9. RISK MANAGEMENT – INSURANCE

The City and Utilities Commission are exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, employee injuries, and natural disasters. The City and Utilities Commission carry commercial insurance coverage for all risks of loss, including workers' compensation and natural disasters. Any settled claims have not exceeded this commercial coverage in the current year or any of the prior three years.

NOTE 10. PENSION PLAN

Plan Description

The City and Utilities Commission are participating employers of the County Employees' Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer defined benefit pension plan that covers substantially all regular full-time employees (members) employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the plan. Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority ("KPPA") administers the CERS. The plan issues publicly available financial statements on the KPPA website at <http://kyret.ky.gov/>.

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 10. PENSION PLAN *(Continued)*

The Plan is divided into both a pension plan and a health insurance fund plan (OPEB), and each plan is further subdivided based on non-hazardous and hazardous duty covered employee classifications. The City has both non-hazardous and hazardous employees, and the Utilities Commission has only non-hazardous employees.

Benefits Provided

CERS provides for retirement, disability, and death benefits to plan members. Members are vested in the plan after five years' service credit. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments ("COLA") are provided at the discretion of state legislature. Senate Bill 2 of 2013 eliminated all future COLAs unless state legislature so authorizes on a biennial basis and either (i) the system is over 100% funded or (ii) the state legislature appropriates sufficient funds to pay the increased liability for the COLA. For retirement purposes, employees are grouped into three tiers based on hire date. Tier 1 includes plan members whose participation began before September 1, 2008, Tier 2 includes plan members whose participation began on or after September 1, 2008 but before January 1, 2014, and Tier 3 includes plan members whose participation began on or after January 1, 2014.

Tier 1 non-hazardous members are eligible to retire with an unreduced retirement benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a benefit formula calculation based on final compensation multiplied by a benefit factor multiplied by years of service. Tier 1 final compensation is the average of the five highest years' earnings, the benefit factor is 2.20% for members participating prior to August 1, 2004, and 2.00% for members participating on or after August 1, 2004 and before September 1, 2008.

Reduced benefits for early retirement are available at age 55 with five years' service credit or at age 57 based on the Rule of 87 – sum of service years plus age equal to 87. Final compensation for Tier 2 benefit formula calculation is the average of the last complete five years' earnings, and the benefit factor is an increasing percentage based on service at retirement plus 2.00% for each year of service over 30. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 non-hazardous members are eligible to retire with an unreduced retirement benefit at age 65 with five years' service credit or at age 57 based on the Rule of 87. Tier 3 members are not eligible for reduced retirement benefits. Tier 3 is a hybrid cash balance plan. When a member is eligible to retire, the benefit is calculated based on the member's accumulated account balance. A member earns service credit for each month contributing to the plan. Upon retirement, the hypothetical account, which includes member contributions, employer contributions, and interest credits, can be withdrawn in a lump sum or annuitized into a single life annuity option.

Tier 1 hazardous members are eligible to retire with an unreduced retirement benefit at age 55 with five years of service credit or after 20 years of service credit regardless of age. Benefits are determined by the benefit formula detailed above. The calculation is based on an average of the three highest years' earnings, a 2.50% benefit factor, and years of service. Reduced benefits for early retirement are available at age 50 with 15 years of service credit. Tier 2 hazardous members are eligible to retire at any age with 25 years of service or at age 60 with 5 years of service credit. The benefit formula calculation is based on an average of the three highest complete years' earnings, an increasing percent benefit factor based on service at retirement, and years of service. Tier 3 hazardous members are also eligible to retire at any age with 25 years of service or at age 60 with 5 years of service. Tier 3 members are not eligible for reduced retirement benefits.

