CITY OF PINEVILLE
Pineville, Kentucky

REPORT OF AUDIT
Year Ended June 30, 2026

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INDEPENDENT AUDITOR'S REPORT

August 20, 2026

Mayor and City Council
City of Pineville
Pineville, Kentucky

Report on the Audit of the Financial Statements

Opinions

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, 2026, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, as of June 30, 2026, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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. 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, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – 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.

Responsibilities of Management 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; and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter – Primary Government

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, 2026, the changes in its financial position thereof for the year ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis (unaudited) and budgetary comparison information 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 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.

Supplementary 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 accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 August 20, 2026, on our consideration of the City of Pineville'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 Pineville's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pineville'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, 2026

The purpose of management's discussion and analysis (MD&A) is to help City residents and other readers understand what the financial statements and notes in this financial report say about the City's financial health and why it changed since last year. It contains information drawn from other parts of the report, accompanied by explanations.

If you have questions about this report or require further information, contact the City Clerk's Office at pinevillecity@gmail.com or 606-337-2958.

Overview of the Financial Statements

The City's financial report contains basic financial statements. Those financial statements present the City's finances at both an overall and a detailed level. The *government-wide financial statements* cover the City's governmental activities and business-type activities (together, the *primary government*). The City does not have any business-type activities.

- *Governmental activities* comprise the City's most basic functions, such as public safety, recreation, and social and economic development. Governmental activities primarily are financed by taxes paid by City residents and businesses and grants from the State of Kentucky and the federal government.

The remaining basic financial statements present the City's finances in greater detail. As their name implies, the *fund financial statements* disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The City reports one group of funds:

- *Governmental fund financial statements* report all of the governmental activities except those that involve providing services to City departments. In addition to the City's main operating *fund* – the general fund – those financial statements report special revenue funds to track the use of the City's restricted tax for public safety and special events, and other funds to report state grants and other restricted revenue.

The next section of this financial report contains notes to financial statements, which delve deeper into the City's finances as reported in the financial statements. The information in the notes is as important to understanding the City's finances as the information in the financial statements. The City uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

Types of Information in the Financial Statements

All of the City's financial statements, except for the governmental fund financial statements, use the economic resources *measurement focus and cash basis of accounting*. In other words, they comprehensively report all types of financial statement elements:

- *Assets* – resources the City controls, from short-term assets like cash to long-term assets like buildings, equipment and infrastructure.
- *Liabilities* – amounts the City owes, from short-term liabilities such as lines of credit payable to long-term liabilities such as outstanding debt.
- *Revenues and expenses* – inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the current financial resources measurement focus and the cash basis of accounting to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on the construction or acquisition of capital assets.

	Financial Statements	
	Government-Wide	**Governmental Fund**
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short term and long term.	Only current financial resources, such as cash and due (to) froms other funds.
Types of revenues/additions	All types of revenues/additions that flow into the government during the year that relate to that year, regardless of when cash is received.	Only revenues that are measurable and available to finance expenditures of that year
Types of expenses/deductions /expenditures	All types of expenses/deductions that flow out of the government during the year that related to that year, regardless of when cash is paid.	Only revenues for which the related governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the government during the year that relate to a future year.	Current financial resources that flow into and out of the governmental funds during the year that relate to a future year

More detail about the measurement focuses and bases of accounting can be found in the first note to the basic financial statements, the summary of significant accounting policies.

Analysis of the City's Finances

	NET POSITION		Total Percentage Change
	Governmental Activities		
	2026	2025	2026-2025
Current and other assets	$ 2,146,104	$ 1,702,046	26.09%
Capital assets, net	6,550,546	5,497,915	19.15%
Total assets	8,696,650	7,199,961	20.79%
Long-term liabilities	-	-	-%
Other liabilities	11,222	9,940	12.90%
Total liabilities	11,222	9,940	12.90%
Net position			
Net investment in capital assets	6,550,546	5,492,415	19.27%
Restricted	697,212	357,496	95.03%
Unrestricted	1,437,670	1,340,110	7.28%
Total net position	$ 8,685,428	$ 7,190,021	20.80%

As of June 30, 2026, the City's total net position – assets minus liabilities – was $8,685,428, an increase of $1,495,407 or 20.80 percent compared with 2025. This increase is primarily due to a $1,058,131 or 19.27 percent increase in the net investment in capital assets, a $339,716 or 95.03 percent increase in the restricted net position and a $97,560 or 7.28 percent increase in the unrestricted net position. Most of the increase in net position was the result of the financial performance of the governmental activities. The following sections of MD&A analyze the finances of the governmental activities.

Governmental activities

Revenues continued to exceed expenses in the current year, resulting in an increase in net position. The total net position of the City's governmental activities was $8,685,428, an increase of $1,495,407 or 20.80 percent from 2025. Various events contributed to this increase in net position; however, the three primary factors affecting the change in net position are as follows:

(1) Decreases in capital grants and contributions.
(2) Growth in various revenues due to the strength of the national and local economies.
(3) Increases in expenses for certain programs and functions, primarily the street and parks/recreation departments.

CHANGES IN NET POSITION

	Governmental Activities		Total Percentage Change
Program revenues:	2026	2025	2026-2025
Charges for services	$ 302,192	$ 287,771	5.01 %
Operating grants and contributions	138,878	150,205	(7.54)%
Capital grants and contributions	1,568,194	3,239,174	(51.59)%
General revenues:			
Occupational taxes	779,546	729,691	6.83 %
Property taxes	166,401	163,850	1.56 %
Municipal insurance	358,469	330,315	8.52 %
Payments in lieu of taxes	27,830	30,536	(8.86)%
Earnings on investments	85,384	70,594	20.95 %
Taxes	585,323	554,128	5.63 %
Total revenues	4,012,217	5,556,264	(27.79)%
General government	492,414	431,599	14.09 %
Police department	496,629	498,801	(.44)%
Fire department	407,098	390,066	4.37 %
Street department	610,263	428,978	42.26 %
Sanitation department	73,880	67,923	8.77 %
Parks/Recreation department	67,970	24,602	176.28 %
Special projects and events	368,556	330,294	11.58 %
Total expenses	2,516,810	2,172,263	15.86 %
Change in net position	1,495,407	3,384,001	(55.81)%
Net position, beginning of year	7,190,021	3,806,020	88.91 %
Net position, end of year	$ 8,685,428	$ 7,190,021	20.80 %

Growth in intergovernmental grant revenues

There was a notable decrease in 2026 in capital grants and contributions. Capital grants and contributions, which account for 39.08 percent of overall revenues for governmental activities, had a decrease of $1,670,980 or 51.59 percent from 2025 to 2026.

