

CITY OF SOMERSET
Somerset, Kentucky



FINANCIAL STATEMENTS
June 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Mayor and the City Council
City of Somerset, Kentucky

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and other post-employment benefits (OPEB) schedules on pages 4–12 and 51–62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Somerset, Kentucky's basic financial statements. The accompanying combining nonmajor fund financial statements, proprietary statements of revenues and expenses – budget to actual and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, proprietary statements of revenues and expenses – budget to actual, and the schedule of expenditures of federal awards 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 December 2, 2024, on our consideration of the City of Somerset, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Somerset, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Somerset, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
December 2, 2024

Management's Discussion and Analysis

Our discussion and analysis of the City of Somerset, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of resources were \$151.97 million
- Bank balances totaled \$7.6 million
- Total long-term debt increased by \$0.98 million.
- General fund reported a fund balance of \$3.71 million
- During the year, the City's business-type activities generated net revenues of \$5.29 million which were primarily transferred to the general governmental activities.
- Due to GASB accounting rules, the City had to state over \$43.55 million in unfunded liability for future pension cost.
- Due to GASB accounting rules, the City had to state over \$1.28 million in unfunded liability for future OPEB cost.
- Of the major business components, Natural Gas, Sanitation, Sewer and Water continued to generate adequate revenues compared to expenses.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis, Continued

Reporting the City as a Whole

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

- **Governmental activities**-Most of the City's basic services are reported here, including the police, fire, emergency medical services, fuel center, water park, cemetery, public works and parks departments, as well as general administration. Property taxes, franchise fees and state and federal grants finance most of these activities.
- **Business-type activities**-The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's gas, water, wastewater, sanitation and Virginia theater departments are reported here.

Management's Discussion and Analysis, Continued

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City has two types of funds that use different accounting approaches: governmental and proprietary.

- Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation that follows the fund financial statements.
- Proprietary funds - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's Proprietary funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Management's Discussion and Analysis, Continued

THE CITY AS A WHOLE

The City's combined net position decreased by \$1.86 million from the prior year. This decrease is primarily due to rising costs related to inflation and employee cost. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1
Net Position
(in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Activities	
	2024	2023	2024	2023	2024	2023
Current & Other Assets	\$ 0.01	\$ (1.55)	\$ 17.57	\$ 21.32	\$ 17.58	\$ 19.77
Capital and Leased Assets	33.11	34.02	89.95	88.48	123.06	122.50
Deferred Outflows	<u>9.38</u>	<u>13.63</u>	<u>1.95</u>	<u>2.39</u>	<u>11.33</u>	<u>16.02</u>
Total Assets and Deferred Outflows	<u>42.50</u>	<u>46.10</u>	<u>109.47</u>	<u>112.19</u>	<u>151.97</u>	<u>158.29</u>
Current Liabilities	3.83	3.81	5.32	6.06	9.15	9.87
Long Term Liabilities	52.87	64.47	42.51	44.70	95.38	109.17
Deferred Inflows	<u>14.13</u>	<u>6.73</u>	<u>3.97</u>	<u>1.31</u>	<u>18.10</u>	<u>8.04</u>
Total Liabilities/Deferred Inflows	<u>70.83</u>	<u>75.01</u>	<u>51.80</u>	<u>52.07</u>	<u>122.63</u>	<u>127.08</u>
Net investment in capital assets	16.56	16.87	53.01	53.05	69.57	69.92
Restricted	1.76	1.48	1.05	2.30	2.81	3.78
Unrestricted	<u>(46.64)</u>	<u>(47.26)</u>	<u>3.61</u>	<u>4.77</u>	<u>(43.03)</u>	<u>(42.49)</u>
Total Net Position	<u>\$ (28.32)</u>	<u>\$ (28.91)</u>	<u>\$ 57.67</u>	<u>\$ 60.12</u>	<u>\$ 29.35</u>	<u>\$ 31.21</u>

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased by \$0.54 million during fiscal year 2024. The major contributing factor for this decrease is due to the increases in cost for supplies, insurance, and employee related costs.

Total assets and deferred outflows for Governmental Activities decreased from \$46.10 million at June 30, 2023 to \$42.50 million at June 30, 2024. The major contributing factor for this decreased is due to deferred outflows.

Management's Discussion and Analysis, Continued

Table 2
Change in Net Position
(in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Activities	
	2024	2023	2024	2023	2024	2023
Revenues						
Program Revenues						
Charges for Services	\$ 8.68	\$ 7.94	\$ 28.05	\$ 26.83	\$ 36.73	\$ 34.77
Federal & State Grants	3.29	3.62	1.82	-	5.11	3.62
General Revenues						
Property Taxes	2.09	1.96	-	-	2.09	1.96
Other Taxes and License Fees	10.03	9.43	-	-	10.03	9.43
Other General Revenues	<u>1.38</u>	<u>1.66</u>	<u>.09</u>	<u>.10</u>	<u>1.47</u>	<u>1.76</u>
Total Revenues	<u>\$ 25.47</u>	<u>\$ 24.61</u>	<u>\$ 29.96</u>	<u>\$ 26.93</u>	<u>\$ 55.43</u>	<u>\$ 51.54</u>
Program Expenses						
General Government	\$ 5.66	\$ 5.27	\$ -	\$ -	\$ 5.66	\$ 5.27
Public Safety	11.65	11.87	-	-	11.65	11.87
Public Services	.17	.24	-	-	.17	.24
Streets	1.74	1.94	-	-	1.74	1.94
Parks and Recreation	1.13	1.31	-	-	1.13	1.31
Emergency Medical Services	6.62	7.10	-	-	6.62	7.10
Cemetery	.10	.13	-	-	.10	.13
Fuel Center	1.07	1.16	-	-	1.07	1.16
Waterpark	2.82	2.75	-	-	2.82	2.75
Travel & Tourism	.31	.36	-	-	.31	.36
Intergovernmental Programs	.09	.12	-	-	.09	.12
Downtown Revitalization	.16	.01	-	-	.16	.01
Debt Service – Interest & bond costs	.39	.41	-	-	.39	.41
Interest on long-term leases	.04	.04	-	-	.04	.04
Gas	-	-	8.32	9.19	8.32	9.19
Water	-	-	8.04	7.66	8.04	7.66
Wastewater	-	-	3.76	3.68	3.76	3.68
Sanitation	-	-	4.40	4.12	4.40	4.12
Virginia Theater	-	-	.61	.81	.61	.81
Total Expense	<u>\$ 31.95</u>	<u>\$ 32.71</u>	<u>\$ 25.13</u>	<u>\$ 25.46</u>	<u>\$ 57.08</u>	<u>\$ 58.17</u>
Gain (Loss) on disposal of capital assets	\$.61	\$.06	\$.47	\$.1	\$ 1.08	\$.16
Excess (Deficiency) before Transfer	(5.87)	(8.04)	5.30	1.57	(.57)	(6.47)
Transfer	<u>7.25</u>	<u>6.16</u>	<u>(7.25)</u>	<u>(6.16)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	1.38	(1.88)	(1.95)	(4.59)	(.57)	(6.47)
Net Position, beginning, as restated	<u>(29.70)</u>	<u>(27.03)</u>	<u>59.62</u>	<u>64.71</u>	<u>29.92</u>	<u>37.68</u>
Net Position, ending	<u>\$ (28.32)</u>	<u>\$ (28.91)</u>	<u>\$ 57.67</u>	<u>\$ 60.12</u>	<u>\$ 29.35</u>	<u>\$ 31.21</u>

Management's Discussion and Analysis, Continued

The City's total revenues increased by \$3.89 million. The total cost of all programs and services decreased by \$1.09 million. The major change in revenue comes from an increase in charges for services, taxes and license fees. Expenses are down due to the reduction in the required retirement contribution and cut backs where possible. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The cost of all governmental activities this year was \$31.95 million compared to \$32.71 million last year. Overall, the City's governmental program fees for services increased from \$7.94 million in 2023 to \$8.68 million in 2024. The City paid for the remaining "public benefit" portion of governmental activities with \$3.29 million in grants and entitlements, \$2.09 million in property taxes, \$10.03 million in other taxes and license fees, \$1.38 million of other revenues, and \$7.25 million in transfers.

Table 3 presents the cost of each of the City's five largest programs-emergency medical services, police and fire, streets, waterpark, and parks and recreation-as well as each program's net cost (total cost less revenues generated by the activities). The net cost decreased by \$1.19 million and shows the financial burden that was placed on the City's taxpayers by each of these functions. The major contributing factors for this decrease are due to a decrease in the required retirement contribution and cutbacks where possible.

Table 3
Governmental Activities
(in Millions)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Emergency Medical Services	\$ 6.62	\$ 7.10	\$ 1.02	\$ 1.75
Police and Fire Department	11.65	11.87	10.85	11.06
Streets	1.74	1.94	1.44	1.67
Waterpark	2.82	2.75	.55	1.06
Parks and recreation	1.13	1.31	.96	.12
All Others	7.99	7.74	5.15	5.50
Totals	<u>\$ 31.95</u>	<u>\$ 32.71</u>	<u>\$ 19.97</u>	<u>\$ 21.16</u>

Management's Discussion and Analysis, Continued

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) increased by \$3.03 million (\$26.93 million in 2023 compared to \$29.96 million in 2024) and expenses decreased by \$0.33 million (\$25.46 million in 2023 compared to \$25.13 million in 2024). The factors driving these results include:

The major increase in revenue for this fiscal year is due to an increase in charges for service. The major contributing factor for the decrease in expense is due to the decrease in the required retirement contribution.

- The City continues to monitor revenue and expenses in an effort to be as efficient as possible in all activities.

THE CITY'S FUNDS

As the City completed the year, its general fund (as presented in the balance sheet on page 15) reported a fund balance of \$3.71 million.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the City budget due to revenue and expenses that occurred during the year that were unknown at the time of the original budget.

For the General Fund, actual revenues were \$2.15 million less than the \$17.80 million budgeted, while actual expenditures were \$5.94 million less than the expected \$28.76 million budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2024, the City had \$123.07 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water, gas and sewer lines. (See Table 4 below).

Management's Discussion and Analysis, Continued

Table 4
Capital Assets at Year End
(Net of Depreciation and Amortization, in Millions)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total Primary</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Land	\$ 3.96	\$ 3.96	\$ 1.10	\$ 1.08	\$ 5.06	\$ 5.04
Right of Way and Easements	.01	.01	.15	.15	.16	.16
Construction in Progress	.50	1.26	9.87	7.91	10.37	9.17
Infrastructure	10.37	11.39	-	-	10.37	11.39
Utility Plant and Distribution System	-	-	38.81	40.77	38.81	40.77
Buildings and Improvements	13.33	13.68	33.46	34.63	46.79	48.31
Vehicles	2.80	2.70	2.06	1.63	4.86	4.33
Equipment	.10	.15	3.30	.95	3.40	1.10
Office Equipment	.10	.05	.45	.44	.55	0.49
Land Improvements	1.17	.20	.05	.06	1.22	0.26
Leased software	.24	-	-	-	.24	-
Leased vehicles	.28	.47	.28	.35	.56	.82
Leased equipment	.25	.14	.39	.49	.64	.63
Leased land	-	-	.04	-	.04	-
Total	<u>\$ 33.11</u>	<u>\$ 34.01</u>	<u>\$ 89.96</u>	<u>\$ 88.46</u>	<u>\$ 123.07</u>	<u>\$ 122.47</u>

This year's major additions were:

Construction project still not finished as of June 30, 2024: Some utility lines and lift station projects, Sidewalk project, Sewer Sludge Dewatering, and Oak Hill Water Booster station.

The City is continuing its goal of improving the quality of life in our town. The City has upgraded our fleet across several departments, upgraded our utility plant and distribution systems, upgraded our equipment in several departments and had several other projects all around the City including streets, sidewalks, beautification and more.

More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

Management's Discussion and Analysis, Continued

Debt

As of June 30, 2024, the City’s Governmental Activities long term debt had decreased by \$.72 million and the Business-Type Activities long term debt increased by \$1.70 million from the prior year. We are now required to include our Net Pension Liability, which decreased in the Governmental and Business-Type Activities by \$3.16 million and \$1.23 million, respectively. We are now required to include our OPEB Liability, which decreased in the Governmental Activities by \$9.38 million and decreased in the Business-Type activities by \$2.61 million. We are now required to include our Lease Liability, which decreased in the Governmental Activities by \$.07 million and decreased in the Business-Type activities by \$.17 million. Table 5 below contains the details. We are now required to include our Subscription Based IT Arrangements (SBITA) Liability, which increased in the Governmental Activities by \$.19 million.

Table 5
Outstanding Debt at Year End
(in Millions)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total Primary</u> <u>Government</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Long-Term Debt	\$ 15.80	\$ 16.52	\$ 36.26	\$ 34.56	\$ 52.06	\$ 51.08
Net Pension Liability	35.23	38.39	8.32	9.55	43.55	47.94
Net OPEB Liability	1.28	10.66	-	2.61	1.28	13.27
SBITA Liability	.19	-	-	-	.19	-
Lease Liability	<u>.56</u>	<u>.63</u>	<u>.70</u>	<u>.87</u>	<u>1.26</u>	<u>1.50</u>
Totals	<u>\$ 53.06</u>	<u>\$ 66.20</u>	<u>\$ 45.28</u>	<u>\$ 47.59</u>	<u>\$ 98.34</u>	<u>\$ 113.79</u>

Insurance costs and retirement contribution percentages continue to have a major impact on the current and all future budgets. The City is continuing to pay for the employee’s single health coverage and plans are to continue this practice until it becomes unaffordable for the City. The retirement percentages are a major concern for all cities and all cities are lobbying the State for legislation to help in this area.

The City is always looking at changes in bond market interest rates that would make financial sense for the City to refinance when/if rates continue down to a favorable point.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer or Accounting Supervisor at Somerset City Hall, 306 E. Mt. Vernon Street, Somerset, Kentucky 42501.