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 10. PENSION PLAN *(Continued)*

Death benefits are provided for both death after retirement and death prior to retirement. Members receiving a monthly benefit based on at least four years of creditable service are eligible for a \$5,000 death benefit. Beneficiaries of deceased members are eligible for a monthly benefit if the member was (i) eligible for retirement at the time of death or, (ii) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or, (iii) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

Members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004 but before January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the higher of 20% of the final rate of pay or the amount calculated under the benefit formula based upon actual service. Members participating on or after January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account, which includes member contributions, employer contributions, and interest credits, can be withdrawn as a lump sum or an annuity equal to the larger of 20% of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

CERS Contributions

Employee contribution rates are set by statutes governing the Kentucky Retirement System and may only be changed by the Kentucky General Assembly. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statutes Section 61.565(3), normal contribution and actuarially accrued liability contribution rates shall be determined by the Board of Trustees on the basis of annual actuarial valuation last preceding the July 1 of a new biennium.

The Board may amend contribution rates as of July of the second year of a biennium if it determines on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with the actuarial basis adopted by the Board. The normal contribution rate (the percentage computed of employee creditable compensation) shall be determined by the entry age normal cost funding method. The actuarially accrued liability shall be determined by actuarial method consistent with the methods prescribed for determining the normal contribution rate. The actuarially accrued liability contribution shall be computed by amortizing the total unfunded actuarially accrued liability over a period of 30 years using the level-percentage-of-payroll amortization method. Administrative costs of CERS are financed through employer contributions and investment earnings.

Plan members participating in CERS on or before August 31, 2008 (Tier 1), with non-hazardous and hazardous duty positions, were required to contribute 5% and 8%, respectively, of their annual creditable compensation. For plan members who began participating on or after September 1, 2008 but before January 1, 2014 (Tier 2), with non-hazardous and hazardous duty positions, contribution rates were 6% and 9%, respectively, of annual creditable compensation. The additional 1% is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (Kentucky Administrative Regulation 105 KAR 1:420E). Plan members participating in CERS on or after January 1, 2014 (Tier 3) were required to contribute to the hybrid cash balance plan. Plan members and employers contribute a set percentage of creditable compensation into the member's account. Members contribute 5% (non-hazardous) and 8% (hazardous) of their annual creditable compensation and 1% to the health insurance fund, which is not credited to the member's account and is not refundable. Employers contribute 4% (non-hazardous) and 7.5% (hazardous) of creditable compensation into the member's hypothetical account.

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 10. PENSION PLAN (Continued)

For the year ended June 30, 2024, the City contributed 23.34% non-hazardous (23.34% for the pension fund and 0.00% for insurance) and 43.69% hazardous (41.11% for the pension fund and 2.58% for insurance) of each employee's creditable compensation to CERS, in accordance with its actuarially determined contribution rate. The City's employer contributions to CERS for pension benefits were \$264,035 (\$108,000 non-hazardous and \$156,035 hazardous) for the year ended June 30, 2024.

Pension Liabilities, Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2024, the City reported a liability of \$2,580,982 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and rolled-forward using generally accepted actuarial principles. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the City's proportionate share was 0.014332% for non-hazardous and 0.061624% for hazardous.

For the year ended June 30, 2024, the City recognized pension expense of \$187,694 in addition to its pension fund contributions of \$264,035. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 123,557	\$ 2,499
Changes of assumptions	-0-	214,031
Difference between projected and actual earnings on plan investments	247,296	276,507
Changes in proportion and differences between employer contributions and proportionate share of contributions	436,596	1,844
Company contributions subsequent to the measurement date	<u>264,035</u>	<u>-0-</u>
	<u>\$ 1,071,484</u>	<u>\$ 494,881</u>

The \$264,035 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2024	\$ 122,826
2025	80,778
2026	119,022
2027	<u>(10,059)</u>
	<u>\$ 312,567</u>

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 10. PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled forward from the valuation date to the measurement period ending June 30, 2023, using generally accepted actuarial principles.

The Board of Trustees adopted new actuarial assumptions for the period ended June 30, 2021. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2020". The total pension liability as of June 30, 2023, was determined using these updated assumptions. The assumptions are:

Inflation	2.30%
Salary increases	3.30% to 10.30%
Payroll growth rate	2.00%
Investment rate of return	6.25%

The mortality table used for active members was a Pub-2010 General Mortality table for the non-hazardous system projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy (non-disabled) retired members was a system specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rate from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equity	50.00%	5.90%
Private equity	10.00%	11.73%
Core fixed income	10.00%	2.45%
Specialty credit	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	<u>13.00%</u>	5.15%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 6.50% for the year ended June 30, 2023. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the KPPA Board of Trustees as required to be paid by state statute.