Increases in revenue due to economic growth

The strength of the City economy has resulted in growth of several of the City's most significant revenue sources. Property taxes, which are 4.15 percent of the City's governmental activities revenue sources, rose slightly, increasing 1.56 percent.

Other taxes include franchise taxes, municipal insurance taxes, payments in lieu of taxes, restaurant and alcohol license and regulatory fees, which are the City's next largest revenue sources from taxes. These taxes total $971,622 in 2026, a slight increase of $56,643, or 6.19 percent, from 2025. These taxes account for 24.22 percent of the governmental activities revenue sources in 2026.

Lastly, earnings on the City's cash and cash equivalents, which were 2.13 percent of the governmental activities revenues, rose 20.95 percent from the prior year as local economic growth extended throughout all of 2026 leading to more cash to invest. The value of the City's cash and cash equivalents related to governmental activities increased 26.37 percent last year, accounting for the majority of the overall 26.09 percent increase in current assets.

Occupational tax

The largest single source of governmental activities revenue for the City is the occupational tax, which amounted to $779,546 in 2026 or 19.43 percent of total revenue for the governmental activities. Occupational tax revenue increased 6.83 percent in 2026.

Growth in expenses

The decreases in overall revenue were accompanied by a slight increase in the City's costs of providing services. Governmental activities expenses rose 15.86 percent overall. Most notably, capital outlay expenses were $1,348,370 in 2026. As a result, capital outlay expenses represented 37.78 percent of total expenses; by contrast, they were 64.78 percent of expenses in 2025.

Expenses for special projects and events, at 14.64 percent of total expenses, increased 11.58 percent in 2026. The expense increase in this area related primarily to parks, playgrounds, and other recreation facilities.

Governmental funds

The city reports two major funds individually in the governmental fund financial statements. Those funds are the general fund and various special revenue funds. Most of the discussion regarding governmental activities is equally applicable to the finances of those governmental funds. However, certain factors that are relevant to the City's current financial health are more apparent in the fund financial statements than in the government-wide financial statements. Those two major funds are discussed in more detail below.

REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

	General Fund		Special Revenue Funds	
	2026	2025	2026	2025
Total Revenues	$ 1,874,761	$ 1,789,751	$ 866,488	$ 1,578,946
Total Expenditures	1,857,298	1,735,372	1,712,143	3,711,749
Excess (deficiency) of revenues over expenditures	17,463	54,379	(845,655)	(2,132,803)
Other Financing Sources (Uses)				
Grant proceeds	-	-	1,270,968	2,187,567
Transfers in	85,597	80,000	-	17,500
Transfers out	-	-	(85,597)	(97,500)
Total other financing sources (uses)	85,597	80,000	1,185,371	2,107,567
Net change in fund balances	103,060	134,379	339,716	(25,236)
Fund balances, beginning of year	1,334,610	1,200,231	357,496	382,732
Fund balances, end of year	$ 1,437,670	$ 1,334,610	$ 697,212	$ 357,496

Fund balance represents the financial standing of a governmental fund as of the end of the fiscal year from a short-term perspective.

General fund

The fund balance of the City's general fund increased by 7.72 percent. This increase in fund balance is attributable to a slight growth in revenues (previously discussed), and was offset by a slight increase in expenditures.

Special revenue funds

The fund balance of the City's special revenue funds increased by 95.03 percent. This increase in fund balance is attributable to a slight growth in tax revenues (previously discussed), a decrease in lease proceeds of $754,381 or 71.74 percent, a decrease in grant proceeds of $916,599 or 41.90 percent, and a reduction in capital outlay expenditures of $2,086,954 or 60.75 percent from 2025.

Significant capital asset and long-term financing activity

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term debt. Overall, the carrying value of capital assets – original cost minus accumulated depreciation – increased 19.15 percent over 2025. However, that change does not completely capture the substantial amount of capital investment activity that occurred in 2026.

The City's governmental activities had $3,167,084 in its beginning balance of construction in progress. Of that amount, the City put $3,153,322 into operation during the year and, therefore, reclassified that amount to the other capital asset classifications of buildings and improvements. This resulted in an ending balance of construction in progress of $13,762. The City also had capital asset activity for other buildings and improvements, both general City and recreational facilities, vehicles and equipment of $1,455,280 in 2026. Many of the completed and ongoing capital projects are a part of the City-wide street improvement programs.

The City has no long-term debt.

Currently known facts, decisions, or conditions

The City is aware of two developments that will have an impact on the City's finances in the future and were therefore incorporated into next year's budget:

(1) Pineville Utility Commission switching from a component unit to a department of the City
(2) Pension plan changes.

New Department for the City

The Pineville Utility Commission will become a new department of the City in 2027.

Pension plan changes

The City provides pension benefits to its employees through the County Employees Retirement System, a cost-sharing defined benefit plan administered by the State of Kentucky. The System typically revises certain assumptions that factor into the measurement of the total pension liability for all participating governments in the plan, including lowering the long-term expected rate of return on plan investments (and, thereby, the discount rate) and utilizing updated mortality tables with longer life expectancies. The changes would be effective for future fiscal years.

It is expected that the change in the discount rate will slightly decrease the City's contractually required contribution for the fiscal year beginning July 1, 2026.

CITY OF PINEVILLE
Pineville, Kentucky

STATEMENT OF NET POSITION – CASH BASIS
June 30, 2026

ASSETS	Primary Government Governmental Activities
CURRENT ASSETS	
Cash and cash equivalents	$ 1,970,653
Due (to) from component unit	175,451
Total current assets	2,146,104
NONCURRENT ASSETS	
Capital assets, net	6,550,546
Total noncurrent assets	6,550,546
TOTAL ASSETS	8,696,650
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Credit card payables	11,222
Line of credit	-
Total current liabilities	11,222
TOTAL LIABILITIES	11,222
NET POSITION	
Net investment in capital assets	6,550,546
Restricted	697,212
Unrestricted	1,437,670
TOTAL NET POSITION	$ 8,685,428