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,267,910	\$ 1,525,863	\$ 3,793,773
Certificates of deposit	-	1,409,620	1,409,620
Receivables, net	4,013,447	3,848,069	7,861,516
Accrued interest receivable	11,770	8,499	20,269
Inventories	215,397	1,642,357	1,857,754
Prepaid expenses	8,038	13,000	21,038
Internal balances, net	<u>(7,876,651)</u>	<u>7,876,651</u>	<u>-</u>
Total current assets	<u>(1,360,089)</u>	<u>16,324,059</u>	<u>14,963,970</u>
Noncurrent assets			
Restricted cash and cash equivalents	351,556	1,053,062	1,404,618
Restricted certificates of deposit	1,013,213	-	1,013,213
Excess cost over market value of assets acquired, net	-	15,106	15,106
Net OPEB asset	-	179,122	179,122
Capital assets			
Nondepreciable capital assets	4,476,150	11,134,809	15,610,959
Depreciable capital assets, net	27,867,103	78,150,179	106,017,282
Leased vehicles and equipment, net	529,370	669,058	1,198,428
Subscription-based information technology arrangements, net	<u>239,851</u>	<u>-</u>	<u>239,851</u>
Total noncurrent assets	<u>34,477,243</u>	<u>91,201,336</u>	<u>125,678,579</u>
Total assets	<u>33,117,154</u>	<u>107,525,395</u>	<u>140,642,549</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	6,981,783	1,363,933	8,345,716
Deferred outflows - OPEB	<u>2,402,615</u>	<u>582,210</u>	<u>2,984,825</u>
Total deferred outflows of resources	<u>9,384,398</u>	<u>1,946,143</u>	<u>11,330,541</u>
Total assets and deferred outflows of resources	<u>\$ 42,501,552</u>	<u>\$ 109,471,538</u>	<u>\$ 151,973,090</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 586,399	\$ 1,050,211	\$ 1,636,610
Deferred revenue	-	5,513	5,513
Accrued interest payable	94,637	157,619	252,256
Other current liabilities	1,489,449	478,889	1,968,338
Retainage payable	-	308,605	308,605
Current portion of SBITA liability	44,025	-	44,025
Current portion of lease liability	183,700	288,872	472,572
Current portion of long-term debt	<u>1,429,028</u>	<u>3,028,118</u>	<u>4,457,146</u>
Total current liabilities	<u>3,827,238</u>	<u>5,317,827</u>	<u>9,145,065</u>
Noncurrent liabilities			
Compensated Absences	1,464,826	546,085	2,010,911
SBITA Liability	148,538	-	148,538
Lease liability	372,387	411,727	784,114
Notes payable	1,181,487	13,013,649	14,195,136
Bonds payable	13,188,611	20,215,479	33,404,090
Net pension liability	35,230,642	8,324,815	43,555,457
Net OPEB liability	<u>1,283,390</u>	<u>-</u>	<u>1,283,390</u>
Total noncurrent liabilities	<u>52,869,881</u>	<u>42,511,755</u>	<u>95,381,636</u>
Total liabilities	<u>56,697,119</u>	<u>47,829,582</u>	<u>104,526,701</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	3,848,513	1,034,024	4,882,537
Deferred inflows - OPEB	<u>10,277,166</u>	<u>2,937,655</u>	<u>13,214,821</u>
Total deferred inflows of resources	<u>14,125,679</u>	<u>3,971,679</u>	<u>18,097,358</u>
NET POSITION			
Net investment in capital assets	16,564,698	53,011,307	69,576,005
Restricted for			
Debt service	-	1,053,062	1,053,062
Other purposes	1,755,373	-	1,755,373
Unrestricted	<u>(46,641,317)</u>	<u>3,605,908</u>	<u>(43,035,409)</u>
Total net position	<u>(28,321,246)</u>	<u>57,670,277</u>	<u>29,349,031</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 42,501,552</u>	<u>\$ 109,471,538</u>	<u>\$ 151,973,090</u>

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 5,654,275	\$ 1,002,206	\$ 824,403	\$ -	\$ (3,827,666)	\$ -	\$ (3,827,666)
Public safety	11,646,215	-	796,109	-	(10,850,106)	-	(10,850,106)
Public services	172,828	-	-	-	(172,828)	-	(172,828)
Streets	1,738,861	-	-	301,608	(1,437,253)	-	(1,437,253)
Parks and recreation	1,128,981	170,333	-	-	(958,648)	-	(958,648)
Emergency medical services	6,621,425	4,271,553	1,327,500	-	(1,022,372)	-	(1,022,372)
Cemetery	103,873	31,540	-	-	(72,333)	-	(72,333)
Waterpark	2,818,178	2,264,443	-	-	(553,735)	-	(553,735)
Fuel center	1,073,659	940,192	-	-	(133,467)	-	(133,467)
Travel and tourism	300,668	-	-	-	(300,668)	-	(300,668)
Intergovernmental programs	93,579	-	40,907	-	(52,672)	-	(52,672)
Downtown revitalization	156,250	-	-	-	(156,250)	-	(156,250)
Interest on long-term debt	393,576	-	-	-	(393,576)	-	(393,576)
Interest on long-term leases	41,457	-	-	-	(41,457)	-	(41,457)
Total governmental activities	31,943,825	8,680,267	2,988,919	301,608	(19,973,031)	-	(19,973,031)
Business-type activities							
Gas department	8,327,400	10,374,317	-	-	-	2,046,917	2,046,917
Water department	8,043,196	8,648,327	3,000	1,817,065	-	2,425,196	2,425,196
Wastewater department	3,756,789	3,943,349	-	-	-	186,560	186,560
Sanitation department	4,401,603	4,904,900	-	-	-	503,297	503,297
Virginia Theater	608,998	183,967	-	-	-	(425,031)	(425,031)
Total business-type activities	25,137,986	28,054,860	3,000	1,817,065	-	4,736,939	4,736,939
Total primary government	\$ 57,081,811	\$ 36,735,127	\$ 2,991,919	\$ 2,118,673	(19,973,031)	4,736,939	(15,236,092)
General revenues							
Taxes:							
Property taxes					1,868,030	-	1,868,030
Transient room tax					222,552	-	222,552
License fees:							
Franchise					1,093,870	-	1,093,870
Insurance premiums					2,598,157	-	2,598,157
Occupational					5,339,819	-	5,339,819
ABC					1,001,827	-	1,001,827
Investment earnings					51,240	93,672	144,912
Miscellaneous					1,321,379	-	1,321,379
Total general revenues					13,496,874	93,672	13,590,546
Gain (loss) on disposal of capital assets					607,623	466,787	1,074,410
Transfers in (out)					7,251,660	(7,251,660)	-
Change in Net Position					1,383,126	(1,954,262)	(571,136)
Net position-beginning, as restated					(29,704,372)	59,624,539	29,920,167
NET POSITION-ENDING					\$ (28,321,246)	\$ 57,670,277	\$ 29,349,031

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

CITY OF SOMERSET, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

	<u>General</u>	<u>EMS</u>	<u>Waterpark</u>	<u>Fuel Center</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 1,747,303	\$ 290,374	\$ 118,518	\$ 27,651	\$ 435,620	\$ 2,619,466
Certificates of deposit	1,013,213	-	-	-	-	1,013,213
Receivables, net	3,043,758	679,771	187,195	19,260	83,463	4,013,447
Interest receivable	11,770	-	-	-	-	11,770
Inventories	40,712	-	50,709	123,976	-	215,397
Prepaid expenses	8,038	-	-	-	-	8,038
Due from other funds	<u>7,536,016</u>	<u>-</u>	<u>-</u>	<u>21,577</u>	<u>-</u>	<u>7,557,593</u>
Total assets	<u>\$ 13,400,810</u>	<u>\$ 970,145</u>	<u>\$ 356,422</u>	<u>\$ 192,464</u>	<u>\$ 519,083</u>	<u>\$ 15,438,924</u>
LIABILITIES						
Accounts payable	\$ 362,624	\$ 65,445	\$ 113,701	\$ 41,158	\$ 3,471	\$ 586,399
Due to other funds	7,432,389	3,732,677	3,720,857	433,323	114,998	15,434,244
Other current liabilities	<u>1,022,055</u>	<u>338,481</u>	<u>110,182</u>	<u>5,634</u>	<u>13,097</u>	<u>1,489,449</u>
Total liabilities	<u>8,817,068</u>	<u>4,136,603</u>	<u>3,944,740</u>	<u>480,115</u>	<u>131,566</u>	<u>17,510,092</u>
DEFERRED INFLOWS						
Deferred inflows - unavailable revenue	<u>876,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>876,599</u>
FUND BALANCE						
Nonspendable	48,750	-	50,709	123,976	-	223,435
Restricted	1,367,856	-	-	-	387,517	1,755,373
Unassigned	<u>2,290,537</u>	<u>(3,166,458)</u>	<u>(3,639,027)</u>	<u>(411,627)</u>	<u>-</u>	<u>(4,926,575)</u>
Total fund balance	<u>3,707,143</u>	<u>(3,166,458)</u>	<u>(3,588,318)</u>	<u>(287,651)</u>	<u>387,517</u>	<u>(2,947,767)</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 13,400,810</u>	<u>\$ 970,145</u>	<u>\$ 356,422</u>	<u>\$ 192,464</u>	<u>\$ 519,083</u>	<u>\$ 15,438,924</u>

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

Fund balance reported above	\$ (2,947,767)
Capital and leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	33,112,474
Deferred inflows - unavailable revenue related to the opioid settlement is recognized as revenue in the year of settlement in the governmental activities in accordance with the accrual basis of accounting.	876,599
Accrued leave not due and payable in the current period and therefore not reported in the funds.	(1,464,826)
Interest accrued on general long-term debt is not a current expenditure and is not reported in the funds.	(94,637)
Net deferred inflows/outflows related to the long-term net pension and net OPEB liabilities are not reported in the funds.	(4,741,281)
Long-term liabilities, including bonds, leases, notes payable and net pension/OPEB liability, are not due and payable in the current period and therefore are not reported in the funds.	<u>(53,061,808)</u>
Net position of governmental activities	<u>\$ (28,321,246)</u>

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
for the year ended June 30, 2024

	General	EMS	Waterpark	Fuel Center	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 1,868,030	\$ -	\$ -	\$ -	\$ 222,552	\$ 2,090,582
Licenses and permits	10,033,673	-	-	-	-	10,033,673
Fines and forfeits	25,485	-	-	-	-	25,485
Charges for services	686,163	4,271,553	2,264,443	940,192	-	8,162,351
Intergovernmental	1,620,512	1,327,500	-	-	342,515	3,290,527
Interest income	48,424	889	565	221	578	50,677
Other revenues	1,366,425	34,190	56,455	-	38,449	1,495,519
Total revenues	15,648,712	5,634,132	2,321,463	940,413	604,094	25,148,814
EXPENDITURES						
Current:						
General administration	5,455,006	-	-	-	-	5,455,006
Public safety	11,262,385	-	-	-	-	11,262,385
Public services	172,828	-	-	-	-	172,828
Streets	1,010,146	-	-	-	35,269	1,045,415
Parks and recreation	1,076,732	-	-	-	-	1,076,732
Emergency medical services	-	6,537,498	-	-	-	6,537,498
Cemetery	116,763	-	-	-	-	116,763
Waterpark	-	-	2,097,491	-	-	2,097,491
Fuel center	-	-	-	1,062,430	-	1,062,430
Travel and tourism	-	-	-	-	303,952	303,952
Downtown revitalization	156,250	-	-	-	-	156,250
Intergovernmental programs	93,579	-	-	-	-	93,579
Capital outlay	1,551,479	30,073	432,535	7,518	198,536	2,220,141
Debt service	1,927,234	137,717	226,926	1,254	4,181	2,297,312
Total expenditures	22,822,402	6,705,288	2,756,952	1,071,202	541,938	33,897,782
Excess (deficiency) of revenues over expenditures	(7,173,690)	(1,071,156)	(435,489)	(130,789)	62,156	(8,748,968)
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debt/leases/SBITA	1,233,369	30,073	27,567	7,518	25,061	1,323,588
Proceeds from sale of capital assets	587,572	-	277,800	-	-	865,372
Transfers in (out)	6,951,660	(50,000)	350,000	-	-	7,251,660
Total other financing sources and uses	8,772,601	(19,927)	655,367	7,518	25,061	9,440,620
Net change in fund balances	1,598,911	(1,091,083)	219,878	(123,271)	87,217	691,652
Fund balance-beginning, as restated	2,108,232	(2,075,375)	(3,808,196)	(164,380)	300,300	(3,639,419)
Fund balance-ending	\$ 3,707,143	\$ (3,166,458)	\$ (3,588,318)	\$ (287,651)	\$ 387,517	\$ (2,947,767)

Reconciliation to government-wide change in net position:

Net change in fund balances	\$ 691,652
add: capital outlay expenditures capitalized	2,220,141
add: debt service expenditures	2,297,312
add: gain from sale of capital assets	607,623
add: opioid settlement revenue	318,543
less: proceeds from sale of assets	(865,372)
less: proceeds from issuance of debt	(1,323,588)
less: depreciation and amortization on governmental activities assets	(2,797,368)
less: change in accrued leave	(229,408)
add: change in net pension liability	128,408
add: change in net OPEB liability	770,216
less: interest on long term debt and long term leases	(435,033)

Change in net position governmental activities \$ 1,383,126

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2024

	Business-type Activities					Total
	Gas Department	Water Department	Wastewater Department	Sanitation Department	Virginia Theater	
ASSETS						
Current assets						
Cash and cash equivalents	\$ 70,872	\$ 1,097,511	\$ 339,224	\$ 10,307	\$ 7,949	\$ 1,525,863
Certificates of deposit	253,303	253,303	903,014	-	-	1,409,620
Receivables, net	881,229	1,728,257	578,198	652,650	7,735	3,848,069
Accrued interest receivable	3,163	3,163	2,173	-	-	8,499
Inventories	333,406	1,242,589	54,386	-	11,976	1,642,357
Prepaid expenses	-	-	-	-	13,000	13,000
Due from other funds	482,690	7,387,285	484,985	427,974	800	8,783,734
Total current assets	<u>2,024,663</u>	<u>11,712,108</u>	<u>2,361,980</u>	<u>1,090,931</u>	<u>41,460</u>	<u>17,231,142</u>
Noncurrent assets						
Restricted cash and cash equivalents	-	843,062	210,000	-	-	1,053,062
Excess cost over market value of assets acquired, net	-	15,106	-	-	-	15,106
Net OPEB asset	46,392	58,450	29,582	40,805	3,893	179,122
Capital assets						
Nondepreciable capital assets	277,571	9,693,372	988,866	75,000	100,000	11,134,809
Leased vehicles and equipment	1,068,593	99,219	124,406	116,749	-	1,408,967
Depreciable capital assets	28,429,024	74,116,393	47,305,068	5,249,386	3,029,499	158,129,370
Less accumulated depreciation and amortization	<u>(22,753,008)</u>	<u>(29,402,808)</u>	<u>(25,633,305)</u>	<u>(2,644,597)</u>	<u>(285,382)</u>	<u>(80,719,100)</u>
Total noncurrent assets	<u>7,068,572</u>	<u>55,422,794</u>	<u>23,024,617</u>	<u>2,837,343</u>	<u>2,848,010</u>	<u>91,201,336</u>
Total assets	<u>9,093,235</u>	<u>67,134,902</u>	<u>25,386,597</u>	<u>3,928,274</u>	<u>2,889,470</u>	<u>108,432,478</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows - pension	353,253	445,068	225,256	310,710	29,646	1,363,933
Deferred outflows - OPEB	150,790	189,982	96,153	132,630	12,655	582,210
Total deferred outflows of resources	<u>504,043</u>	<u>635,050</u>	<u>321,409</u>	<u>443,340</u>	<u>42,301</u>	<u>1,946,143</u>
Total assets and deferred outflows of resources	<u>\$ 9,597,278</u>	<u>\$ 67,769,952</u>	<u>\$ 25,708,006</u>	<u>\$ 4,371,614</u>	<u>\$ 2,931,771</u>	<u>\$ 110,378,621</u>
LIABILITIES						
Current liabilities						
Accounts payable	\$ 285,082	\$ 252,865	\$ 371,928	\$ 133,682	\$ 6,654	\$ 1,050,211
Due to other funds	4,971	3,859	3,501	-	894,752	907,083
Accrued interest payable	2,507	135,742	10,118	3,843	5,409	157,619
Unearned revenue	-	-	-	-	5,513	5,513
Other current liabilities	139,038	162,243	79,197	89,286	9,125	478,889
Retainage payable	-	304,565	4,040	-	-	308,605
Current portion of lease liability	218,656	20,500	26,063	23,653	-	288,872
Current portion of long-term debt	95,262	654,186	624,219	1,542,627	111,824	3,028,118
Total current liabilities	<u>745,516</u>	<u>1,533,960</u>	<u>1,119,066</u>	<u>1,793,091</u>	<u>1,033,277</u>	<u>6,224,910</u>
Noncurrent liabilities						
Compensated absences	133,736	257,596	54,674	100,079	-	546,085
Notes payable	127,071	8,818,933	3,838,337	229,308	-	13,013,649
Lease liability	285,926	35,173	41,259	49,369	-	411,727
Bonds payable	433,461	15,296,358	1,907,481	-	2,578,179	20,215,479
Net pension liability	2,156,093	2,716,491	1,374,858	1,896,430	180,943	8,324,815
Total noncurrent liabilities	<u>3,136,287</u>	<u>27,124,551</u>	<u>7,216,609</u>	<u>2,275,186</u>	<u>2,759,122</u>	<u>42,511,755</u>
Total liabilities	<u>3,881,803</u>	<u>28,658,511</u>	<u>8,335,675</u>	<u>4,068,277</u>	<u>3,792,399</u>	<u>48,736,665</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows - pension	267,806	337,419	170,772	235,552	22,475	1,034,024
Deferred inflows - OPEB	760,842	958,596	485,159	669,207	63,851	2,937,655
Total deferred inflows of resources	<u>1,028,648</u>	<u>1,296,015</u>	<u>655,931</u>	<u>904,759</u>	<u>86,326</u>	<u>3,971,679</u>
NET POSITION						
Net investment in capital assets	5,861,804	29,696,132	16,347,676	951,581	154,114	53,011,307
Restricted for debt service	-	843,062	210,000	-	-	1,053,062
Unrestricted	<u>(1,174,977)</u>	<u>7,276,232</u>	<u>158,724</u>	<u>(1,553,003)</u>	<u>(1,101,068)</u>	<u>3,605,908</u>
Total net position	<u>4,686,827</u>	<u>37,815,426</u>	<u>16,716,400</u>	<u>(601,422)</u>	<u>(946,954)</u>	<u>57,670,277</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,597,278</u>	<u>\$ 67,769,952</u>	<u>\$ 25,708,006</u>	<u>\$ 4,371,614</u>	<u>\$ 2,931,771</u>	<u>\$ 110,378,621</u>