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 10. PENSION PLAN (Continued)

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
Non-hazardous	\$ 1,161,084	\$ 919,626	\$ 718,966
Hazardous	<u>2,097,858</u>	<u>1,661,356</u>	<u>1,304,832</u>
Total	<u>\$ 3,258,942</u>	<u>\$ 2,580,982</u>	<u>\$ 2,023,798</u>

Payable to the Pension Plan

At June 30, 2024, the City reported a payable of \$45,202 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

NOTE 11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Employees of the City are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing, multiple-employer defined benefit OPEB plan. The Insurance Fund is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS), pursuant to Kentucky Revised Statute Section 61.645 and covers substantially all regular full-time City employees (members). KRS issues publicly available financial statements on the KRS website at <http://kyret.ky.gov/>.

Benefits Provided

The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgement, the welfare of the Commonwealth so demands.

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Contributions

The contribution requirements of the participating employers are established and may be amended by the KPPA Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2024 was 0.00% (non-hazardous) and 2.58% (hazardous) of covered payroll. Contributions to the Insurance Fund were \$9,793 (\$0 non-hazardous and \$9,793 hazardous) for the year ended June 30, 2024. Employees that entered the plan prior to September 1, 2008, are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008, are required to contribute 1% of their annual creditable compensation, which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2022. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2024, the City's proportion was 0.014332% (non-hazardous) and 0.061583% (hazardous).

Net OPEB Liability

At June 30, 2024, the City reported a liability of \$64,472 for its proportionate share of the net OPEB liability. The City's net OPEB liability was measured as of June 30, 2023 and was based on an actuarial valuation date as of June 30, 2022. The net OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%
Investment rate of return	6.25%
Healthcare cost trend rates (Pre-65)	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to ultimate trend rate of 4.05% over a period of 13 years.
Healthcare cost trend rates (Post-65)	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to ultimate trend rate of 4.05% over a period of 13 years.

The mortality table used for active members was a Pub-2010 General Mortality table for the non-hazardous system projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy (non-disabled) retired members was a system specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rate from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled member was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	50.00%	5.90%
Private equity	10.00%	11.73%
Core fixed income	10.00%	2.45%
Specialty credit	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	<u>13.00%</u>	5.15%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 5.93% for non-hazardous employees. The discount rate used to measure the total OPEB liability was 5.97% for hazardous employees. The discount rate is based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.86% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. Based on the state assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance future benefit payments of current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system.

However, the cost associated with the implicit employer subsidy was not included in the calculation of the retirement plan's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the retirement plan's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal real rates of return for each major asset class are summarized in the KPPA financial report.

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

The following presents the City's proportionate share of the collective net OPEB liability calculated using the discount rate of 5.93% (non-hazardous) and 5.97% (hazardous), as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.93% and 4.97%) or 1-percentage-point higher (6.93% or 6.97%) than the current rate:

	1% Decrease	Current Rate	1% Increase
Non-hazardous	\$ 37,134	\$ (19,788)	\$ (67,452)
Hazardous	<u>213,094</u>	<u>84,260</u>	<u>(23,094)</u>
Total	<u>\$ 250,228</u>	<u>\$ 64,472</u>	<u>\$ (90,546)</u>

CITY OF MORGANTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the City's proportionate share of the collective net OPEB liability as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Rate	1% Increase
Non-hazardous	\$ (63,423)	\$ (19,788)	\$ 33,814
Hazardous	<u>960</u>	<u>84,260</u>	<u>184,861</u>
Total	<u>\$ (62,463)</u>	<u>\$ 64,472</u>	<u>\$ 218,705</u>

OPEB Expense, Deferred Outflows of Resources - OPEB, and Deferred Inflows of Resources - OPEB

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 21,146	\$ 628,343
Changes of assumptions	96,474	114,975
Difference between projected and actual earnings on plan investments	113,718	129,914
Changes in proportion and differences between employer contributions and proportionate share of contributions	143,561	6,708
City contributions subsequent to the measurement date	<u>9,793</u>	<u>-0-</u>
	<u>\$ 384,692</u>	<u>\$ 879,940</u>