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, 2026

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES: Charges for Services and Sales	PROGRAM REVENUES: Operating Grants and Contributions	PROGRAM REVENUES: Capital Grants and Contributions	NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION: Total
GOVERNMENTAL ACTIVITIES:					
General government	$ 492,414	$ 91,359	$ 7,160	$ -	$ (393,895)
Police department	496,629	-	54,073	-	(442,556)
Fire department	407,098	-	38,982	-	(368,116)
Street department	610,263	-	26,683	-	(583,580)
Sanitation department	73,880	110,224	-	-	36,344
Parks/Recreation department	67,970	-	-	-	(67,970)
Special projects and events	368,556	100,609	11,980	1,568,194	1,312,227
TOTAL GOVERNMENTAL ACTIVITIES	2,516,810	302,192	138,878	1,568,194	(507,546)
TOTAL PRIMARY GOVERNMENTAL	$ 2,516,810	$ 302,192	$ 138,878	$ 1,568,194	(507,546)

GENERAL REVENUES	
Taxes	
Property	166,401
Franchise	179,881
Municipal insurance	358,469
Occupational	779,546
Payment in lieu of taxes	27,830
Restaurant	299,609
Alcohol license and regulatory fees	105,833
Earnings on investments	85,384
Total general revenues	2,002,953
Transfers (to) from component unit	-
Total general revenues and transfers	2,002,953
Change in net position	1,495,407
Net position, July 1, 2025	7,190,021
Net position, June 30, 2026	$ 8,685,428

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

CITY OF PINEVILLE
Pineville, Kentucky

BALANCE SHEET
GOVERNMENTAL FUNDS – CASH BASIS
June 30, 2026

	General Fund	Special Revenue Funds	Total Governmental Funds
ASSETS AND RESOURCES			
Cash and cash equivalents	$ 1,275,730	$ 694,923	$ 1,970,653
Due (to) from component unit	175,451	-	175,451
Due (to) from other funds	(2,289)	2,289	-
TOTAL ASSETS AND RESOURCES	$ 1,448,892	$ 697,212	$ 2,146,104
LIABILITIES AND FUND BALANCES			
Credit card payables	$ 11,222	$ -	$ 11,222
Restricted			
Municipal roads	-	41,428	41,428
Economic development	-	38,420	38,420
Tourism and recreation	-	222,850	222,850
Public safety	-	216,697	216,697
Capital outlay	-	177,817	177,817
Unassigned	1,437,670	-	1,437,670
TOTAL LIABILITIES AND FUND BALANCES	$ 1,448,892	$ 697,212	$ 2,146,104

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, 2026

Total Fund Balances – Governmental Funds	$ 2,134,882
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.	6,550,546
Total Net Position – Governmental Funds	$ 8,685,428

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, 2026

	General Fund	Special Revenue Funds	Total Governmental Funds
REVENUES			
Taxes			
Property	$ 166,401	$ -	$ 166,401
Franchise	179,881	-	179,881
Municipal insurance	358,469	-	358,469
Occupational	779,546	-	779,546
Payment in lieu of taxes	27,830	-	27,830
Restaurant	-	299,609	299,609
Alcohol license and regulatory fees	-	105,833	105,833
Intergovernmental revenues	-	33,843	33,843
Opioid settlement	-	11,980	11,980
Lease proceeds	-	297,226	297,226
Sanitation department	110,224	-	110,224
Police department	54,073	-	54,073
Fire department	38,982	-	38,982
Earnings on investments	55,112	30,272	85,384
General government	91,359	-	91,359
Other state and local revenues	12,884	87,725	100,609
TOTAL REVENUES	1,874,761	866,488	2,741,249
EXPENDITURES			
General government	400,605	-	400,605
Police department	450,341	12,510	462,851
Fire department	366,094	-	366,094
Street department	522,097	21,720	543,817
Sanitation department	73,880	-	73,880
Parks/Recreation department	13,270	-	13,270
Lease payments	-	77,876	77,876
Capital outlay	-	1,348,370	1,348,370
Special projects/events	31,011	251,667	282,678
TOTAL EXPENDITURES	1,857,298	1,712,143	3,569,441
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,463	(845,655)	(828,192)

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 (CONTINUED)
Year Ended June 30, 2026

	General Fund	Special Revenue Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
State grant proceeds – HB1	-	1,000,000	1,000,000
KY250 Commission grant proceeds	-	10,000	10,000
Appalachian Regional Commission grant proceeds	-	260,968	260,968
Operating transfers in	85,597	-	85,597
Operating transfers out	-	(85,597)	(85,597)
TOTAL OTHER FINANCING SOURCES (USES)	85,597	1,185,371	1,270,968
Net change in fund balances	103,060	339,716	442,776
Fund balances, July 1, 2025	1,334,610	357,496	1,692,106
Fund balances, June 30, 2026	$ 1,437,670	$ 697,212	$ 2,134,882

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, 2026

Net Change In Fund Balances per Fund Financial Statements		$ 442,776
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	$ 1,455,280	
Depreciation	(402,649)	1,052,631
Change In Net Position of Governmental Activities		$ 1,495,407

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

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.

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.

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:

Description	Useful Life
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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement Number 103, Financial Reporting Model Improvements, became effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The City adopted this pronouncement in this fiscal year.

GASB Statement Number 104, Disclosure of Certain Capital Assets, became effective for fiscal years that end June 30, 2026, and all reporting periods thereafter. The City adopted this pronouncement this year.

NOTE 2 – DESCRIPTION AND CONTRIBUTION INFORMATION – COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)

CERS for financial reporting purposes, is composed of four plans – two defined benefit pension plans, and two OPEB plans: CERS Nonhazardous pension plan, CERS Hazardous pension plan, CERS Nonhazardous insurance plan, and CERS Hazardous insurance plan. Each of the Pension and OPEB plans are legally separated with benefits only eligible to be paid for each of the respective membership groups and are cost-sharing multiple-employer plans.

The pension plans were established by Kentucky Revised Statutes 78.520, to be known as the "County Employees Retirement System" to provide retirement, disability, and death benefits to system members. The CERS Nonhazardous plan was established to provide retirement benefits to all regular full-time employees employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in CERS. The membership of the CERS Hazardous plan includes employees whose position is considered hazardous with principal job duties including, but are not limited to, active law enforcement, probation and parole officers, detectives, pilots, paramedics, and emergency medical technicians, with duties that require frequent exposure to a high degree of danger and also require a high degree of physical condition. Retirement benefits may be extended to beneficiaries of members under certain circumstances.

The OPEB plans are part of the Kentucky Retirement Systems Insurance Trust Fund (Insurance Fund), established by Kentucky Revised Statutes 61.701 for eligible members receiving benefits from CERS Nonhazardous and CERS Hazardous. The Insurance Fund was created for the purpose of providing a trust separate from the retirement trusts, and for the purpose of providing hospital and medical insurance benefits.