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2024

	Business-type Activities					Total
	Gas Department	Water Department	Wastewater Department	Sanitation Department	Virginia Theater	
Operating revenues						
Sales to customers	\$ 9,231,398	\$ 8,391,364	\$ 3,593,513	\$ 4,877,049	\$ 183,606	\$ 26,276,930
Transportation/surcharges	795,329	231,116	59,117	-	-	1,085,562
Other operating revenues	<u>347,590</u>	<u>28,847</u>	<u>290,719</u>	<u>27,851</u>	<u>361</u>	<u>695,368</u>
Total operating revenues	<u>10,374,317</u>	<u>8,651,327</u>	<u>3,943,349</u>	<u>4,904,900</u>	<u>183,967</u>	<u>28,057,860</u>
Operating expenses						
Gas purchases, net of refunds	4,823,203	-	-	-	-	4,823,203
Operating expenses	2,312,253	4,512,827	1,904,468	3,559,857	395,607	12,685,012
Maintenance	452,984	1,427,598	632,787	331,136	-	2,844,505
Depreciation and amortization	<u>705,639</u>	<u>1,681,845</u>	<u>1,106,390</u>	<u>425,618</u>	<u>150,298</u>	<u>4,069,790</u>
Total operating expenses	<u>8,294,079</u>	<u>7,622,270</u>	<u>3,643,645</u>	<u>4,316,611</u>	<u>545,905</u>	<u>24,422,510</u>
Operating income (loss)	<u>2,080,238</u>	<u>1,029,057</u>	<u>299,704</u>	<u>588,289</u>	<u>(361,938)</u>	<u>3,635,350</u>
Nonoperating revenues (expenses)						
Gain (loss) on disposal of capital assets	961	-	-	472,056	(6,230)	466,787
Interest and investment income (loss)	8,178	27,572	53,685	4,222	15	93,672
Interest expense	<u>(33,321)</u>	<u>(420,926)</u>	<u>(113,144)</u>	<u>(84,992)</u>	<u>(63,093)</u>	<u>(715,476)</u>
Total nonoperating revenues (expenses)	<u>(24,182)</u>	<u>(393,354)</u>	<u>(59,459)</u>	<u>391,286</u>	<u>(69,308)</u>	<u>(155,017)</u>
Income (loss) before capital contributions and transfers	2,056,056	635,703	240,245	979,575	(431,246)	3,480,333
Transfers in (out)	(2,900,000)	(1,504,028)	(1,898,001)	(950,806)	1,175	(7,251,660)
Capital contributed - grants	<u>-</u>	<u>1,817,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,817,065</u>
Change in net position	(843,944)	948,740	(1,657,756)	28,769	(430,071)	(1,954,262)
Total net position-beginning, as restated	<u>5,530,771</u>	<u>36,866,686</u>	<u>18,374,156</u>	<u>(630,191)</u>	<u>(516,883)</u>	<u>59,624,539</u>
TOTAL NET POSITION-ENDING	<u>\$ 4,686,827</u>	<u>\$ 37,815,426</u>	<u>\$ 16,716,400</u>	<u>\$ (601,422)</u>	<u>\$ (946,954)</u>	<u>\$ 57,670,277</u>

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2024

Business-type Activities						
	Gas Department	Water Department	Wastewater Department	Sanitation Department	Virginia Theater	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 9,846,619	\$ 8,141,194	\$ 3,677,842	\$ 4,784,670	\$ 181,384	\$ 26,631,709
Cash payments to suppliers for goods and services	(6,352,156)	(3,310,742)	(1,456,028)	(2,536,622)	(289,858)	(13,945,406)
Cash payments to employees	(1,819,985)	(2,267,913)	(1,170,786)	(1,618,763)	(123,594)	(7,001,041)
Other operating revenues	347,590	28,847	290,719	27,851	361	695,368
Net cash provided (used) by operating activities	<u>2,022,068</u>	<u>2,591,386</u>	<u>1,341,747</u>	<u>657,136</u>	<u>(231,707)</u>	<u>6,380,630</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Receipts (payments) on interfund loans	1,066,484	(461,008)	(340,793)	(459,528)	406,794	211,949
Transfers (to) from other funds	(2,900,000)	(1,500,000)	(1,900,854)	(950,806)	-	(7,251,660)
Net cash provided (used) by non-capital financing activities	<u>(1,833,516)</u>	<u>(1,961,008)</u>	<u>(2,241,647)</u>	<u>(1,410,334)</u>	<u>406,794</u>	<u>(7,039,711)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal paid on bonds, notes and leases	(306,876)	(627,434)	(674,563)	(1,214,815)	(107,824)	(2,931,512)
Interest paid on bonds, notes and leases	(33,515)	(423,203)	(114,268)	(82,879)	(63,408)	(717,273)
Proceeds from issuance of debt	64,824	2,553,962	-	1,728,403	-	4,347,189
Acquisition and construction of capital assets	(107,244)	(5,072,426)	(320,604)	(1,739,683)	(6,230)	(7,246,187)
Capital contributed - grants	-	1,817,065	-	-	-	1,817,065
Proceeds from sale of assets	961	-	-	1,452,175	-	1,453,136
Net cash provided (used) by capital and related financing activities	<u>(381,850)</u>	<u>(1,752,036)</u>	<u>(1,109,435)</u>	<u>143,201</u>	<u>(177,462)</u>	<u>(3,277,582)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from certificates of deposit	-	-	1,900,613	600,805	-	2,501,418
Purchase of investments	(28,398)	(28,398)	-	-	-	(56,796)
Interest income	5,015	24,409	54,693	5,392	15	89,524
Net cash provided (used) by investing activities	<u>(23,383)</u>	<u>(3,989)</u>	<u>1,955,306</u>	<u>606,197</u>	<u>15</u>	<u>2,534,146</u>
Net increase (decrease) in cash and cash equivalents	<u>(216,681)</u>	<u>(1,125,647)</u>	<u>(54,029)</u>	<u>(3,800)</u>	<u>(2,360)</u>	<u>(1,402,517)</u>
Balances-beginning of the year	<u>287,553</u>	<u>3,066,220</u>	<u>603,253</u>	<u>14,107</u>	<u>10,309</u>	<u>3,981,442</u>
BALANCES-END OF THE YEAR	<u>\$ 70,872</u>	<u>\$ 1,940,573</u>	<u>\$ 549,224</u>	<u>\$ 10,307</u>	<u>\$ 7,949</u>	<u>\$ 2,578,925</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss):	\$ 2,080,238	\$ 1,029,057	\$ 299,704	\$ 588,289	\$ (361,938)	\$ 3,635,350
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization expense	705,639	1,681,845	1,106,390	425,618	150,298	4,069,790
Net pension liability activity	(211,897)	(60,327)	(59,585)	(133,585)	(8,257)	(473,651)
Net OPEB liability activity	(138,847)	(111,334)	(65,290)	(105,876)	(8,721)	(430,068)
Change in assets and liabilities:						
Receivables, net	(180,108)	(481,286)	25,212	(92,379)	(4,460)	(733,021)
Inventory	(13,100)	644,908	(14,479)	-	(3,858)	613,471
Prepaid expenses	-	-	-	-	961	961
Accounts and retainage payable	(224,061)	(133,741)	102,381	75,402	1,774	(178,245)
Other liabilities	4,204	22,264	(52,586)	(100,333)	256	(126,195)
Unearned revenue	-	-	-	-	2,238	2,238
Net cash provided by operating activities	<u>\$ 2,022,068</u>	<u>\$ 2,591,386</u>	<u>\$ 1,341,747</u>	<u>\$ 657,136</u>	<u>\$ (231,707)</u>	<u>\$ 6,380,630</u>
Supplemental disclosure of cash flow information:						
Noncash capital and related financing activities:						
Payables for capital items, net	\$ -	\$ (993,083)	\$ 180,925	\$ -	\$ (6,230)	\$ (818,388)

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Somerset, Kentucky (the City), operates under the Mayor-Council form of government and provides such services as public safety; streets; parks and recreation; emergency medical services; cemetery; fuel center; waterpark; theater; economic and community development; gas, water, wastewater and sanitation utilities. The accounting policies of the City conform to accounting principles generally accepted in the United States of America applicable to governmental units. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The accompanying financial statements of the City present the City's primary government over which the Mayor and Council exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the City's ability to significantly influence operation, select the governing body, participate in fiscal management and the scope of public service. All related entities were evaluated using these criteria and no related entities require inclusion in the general purpose financial statements. In a prior year, the Pulaski County Industrial Foundation was dissolved and the Somerset-Pulaski Development Authority (SPEDA) was newly formed in place of the former foundation. SPEDA was evaluated and excluded because its operations are primarily funded by a county-wide occupational tax. The Lake Cumberland Area Drug Task Force was evaluated and excluded because the board which oversees the task force contains one member from each participating government and the task force does not provide services primarily to the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, fund balance or net position, revenues and expenditures or expenses.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues that are not considered available are reported as deferred inflows of resources. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, insurance premium, occupational, and franchise fees, and grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City allocates indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services. Central services include overall City management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services and other central administrative services. Allocations are charged equally among the effected departments. These charges are reported in the statement of activities as part of revenues and expenses. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include public safety, public services, streets and parks and recreation.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

EMS Fund - A special revenue fund used to account for the activities of the Somerset-Pulaski County Emergency Medical Services.

Waterpark Fund - A special revenue fund used to account for the waterpark activities provided to residents and visitors of the area, the operation of which is financed primarily by the general government.

Fuel Center Fund - A special revenue fund used to account for the activities of the fuel center provided to city departments, various organizations and the public.

Proprietary funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position and changes in cash flow.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The City reports the following major proprietary funds:

Gas Department Fund - The gas department fund is used to account for the gas utility services provided to the residents and industries of the City, the operation of which is financed by user charges. The fund also collects user charges for transporting gas for producers and various gas companies.

Water Department Fund - The water department fund is used to account for the water utility services provided to the residents and industries of the City and area water districts, the operation of which is financed by user charges.

Wastewater Department Fund - The wastewater department fund is used to account for the wastewater utility services provided to the residents and industries of the City, the operation of which is financed by user charges.

Sanitation Department Fund - The sanitation department fund is used to account for the sanitation services provided to the residents and industries of the City, the operation of which is financed by user charges.

Virginia Theater Fund – The Virginia Theater fund is used to account for the theater’s events available to the residents of the City, the operation of which is financed by event revenue.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's gas, water, wastewater, sanitation, and fuel center funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue tap fees intended to recover the costs of connecting new customers to the utility system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Fund Balance

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed - amounts that can be used only for specific purposes determined by a formal action of the City Council. The council is the highest level of decision-making authority for the City of Somerset. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the council.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Balance (continued)

Assigned - for all governmental funds, other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts. For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City Council.

Unassigned - for the General Fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are nonspendable, restricted, committed or assigned.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second, and unassigned funds last.

	General	EMS Fund	Waterpark	Fuel Center	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventory	\$ 40,712	\$ -	\$ 50,709	\$ 123,976	\$ -	\$ 215,397
Prepays	8,038	-	-	-	-	8,038
Restricted						
Other	1,367,856	-	-	-	-	1,367,856
Road repair	-	-	-	-	75,813	75,813
Coal & mineral	-	-	-	-	103,633	103,633
Tourism	-	-	-	-	208,071	208,071
Unassigned	<u>2,290,537</u>	<u>(3,166,458)</u>	<u>(3,639,027)</u>	<u>(411,627)</u>	<u>-</u>	<u>(4,926,575)</u>
Total	<u>\$ 3,707,143</u>	<u>\$(3,166,458)</u>	<u>\$(3,588,318)</u>	<u>\$(287,651)</u>	<u>\$ 387,517</u>	<u>\$(2,947,767)</u>

E. Pensions

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

F. Postemployment Benefits Other Than Pensions (OPEB)

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Net Position or Fund Balance

Deposits and Investments

Cash and cash equivalents include cash on hand and demand deposits. Certificates of deposit include all certificates owned by the City. Investments include shares in the Kentucky League of Cities Investment Pool Plus Program which are measured at net asset value. KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the proprietary funds consider all highly liquid investments (both restricted and unrestricted) with a maturity of 90 days or less when purchased to be cash equivalents.

Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventories

Inventories in the general and proprietary funds consist of expendable supplies held for consumption and inventory for concessions and retail sale in the waterpark and Virginia theater stated on a first-in, first-out method. Inventory in the fuel center fund consists of fuel held for sale. They are reported at cost which is recorded as an expenditure/expense at the time individual inventory items are used. Inventories of the special revenue funds are recorded as expenditures when purchased rather than when consumed.

Accounts Receivable

Governmental activities accounts receivable consists of property taxes, occupational license fees, insurance premium fees, franchise fees, service revenues and grant funds which are disbursed on an expenditure-reimbursement plan.

Business-type activities extend credit to substantially all of their customers.

The City maintains allowances for doubtful accounts based on evaluation by management and percentages applied to the various aging periods of accounts receivable. Specific accounts deemed uncollectible are charged to the allowance upon evaluation by management. Evaluation factors include familiarity with the customer, credit history and the age of the unpaid bill.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Net Position or Fund Balance (continued)

Capital Assets and Depreciation

General capital and leased assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital and leased assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Leased and SBITA assets are recorded at the amount of the initial measurement of the related liability, plus any payments made at or before the commencement of the term. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$10,000 for assets other than buildings, building/land improvements and infrastructure that have an estimated useful life of at least two years. The capitalization threshold for buildings and building improvements and infrastructure is \$50,000 and for land improvements the capitalization threshold is \$25,000.

Transfers of capital assets between funds are recorded at the net book value of the transferred asset at the time of transfer.

All reported capital assets are depreciated with the exception of land and construction in progress.

Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Years
Buildings and structures	20-50
Vehicles	4-15
Other equipment	3-25
Infrastructure	20-100

All leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Compensated Absences

The City allows employees to accumulate unused sick leave to a maximum of 960 hours. Upon termination, employees in Tier 1 or Tier 2 of the Kentucky Public Pensions Authority are given the option of taking credit towards their retirement for accumulated sick days or taking payment for the accumulated days with a maximum of 480 hours to be paid out and then rolling over the rest. Employees in Tier 3 of the Kentucky Public Pensions Authority may be paid up to 480 sick hours at time of retirement but are not allowed any roll over hours to the retirement system. If employees accrue more than 960 hours of sick leave, the excess rolls into bonus leave. The first 480 hours of bonus leave are paid out at retirement. Earned vacation time, up to 160 hours, is generally required to be used within one year. At time of termination vested but unused vacation leave will be paid out. Employees can accrue comp time in lieu of overtime up to 240 hours for nonhazardous employees and 480 hours for hazardous employees. Any accrued comp time is paid out at retirement or termination.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Net Position or Fund Balance (continued)

Compensated Absences (continued)

The City's accrued liabilities for future compensated absences are recorded to the extent the future leave (1) relate to rights attributable to employee services already rendered, (2) relate to rights that vest or accumulate, (3) where payment is probable and (4) where amounts can be reasonably estimated. In accordance with GASB Statement No. 101, governmental funds only accrue amounts to be paid with expendable financial resources. In governmental funds: 1. the City accrues unpaid sick and bonus leave for employees which retire prior to fiscal year end; 2: unpaid comp time for employees that retire or leave employment prior to fiscal year end; 3: 100% of vacation leave up to 160 hours as of fiscal year end. In proprietary funds and the governmental activities: 1. the City performed a historical analysis and determined 86% of the first 480 hours of unpaid sick time should be accrued and 100% of accumulated unpaid bonus leave; 2: The City is accruing comp time up to the maximum allowed amount for each employee as of the end of the fiscal year; 3: the City accrues 100% of vacation leave up to 160 hours as of fiscal year end.

H. Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on the accrual basis. With the exception of the proprietary funds, this approximates accounting principles generally accepted in the United States of America. The primary difference for the proprietary funds between accounting principles generally accepted in the United States of America and the cash basis is in the treatment of capital improvements and the related depreciation and principal payments on debt. All annual appropriations lapse at fiscal year-end, even if encumbered.

In June of each year, the City Council adopts the annual fiscal year budgets for city operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

I. Other Accounting Policies

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets, transfer assets and service debt. The accompanying financial statements generally reflect such transactions as transfers.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Change in Accounting Policy

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The City implemented GASB Statement No. 101 during the fiscal year ending June 30, 2024. These changes were incorporated in the City's June 30, 2024, financial statements. See Note 17 for the effect on the beginning fund balance/net position of the City as a result of implementing GASB Statement No. 101.

K. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through December 2, 2024, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2024, have not been evaluated by the City.

2. CASH

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk beyond that specified in KRS 66.480.

The balances for cash and cash equivalents and certificates of deposit for the primary government at June 30, 2024 are as follows:

Carrying amount	\$ 7,621,224
Bank balance	\$ 8,237,934
FDIC Insurance	\$ 2,010,138
Bank Deposit Guaranty Bond	\$ 204,083
Uninsured and collateral held by the pledging financial institution's trust department or agent and pledged to the City, in the depositor-government's name	\$ 6,021,919
Uninsured and uncollateralized	\$ 1,794

3. ACCOUNTS RECEIVABLE

Accounts Receivable

Account receivables at June 30, 2024 for all funds of the City are as follows:

	Accounts	Taxes	Licenses & Permits	Intergov.	Other	Allowance	Total
General Fund	\$ 53,870	\$ 31,469	\$ 1,942,392	\$ 63,642	\$ 1,005,875	\$ (53,490)	\$ 3,043,758
EMS Fund	2,171,157	-	-	-	700	(1,492,086)	679,771
Waterpark	69,812	-	-	-	117,383	-	187,195
Fuel Center	-	-	-	-	19,260	-	19,260
Other Gov.	-	22,145	-	61,318	-	-	83,463
Gas	794,852	-	-	-	86,377	-	881,229
Water	1,304,947	-	-	400,000	23,310	-	1,728,257
Wastewater	567,946	-	-	-	10,252	-	578,198
Sanitation	652,650	-	-	-	-	-	652,650
Virginia Theater	7,735	-	-	-	-	-	7,735
Totals	<u>\$5,622,969</u>	<u>\$ 53,614</u>	<u>\$ 1,942,392</u>	<u>\$ 524,960</u>	<u>\$ 1,263,157</u>	<u>\$ (1,545,576)</u>	<u>\$ 7,861,516</u>

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

4. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables within governmental activities and business-type activities not eliminated for purposes of government-wide financial statements as of June 30, 2024 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Virginia Theater	\$ 894,677
Fuel Center Fund	Virginia Theater	75
Fuel Center Fund	Gas Department	4,971
Fuel Center Fund	Sewer Department	3,501
Fuel Center Fund	Water Department	3,340
Gas Department	General Fund	(482,690)
Sanitation Department	Fuel Center Fund	(47,118)
Sanitation Department	General Fund	(380,602)
Wastewater Department	General Fund	(484,720)
Water Department	General Fund	(6,081,290)
Water Department	Municipal Aid Projects	(5,995)
Water Department	Waterpark	(1,300,000)
Virginia Theater	EMS Fund	<u>(800)</u>
Internal balances, net		<u><u>\$(7,876,651)</u></u>

Interfund receivables and payables within governmental activities and business-type activities eliminated for purposes of government-wide financial statements as of June 30, 2024 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	EMS Fund	\$ 3,772,693
General Fund	Fuel Center	\$ 386,205
General Fund	Municipal Aid Projects	\$ 100,000
General Fund	Tourism & Travel	\$ 8,949
General Fund	Waterpark	\$ 2,420,405
Fuel Center Fund	EMS Fund	\$ 9,184
Fuel Center Fund	Travel and Tourism	\$ 54
Fuel Center Fund	Waterpark	\$ 452
Sanitation Department	Water Department	\$ 254
Wastewater Department	Water Department	\$ 265

The City's interfund balances are anticipated to be repaid over a period of time. Some of the interfund balances will not be repaid within one year of the date of these financial statements. The City is unable to identify which balances will not be repaid in the next fiscal year. The interfund balances will be repaid as resources become available.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

5. CAPITAL ASSETS

A summary of changes in the City's capital assets during the year ended June 30, 2024, is as follows:

	June 30, 2023	Additions/ Transfers	Disposals/ Transfers	June 30, 2024
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 3,960,782	\$ -	\$ -	\$ 3,960,782
Right of way and easements	11,068	-	-	11,068
Construction in progress	<u>1,258,604</u>	<u>239,152</u>	<u>(993,456)</u>	<u>504,300</u>
Totals	<u>5,230,454</u>	<u>239,152</u>	<u>(993,456)</u>	<u>4,476,150</u>
Capital assets that are depreciated:				
Infrastructure	38,924,293	167,557	-	39,091,850
Building and improvements	20,177,744	256,553	(78,104)	20,356,193
Vehicles	7,522,467	852,353	(481,635)	7,893,185
Equipment	2,909,508	130,106	(60,884)	2,978,730
Office equipment	1,089,309	75,690	(72,029)	1,092,970
Right to use software	-	248,122	-	248,122
Land improvements	1,434,124	993,456	-	2,427,580
Leased vehicles	822,691	-	(262,360)	560,331
Leased equipment	<u>275,921</u>	<u>250,610</u>	<u>(190,539)</u>	<u>335,992</u>
Totals	<u>73,156,057</u>	<u>2,974,447</u>	<u>(1,145,551)</u>	<u>74,984,953</u>
Total capital assets	<u>78,386,511</u>	<u>3,213,599</u>	<u>(2,139,007)</u>	<u>79,461,103</u>
Accumulated depreciation:				
Infrastructure	27,533,450	1,190,426	-	28,723,876
Buildings and improvements	6,498,553	561,862	(30,355)	7,030,060
Vehicles	4,822,458	575,463	(303,614)	5,094,307
Equipment	2,756,744	170,415	(50,602)	2,876,557
Office equipment	1,036,069	15,547	(64,391)	987,225
Land improvements	<u>1,228,841</u>	<u>32,539</u>	<u>-</u>	<u>1,261,380</u>
Totals	<u>43,876,115</u>	<u>2,546,252</u>	<u>(448,962)</u>	<u>45,973,405</u>
Accumulated amortization:				
Right to use software	-	8,271	-	8,271
Leased vehicles	350,456	169,188	(241,834)	277,810
Leased equipment	<u>139,989</u>	<u>73,657</u>	<u>(124,503)</u>	<u>89,143</u>
Totals	<u>490,445</u>	<u>251,116</u>	<u>(366,337)</u>	<u>375,224</u>
Total accumulated depreciation and amortization	<u>44,366,560</u>	<u>2,797,368</u>	<u>(815,299)</u>	<u>46,348,629</u>
Capital Assets, Net	<u>\$ 34,019,951</u>	<u>\$ 416,231</u>	<u>\$ (1,323,708)</u>	<u>\$ 33,112,474</u>

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

5. CAPITAL ASSETS (CONTINUED)

	June 30, 2023	Additions/ Transfers	Disposals/ Transfers	June 30, 2024
Business-type Activities				
Capital assets not depreciated:				
Land	\$ 1,079,933	\$ 26,180	\$ -	\$ 1,106,113
Right of way and easements	147,022	-	-	147,022
Construction in progress	<u>7,914,436</u>	<u>1,973,468</u>	<u>(6,230)</u>	<u>9,881,674</u>
Totals	<u>9,141,391</u>	<u>1,999,648</u>	<u>(6,230)</u>	<u>11,134,809</u>
Capital assets that are depreciated:				
Utility plant and dist. system	92,749,102	-	-	92,749,102
Building and improvements	53,052,534	-	-	53,052,534
Vehicles	4,297,582	1,852,976	(1,314,195)	4,836,363
Equipment	3,890,314	2,575,173	-	6,465,487
Office equipment	911,657	-	-	911,657
Land improvements	114,227	-	-	114,227
Leased vehicles	596,530	40,098	(94,138)	542,490
Leased land	-	53,002	-	53,002
Leased equipment	<u>800,945</u>	<u>12,530</u>	<u>-</u>	<u>813,475</u>
Totals	<u>156,412,891</u>	<u>4,533,779</u>	<u>(1,408,333)</u>	<u>159,538,337</u>
Total capital assets	<u>165,554,282</u>	<u>6,533,427</u>	<u>(1,414,563)</u>	<u>170,673,146</u>
Accumulated depreciation:				
Utility plant and dist. system	51,976,831	1,956,412	-	53,933,243
Buildings and improvements	18,422,356	1,163,266	-	19,585,622
Vehicles	2,669,513	426,950	(316,626)	2,779,837
Equipment	2,939,739	221,655	-	3,161,394
Office equipment	473,662	10,103	(17,450)	466,315
Land improvements	<u>52,779</u>	<u>-</u>	<u>-</u>	<u>52,779</u>
Totals	<u>76,534,880</u>	<u>3,778,386</u>	<u>(334,076)</u>	<u>79,979,190</u>
Accumulated amortization:				
Leased vehicles	244,637	106,723	(94,136)	257,224
Leased land	-	7,950	-	7,950
Leased equipment	<u>307,029</u>	<u>167,707</u>	<u>-</u>	<u>474,736</u>
Totals	<u>551,666</u>	<u>282,380</u>	<u>(94,136)</u>	<u>739,910</u>
Total accumulated depreciation and amortization	<u>77,086,546</u>	<u>4,060,766</u>	<u>(428,212)</u>	<u>80,719,100</u>
Capital Assets, Net	<u>\$ 88,467,736</u>	<u>\$ 2,472,661</u>	<u>\$ (986,351)</u>	<u>\$ 89,954,046</u>

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

5. CAPITAL ASSETS (CONTINUED)

Depreciation expense was allocated to functions/programs of the primary government as follows:

Primary Government				Business-Type Activities	
<u>Governmental Activities</u>				<u>Business-Type Activities</u>	
Waterpark	\$ 737,083	Water	\$ 1,652,153	Wastewater	1,078,722
Streets	605,517	Gas	493,369	Sanitation	403,844
Public Safety	478,785	Virginia	<u>150,298</u>		
General Government	373,815				
Emergency Medical Services	150,644				
Parks and Recreation	94,998				
Fuel Center	16,607				<u>\$ 3,778,386</u>
Cemetery	4,747				
Municipal Aid Projects	80,298				
Travel & Tourism	<u>3,758</u>				
	<u>\$ 2,546,252</u>				

Amortization expense was allocated to functions/programs of the primary government as follows:

Primary Government				Business-Type Activities	
<u>Governmental Activities</u>				<u>Business-Type Activities</u>	
Waterpark	\$ 5,792	Water	\$ 20,669	Wastewater	27,668
Streets	62,575	Gas	212,269	Sanitation	<u>21,774</u>
Public Safety	100,205				
General Government	53,924				
Emergency Medical Services	6,150				
Fuel Center	1,074				<u>\$ 282,380</u>
Travel & tourism	3,580				
Parks and Recreation	<u>17,816</u>				
	<u>\$ 251,116</u>				

