

CITY OF DANVILLE, KENTUCKY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Year Ended June 30, 2024

And Report of Independent Auditor

CITY OF DANVILLE, KENTUCKY
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Report of Independent Auditor

To the Mayor and Board of Commissioners
City of Danville, Kentucky
Danville, 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 Danville Kentucky (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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'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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, 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's basic financial statements. The accompanying combining nonmajor fund financial statements 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, based on our audit, the combining and individual nonmajor fund financial statements 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 September 12, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Danville, Kentucky
September 12, 2025

CITY OF DANVILLE, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2024

The management team for the City of Danville (the "City") presents this narrative to help our readers review the accompanying annual financial statements for the year ended June 30, 2024. We have prepared this overview and analysis of the City's financial activities to add additional information to the financial schedules and the note disclosures. Our analysis will examine the financial highlights for this fiscal year and help explain the format for our readers.

Financial Highlights

- As of June 30, 2024, the City's assets and deferred outflows of resources (pages 11 and 12) exceeded liabilities and deferred inflows of resources by approximately \$55,636,734. The Net Position is more than the past fiscal year due to capital projects in progress and recently completed. Scheduled debt amortization that is presented on government-wide financial statements has begun for finished projects along with decreased pension liability and OPEB liability calculations. The Net Pension Liability related to participation in the County Employees' Retirement System for June 30, 2024 is \$27,240,536. Allocations for the OPEB liability total \$546,195. Additionally, the City maintains a closed pension plan for police and firefighters that had a net pension liability of \$130,623 as of June 30, 2024.
- Unrestricted cash and investment balances for governmental activities as of June 30, 2024 were \$4,820,223 and current liabilities payable from unrestricted resources (i.e., excluding principal and interest on long-term debt and leases) were \$5,212,955.
- The net position, on a government-wide basis, increased by \$85,882 (page 13). Of this increase \$237,366 is attributed to the net position increase from governmental activities and \$151,484 decrease in business-type activities.
- Fund balances (a measure of current financial resources) in the governmental funds decreased \$6,529,911 to a total of \$14,969,838 (page 15). The primary reasons for the decrease in fund balances in the governmental funds are due to an increase in capital outlays for construction projects. Of the total fund balances in the governmental funds, \$15,145,365 (page 12) is unrestricted and available for future programs and it is used to meet the reserve requirements per city ordinance.
- The City has debt and pension liabilities of \$38,662,786 in Governmental Activities and \$61,560,692 in business-type activities at June 30, 2024 (pages 47 through 50). The City participates in a leasing program for passenger vehicles which is included as lease liability on the financial statements. Total lease liability for the program is \$1,769,693 with \$1,363,374 in the governmental activities and \$406,319 in the business-type activities.

Overview of Financial Statements

This discussion and analysis is intended to introduce the City's basic financial statements. Basic financial statements include three major sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide additional information that our readers can use to analyze our finances.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide our readers with an overview of the City's finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by commercial entities.

The statement of net position presents information on all the City's assets and liabilities, including long-term debt and capital assets in the governmental funds. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as *net position*.

CITY OF DANVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2024

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. In accordance with Governmental Accounting Standards Board ("GASB") standards, the City has shown the net pension liability and OPEB liability on the government-wide financial statements.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net position are reported as soon as transactions occur, regardless of when the related cash flows are reported. Therefore, some revenues and expenses included in this statement may reflect cash flows that actually occur in future periods.

Government-wide statements are separated into two major categories: 1) *governmental activities* that are principally supported by taxes and intergovernmental revenues, and 2) *business-type activities* that are supported with user fees and charges. Governmental activities include administrative functions, streets, police, fire, recreation and community programs. Business-type activities include water and sewer utilities, garbage, cemetery, museum, storm water, and parking funds.

The government-wide statements are found on pages 11 through 13 of this report.

Fund Financial Statements – Funds are used in governmental accounting to separate resources that are designated for specific programs or activities. The City of Danville, like other state and local governments, uses fund accounting to demonstrate compliance with the laws, regulations, and contractual agreements that establish the authority for the City's programs and services. Governments use three types of funds: governmental, proprietary, and fiduciary funds.

Governmental Funds – Funds are used to account for the City's basic services, the same services that are included in the governmental activities on the government-wide statements. However, the information in the fund statements is measured differently. Governmental funds focus on current financial resources rather than economic resources. Therefore, the statements include the short-term resources, such as cash, investments, receivables that will be collected in the next few months, and liabilities that will be retired with these monies. This information is important for assessing the City's current financial resources.

The reconciliation in the fund statements explains the difference between the governmental funds in the fund statements and the governmental activities found in the government-wide financial statements. These reconciliations are presented on pages 14 and 15 in the fund statements. These reconciliations will explain the adjustments necessary to add the long-term resources and liabilities for the government-wide statements to the current picture presented in the fund statements.

The City maintains 12 individual governmental funds. Major governmental funds include the General Fund and the Streetscape Fund.

The larger funds are presented on pages 14 and 15 as major funds, while the other funds are presented in the combining statements for non-major funds on pages 67 and 68. The governmental fund statements include a balance sheet and statement of revenues, expenditures, and changes in fund balances.

The City adopts budgets for all funds in accordance with KRS Section 91A.030. The budgetary comparison for the General Fund is presented as required supplemental information on page 53. The budgetary comparison for the Parks and Rec Fund is presented as required supplemental information on page 55.