The responsibility of the plans within CERS is vested in the CERS Board of Trustees. The CERS Board of Trustees consists of nine members. Six trustees are appointed by the governor and three are elected by CERS members (active, inactive, and/or retired). The six gubernatorial appointees are chosen from lists compiled and submitted to the governor by the Kentucky League of Cities (KLC), the Kentucky Association of Counties (KACo), and the Kentucky School Boards Association (KSBA). Each of the three entities must submit three applicants with retirement experience and three applicants with investment experience as defined by statute. The governor appoints one person with retirement experience and one person with investment experience from KLC, KACo, and KSBA. All appointments by the governor are subject to Senate confirmation.

NOTE 2 – DESCRIPTION AND CONTRIBUTION INFORMATION – COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) (CONTINUED)

Employer Contributions

For the fiscal year ended June 30, 2025, there were 1,121 participating employers of CERS. Participating employers are required to contribute actuarially determined rates for pension and insurance benefit contributions. The rates are established by the CERS Board based on Kentucky Revised Statute 78.635. The rates are set each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year and are a percentage of each employee's creditable compensation. Administrative costs are financed through employer contributions and investment earnings.

Contribution Rate Breakdown by Plan
As of June 30, 2025

	Pension		Insurance		Combined Total	
Plan	Employer Contribution Rates	Actuarially Recommended Rates	Employer Contribution Rates	Actuarially Recommended Rates	Employer Contribution Rates	Actuarially Recommended Rates
Nonhazardous *	19.71%	19.71%	-%	-%	19.71%	19.71%
Hazardous *	36.49%	36.49%	2.12%	2.12%	38.61%	38.61%

* House Bill 362 passed during the 2018 legislative session caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018, to June 30, 2028.

Benefit Tiers

As of June 30, 2025, the date of the most recent actuarial valuation, membership consisted of:

Membership as of June 30, 2025 (in Whole $)

Item	Nonhazardous	Hazardous	Total
Members	288,760	28,271	317,031
Active membership	85,606	10,818	96,424
Tier 1	19,328	2,498	21,826
Tier 2	10,196	1,843	12,039
Tier 3	56,082	6,477	62,559
Average annual salary	$ 40,761	$ 81,239	$ 45,139
Average age	46.9	37.5	45.9
Retired membership	80,397	12,420	92,817
Tier 1	77,805	12,322	90,127
Tier 2	2,211	62	2,273
Tier 3	381	36	417
Average annual benefit	$ 12,541	$ 30,472	$ 14,986
Average age	71.9	63.6	70.7
Inactive members	122,757	5,033	127,790
Tier 1	49,244	1,743	50,987
Tier 2	18,822	734	19,556
Tier 3	54,691	2,556	57,247

NOTE 2 – DESCRIPTION AND CONTRIBUTION INFORMATION – COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) (CONTINUED)

TIER 1:

Members who began participating prior to September 1, 2008, are required to contribute 5% (Nonhazardous) or 8% (Hazardous) of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of member contributions and interest.

TIER 2:

Members who began participating on or after September 1, 2008, and before January 1, 2014, are required to contribute 5% (Nonhazardous) or 8% (Hazardous) of their annual creditable compensation. Further, members also contribute an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation (KAR) 105 KAR 1:420). These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts as of June 30 of the previous year at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of member contributions and interest; however, the 1% Health Insurance Contribution (HIC) to the 401(h) account is non-refundable and is forfeited.

TIER 3:

Members who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members contribute 5% (Nonhazardous) or 8% (Hazardous) of their monthly creditable compensation which is deposited into their account, and an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see 105 KAR 1:420), which is not refundable. Tier 3 member accounts are also credited with an employer pay credit in the amount of 4% (Nonhazardous) or 7.5% (Hazardous) of the member's monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the members contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates employment and applies to take a refund, the member is entitled to receive employee contributions (less HIC) plus interest (on employee contributions only).

Interest is also paid into the Tier 3 member's account. The account currently earns 4% interest credit on the member's accumulated account balance as of June 30 of the previous year. The member's account may be credited with additional interest if the five-year Geometric Average Net Investment Return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if the GANIR for the previous five years exceeds 4%, then the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30 of the previous year (Upside Sharing Interest). It is possible that one plan in CERS may get an Upside Sharing Interest, while another may not.

Upside Sharing Interest is credited to both the member contribution balance and employer pay credit balance. Upside Sharing Interest is an additional interest credit. Member accounts automatically earn 4% interest annually. The GANIR is calculated on an individual plan basis.

NOTE 2 – DESCRIPTION AND CONTRIBUTION INFORMATION – COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) (CONTINUED)

The chart that follows shows the interest calculated on the members' balances as of June 30, 2024, and credited to each member's account on June 30, 2025.

Plan	5-Year Geometric Average Return	Less Guarantee Rate Of 4%	Upside Sharing Interest	Upside Sharing Interest X 75% = Upside Gain	Interest Rate Earned (4% + Upside)	Total Interest Credited To Member Accounts
Nonhazardous	9.89%	4.00%	5.89%	4.42%	8.42%	$ 54,364
Hazardous	10.11%	4.00%	6.11%	4.58%	8.58%	$ 21,068

Insurance Fund Description

Eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans, eligible Medicare retirees are covered through contracts with Humana through a Medicare Advantage Plan. The Insurance fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2025, insurance premiums withheld from benefit payments for CERS's members were $14.9 million and $4.8 million for CERS Nonhazardous and Hazardous, respectively.

Retiree Medical Insurance Coverage (By Plan Count)
As of June 30, 2025

	Single	Couple/Family	Parent	Medicare Without Prescription	Medicare With Prescription
Nonhazardous	$ 8,340	$ 464	$ 248	$ 1,730	$ 26,679
Hazardous	1,671	3,021	461	122	3,840
Total	$ 10,011	$ 3,485	$ 709	$ 1,852	$ 30,519

Note: Medical insurance coverage is provided based on the member's initial participation date and length of service. Members receive either a percentage or dollar amount for insurance coverage. The counts are the number of medical plans contracted with the Department of Employee Insurance or Medicare vendor and are not representative of the number of persons.

The amount of benefit paid by the Insurance Fund is based on years of service. For members who began participating prior to July 1, 2003, a percentage of the contribution rate is paid based on years of service with 100% of the contribution rate being paid with 20 years of service.