6. LONG-TERM LIABILITIES

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

Description	Balance June 30, 2023	Issued/ Transfers	Retired	June 30, 2024	Due within One year
Primary Government					
<u>Governmental Activities</u>					
<u>General Fund</u>					
Series 2021 with interest at 2.00% to 5.00% maturing in fiscal year 2041	\$ 1,795,000	\$ -	\$ 193,000	\$ 1,602,000	\$ 200,000
Series 2021 Bond Premium	270,073	-	15,004	255,069	15,004
Series 2020 with interest at 2.00% to 3.00% maturing in fiscal year 2045	7,830,000	-	275,000	7,555,000	285,000
Series 2020 Bond Premium	245,926	-	14,466	231,460	14,466
Direct Borrowing - Police car loan with interest at 1.99% maturing in fiscal year 2026	114,132	-	40,779	73,353	41,604

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. LONG-TERM LIABILITIES (CONTINUED)

Description	Balance June 30, 2023	Issued/ Transfers	Retired	June 30, 2024	Due within One year
Primary Government, continued					
<u>Governmental Activities, continued</u>					
<u>General Fund, continued</u>					
Direct Borrowing - Cinder pumper loan with interest at 2.31% maturing in fiscal year 2031	\$ 447,366	\$ -	\$ 55,190	\$ 392,176	\$ 56,523
Series 2021 GO Refunding with interest at 2.80% maturing in fiscal year 2032	3,419,499	-	338,278	3,081,221	346,750
Citizens National Bank Loan with interest at 2.91% maturing in fiscal year 2028	33,508	-	7,511	25,997	7,736
Cumberland Security Commercial Loan with interest at 2.60% maturing in fiscal year 2028	265,332	-	61,038	204,294	62,683
Citizens National Bank Loan with interest at 2.91% maturing in fiscal year 2028	39,307	-	8,809	30,498	9,075
Cumberland Valley National Bank Loan with interest at 3.99% maturing in fiscal year 2024	172,589	-	172,589	-	-
Forcht Bank Loan with interest at 5.99% maturing in fiscal year 2029	-	260,021	34,159	225,862	48,038
Cumberland Valley National Bank Loan with interest at 5.16% maturing in fiscal year 2029	-	64,003	9,549	54,454	12,024
Cumberland Valley National Bank Loan with interest at 4.98% maturing in fiscal year 2029	-	308,929	18,322	290,607	56,731
Cumberland Valley National Bank Loan with interest at 5.16% maturing in fiscal year 2029	-	191,924	2,811	189,113	34,685
<i>EMS</i>					
Direct Borrowing – Ambulance loan with interest at 2.31% maturing in fiscal year 2026	78,274	-	33,029	45,245	33,805
Direct Borrowing – Equipment loan with interest at 2.31% maturing in fiscal year 2026	66,060	-	66,060	-	-
Stryker EMS Loan with interest at 0.00% maturing in fiscal year 2026	74,180	-	30,695	43,485	30,695
<i>Waterpark</i>					
Series 2021 GO with interest at 2.0 to 5.0% maturing in fiscal year 2041	493,000	-	53,000	440,000	55,000
Series 2021 GO Refunding with interest at 2.80% maturing in fiscal year 2032	1,175,589	-	116,297	1,059,292	119,209
Net pension liability	<u>38,386,600</u>	<u>-</u>	<u>3,155,958</u>	<u>35,230,642</u>	<u>-</u>
Net OPEB liability	<u>10,662,801</u>	<u>-</u>	<u>9,379,411</u>	<u>1,283,390</u>	<u>-</u>

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. LONG-TERM LIABILITIES (CONTINUED)

Description	Balance June 30, 2023	Issued/ Transfers	Retired	June 30, 2024	Due within One year
Primary Government, continued					
<u>Governmental Activities, continued</u>					
Subscription liability	\$ -	\$ 248,122	\$ 55,559	\$ 192,563	\$ 44,025
Lease liability	\$ 633,250	\$ 250,610	\$ 327,773	\$ 556,087	\$ 183,700
Total governmental activities	<u>\$66,202,486</u>	<u>\$1,323,609</u>	<u>\$ 14,464,287</u>	<u>\$53,061,808</u>	<u>\$1,656,753</u>
<u>Business-type Activities</u>					
<u>Gas Department</u>					
Direct Borrowing - Note payable to City of Ferguson with interest at 2.0% maturing in FY 2034	\$ 19,323	\$ -	\$ 1,685	\$ 17,638	\$ 1,721
Direct Borrowing - Note payable local bank with interest at 2.48%, maturing in FY 2026	13,881	-	5,642	8,239	5,785
Direct Borrowing – Cumberland Security loan with interest at 2.85%, maturing in FY 2024	8,782	-	8,782	-	-
Direct Borrowing – Cumberland Security loan with interest at 2.79%, maturing in FY 2024	4,926	-	4,926	-	-
Series 2021 GO Refunding with interest at 2.80% maturing in FY 2032	542,050	-	53,623	488,427	54,966
Cumberland Security Bank Loan with interest at 2.70% maturing in fiscal year 2028	97,250	-	20,584	76,666	21,161
Citizens National Bank Loan with interest at 5.24% maturing in fiscal year 2029	-	64,824	-	64,824	11,629
Total Gas Department	<u>\$ 686,212</u>	<u>\$ 64,824</u>	<u>\$ 95,242</u>	<u>\$ 655,794</u>	<u>\$ 95,262</u>
<u>Water Department</u>					
Series 2012 with interest at 2.125% maturing in FY 2052	\$ 11,712,500	\$ -	\$ 285,500	\$ 11,427,000	\$ 292,500
Direct Borrowing - KIA loan with interest at .5% maturing in FY 2055	6,192,326	2,494,212	-	8,686,538	-
Direct Borrowing – Citizens National Bank loan with interest at 2.75%, maturing in FY 2024	4,249	-	4,249	-	-
Direct Borrowing – Cumberland Security Bank loan with interest at 3.79% maturing in FY 2024	5,392	-	5,392	-	-
Series 2021 GO with interest at 2.00 to 5.00% maturing in FY 2041	4,245,000	-	186,000	4,059,000	228,000
Series 2021 GO Bond Premium	372,215	-	20,679	351,536	20,679
Direct Borrowing – Citizens National Bank loan with interest at 2.35%, maturing in FY 2026	111,730	-	48,917	62,813	50,101
Direct Borrowing - Monticello Bank loan with interest at 2.50% to 5.00% maturing in FY 2026	27,727	-	10,904	16,823	11,153

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. LONG-TERM LIABILITIES (CONTINUED)

Description	Balance June 30, 2023	Issued/ Transfers	Retired	June 30, 2024	Due within One year
Primary Government, continued					
<u>Business-type Activities, continued</u>					
<u>Water Department, continued</u>					
Citizens National Bank Loan with interest at 3.75% maturing in fiscal year 2028	\$ 47,984	\$ -	\$ 10,167	\$ 37,817	\$ 10,565
Citizens National Bank Loan with interest at 3.86% maturing in fiscal year 2028	103,766	-	20,664	83,102	21,497
Cumberland Valley National Bank Loan with interest at 4.93% maturing in fiscal year 2027	-	29,875	7,860	22,015	9,869
Cumberland Valley National Bank Loan with interest at 5.16% maturing in fiscal year 2027	-	29,875	7,042	22,833	9,822
Total Water Department	<u>\$ 22,822,889</u>	<u>\$ 2,553,962</u>	<u>\$ 607,374</u>	<u>\$ 24,769,477</u>	<u>\$ 654,186</u>
<u>Wastewater Department</u>					
Direct Borrowing – KIA Loan with interest at 1%, maturing in fiscal year 2032	\$ 4,474,533	\$ -	\$ 406,241	\$ 4,068,292	\$ 410,314
Direct Borrowing - Note payable to City of Ferguson with interest at 2.0%, maturing in FY 2034	218,937	-	19,096	199,841	19,481
Series 2021 GO with interest at 2.0% to 5.0%, maturing in FY 2041	1,258,000	-	119,000	1,139,000	89,000
Series 2021 Bond Premium	148,194	-	12,350	135,844	12,350
Series 2021 GO Bond Refunding with interest at 2.80%, maturing in fiscal year 2032	917,862	-	90,802	827,060	93,075
Total Wastewater Department	<u>\$ 7,017,526</u>	<u>\$ -</u>	<u>\$ 647,489</u>	<u>\$ 6,370,037</u>	<u>\$ 624,220</u>
<u>Sanitation Department</u>					
Direct Borrowing - Note payable to local bank with interest at 3.85%, maturing in FY 2024	\$ 16,101	\$ -	\$ 16,101	\$ -	\$ -
Direct Borrowing – Citizens National Bank loan with interest at 2.36%, maturing in FY 2026	75,280	-	31,748	43,532	32,519
Forcht Bank Loan with interest at 3.00% maturing in fiscal year 2024	482,480	-	482,480	-	-
Cumberland Security Bank Loan with interest at 3.84% maturing in fiscal year 2024	184,374	-	184,374	-	-
Cumberland Security Bank Loan with interest at 2.63% maturing in fiscal year 2024	479,459	-	479,459	-	-
Cumberland Valley National Bank Loan with interest at 4.93% maturing in fiscal year 2025	-	420,596	-	420,596	420,596
Cumberland Valley National Bank Loan with interest at 5.60% maturing in fiscal year 2025	-	218,295	-	218,295	218,295

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. LONG-TERM LIABILITIES (CONTINUED)

Description	Balance June 30, 2023	Issued/ Transfers	Retired	June 30, 2024	Due within One year
Primary Government, continued					
<u>Business-type Activities, continued</u>					
<u>Sanitation Department, continued</u>					
Cumberland Valley National Bank Loan with interest at 5.79% maturing in fiscal year 2025	\$ -	\$ 218,295	\$ -	\$ 218,295	\$ 218,295
Cumberland Valley National Bank Loan with interest at 5.79% maturing in fiscal year 2025	-	652,922	-	652,922	652,922
Cumberland Valley National Bank Loan with interest at 4.95% maturing in fiscal year 2026	<u>-</u>	<u>218,295</u>	<u>-</u>	<u>218,295</u>	<u>-</u>
Total Sanitation Department	<u>\$ 1,237,694</u>	<u>\$ 1,728,403</u>	<u>\$ 1,194,162</u>	<u>\$ 1,771,935</u>	<u>\$ 1,542,627</u>
<u>Virginia Theater Fund</u>					
Series 2021 GO with interest at 2.0% to 5.0% maturing in fiscal year 2031	\$ 2,639,000	\$ -	\$ 99,000	\$ 2,540,000	\$ 103,000
Premium on Series 2021 GO	<u>158,827</u>	<u>-</u>	<u>8,824</u>	<u>150,003</u>	<u>8,824</u>
Total Virginia Theatre Fund	<u>\$ 2,797,827</u>	<u>\$ -</u>	<u>\$ 107,824</u>	<u>\$ 2,690,003</u>	<u>\$ 111,824</u>
Net pension liability	<u>\$ 9,549,767</u>	<u>\$ -</u>	<u>\$ 1,224,952</u>	<u>\$ 8,324,815</u>	<u>\$ -</u>
Lease Liability	<u>\$ 874,390</u>	<u>\$ 105,630</u>	<u>\$ 279,421</u>	<u>\$ 700,599</u>	<u>\$ 288,872</u>
Total Business-type activities	<u>\$ 44,986,305</u>	<u>\$ 4,452,819</u>	<u>\$ 4,156,464</u>	<u>\$ 45,282,660</u>	<u>\$ 3,316,991</u>

The Series 2011 Bond issue was dated November 1, 2011 in the amount of \$8,810,000 and carried a interest rate of 2.10% to 4.25%. The issue was intended to benefit the general fund, waterpark, wastewater department, and gas department. The Series 2011 Bond issue was refinanced during fiscal year 2022 with the Series 2021 GO Refunding Bond issue on October 29, 2021 in the amount of \$6,769,000 with interest at 2.8%. The issue is included on the statement of net position under long-term debt as follows:

General	\$ 3,081,221
Waterpark	1,059,292
Gas department	488,427
Wastewater department	<u>827,060</u>
Total	<u>\$ 5,456,000</u>

The Series 2021 GO Bond issue is dated June 17, 2021 in the amount of \$11,665,000 and carries a interest rate of 2.00% to 5.00%. The issue was intended to benefit the general fund, waterpark, water department, wastewater department, Virginia Theater, and to be determined future capital projects. The issue is included on the statement of net position under long-term debt as follows:

General	\$ 1,602,000
Waterpark	440,000
Water department	4,059,000
Wastewater department	1,139,000
Virginia Theater	<u>2,540,000</u>
Total	<u>\$ 9,780,000</u>

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. LONG-TERM LIABILITIES (CONTINUED)

During fiscal year 2014, the City entered into a perpetual agreement with the City of Ferguson, Kentucky ("Ferguson"), in which the City obtained the sewer and gas utility system from Ferguson, in order to preserve the integrity of the utility system and to mitigate any risks regarding natural gas distribution lines, of which the City would have been held ultimately liable by governing agencies. Under the terms of the agreement, the City will pay Ferguson an amount not to exceed \$65,000 annually. A portion of this payment is considered compensation for the transfer of assets, and is being paid over a twenty year period at an interest rate of 2.0%. This amount has been recorded in the gas and sewer departments as a note payable based upon the value of each system, which has been determined to be \$33,750 and \$382,179, respectively.

The annual debt service requirements, to maturity, for all long-term debt (excluding the lease liabilities, net pension liability and the net OPEB liability are as follows):

Governmental Activities

Year ended	Principal	Interest	Total
2025	\$ 1,429,028	\$ 408,443	\$ 1,837,471
2026	1,426,195	353,600	1,779,795
2027	1,411,063	307,711	1,718,774
2028	1,232,474	261,381	1,493,855
2029	1,175,034	221,039	1,396,073
2030-2034	4,092,506	713,865	4,806,371
2035-2039	2,354,351	416,298	2,770,649
2040-2044	2,243,475	173,337	2,416,812
2045	<u>435,000</u>	<u>9,570</u>	<u>444,570</u>
	<u>\$ 15,799,126</u>	<u>\$ 2,865,244</u>	<u>\$ 18,664,370</u>

Business-type Activities

Year ended	Principal	Interest	Total
2025	\$ 3,028,119	\$ 646,755	\$ 3,674,874
2026	1,701,721	531,928	2,233,649
2027	1,475,571	493,118	1,968,689
2028	1,481,865	455,914	1,937,779
2029	1,486,815	414,302	1,901,117
2030-2034	7,371,751	1,525,426	8,897,177
2035-2039	4,185,361	951,216	5,136,577
2040-2044	2,783,505	588,437	3,371,942
2045-2049	2,450,500	329,237	2,779,737
2050-2052	<u>1,605,500</u>	<u>68,616</u>	<u>1,674,116</u>
	27,570,708	6,004,949	33,575,657
KIA Water Loan	<u>8,686,538</u>	-	<u>8,686,538</u>
Totals	<u>\$ 36,257,246</u>	<u>\$ 6,004,949</u>	<u>\$ 42,262,195</u>

The bond ordinances contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds and minimum revenue bond coverages. Funds held in the various reserves at June 30, 2024 required by the revenue bond ordinances are reported in the accompanying financial statements as restricted net position in the respective funds. At June 30, 2024, the City had sufficient funds in restricted accounts to meet required existing bond ordinances.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

7. LEASE LIABILITIES

Governmental Activities

On March 10, 2020 the City entered into a lease agreement for a phone system. The lease calls for monthly payments of \$1,090 over a period of 60 months and bears interest at 3%. The balance of the lease liability as of June 30, 2024 totaled \$9,809.