The \$9,793 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2024	\$ (111,899)
2025	(134,315)
2026	(94,061)
2027	(119,088)
2028	<u>(45,409)</u>
	<u>\$ (504,772)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MORGANTOWN, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – GENERAL FUND
Year Ended June 30, 2024

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Property taxes	\$ 230,000	\$ 230,000	\$ 397,300	\$ 167,300
Licenses and permits	35,500	35,500	96,899	61,399
Intergovernmental revenue	71,500	71,500	96,947	25,447
Insurance fees	250,000	250,000	468,305	218,305
Occupational fees	1,800,000	1,800,000	2,319,679	519,679
Grants	910,500	910,500	11,500	(899,000)
Interest income	3,250	3,250	38,009	34,759
Charges for services	19,500	19,500	65,382	45,882
Other revenues	<u>113,200</u>	<u>113,200</u>	<u>136,613</u>	<u>23,413</u>
Total revenues	<u>3,433,450</u>	<u>3,433,450</u>	<u>3,630,634</u>	<u>197,184</u>
Expenditures				
General government	2,222,500	2,222,500	1,339,162	883,338
Police	1,243,900	1,243,900	938,641	305,259
Fire	108,150	108,150	26,719	81,431
Highways and streets	853,000	853,000	671,010	181,990
Recreational	709,200	709,200	570,917	138,283
Cemetery	<u>44,500</u>	<u>44,500</u>	<u>27,223</u>	<u>17,277</u>
Total expenditures	<u>5,181,250</u>	<u>5,181,250</u>	<u>3,573,672</u>	<u>1,607,578</u>
Excess (deficit) of revenues over (under) expenditures	(1,747,800)	(1,747,800)	56,962	1,804,762
Other financing sources				
Proceeds from disposition of capital asset	-0-	-0-	117,985	117,985
Transfers in	<u>366,000</u>	<u>366,000</u>	<u>347,414</u>	<u>(18,586)</u>
Total other financing sources	<u>366,000</u>	<u>366,000</u>	<u>465,399</u>	<u>99,399</u>
Net change in fund balance	(1,381,800)	(1,381,800)	522,361	1,904,161
Fund balance, beginning of year	<u>1,604,105</u>	<u>1,604,105</u>	<u>1,604,105</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 222,305</u>	<u>\$ 222,305</u>	<u>\$ 2,126,466</u>	<u>\$1,904,161</u>

CITY OF MORGANTOWN, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – TOURISM SPECIAL REVENUE FUND
Year Ended June 30, 2024

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Restaurant transient tax	\$ 340,000	\$ 340,000	\$ 359,698	\$ 19,698
Interest income	<u>-0-</u>	<u>-0-</u>	<u>1,365</u>	<u>1,365</u>
Total revenues	340,000	340,000	361,063	21,063
Expenditures				
Recreational	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess (deficit) of revenues over (under) expenditures	340,000	340,000	361,063	21,063
Other financing uses				
Transfers out	<u>(366,000)</u>	<u>(366,000)</u>	<u>(347,414)</u>	<u>18,586</u>
Total other financing uses	<u>(366,000)</u>	<u>(366,000)</u>	<u>(347,414)</u>	<u>18,586</u>
Net change in fund balance	(26,000)	(26,000)	13,649	39,649
Fund balance, beginning of year	<u>83,699</u>	<u>83,699</u>	<u>83,699</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 57,699</u>	<u>\$ 57,699</u>	<u>\$ 97,348</u>	<u>\$ 39,649</u>

CITY OF MORGANTOWN, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – IHC SPECIAL REVENUE FUND
For the Year Ended June 30, 2024