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum benefit are as follows:

Portion Paid by Insurance Fund
As of June 30, 2025

Years of Service	Paid by Insurance Fund (%)
20+ years	100%
15-19 years	75%
10-14 years	50%
4-9 years	25%
Less than 4 years	0%

NOTE 2 – DESCRIPTION AND CONTRIBUTION INFORMATION – COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) (CONTINUED)

Since the passage of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits have been calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of 10 years, Nonhazardous 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. 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.

House Bill 1 (2008 Kentucky General Assembly) changed the minimum vesting requirement for participation in the health insurance plan to 15 years for members whose participation began on or after September 1, 2008. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statutes 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in it's judgment, the welfare of the Commonwealth so demands.

The amount of benefit paid by the Insurance Fund is based on years of service. For members participating on or after July 1, 2003, the dollar amounts of the benefit per year of service are as follows:

Dollar Contribution for Fiscal Year 2025 For Member participation date on or after July 1, 2003		(in Whole $)
Nonhazardous	$	14.63
Hazardous	$	21.94

The Insurance Plan pays 100% of the contribution rate for hospital and medical insurance premiums for the spouse and dependents of members who die as a direct result of an act in the line of duty or from a duty-related injury.

Cost of Living Adjustment (Cola)

Prior to July 1, 2009, COLAs were provided to retirees annually equal to the percentage increase in the annual average of the consumer price index (CPI) for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were to be limited to 1.50%.

In 2013, the General Assembly created a new law to govern how COLAs will be granted. Language included in Senate Bill 2 during the 2013 Regular Session states COLAs will only be granted in the future if the CERS Board determines that assets of the System are greater than 100% of the actuarial liabilities and legislation authorizes the use of surplus funds for the COLA; or the General Assembly fully prefunds the COLA through employer contributions. Kentucky Revised Statutes 78.5518 governs how COLAs may be granted for members of CERS. No COLA has been granted since July 1, 2011.

NOTE 3 – 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.

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2026, the carrying amount of the City's deposits (cash and investments) was $1,970,653 and the bank balance was $1,972,827. 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 4 – 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 2026 fiscal year was based, was $52,386,291. The tax rates assessed for the year ended June 30, 2026 to finance general fund operations were $.267 per $100 valuation for real estate and $.267 per $100 valuation for tangible property. Taxes are due on October 1, and become delinquent by January 1 following the October 1 levy date.

NOTE 5 – 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.

There were no new tax abatements for the current fiscal year.

NOTE 6 – CAPITAL ASSETS

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

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	$ 101,350	$ -	$ -	$ 101,350
Construction in progress	3,167,084	-	(3,153,322)	13,762
Total capital assets not being depreciated	3,268,434	-	(3,153,322)	115,112
Depreciable capital assets:				
Buildings and improvements	2,794,873	4,410,331	-	7,205,204
Infrastructure	627,885	-	-	627,885
Recreation buildings and equipment	586,334	30,202	-	616,536
Vehicles	920,378	80,117	-	1,000,495
Equipment	560,692	87,952	-	648,644
Total depreciable capital assets at historical cost	5,490,162	4,608,602	-	10,098,764
Less accumulated depreciation for:				
Buildings and improvements	(1,847,213)	-	(197,988)	(2,045,201)
Infrastructure	(251,854)	-	(27,502)	(279,356)
Recreation buildings and improvements	(130,847)	-	(40,403)	(171,250)
Vehicles	(737,738)	-	(84,069)	(821,807)
Equipment	(293,029)	-	(52,687)	(345,716)
Total accumulated depreciation	(3,260,681)	-	(402,649)	(3,663,330)
Depreciable capital assets, net	2,229,481	4,608,602	(402,649)	6,435,434
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 5,497,915	$ 4,608,602	$(3,555,971)	$ 6,550,546

Governmental activities depreciation was allocated as follows:	
General government	$ 167,102
Street department	66,446
Fire	41,004
Police department	33,778
Other	62,702
Total	$ 371,032

The City was given a truck from Pineville Utility Commission. The truck is included in vehicle additions at cost per the utility commission of $31,617. The truck was already fully depreciated, therefore causing a difference in current year accumulated depreciation and depreciation expense.

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

NOTE 7 – RISK MANAGEMENT (CONTINUED)

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.

NOTE 8 – ACCOUNTING AND FINANCIAL REPORTING FOR PENSION PLANS (GASB 68) AND POSTEMPLOYMENT BENEFIT PLANS (GASB 75)

The following details actuarial information and assumptions utilized in determining the unfunded (overfunded) actuarial accrued liabilities for CERS. Please note that calculations for Total Pension Liability (TPL), net fiduciary position, Net Pension Liability (NPL), total OPEB liability, net OPEB fiduciary position, and Net OPEB Liability (NOL) are reported in the Plans' Required Supplementary Information (RSI) and are based on June 30, 2024 actuarial valuations, rolled forward to June 30, 2025. The prior year valuations are used as the basis for the roll forward method and are applied to complete the current year pension and OPEB valuations as of the measurement date, June 30, 2025.

Financial Reporting For Pension Plans (GASB 68)

Basis of Calculations

The Systems' actuary Gabriel, Roeder, Smith & Co.(GRS) completed reports by plan, in compliance with *GASB Statement No. 67 Financial Reporting for Pension Plans*. The TPL, NPL, and sensitivity information are based on an actuarial valuation date of June 30, 2024. The TPL was rolled forward from the valuation date to the Plans' fiscal year ended June 30, 2025, using generally accepted actuarial principles. Information disclosed for years prior to June 30, 2017, were prepared by the prior actuary.

Assumptions

The discount rates used to calculate the total OPEB liability increased for each plan since the prior year (see further discussion on the calculation of the single discount rates later in this section). The assumed increase in future health care cost, or trend assumption, was reviewed during the June 30, 2024, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare and Medicare healthcare costs.

NOTE 8 – ACCOUNTING AND FINANCIAL REPORTING FOR PENSION PLANS (GASB 68) AND POSTEMPLOYMENT BENEFIT PLANS (GASB 75) (CONTINUED)

Below is a summary of the principal assumptions used for the June 30, 2024, actuarial valuation:

- Investment Return – 6.5% for all plans,
- Inflation – 2.50% for all plans,
- Salary Increases – 3.30% to 10.30% for CERS Nonhazardous, 3.55% to 19.05% for CERS Hazardous, varies by service.
- Payroll Growth – 2% for all plans,
- Mortality – System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
- Phase-In provision: Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

Plan Provisions

There have been no assumption, method or plan provision changes that would materially impact the total pension liability since June 30, 2024.