As of June 30, 2024, the City has entered into four separate lease agreements for copiers which are utilized by various departments throughout the City. The term of these lease agreements varies from 60-63 months. Monthly payments due on the copier leases total \$6,436 and bear interest at 2.6% - 5.99%. The balance of the liability related to the copier leases as of June 30, 2024 totaled \$245,292.

On September 30, 2016 the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases ranges from 48-60 months. The interest rates for the vehicle leases range from 2.9 – 5.37%. The balance of the liability related to the vehicle leases as of June 30, 2024 totaled \$300,986.

Annual requirements to maturity for all governmental long-term lease obligations are as follows:

Year ended	Principal	Interest	Total
2025	\$ 183,700	\$ 18,317	\$ 202,017
2026	169,285	14,968	184,253
2027	119,575	10,323	129,898
2028	56,132	3,416	59,548
2029	<u>27,395</u>	<u>480</u>	<u>27,875</u>
	<u>\$ 556,087</u>	<u>\$ 47,504</u>	<u>\$ 603,591</u>

Business-type Activities

On June 9, 2021, the City entered into a lease agreement for a gas compressor with USA Compression. The lease calls for monthly payments of \$14,250 over a period of 60 months and bears interest at 2.6%. The balance of the lease liability as of June 30, 2024 totaled \$346,408.

On July 29, 2023, the City entered into a lease agreement for land for a gas processing center. The lease calls for annual payments of \$12,000 in the first year of the lease and increasing annually by the cumulative increase in the consumer price index, not to exceed 6% with a floor of 2.5%, over a period of 5 years. The liability and related leased equipment have been recorded at the present value of the future minimum lease payments based on an incremental borrowing rate of 5.99%. The balance of the liability related to the land lease as of June 30, 2024 totaled \$44,177.

As of June 30, 2024, the City has entered into a lease agreement for copiers which are utilized by various departments throughout the City. The term of the lease agreement is 63 months. Monthly payments due on the copier leases total \$5,621. The liability and related leased equipment have been recorded at the present value of the future minimum lease payments based on an incremental borrowing rate of 5.99%. The balance of the liability related to the copier leases as of June 30, 2024 totaled \$46,082.

On September 30, 2016 the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases ranges from 48-60 months. The interest rates for the vehicle leases range from 2.90 – 5.37%. The balance of the liability related to the vehicle leases as of June 30, 2024 totaled \$263,931.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

7. LEASE LIABILITIES (CONTINUED)

Business-type Activities, continued

Annual requirements to maturity for all business-type long-term lease obligations are as follows:

Year ended	Principal	Interest	Total
2025	\$ 288,872	\$ 17,108	\$ 305,980
2026	294,636	14,007	308,643
2027	87,837	9,179	97,016
2028	23,500	3,417	26,917
2029	<u>5,753</u>	<u>481</u>	<u>6,234</u>
	<u>\$ 700,598</u>	<u>\$ 44,192</u>	<u>\$ 744,790</u>

8. SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Governmental Activities

In May 2024, the City entered into an agreement for body camera software. The agreement calls for annual payments of \$55,559 over a period of 5 years. The City has imputed an interest rate of 5.99% to determine the present value of the intangible right-to-use asset and SBITA liability. The balance of the SBITA liability related to the agreement as of June 30, 2024 totaled \$192,563.

The total of the City's subscription assets are recorded at a cost of \$248,122, less accumulated amortization of \$8,271, at June 30, 2024.

The future subscription payments under SBITA agreements are as follows:

Year ended	Principal	Interest	Total
2025	\$ 44,025	\$ 11,534	\$ 55,559
2026	46,662	8,897	55,559
2027	49,457	6,102	55,559
2028	<u>52,419</u>	<u>3,140</u>	<u>55,559</u>
	<u>\$ 192,563</u>	<u>\$ 29,673</u>	<u>\$ 222,236</u>

9. RETIREMENT PLAN

CERS

The City of Somerset is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

9. RETIREMENT PLAN (CONTINUED)

Contributions – For the year ended June 30, 2024, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2024, participating employers contributed 23.34% of each employee's wages for non-hazardous job classifications and 43.69% of each employee's wages for hazardous job classifications.

The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 10. Plan members contributed 23.34% to the pension trust for non-hazardous job classifications and 41.11% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

Plan 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 in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2024, the City contributed \$1,743,607 or 100% of the required contribution for non-hazardous job classifications, and \$3,118,948 for the year ended June 30, 2024, or 100% of the required contribution for hazardous job classifications.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

9. RETIREMENT PLAN (CONTINUED)

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old and 4 years service At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 - December 31, 2013 At least 5 years service and 65 years old or age 57+ with sum of service years plus age equal to 87+ At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old or age 57+ with sum of service years plus age equal to 87+ Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2024, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net		
Pension Liability	Non-hazardous	Hazardous
<u>\$ 43,555,457</u>	<u>\$ 15,294,454</u>	<u>\$ 28,261,003</u>

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2023, was as follows:

Non-hazardous	Hazardous
.238%	1.048%

The proportionate share at June 30, 2023 relative to June 30, 2022 decreased for non-hazardous by .002% and increased for hazardous by .047%.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

9. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2024, the City recognized pension expense of \$4,193,456. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 2,083,739	\$ 41,547
Changes of assumptions	-	3,608,850
Net difference between projected and actual earnings on Plan investments	-	492,136
Changes in proportion and differences between City contributions and proportionate share of contributions	1,468,617	740,004
City contributions subsequent to the measurement date	<u>4,793,360</u>	<u>-</u>
Total	<u>\$ 8,345,716</u>	<u>\$ 4,882,537</u>

The \$4,793,360 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2025	\$ (446,559)
2026	\$ (1,174,490)
2027	\$ 698,190
2028	\$ (407,322)

Actuarial Assumptions – The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.50%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

9. RETIREMENT PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2023, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023.

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

The target allocation and best estimates of arithmetic nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Liquidity	20.00%	
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	100.00%	5.75%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		8.25%

Discount Rate – The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the closed 30-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability
1% decrease	5.50%	\$ 19,310,172	5.50%	\$ 35,686,260
Current discount rate	6.50%	\$ 15,294,454	6.50%	\$ 28,261,003
1% increase	7.50%	\$ 11,957,241	7.50%	\$ 22,196,251

Payable to the Pension Plan – At June 30, 2024, the City reported a payable of \$666,233 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2024. The payable includes both the pension and insurance contribution allocation.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 9, the City of Somerset participates in the County Employees’ Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 9, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2024, the employer’s contribution was 0.00% to the insurance trust for non-hazardous job classifications and 2.58% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2024, the City contributed \$0, or 100% of the required contribution for non-hazardous job classifications, and \$195,740, or 100% of the required contribution for hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2024, the City reported a liability (asset) for its proportionate share of the net OPEB liability (asset) as follows:

Total Net OPEB Liability (asset)	Non-hazardous	Hazardous
\$ <u>1,104,268</u>	\$ <u>(329,085)</u>	\$ <u>1,433,353</u>

The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2023, was as follows:

Non-hazardous	Hazardous
.238%	1.048%

The proportionate share at June 30, 2023 relative to June 30, 2022 for non-hazardous decreased by .002% and hazardous increased by .047%.

For the year ended June 30, 2024, the City recognized OPEB expense of \$(1,072,936). At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 359,066	\$ 10,581,956
Changes of assumptions	1,626,316	1,945,526
Net difference between projected and actual earnings on Plan investments	-	273,775
Changes in proportion and differences between City contributions and proportionate share of contributions	711,018	413,564
City contributions subsequent to the measurement date	<u>288,425</u>	<u>-</u>
Total	\$ <u>2,984,825</u>	\$ <u>13,214,821</u>

The \$288,425 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. This includes adjustments of \$107,487 for the nonhazardous implicit subsidy and \$(13,321) for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2025	\$ (2,250,724)
2026	\$ (2,654,928)
2027	\$ (2,143,035)
2028	\$ (2,501,667)
2029	\$ (968,067)

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions – The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 8.50% at January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

Hazardous

Inflation	2.50%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 8.50% at January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023.

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Liquidity	20.00%	
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	100.00%	5.75%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		8.25%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.93% and 5.97% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2023. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City’s proportionate share of net OPEB liability (asset)	Discount rate	City’s proportionate share of net OPEB liability (asset)
1% decrease	4.93%	\$ 617,566	4.97%	\$ 3,624,974
Current discount rate	5.93%	\$ (329,085)	5.97%	\$ 1,433,353
1% increase	6.93%	\$ (1,121,789)	6.97%	\$ (392,851)

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Non-hazardous	Hazardous
	City's proportionate share of net OPEB liability (asset)	City's proportionate share of net OPEB liability (asset)
1% decrease	\$ (1,054,774)	\$ 16,331
Current trend rate	\$ (329,085)	\$ 1,433,353
1% increase	\$ 562,356	\$ 3,144,700

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

11. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2024 were levied in September 2023 on the assessed valuation of property located in Pulaski County as of the preceding January 1, the lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	Per K.R.S. 134.020
1. Due date for payment of taxes, 2% discount	November 1
2. Face value amount payment due	November 2 through December 31

Vehicle taxes are collected by the County Clerk of Pulaski and are due and collected in the birth month of the vehicle's licensee.

12. TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
EMS	General	Administration	\$ 50,000
Gas	General	General operations	\$ 2,900,000
Wastewater	General	General operations	\$ 1,900,854
Water	Wastewater	Asset transfer	\$ 1,000
Water	Wastewater	Asset transfer	\$ 4,028
Water	General	General operations	\$ 1,500,000
Wastewater	Virginia Theater	Asset transfer	\$ 1,175
Sanitation	General	General Operations	\$ 600,806
Sanitation	Water Park	General operations	\$ 350,000

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

13. CONDUIT DEBT

The City is the issuer of certain industrial revenue bonds issued in order to promote the local construction of production facilities. The facilities, which are constructed from the bond proceeds, are leased to the industrial companies for an amount required to annually service the debt. The lessee assumes ownership of the facilities at the completion of all lease payments required to fully service the debt. The lease payments are remitted directly to the trustee (bank) with whom the facilities are mortgaged. These bonds constitute a limited obligation of the City, payable solely from the revenues and receipts derived from the lease agreement. Accordingly, the assets and liabilities relating to these bonds are not recorded on the books of the City. The amount of bonds outstanding at June 30, 2024, is not readily available.

14. LEGAL CONTINGENCIES

The City is subject to legal actions in various stages of litigation, the outcome of which is not determinable at this time. City officials and legal counsel believe these actions are without merit, adequately covered by insurance or that the ultimate liability, if any, will not materially affect the City's financial position.

15. RISK MANAGEMENT

The City is exposed to various forms of loss associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, employee injury, fiduciary responsibility, etc. Each of these risks areas is covered through the purchase of commercial insurance. The City has purchased certain policies which are retrospectively rated which include worker's compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

16. SUBSEQUENT LOANS

On July 11, 2024, the City took out a loan totaling \$110,700 to finance the purchase of a truck for the street department. The loan is to be paid over 60 months and bears interest at 5.49%.

On August 21, 2024, the City took out a loan totaling \$39,295 to finance the purchase of a Ford Explorer for the Waterpark department. The loan is to be paid over 60 months and bears interest at 5.25%.

On September 5, 2024, the City took out a loan totaling \$39,997 to finance the purchase of a vehicle for the Engineering department. The loan is to be paid over 60 months and bears interest at 5.25%.

On September 11, 2024, the City took out a loan totaling \$315,000 to finance the purchase of a vehicle for the police department. The loan is to be paid over 60 months and bears interest at 5.19%.

On September 26, 2024, the City took out a loan totaling \$707,289 to finance the purchase of three sanitation trucks for the sanitation department. The loan is to be paid over 18 months and bears interest at 4.63%.

On October 15, 2024, the City took out a loan totaling \$68,000 to finance the purchase of a track loader for the sewer department. The loan is to be paid over 60 months and bears interest at 4.84%.

On October 21, 2024, the City took out a loan totaling \$39,997 to finance the purchase of a vehicle for the Planning & Zoning department. The loan is to be paid over 60 months and bears interest at 4.80%.

On November 5, 2024, the City took out a loan totaling \$691,048 to finance the purchase of two front loaders for the sanitation department. The loan is to be paid over 18 months and bears interest at 4.63%.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

17. RESTATEMENT OF FUND BALANCE/NET POSITION

County EMS contribution receivable

The City reports four quarters of local contributions in EMS fund revenue annually. The quarter ending June 30th is typically received in July. Due to the consistent payment amount in previous years the timing difference has not impacted the financial statements. The City and County's interlocal agreement was revised to increase payments in fiscal year 2025. As a result, the City elected to restate beginning fund balance in the EMS fund to show revenues in the correct year.