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Rent	\$ 7,200	\$ 7,200	\$ 7,500	\$ 300
Interest income	<u>1,000</u>	<u>1,000</u>	<u>9,122</u>	<u>8,122</u>
Total revenues	8,200	8,200	16,622	8,422
Expenditures				
Industrial development	<u>124,000</u>	<u>124,000</u>	<u>0</u>	<u>124,000</u>
Total expenditures	<u>124,000</u>	<u>124,000</u>	<u>0</u>	<u>124,000</u>
Net change in fund balance	(115,800)	(115,800)	16,622	132,422
Fund balance, beginning of year	<u>479,938</u>	<u>479,938</u>	<u>479,938</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 364,138</u>	<u>\$ 364,138</u>	<u>\$ 496,560</u>	<u>\$ 132,422</u>

CITY OF MORGANTOWN, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	2024	2023	2022	2021	2020	2019	2018
Proportion of total net pension liability	0.027017%	0.021755%	0.019025%	0.019073%	0.019052%	0.015836%	0.016489%
Proportionate share of the net pension liability	\$ 2,580,982	\$ 2,345,048	\$ 1,803,194	\$ 2,108,440	\$ 1,949,174	\$ 1,410,811	\$ 1,473,636
Covered employee payroll	\$ 842,280	\$ 899,096	\$ 682,282	\$ 542,682	\$ 557,547	\$ 531,154	\$ 461,040
Share of the net pension liability (asset) as a % of its covered payroll	240.28%	260.82%	264.29%	388.52%	349.60%	265.61%	319.63%
Plan fiduciary net position as a % of total pension liability	45.18%	52.42%	55.95%	46.82%	49.43%	52.40%	52.40%

SCHEDULE OF PENSION CONTRIBUTIONS

	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 264,035	\$ 293,912	\$ 184,215	\$ 132,600	\$ 134,868	\$ 107,665	\$ 124,902
Actual contribution	(264,035)	(293,912)	(184,215)	(132,600)	(134,868)	(107,665)	(124,902)
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered employee payroll	\$ 842,280	\$ 899,096	\$ 682,282	\$ 542,682	\$ 557,547	\$ 531,154	\$ 461,040
Contributions as a % of covered employee payroll	31.35%	32.69%	27.00%	24.43%	24.19%	20.27%	27.09%

Notes:

- These schedules are intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
- The amounts presented for each fiscal year were determined (measured) as of June 30 of the fiscal year presented.

CITY OF MORGANTOWN, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	2024	2023	2022	2021	2020	2019	2018
Proportion of net OPEB liability	(0.051838%)	0.024073%	0.020772%	0.020750%	0.020624%	0.015862%	0.017990%
Proportionate share of the net OPEB liability	\$ 64,472	\$ 649,226	\$ 545,428	\$ 652,700	\$ 501,191	\$ 414,098	\$ 538,762
Covered employee payroll in year of measurement	\$ 842,280	\$ 899,096	\$ 682,282	\$ 542,682	\$ 557,547	\$ 531,154	\$ 461,040
Share of the net OPEB liability (asset) as a % of its covered payroll	7.65%	72.21%	79.94%	120.27%	89.89%	77.96%	116.86%
Plan fiduciary net position as a % of total OPEB liability	119.62%	60.95%	62.91%	53.89%	61.75%	59.76%	54.52%

SCHEDULE OF OPEB CONTRIBUTIONS

	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 9,793	\$ 45,067	\$ 54,136	\$ 38,157	\$ 38,599	\$ 40,895	\$ 33,300
Actual contribution	(9,793)	(45,067)	(54,136)	(38,157)	(38,599)	(40,895)	(33,300)
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered employee payroll	\$ 842,280	\$ 899,096	\$ 682,282	\$ 542,682	\$ 557,547	\$ 531,154	\$ 461,040
Contributions as a % of covered employee payroll	1.16%	5.01%	7.93%	7.03%	6.92%	7.70%	7.22%

Notes:

- These schedules are intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
- The amounts presented for each fiscal year were determined (measured) as of June 30 of the fiscal year presented.

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

Honorable Mayor and the City Council
City of Morgantown, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Morgantown, Kentucky as of and for the year ended June 30, 2024 and the related notes to the financial statements, and have issued our report thereon dated September 10, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Morgantown, Kentucky'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 City of Morgantown, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Morgantown, Kentucky's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Morgantown, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hensley & Throneberry, CPAs
September 10, 2025