Discount Rate

A single discount rate of 6.50% for the nonhazardous and hazardous plan was used to measure the total pension liability for the fiscal year ending June 30, 2025. This single discount rate was based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy.

The provisions of House Bill 362 (passed during the 2018 legislative session) are still in effect and limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. However, contribution rates are not currently projected to increase by more than 12% in any given future year. Therefore, for the purposes of this calculation, the provisions of House Bill 362 do not impact the projected employer contributions.

Additional Health Care Contributions (IRC 401(h) Subaccount)

Based on guidance issued by GASB in connection with GASB Statement No. 74, the 1% of pay Tier 2 and Tier 3 members contribute to a 401(h) subaccount is considered on OPEB asset. As a result, the reported fiduciary net positions as of June 30, 2017 and later are net of the 401(h) asset balance.

NOTE 8 – ACCOUNTING AND FINANCIAL REPORTING FOR PENSION PLANS (GASB 68) AND POSTEMPLOYMENT BENEFIT PLANS (GASB 75) (CONTINUED)

Additional Disclosures

This disclosure is based upon information, furnished to GRS (Gabriel, Roeder, Smith & Company) by the Kentucky Public Pensions Authority (KPPA), which includes benefit provisions, membership information, and financial data. GRS did not audit this data and information, but they did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided by KPPA. Please see the "Actuarial Valuation Report as of June 30, 2024" for additional discussion of the nature of the actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions. These reports should be considered together as a complete report for the fiscal year ending June 30, 2025.

Financial Reporting For Postemployment Benefit Plans (GASB 75)

GRS completed reports by plan in accordance with *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2025.

Basis of Calculations

The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2024. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2025, using generally accepted actuarial principles.

Assumptions

The discount rates used to calculate the total OPEB liability increased for each plan since the prior year (see further discussion on the calculation of the single discount rates later in this section). The assumed increase in future health care cost, or trend assumption, was reviewed during the June 30, 2024 valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

The Total OPEB Liability as of June 30, 2025, is determined using these updated assumptions.

Below is a summary of the principal assumptions used for the June 30, 2024, actuarial valuation:

- Investment Return – 6.50% for all plans.
- Inflation – 2.50% for all plans.
- Salary Increases – 3.30% to 10.30% for CERS Nonhazardous, 3.55% to 19.05% for CERS Hazardous, varies by service.
- Payroll Growth – 2.00% for all plans.
- Mortality – System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
- Health Care Trend Rates:

NOTE 8 – ACCOUNTING AND FINANCIAL REPORTING FOR PENSION PLANS (GASB 68) AND POSTEMPLOYMENT BENEFIT PLANS (GASB 75) (CONTINUED)

- Pre-65 – Initial trend starting at 6.80% on January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.
- Post-65 – Initial trend starting at 8.50% on January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.

Plan Provisions

Senate Bill 10 passed during the 2025 legislative session increased the insurance benefit for members who began participation on or after July 1, 2003 to $40 a month for nonhazardous CERS service and $50 a month for hazardous CERS service, effective January 1, 2026. These increases are only payable when a member is not eligible for Medicare benefits and only if they have met certain service thresholds at retirement. Additionally, this legislation increases the insurance member contribution rate for hazardous members from 1% to 2% of pay, effective July 1, 2026, and extended the required member contribution to CERS members hired on or after July 1, 2003 but prior to September 1, 2008, for both funds.

Implicit Employer Subsidy for Non-Medicare Retirees

The fully-insured premiums paid for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. *GASB Statement No.74* requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability.

Discount Rates

The following single discount rates were used to measure the total OPEB liability for the fiscal year ended June 30, 2025.

Plan	Fiscal Year 2025	Fiscal Year 2024	Change in Rate
City's Net OPEB Liability – Non-hazardous	6.26%	5.99%	0.27%
City's Net OPEB Liability – Hazardous	6.24%	6.02%	0.22%

The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 5.20%, as reported in Bond Buyer's "20-Bond GO Index" as of June 30, 2025.

Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

NOTE 8 – ACCOUNTING AND FINANCIAL REPORTING FOR PENSION PLANS (GASB 68) AND POSTEMPLOYMENT BENEFIT PLANS (GASB 75) (CONTINUED)

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy.

Additional Health Care Contributions (IRC 401(h) Subaccount)

Based on guidance issued by GASB in connection with GASB Statement No. 74, the member contributions to a 401(h) subaccount in the respective pension plans is considered an OPEB asset. As a result, the reported fiduciary net positions as of June 30, 2017, and later are net of the 401(h) assets balance in the respective pension plans and are included in the OPEB fiduciary net position amounts in the below tables. Additionally, these member contributions and associated investment income and administrative expenses are included in the reconciliation of the fiduciary net position.

Additional Disclosures

These reports are based upon information furnished to GRS by the Kentucky Public Pensions Authority (KPPA), which includes benefit provisions, membership information, and financial data. GRS did not audit this data and information, but they did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided by KPPA. Please see the "Actuarial Valuation Report as of June 30, 2024," for additional discussion of the nature of the actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions. These reports should be considered together as a complete report for the fiscal year ended June 30, 2025.

Target Asset Allocation

The long-term (10-year) expected rates of return were determined by using a building block method in which best estimated ranges of 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 tables on the following pages.

Target Asset Allocation
As of June 30, 2025

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	45.00%	4.15%
Private Equity	8.00%	7.90%
Fixed Income		
Core Fixed Income	13.00%	2.70%
Specialty Credit	20.00%	3.83%
Cash	2.00%	1.25%

NOTE 8 – ACCOUNTING AND FINANCIAL REPORTING FOR PENSION PLANS (GASB 68) AND POSTEMPLOYMENT BENEFIT PLANS (GASB 75) (CONTINUED)

Target Asset Allocation
As of June 30, 2025

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Inflation Protected		
Real Estate	5.00%	4.75%
Real Return	7.00%	5.20%
Total	100.00%	

Note: Minor deviations are expected between the actuarial assumed rate of return and the expected rate of return reported in the above charts. The actuarial assumed rates of return are based on a review of economic assumptions completed periodically as warranted but not longer than every 2 years; whereas, the expected rate of return is calculated annually for GASB purposes by taking the current asset allocation and applying the most relevant long term market expectations (March 2025) for each asset class.