Implementation of new accounting standards GASB Statement No. 101

During fiscal year 2024, the City implemented GASB Statement No. 101, *Compensated Absences*, as described more fully in Note 1. Following the implementation of GASB 101, the accrued liabilities were restated for remeasurement of accrued compensation time, sick leave, and bonus leave and accrual of FICA and medicare taxes on those balances effective July 1, 2023, which resulted in a restatement of beginning fund balance and net position as follows:

Governmental Funds

General Fund

Fund Balance, at beginning of year	\$ 2,028,317
Restatement for GASB 101	<u>79,915</u>
 Fund Balance, at beginning of year, as restated	 <u>\$ 2,108,232</u>

EMS Fund

Fund Balance, at beginning of year	\$ (2,426,253)
County EMS contribution	320,581
Restatement for GASB 101	<u>30,297</u>
 Fund Balance, at beginning of year, as restated	 <u>\$ (2,075,375)</u>

Waterpark Fund

Fund Balance, at beginning of year	\$ (3,814,645)
Restatement for GASB 101	<u>6,449</u>
 Fund Balance, at beginning of year, as restated	 <u>\$ (3,808,196)</u>

Fuel Center Fund

Fund Balance, at beginning of year	\$ (164,237)
Restatement for GASB 101	<u>(143)</u>
 Fund Balance, at beginning of year, as restated	 <u>\$ (164,380)</u>

Travel & Tourism Fund

Fund Balance, at beginning of year	\$ 252,857
Restatement for GASB 101	<u>2,346</u>
 Fund Balance, at beginning of year, as restated	 <u>\$ 255,203</u>

Total Governmental Funds

Fund Balance, at beginning of year	\$ (4,078,864)
County EMS contribution	320,581
Restatement for GASB 101	<u>118,864</u>
 Fund Balance, at beginning of year, as restated	 <u>\$ (3,639,419)</u>

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

17. RESTATEMENT OF FUND BALANCE/NET POSITION (CONTINUED)

Governmental activities

Net position, at beginning of year	\$ (28,908,074)
County EMS contribution	320,581
Fund level restatement for GASB 101	118,864
Government-wide restatement for GASB 101	<u>(1,235,743)</u>
Net position, at beginning of year, as restated	<u>\$ (29,704,372)</u>

Business-type activities

Gas Department	
Net position, at beginning of year	\$ 5,640,448
Restatement for GASB 101	<u>(109,677)</u>
Net position, at beginning of year, as restated	<u>\$ 5,530,771</u>
Water Department	
Net position, at beginning of year	\$ 37,101,980
Restatement for GASB 101	<u>(235,294)</u>
Net position, at beginning of year, as restated	<u>\$ 36,866,686</u>
Wastewater Department	
Net position, at beginning of year	\$ 18,422,912
Restatement for GASB 101	<u>(48,756)</u>
Net position, at beginning of year, as restated	<u>\$ 18,374,156</u>
Sanitation Department	
Net position, at beginning of year	\$ (529,183)
Restatement for GASB 101	<u>(101,008)</u>
Net position, at beginning of year, as restated	<u>\$ (630,191)</u>
Virginia Theater	
Net position, at beginning of year	\$ (516,088)
Restatement for GASB 101	<u>(795)</u>
Net position, at beginning of year, as restated	<u>\$ (516,883)</u>
Total Business-type activities	
Net position, at beginning of year	\$ 60,120,069
Restatement for GASB 101	<u>(495,530)</u>
Net position, at beginning of year, as restated	<u>\$ 59,624,539</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2024

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes	\$ 1,721,000	\$ 1,721,000	\$ 1,868,030	\$ 147,030
Licenses and permits	9,242,500	9,242,500	10,033,673	791,173
Fines and forfeits	40,000	40,000	25,485	(14,515)
Charges for services	592,800	592,800	686,163	93,363
Intergovernmental	4,631,000	4,831,000	1,620,512	(3,210,488)
Interest income	20,000	20,000	48,424	28,424
Other revenues	<u>1,350,500</u>	<u>1,350,500</u>	<u>1,366,425</u>	<u>15,925</u>
TOTAL REVENUES	<u>17,597,800</u>	<u>17,797,800</u>	<u>15,648,712</u>	<u>(2,149,088)</u>
EXPENDITURES				
General administration	5,670,550	5,870,550	5,455,006	(415,544)
Public safety	13,934,850	13,934,850	11,262,385	(2,672,465)
Public services	417,500	417,500	172,828	(244,672)
Streets	1,739,250	1,739,250	1,010,146	(729,104)
Parks and recreation	2,677,200	2,677,200	1,076,732	(1,600,468)
Cemetery	133,630	133,630	116,763	(16,867)
Downtown revitalization	88,000	88,000	156,250	68,250
Intergovernmental programs	121,950	121,950	93,579	(28,371)
Capital outlay	1,900,000	1,900,000	1,551,479	(348,521)
Debt service	<u>1,877,100</u>	<u>1,877,100</u>	<u>1,927,234</u>	<u>50,134</u>
TOTAL EXPENDITURES	<u>28,560,030</u>	<u>28,760,030</u>	<u>22,822,402</u>	<u>(5,937,628)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	802,000	802,000	1,233,369	431,369
Proceeds from sale of capital assets	490,000	490,000	587,572	97,572
Transfer from other funds	4,450,000	6,951,665	6,951,660	(5)
Transfer to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,742,000</u>	<u>8,243,665</u>	<u>8,772,601</u>	<u>528,936</u>
NET CHANGE IN FUND BALANCE	(5,220,230)	(2,718,565)	1,598,911	4,317,476
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	<u>5,220,230</u>	<u>2,718,565</u>	<u>2,108,232</u>	<u>(610,333)</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,707,143</u>	<u>\$ 3,707,143</u>

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
EMS FUND
for the year ended June 30, 2024

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for services	\$ 3,940,000	\$ 3,940,000	\$ 4,271,553	\$ 331,553
Intergovernmental revenues	1,324,000	1,324,000	1,327,500	3,500
Interest income	600	600	889	289
Other revenues	<u>23,000</u>	<u>23,000</u>	<u>34,190</u>	<u>11,190</u>
TOTAL REVENUES	<u>5,287,600</u>	<u>5,287,600</u>	<u>5,634,132</u>	<u>346,532</u>
EXPENDITURES				
Emergency medical services	8,089,900	8,089,900	6,537,498	(1,552,402)
Capital outlay	300,000	300,000	30,073	(269,927)
Debt service	<u>191,600</u>	<u>191,600</u>	<u>137,717</u>	<u>(53,883)</u>
TOTAL EXPENDITURES	<u>8,581,500</u>	<u>8,581,500</u>	<u>6,705,288</u>	<u>(1,876,212)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	275,000	275,000	30,073	(244,927)
Proceeds from sale of capital assets	-	-	-	-
Transfer from other funds	750,000	750,000	-	(750,000)
Transfer to other funds	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>975,000</u>	<u>975,000</u>	<u>(19,927)</u>	<u>(994,927)</u>
NET CHANGE IN FUND BALANCE	(2,318,900)	(2,318,900)	(1,091,083)	1,227,817
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	<u>2,318,900</u>	<u>2,318,900</u>	<u>(2,075,375)</u>	<u>(4,394,275)</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,166,458)</u>	<u>\$ (3,166,458)</u>

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
WATERPARK FUND
for the year ended June 30, 2024

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for services	\$ 1,890,000	\$ 1,890,000	\$ 2,264,443	\$ 374,443
Interest income	500	500	565	65
Other revenues	<u>36,500</u>	<u>436,500</u>	<u>56,455</u>	<u>(380,045)</u>
TOTAL REVENUES	<u>1,927,000</u>	<u>2,327,000</u>	<u>2,321,463</u>	<u>(5,537)</u>
EXPENDITURES				
Waterpark	2,291,000	2,291,000	2,097,491	(193,509)
Capital outlay	50,000	450,000	432,535	(17,465)
Debt service	<u>221,000</u>	<u>221,000</u>	<u>226,926</u>	<u>5,926</u>
TOTAL EXPENDITURES	<u>2,562,000</u>	<u>2,962,000</u>	<u>2,756,952</u>	<u>(205,048)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	-	-	27,567	27,567
Proceeds from sale of capital assets	-	-	277,800	277,800
Transfer from other funds	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>350,000</u>	<u>350,000</u>	<u>655,367</u>	<u>305,367</u>
NET CHANGE IN FUND BALANCE	(285,000)	(285,000)	219,878	504,878
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	<u>285,000</u>	<u>285,000</u>	<u>(3,808,196)</u>	<u>(4,093,196)</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,588,318)</u>	<u>\$ (3,588,318)</u>

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
FUEL CENTER FUND
for the year ended June 30, 2024

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for services	\$ 1,339,500	\$ 1,339,500	\$ 940,192	\$ (399,308)
Interest income	<u>200</u>	<u>200</u>	<u>221</u>	<u>21</u>
TOTAL REVENUES	<u>1,339,700</u>	<u>1,339,700</u>	<u>940,413</u>	<u>(399,287)</u>
EXPENDITURES				
Fuel center	1,333,200	1,333,200	1,062,430	(270,770)
Debt service	-	-	1,254	1,254
Capital outlay	<u>6,500</u>	<u>6,500</u>	<u>7,518</u>	<u>1,018</u>
TOTAL EXPENDITURES	<u>1,339,700</u>	<u>1,339,700</u>	<u>1,071,202</u>	<u>(268,498)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	-	-	7,518	7,518
Transfer from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>7,518</u>	<u>7,518</u>
NET CHANGE IN FUND BALANCE	-	-	(123,271)	(123,271)
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	<u>-</u>	<u>-</u>	<u>(164,380)</u>	<u>(164,380)</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (287,651)</u>	<u>\$ (287,651)</u>

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Ten Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net pension liability	0.257%	0.266%	0.247%	0.253%	0.251%	0.243%	0.234%	0.247%	0.240%	0.238%
City's proportionate share of the net pension liability (asset)	\$ 8,349,736	\$ 11,416,098	\$ 12,144,563	\$ 14,800,439	\$ 15,215,713	\$ 17,086,150	\$ 17,968,238	\$ 15,733,332	\$ 17,383,682	\$ 15,294,454
City's covered employee payroll	\$ 5,861,806	\$ 6,313,654	\$ 5,859,201	\$ 6,150,570	\$ 6,245,488	\$ 6,294,251	\$ 6,186,406	\$ 6,506,027	\$ 6,867,462	\$ 7,115,737
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	142.44%	180.82%	207.27%	240.64%	243.63%	271.46%	290.45%	241.83%	253.13%	214.94%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS
Last Ten Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net pension liability	0.923%	0.922%	0.882%	0.908%	0.904%	0.905%	1.013%	1.040%	1.001%	1.048%
City's proportionate share of the net pension liability (asset)	\$ 11,098,449	\$ 14,149,168	\$ 15,135,833	\$ 20,325,117	\$ 21,852,161	\$ 24,996,287	\$ 30,552,097	\$ 27,616,202	\$ 30,552,685	\$ 28,261,003
City's covered employee payroll	\$ 4,681,614	\$ 4,822,081	\$ 4,556,589	\$ 4,912,100	\$ 5,022,840	\$ 5,128,499	\$ 5,926,948	\$ 6,212,394	\$ 6,518,645	\$ 7,410,878
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	237.06%	293.42%	332.17%	413.78%	435.06%	487.40%	515.48%	444.53%	468.70%	381.34%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%	52.96%

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - NONHAZARDOUS
Last Ten Fiscal Years**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 804,991	\$ 727,713	\$ 863,880	\$ 904,347	\$ 1,020,927	\$ 1,193,976	\$ 1,255,663	\$ 1,564,408	\$ 1,665,083	\$ 1,743,607
Contributions relative to contractually required employer contribution	<u>804,991</u>	<u>727,713</u>	<u>863,880</u>	<u>904,347</u>	<u>1,020,927</u>	<u>1,193,976</u>	<u>1,255,663</u>	<u>1,564,408</u>	<u>1,665,083</u>	<u>1,743,607</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 6,313,654	\$ 5,859,201	\$ 6,150,570	\$ 6,245,488	\$ 6,294,251	\$ 6,186,406	\$ 6,506,027	\$ 6,867,462	\$ 7,115,737	\$ 7,470,468
Employer contributions as a percentage of covered-employee payroll	12.75%	12.42%	14.05%	14.48%	16.22%	19.30%	19.30%	22.78%	23.40%	23.34%

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - HAZARDOUS
Last Ten Fiscal Years**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 1,002,090	\$ 924,463	\$ 1,066,417	\$ 1,115,070	\$ 1,275,458	\$ 1,781,641	\$ 1,867,445	\$ 2,320,637	\$ 3,172,597	\$ 3,118,948
Contributions relative to contractually required employer contribution	<u>1,002,090</u>	<u>924,463</u>	<u>1,066,417</u>	<u>1,115,070</u>	<u>1,275,458</u>	<u>1,781,641</u>	<u>1,867,445</u>	<u>2,320,637</u>	<u>3,172,597</u>	<u>3,118,948</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 4,822,081	\$ 4,556,589	\$ 4,912,100	\$ 5,022,840	\$ 5,128,499	\$ 5,926,948	\$ 6,212,394	\$ 6,518,645	\$ 7,410,878	\$ 7,586,835
Employer contributions as a percentage of covered-employee payroll	20.78%	20.29%	21.71%	22.20%	24.87%	30.06%	30.06%	35.60%	42.81%	41.11%

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) - NONHAZARDOUS
Last Eight Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net OPEB liability (asset)	0.247%	0.253%	0.251%	0.243%	0.234%	0.247%	0.240%	0.238%
City's proportionate share of the net OPEB liability (asset)	\$ 3,987,166	\$ 5,083,271	\$ 4,435,842	\$ 4,085,519	\$ 5,656,811	\$ 4,723,120	\$ 4,744,939	\$ (329,085)
City's covered employee payroll	\$ 5,859,201	\$ 6,150,570	\$ 6,245,488	\$ 6,294,251	\$ 6,186,406	\$ 6,506,027	\$ 6,867,462	\$ 7,115,737
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	68.05%	82.65%	71.02%	64.91%	91.44%	72.60%	69.09%	-4.62%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%

The above schedule will present 10 years of historical data, once available.

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS
Last Eight Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net OPEB liability	0.882%	0.908%	0.904%	0.905%	1.013%	1.037%	1.001%	1.048%
City's proportionate share of the net OPEB liability (asset)	\$ 4,487,562	\$ 7,510,105	\$ 6,442,359	\$ 6,694,644	\$ 9,361,254	\$ 8,387,647	\$ 8,524,323	\$ 1,433,353
City's covered employee payroll	\$ 4,556,589	\$ 4,912,100	\$ 5,022,840	\$ 5,128,499	\$ 5,926,948	\$ 6,212,394	\$ 6,518,645	\$ 7,410,878
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	98.49%	152.89%	128.26%	130.54%	157.94%	135.01%	130.77%	19.34%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	58.84%	66.81%	64.13%	92.27%

The above schedule will present 10 years of historical data, once available.

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - NONHAZARDOUS
Last Ten Fiscal Years**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 310,632	\$ 271,867	\$ 292,914	\$ 293,538	\$ 331,078	\$ 294,473	\$ 309,687	\$ 286,373	\$ 241,223	\$ -
Contributions relative to contractually required employer contribution	<u>310,632</u>	<u>271,867</u>	<u>292,914</u>	<u>293,538</u>	<u>331,078</u>	<u>294,473</u>	<u>309,687</u>	<u>286,373</u>	<u>241,223</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 6,313,654	\$ 5,859,201	\$ 6,150,570	\$ 6,245,488	\$ 6,294,251	\$ 6,186,406	\$ 6,506,027	\$ 6,867,462	\$ 7,115,737	\$ 7,470,468
Employer contributions as a percentage of covered-employee payroll	4.92%	4.64%	4.76%	4.70%	5.26%	4.76%	4.76%	4.17%	3.39%	0.00%

**CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - HAZARDOUS
Last Ten Fiscal Years**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 656,458	\$ 579,045	\$ 459,281	\$ 469,636	\$ 536,954	\$ 564,245	\$ 591,420	\$ 569,078	\$ 502,457	\$ 195,740
Contributions relative to contractually required employer contribution	<u>656,458</u>	<u>579,045</u>	<u>459,281</u>	<u>469,636</u>	<u>536,954</u>	<u>564,245</u>	<u>591,420</u>	<u>569,078</u>	<u>502,457</u>	<u>195,740</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 4,822,081	\$ 4,556,589	\$ 4,912,100	\$ 5,022,840	\$ 5,128,499	\$ 5,926,948	\$ 6,212,394	\$ 6,518,645	\$ 7,410,878	\$ 7,586,835
Employer contributions as a percentage of covered-employee payroll	13.61%	12.71%	9.35%	9.35%	10.47%	9.52%	9.52%	8.73%	6.78%	2.58%

CITY OF SOMERSET, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

June 30, 2023 – Pension and OPEB Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for pension:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75% for the CERS pension funds.

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.8%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%.

June 30, 2022 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.40%.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

CITY OF SOMERSET, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2021 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for CERS pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

June 30, 2020 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average.

June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

June 30, 2017 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.

CITY OF SOMERSET, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2015 – Pension – Hazardous and Nonhazardous

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

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

June 30, 2014 – Pension – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

June 30, 2013 – Pension – Hazardous and Nonhazardous

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

SUPPLEMENTARY INFORMATION

**CITY OF SOMERSET, KENTUCKY
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2024**

	<u>Municipal Aid Projects Fund</u>	<u>Coal & Mineral Severance Fund</u>	<u>Travel & Tourism Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 131,388	\$ 92,735	\$ 211,497	\$ 435,620
Receivables, net	<u>50,420</u>	<u>10,898</u>	<u>22,145</u>	<u>83,463</u>
Total assets	<u>\$ 181,808</u>	<u>\$ 103,633</u>	<u>\$ 233,642</u>	<u>\$ 519,083</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 3,471	\$ 3,471
Due to other funds	105,995	-	9,003	114,998
Unearned revenue	-	-	-	-
Other current liabilities	<u>-</u>	<u>-</u>	<u>13,097</u>	<u>13,097</u>
Total liabilities	105,995	-	25,571	131,566
Fund balance	<u>75,813</u>	<u>103,633</u>	<u>208,071</u>	<u>387,517</u>
Total liabilities and fund balance	<u>\$ 181,808</u>	<u>\$ 103,633</u>	<u>\$ 233,642</u>	<u>\$ 519,083</u>

CITY OF SOMERSET, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2024

	Municipal Aid Projects Fund	Coal & Mineral Severance Fund	Travel & Tourism Fund	Total
REVENUES				
Taxes	\$ -	\$ -	\$ 222,552	\$ 222,552
Intergovernmental revenues	301,608	40,907	-	342,515
Interest income	323	255	-	578
Other revenues	-	-	38,449	38,449
Total revenues	<u>301,931</u>	<u>41,162</u>	<u>261,001</u>	<u>604,094</u>
EXPENDITURES				
Current				
Streets	35,269	-	-	35,269
Travel and tourism	-	-	303,952	303,952
Capital outlay	173,475	-	25,061	198,536
Debt service	-	-	4,181	4,181
Total expenditures	<u>208,744</u>	<u>-</u>	<u>333,194</u>	<u>541,938</u>
Excess revenues over (under) expenditures before other sources (uses)	93,187	41,162	(72,193)	62,156
Other financing sources (uses)				
Proceeds from issuance of debt	-	-	25,061	25,061
Transfers from (to) other funds	-	-	-	-
Total other financing sources (uses)	-	-	25,061	25,061
Excess revenues and other sources over (under) expenditures	93,187	41,162	(47,132)	87,217
Fund balance, beginning of year	<u>(17,374)</u>	<u>62,471</u>	<u>255,203</u>	<u>300,300</u>
FUND BALANCE - END OF YEAR	<u>\$ 75,813</u>	<u>\$ 103,633</u>	<u>\$ 208,071</u>	<u>\$ 387,517</u>

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
GAS DEPARTMENT
for the year ended June 30, 2024

	Budget	Actual	Variance
OPERATING REVENUES			
Sales to customers	\$ 9,000,000	\$ 9,231,398	\$ 231,398
Transportation/surcharges	864,000	795,329	(68,671)
Other operating revenues	340,800	347,590	6,790
TOTAL OPERATING REVENUES	10,204,800	10,374,317	169,517
OPERATING EXPENSES			
Gas purchases, net of refunds	5,202,000	4,823,203	(378,797)
Maintenance	916,500	452,984	(463,516)
Personnel services	2,174,550	1,469,241	(705,309)
Supplies	121,200	92,100	(29,100)
Utilities	65,000	54,640	(10,360)
Insurance	58,000	55,987	(2,013)
Engineering	80,000	54,530	(25,470)
Severance tax	25,000	24,449	(551)
Contract compression	225,000	48,576	(176,424)
Management fees	360,000	360,000	-
Other	284,300	152,730	(131,570)
Depreciation and amortization	500,000	705,639	205,639
TOTAL OPERATING EXPENSES	10,011,550	8,294,079	(1,717,471)
OPERATING INCOME	193,250	2,080,238	1,886,988
NONOPERATING REVENUES (EXPENSES)			
Investment income (loss)	2,700	8,178	5,478
Interest expense	(27,158)	(33,321)	(6,163)
Bond issuance cost	-	-	-
Gain (loss) on disposal of capital assets	-	961	961
TOTAL NONOPERATING REVENUES (EXPENSES)	(24,458)	(24,182)	276
INCOME (LOSS) BEFORE TRANSFERS	168,792	2,056,056	1,887,264
TRANSFERS			
Transfers out	(2,900,000)	(2,900,000)	-
TOTAL TRANSFERS	(2,900,000)	(2,900,000)	-
INCREASE (DECREASE) IN NET POSITION (Note 1)	\$ (2,731,208)	\$ (843,944)	\$ 1,887,264

Note 1: The City's budget includes a cash balance forward from the prior year which totals \$2,826,450. The cash balance forward amount is not included in this schedule. Consequently, this schedule shows a budgeted decrease in net position of \$2,731,208.

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
WATER DEPARTMENT
for the year ended June 30, 2024

	Budget	Actual	Variance
OPERATING REVENUES			
Sales to customers	\$ 8,230,000	\$ 8,391,364	\$ 161,364
Transportation/surcharges	150,000	231,116	81,116
Other operating revenues	50,000	28,847	(21,153)
TOTAL OPERATING REVENUES	8,430,000	8,651,327	221,327
OPERATING EXPENSES			
Maintenance	1,450,800	1,427,598	(23,202)
Personnel services	2,414,100	2,096,252	(317,848)
Supplies	810,000	879,638	69,638
Utilities	1,025,000	913,789	(111,211)
Insurance	110,000	110,330	330
Engineering	43,000	50,693	7,693
Management fees	360,000	360,000	-
Other	143,750	102,125	(41,625)
Depreciation and amortization	2,009,100	1,681,845	(327,255)
TOTAL OPERATING EXPENSES	8,365,750	7,622,270	(743,480)
OPERATING INCOME (LOSS)	64,250	1,029,057	964,807
NONOPERATING REVENUES (EXPENSES)			
Interest income	18,500	27,572	9,072
Interest expense	(977,946)	(420,926)	557,020
TOTAL NONOPERATING REVENUES (EXPENSES)	(959,446)	(393,354)	566,092
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS	(895,196)	635,703	1,530,899
Capital contributed - Grants	1,411,305	1,817,065	405,760
Transfers in	-	-	-
Transfers out	(2,000,000)	(1,504,028)	495,972
INCREASE (DECREASE) IN NET POSITION (Note 1)	\$ (1,483,891)	\$ 948,740	\$ 2,432,631

Note 1: The City's budget includes a cash balance forward from the prior year which totals \$4,752,500. The cash balance forward amount is not included in this schedule. Consequently, this schedule shows a budgeted decrease in net position of \$1,483,891.

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
WASTEWATER DEPARTMENT
for the year ended June 30, 2024

	Budget	Actual	Variance
OPERATING REVENUES			
Sales to customers	\$ 3,600,000	\$ 3,593,513	\$ (6,487)
Transportation/surcharges	25,000	59,117	34,117
Other operating revenues	124,000	290,719	166,719
TOTAL OPERATING REVENUES	3,749,000	3,943,349	194,349
OPERATING EXPENSES			
Maintenance	889,000	632,787	(256,213)
Personnel services	1,242,500	1,045,911	(196,589)
Supplies	26,500	14,157	(12,343)
Utilities	520,000	460,890	(59,110)
Insurance	58,000	53,014	(4,986)
Engineering	30,000	13,369	(16,631)
Treatment	185,000	177,501	(7,499)
Other	124,000	139,626	15,626
Depreciation and amortization	1,250,000	1,106,390	(143,610)
TOTAL OPERATING EXPENSES	4,325,000	3,643,645	(681,355)
OPERATING INCOME (LOSS)	(576,000)	299,704	875,704
NONOPERATING REVENUES (EXPENSES)			
Interest income	15,000	53,685	38,685
Interest expense	(216,312)	(113,144)	103,168
TOTAL NONOPERATING REVENUES (EXPENSES)	(201,312)	(59,459)	141,853
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS	(777,312)	240,245	1,017,557
TRANSFERS AND CAPITAL GRANTS			
Capital contributed - Grants	3,000,000	-	(3,000,000)
Transfers in	-	2,853	2,853
Transfers out	(1,900,855)	(1,900,854)	1
TOTAL TRANSFERS AND CAPITAL GRANTS	1,099,145	(1,898,001)	(2,997,146)
INCREASE (DECREASE) IN NET POSITION (Note 1)	\$ 321,833	\$ (1,657,756)	\$ (1,979,589)

Note 1: The City includes principal debt payments and capital projects in its budget. Principal debt payments and capital expenditures are not presented on this schedule. Consequently, this schedule shows a budgeted increase in net position.

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
SANITATION DEPARTMENT
for the year ended June 30, 2024

	Budget	Actual	Variance
OPERATING REVENUES			
Sales to customers	\$ 4,890,000	\$ 4,877,049	\$ (12,951)
Other operating revenues	70,000	27,851	(42,149)
TOTAL OPERATING REVENUES	4,960,000	4,904,900	(55,100)
OPERATING EXPENSES			
Maintenance	340,000	331,136	(8,864)
Personnel services	1,774,700	1,379,302	(395,398)
Supplies	508,000	313,131	(194,869)
Utilities	32,000	23,645	(8,355)
Insurance	73,000	96,357	23,357
Landfill	1,300,000	1,315,852	15,852
Management fees	360,000	360,000	-
Other	143,400	71,570	(71,830)
Depreciation	310,000	425,618	115,618
TOTAL OPERATING EXPENSES	4,841,100	4,316,611	(524,489)
OPERATING INCOME (LOSS)	118,900	588,289	469,389
NONOPERATING REVENUES (EXPENSES)			
Interest income	9,000	4,222	(4,778)
Interest expense	(183,088)	(84,992)	98,096
Gain (loss) on asset disposal	510,000	472,056	(37,944)
TOTAL NONOPERATING REVENUES (EXPENSES)	335,912	391,286	55,374
INCOME (LOSS) BEFORE TRANSFERS	454,812	979,575	524,763
TRANSFERS			
Transfers in	-	-	-
Transfers out	(1,275,810)	(950,806)	325,004
TOTAL TRANSFERS	(1,275,810)	(950,806)	325,004
(DECREASE) INCREASE IN NET POSITION (Note 1)	\$ (820,998)	\$ 28,769	\$ 849,767

Note 1: The City's budget includes a cash balance forward from the prior year which totals \$2,015,160. The cash balance forward amount is not included in this schedule. Consequently, this schedule shows a budgeted decrease in net position of \$820,998.

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
VIRGINIA THEATER
for the year ended June 30, 2024

	Budget	Actual	Variance
OPERATING REVENUES			
Sales to customers	\$ 1,142,000	\$ 183,606	\$ (958,394)
Other operating revenues	66,000	361	(65,639)
TOTAL OPERATING REVENUES	1,208,000	183,967	(1,024,033)
OPERATING EXPENSES			
Salaries	110,000	93,342	(16,658)
Other operating expenses	776,600	302,265	(474,335)
Depreciation	150,000	150,298	298
TOTAL OPERATING EXPENSES	1,036,600	545,905	(490,695)
OPERATING INCOME (LOSS)	171,400	(361,938)	(533,338)
NONOPERATING REVENUES (EXPENSES)			
Interest income	100	15	(85)
Interest expense	(63,676)	(63,093)	583
Gain (loss) on asset disposal	-	(6,230)	(6,230)
TOTAL NONOPERATING REVENUES (EXPENSES)	(63,576)	(69,308)	(5,732)
INCOME (LOSS) BEFORE TRANSFERS	107,824	(431,246)	(539,070)
TRANSFERS			
Transfers in	-	1,175	1,175
Transfers out	-	-	-
TOTAL TRANSFERS	-	1,175	1,175
INCREASE (DECREASE) IN NET POSITION (NOTE 1)	\$ 107,824	\$ (430,071)	\$ (537,895)

Note 1: The City includes principal debt payments in its budget. Principal debt payments are not presented on this schedule. Consequently, this schedule shows a budgeted increase in net position.



**INDEPENDENT AUDITORS' 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**

To the Mayor and City Council
City of Somerset, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Somerset, Kentucky, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Somerset, Kentucky's basic financial statements, and have issued our report thereon dated December 2, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

RFH

RFH, PLLC
Lexington, Kentucky
December 2, 2024



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

To the Mayor and City Council
City of Somerset, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Somerset, Kentucky's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Somerset, Kentucky's major federal programs for the year ended June 30, 2024. The City of Somerset, Kentucky's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Somerset, Kentucky complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Somerset, Kentucky's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Somerset, Kentucky's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

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

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

RFH

RFH, PLLC
Lexington, Kentucky
December 2, 2024

CITY OF SOMERSET, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2024

GRANTOR/PROGRAM TITLE	Federal AL Number	Pass/Through Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
U.S. Environmental Protection Agency Passed through the Kentucky Division of Water Performance Partnership Grants	66.605	2100000918	6/15/2021-9/30/2024	\$ -	\$ 55,760
Total U.S. Environmental Protection Agency				-	55,760
U.S. Department of Housing and Urban Development Passed through the Kentucky Department for Local Government Community Development Block Grant/State's Program	14.228	22-023	3/17/2023-12/30/2025	-	400,000
Total U.S. Department of Housing and Urban Development				-	400,000
U.S. Department of Justice Body Worn Camera Policy and Implementation	16.835	N/A	7/1/2023-6/30/2024	-	29,957
Total U.S. Department of Justice				-	29,957
U.S. Department of Transportation Passed through the Kentucky Transportation Cabinet Highway Planning and Construction	20.205	4000-110	7/1/2021-6/30/2025	-	46,243
National Priority Safety Program	20.616	Note 3	7/1/2023-6/30/2024	-	39,898
Total U.S. Department of Transportation				-	86,141
U.S. Department of the Treasury Passed through the Kentucky Infrastructure Authority COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	21CWW300	7/1/2022-12/31/2024	-	571,211
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	22CWW188	7/1/2022-12/31/2024	-	1,190,094
Total U.S. Department of the Treasury				-	1,761,305
Total federal awards expended				\$ -	\$ 2,333,163

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Somerset, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

Note 2 - Indirect Cost Rates

The City did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

Note 3 - Passthrough entity numbers are presented when available. Passthrough grantor's number not available.

CITY OF SOMERSET, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2024

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified __Yes XNo

Significant deficiencies identified that are not
considered to be material weaknesses __Yes XNone reported

Non-compliance material to financial statements noted __Yes XNo

Federal Awards:

Internal control over major programs:

Material weaknesses identified __Yes XNo

Significant deficiencies identified that are not
considered to be material weaknesses __Yes XNone reported

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

Unmodified for all major programs.

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)?

__Yes XNo

Major Program:

AL Numbers	Name of Federal Program or Cluster
21.027	COVID - 19 - Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as a low-risk auditee? XYes __No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

NONE