Sensitivity of the NPL to Changes in the Discount Rate
As of June 30, 2025

	CERS Nonhazardous Current 6.50%	CERS Hazardous Current 6.50%
1% Decrease	$ 823,957	$ 633,224
Current Discount Rate	623,234	478,092
1% Increase	457,633	353,827

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Healthcare Trend Rate
As of June 30, 2025

	CERS Nonhazardous Single 6.26%	CERS Hazardous Single 6.24%
Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate		
1% Decrease	$ 64,584	$ 106,121
Single Discount Rate	107,763	56,245
1% Increase	(34,535)	14,481
Sensitivity of the Net OPEB Liability (Asset) to Changes in the Current Healthcare Cost Trend Rate		
1% Decrease	(24,874)	20,785
1% Increase	52,493	98,256

Development of Single Discount Rate for OPEB
As of June 30, 2025

	CERS Nonhazardous	CERS Hazardous
Single Discount Rate	6.26%	6.24%
Long-Term Expected Rate of Return	6.50%	6.50%
Long-Term Municipal Bond Rate [1]	5.20%	5.20%

Note: 1. Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Bond Buyer's "20-Bond GO index" as of June 30, 2025.

NOTE 8 – ACCOUNTING AND FINANCIAL REPORTING FOR PENSION PLANS (GASB 68) AND POSTEMPLOYMENT BENEFIT PLANS (GASB 75) (CONTINUED)

Schedule of Employers' NPL – CERS Nonhazardous
As of June 30, 2025

Total Pension Liability (TPL)	$ 1,722,671
Plan Fiduciary Net Position	$ 1,099,437
Net Pension Liability	$ 623,234
Ration of Plan Fiduciary Net Position to TPL	65.34%

Schedule of Employers' NPL – CERS Hazardous
As of June 30, 2025

Total Pension Liability (TPL)	$ 5,481,139
Plan Fiduciary Net Position	$ 5,003,047
Net Pension Liability	$ 478,092
Ration of Plan Fiduciary Net Position to TPL	61.24%

Schedule of the Employers' Net OPEB Liability
As of June 30, 2025

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
CERS Nonhazardous	$ 455,232	$ 444,469	$ 10,763	97.66%
CERS Hazardous	$ 341,931	$ 285,686	$ 56,245	86.82%

NOTE 9 – GENERAL OBLIGATION LEASE

The City entered into a general obligation lease agreement with the Kentucky Bond Corporation April 21, 2021 which has a termination date of January 1, 2051. This lease was approved for a maximum amount of $1,430,000 and is to be used to finance various improvements to the City's facilities. Lease proceeds have been fully drawn down during this fiscal year.

Future minimum lease payments are as follows:

Year Ending June 30	Amount
2027	$ 73,113
2028	72,063
2029	71,013
2030	72,046
2031	73,850
2032-36	367,695
2037-41	370,141
2042-46	374,529
2047-51	345,404
	$ 1,819,854

NOTE 10 – LINE OF CREDIT

The City had a line of credit with a fixed interest rate of 6% dated February 19, 2025 in the amount of $505,500, maturing February 19, 2026. The balance at June 30, 2026 and 2025 was $0 and $5,500, respectively. The line of credit was not renewed.

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, 2022. The first amendment extended the original agreement and revised certain terms, and extended the agreement for an additional five years. A second amendment was entered into on January 2, 2025 which extends the term until September 30, 2030. The amount paid under this contract was $73,880 for the year ended June 30, 2026.

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:

Type	From Fund	To Fund	Purpose	Amount
Operating	State Budget Fund	General	Pay off of line of credit	$ 5,597
Operating	Alcohol Tax	General	ABC Wages	60,000
Operating	Restaurant Tax	Main Street	Wages	20,000

NOTE 14 – DUE (TO) FROM COMPONENT UNIT

Due (to) from component unit consisted of the following at June 30, 2026:

Governmental Activities	
Due (to) from component unit – Pineville Utility Commission	$ 175,451

NOTE 15 – DEFICIT OPERATING/FUND BALANCES

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

Main Street	$ 23,545
Bell Theater	$ 4,812

NOTE 16 – FUND BALANCE DESIGNATIONS

The following governmental funds had restricted fund balances at June 30, 2026:

Fund	Amount	Purpose
Special Revenue	$ 41,428	Municipal roads
Special Revenue	38,420	Economic development
Special Revenue	222,850	Tourism and recreation
Special Revenue	216,697	Public safety
Special Revenue	177,817	Capital outlay

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 August 20, 2026, the date on which we issued our financial statements.

CITY OF PINEVILLE
Pineville, Kentucky

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2026

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final budget Favorable (Unfavorable) Actual Amounts
BUDGETARY REVENUES				
Taxes				
Property	$ 158,000	$ 158,000	$ 166,401	$ 8,401
Franchise	127,000	143,500	179,881	36,381
Municipal insurance	290,000	290,000	358,469	68,469
Occupational	585,000	600,000	779,546	179,546
Payment in lieu of taxes	28,000	28,000	27,830	(170)
Sanitation department	-	-	110,224	110,224
Police department	43,000	46,500	54,073	7,573
Fire department	32,000	32,000	38,982	6,982
Earnings on investments	15,000	38,000	55,112	17,112
General government	129,500	59,500	91,359	31,859
Other state and local revenues	10,000	10,000	12,884	2,884
Carryover of funds	282,336	373,436	-	(373,436)
TOTAL BUDGETARY REVENUES	1,699,836	1,778,936	1,874,761	95,825
BUDGETARY EXPENDITURES				
General government	353,636	434,636	400,605	34,031
Police department	546,700	446,800	450,341	(3,541)
Fire department	393,000	409,000	366,094	42,906
Street department	439,500	521,500	522,097	(597)
Sanitation department	-	-	73,880	(73,880)
Parks/Recreation department	12,000	12,000	13,270	(1,270)
Special projects/events	35,000	35,000	31,011	3,989
TOTAL BUDGETARY EXPENDITURES	1,779,836	1,858,936	1,857,298	1,638
BUDGETARY EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(80,000)	(80,000)	17,463	97,463
BUDGETARY OTHER FINANCING SOURCES (USES)				
Grant proceeds	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Operating transfers in	80,000	80,000	85,597	5,597
TOTAL BUDGETARY OTHER FINANCING SOURCES (USES)	80,000	80,000	85,597	5,597
NET CHANGE IN FUND BALANCE	$ -	$ -	103,060	$ 103,060
BUDGETARY FUND BALANCE, JULY 1, 2025			1,334,610	
BUDGETARY FUND BALANCE, JUNE 30, 2026			$ 1,437,670	
RECONCILIATION TO GAAP BASIS				
Total fund balance GAAP Basis			$ 1,437,670	

CITY OF PINEVILLE
Pineville, Kentucky

NOTES TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended June 30, 2026

GENERAL FUND

BUDGETARY REVENUES

Differences-final budget to actual:

The City experienced an increase in revenue for taxes from budgeted amounts	$ 292,627
Actual amounts of interest revenue exceeded budgeted amounts as the City saw higher interest rates than expected and an increase in cash and cash equivalents.	17,112
The carryover of funds at the beginning of the year is a budgetary resource but is not current-year revenue for financial reporting purposes	(373,436)
The City does not budget for the sanitation department	110,224
Various City departments exceeded their budgets with current year resources	49,298
Favorable revenues variance	95,825

BUDGETARY EXPENDITURES

Differences-final budget to actual:

The City does not budget for the sanitation department	(73,880)
Actual amounts of expenditures for all other City departments were mostly under budget, as the City kept costs to a minimum, but still provided proper services	75,518
Favorable expenditures variance	1,638

BUDGETARY OTHER FINANCING SOURCES (USES)

The City transferred $5,597 from special revenue funds to the general fund to pay off a line of credit that was not budgeted.	5,597
Favorable other financing sources (uses)	5,597
TOTAL BUDGETARY VARIANCE	$ 103,060

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 properly amended during the year.

CITY OF PINEVILLE
Pineville, Kentucky

COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS – CASH BASIS
June 30, 2026

	Main Street	Bell Theater	Municipal Road Aid	Local Government Economic Assistance	Restaurant Tax
ASSETS AND RESOURCES					
Cash and cash equivalents	$ 14,095	$ 11,105	$ 41,428	$ 38,420	$ 195,361
Due from general fund	-	-	-	-	2,289
TOTAL ASSETS AND RESOURCES	$ 14,095	$ 11,105	$ 41,428	$ 38,420	$ 197,650
FUND BALANCES					
Restricted					
Municipal roads	$ -	$ -	$ 41,428	$ -	$ -
Economic development	-	-	-	38,420	-
Tourism and recreation	14,095	11,105	-	-	197,650
Public safety	-	-	-	-	-
Capital projects	-	-	-	-	-
TOTAL FUND BALANCES	$ 14,095	$ 11,105	$ 41,428	$ 38,420	$ 197,650

Alcohol Regulatory Fee	PD Equitable Sharing	Shop With A Cop	Opioid Settlement	State Budget Fund	Total
$ 121,722	$ 16,987	$ 7,831	$ 70,157	$ 177,817	$ 694,923
-	-	-	-	-	2,289
$ 121,722	$ 16,987	$ 7,831	$ 70,157	$ 177,817	$ 697,212
$ -	$ -	$ -	$ -	$ -	$ 41,428
-	-	-	-	-	38,420
-	-	-	-	-	222,850
121,722	16,987	7,831	70,157	-	216,697
-	-	-	-	177,817	177,817
$ 121,722	$ 16,987	$ 7,831	$ 70,157	$ 177,817	$ 697,212

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, 2026

	KBC Fund	Main Street	Bell Theater	Municipal Road Aid	Local Government Economic Assistance
REVENUES					
Restaurant tax	$ -	$ -	$ -	$ -	$ -
Alcohol license and regulatory fees	-	-	-	-	-
Intergovernmental revenues:					
Street department	-	-	-	26,683	-
Coal and mineral grants	-	-	-	-	7,160
Opioid settlement	-	-	-	-	-
Earnings on investments	-	1,912	517	760	1,305
Lease proceeds	297,226	-	-	-	-
Other state and local revenues	-	30,240	15,299	-	-
TOTAL REVENUES	297,226	32,152	15,816	27,443	8,465
EXPENDITURES					
Street department	-	-	-	21,720	-
Special projects/events	-	62,495	15,828	-	-
Police department	-	-	-	-	-
Capital outlay	297,226	3,202	4,800	3,999	-
Lease payments	-	-	-	-	-
TOTAL EXPENDITURES	297,226	65,697	20,628	25,719	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(33,545)	(4,812)	1,724	8,465
OTHER FINANCING SOURCES (USES)					
State grant proceeds – HB1	-	-	-	-	-
KY250 Commission grant proceeds	-	10,000	-	-	-
ARC grant proceeds	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	10,000	-	-	-
NET CHANGE IN FUND BALANCES	-	(23,545)	(4,812)	1,724	8,465
FUND BALANCES, JULY 1, 2025	-	37,640	15,917	39,704	29,955
FUND BALANCES, JUNE 30, 2026	$ -	$ 14,095	$ 11,105	$ 41,428	$ 38,420

State Budget Fund	Restaurant Tax	Alcohol Regulatory Fees	PD Equitable Sharing	Shop With A Cop	Opioid Settlement	Appalachian Regional Commission	Total
$ -	$ 299,609	$ -	$ -	$ -	$ -	$ -	$ 299,609
-	-	105,833	-	-	-	-	105,833
-	-	-	-	-	-	-	26,683
-	-	-	-	-	-	-	7,160
-	-	-	-	-	11,980	-	11,980
16,849	3,130	2,969	394	2	2,434	-	30,272
-	-	-	-	-	-	-	297,226
-	-	-	10,986	31,200	-	-	87,725
16,849	302,739	108,802	11,380	31,202	14,414	-	866,488
-	-	-	-	-	-	-	21,720
55,260	88,486	-	-	29,598	-	-	251,667
-	-	10,467	2,043	-	-	-	12,510
778,175	-	-	-	-	-	260,968	1,348,370
-	77,876	-	-	-	-	-	77,876
833,435	166,362	10,467	2,043	29,598	-	260,968	1,712,143
(816,586)	136,377	98,335	9,337	1,604	14,414	(260,968)	(845,655)
1,000,000	-	-	-	-	-	-	1,000,000
-	-	-	-	-	-	-	10,000
-	-	-	-	-	-	260,968	260,968
-	-	-	-	-	-	-	-
(5,597)	(20,000)	(60,000)	-	-	-	-	(85,597)
994,403	(20,000)	(60,000)	-	-	-	260,968	1,185,371
177,817	116,377	38,335	9,337	1,604	14,414	-	339,716
-	81,273	83,387	7,650	6,227	55,743	-	357,496
$ 177,817	$ 197,650	$ 121,722	$ 16,987	$ 7,831	$ 70,157	$ -	$ 697,212

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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*

August 20, 2026

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, 2026, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 20, 2026.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Marr, Miller & Myers, PSC

Certified Public Accountants