Proprietary Funds – The City's proprietary funds include six enterprise funds. The enterprise funds include operations for the water and sewer utilities, garbage disposal, storm water, museum, cemetery operations, and the parking fund. The Utilities Fund is presented as a major fund on pages 16 through 20. The other funds are presented in combining statements for the non-major funds on pages 67 through 69. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

CITY OF DANVILLE, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2024

Notes to the Financial Statements – Notes provide additional information that are essential to a full understanding of the information included in the financial schedules. Notes provide additional details about the balances and transactions in the City’s financial statements and are presented on pages 23 through 52.

Other Information – This section of the report includes two types of supplementary information. *Required Supplementary Information* (pages 53 through 64) must be included to conform to generally accepted accounting principles. Management’s Discussion and Analysis is classified as *Required Supplementary Information*. In addition, the Schedule of Net Pension and OPEB Liability and Related Ratios, the Schedule of Contributions, and Notes are presented as *Required Supplementary Information*. The schedules outline key financial information about the City’s police and fire pension fund.

Other reports – The last section of this report includes the Report of Independent Auditor’s Report on Internal Control (pages 72 through 73). The Schedule of Expenditures of Federal Awards (page 70) and the Report of Independent Auditors on Compliance required by the Uniform Guidance with required schedule (pages 74 through 75).

Government-Wide Financial Analysis

The first statement in the government-wide statements is the statement of net position. Let’s review some of the more important issues in this statement. The following table summarizes the statement of net position (pages 11 and 12).

	Net Assets of Governmental and Business-Type Activities (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2023	2024	2023	2024	2023	2024
Current assets	\$ 27,189	\$ 20,138	\$ 4,226	\$ (5,742)	\$ 31,415	\$ 14,397
Capital assets and other assets	45,075	50,901	104,879	106,166	149,954	157,067
Deferred outflows of resources	10,989	8,274	3,717	3,036	14,706	11,310
Total Assets and Deferred Outflows	83,253	79,313	112,822	103,460	196,075	182,773
Current liabilities	6,874	6,503	23,171	9,521	30,045	16,025
Long-term debt outstanding	45,014	37,769	56,798	59,880	101,812	97,649
Deferred inflows of resources	5,153	8,592	3,513	4,871	8,666	13,463
Total Liabilities and Deferred Inflows	57,041	52,864	83,482	74,273	140,523	127,137
Net Position:						
Net investment in capital assets	27,382	33,739	38,125	36,748	65,507	70,487
Restricted	-	-	14,364	7,405	14,364	7,405
Unrestricted (deficit)	(1,170)	(8,266)	(23,149)	(14,966)	(24,319)	(23,232)
Total Net Position	\$ 26,212	\$ 25,473	\$ 29,340	\$ 29,188	\$ 55,552	\$ 54,661

The City’s net position reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. Compared to prior year, this has increased 7% due to capital projects within both the Governmental Activities and Business-Type activities. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. Approximately \$12 million of the City’s net position (pages 11 and 12) are restricted to comply with provisions of various laws, regulations, and contractual agreements. Restricted funds in the business-type activities reflect the reserves required by the water and sewer bond indentures including the remaining financing for on-going projects.

CITY OF DANVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2024

The second statement in the government-wide statements is the Statement of Activities. The following table outlines the major components of this statement.

	Net Assets of Governmental and Business-Type Activities (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2023	2024	2023	2024	2023	2024
Revenues:						
Program Revenues:						
Charges for services	\$ 738	\$ 1,321	\$ 13,715	\$ 14,478	\$ 14,453	\$ 15,799
Operating grants and contributions	1,224	650	-	-	1,224	650
General Revenues:						
Property taxes	2,374	2,554	-	-	2,374	2,554
License fees and permits	19,645	19,353	-	-	19,645	19,353
Penalties and forfeits	16	16	-	-	16	16
Management fees	548	430	-	-	548	430
Other	2,005	2,134	459	609	2,464	2,743
Total Revenues	<u>\$ 26,550</u>	<u>\$ 26,459</u>	<u>\$ 14,174</u>	<u>\$ 15,087</u>	<u>\$ 40,724</u>	<u>\$ 41,546</u>

	Net Assets of Governmental and Business-Type Activities (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2023	2024	2023	2024	2023	2024
Program Expenses:						
General Government	\$ 7,728	\$ 1,839	\$ -	\$ -	\$ 7,728	\$ 1,839
Public Safety	9,127	11,760	-	-	9,127	11,760
Public Services	1,133	2,655	-	-	1,133	2,655
Community Services	1,487	5,346	-	-	1,487	5,346
Debt Service	2,761	4,070	-	-	2,761	4,070
Utilities	-	-	11,817	12,656	11,817	12,656
Garbage operations	-	-	1,369	1,534	1,369	1,534
Cemetery operations	-	-	353	448	353	448
Museum operations	-	-	81	81	81	81
Parking operations	-	-	503	483	503	483
Storm water	-	-	574	586	574	586
Total Expenses	<u>22,236</u>	<u>25,672</u>	<u>14,697</u>	<u>15,788</u>	<u>36,933</u>	<u>41,460</u>
Excess (Deficiency) Before Transfers	4,314	787	(523)	(701)	3,791	86
Transfers	(1,146)	(549)	1,146	549	-	-
Change in Net Assets	<u>\$ 3,168</u>	<u>\$ 237</u>	<u>\$ 623</u>	<u>\$ (151)</u>	<u>\$ 3,791</u>	<u>\$ 86</u>

CITY OF DANVILLE, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2024

\$21.9 million of the governmental services are financed with property taxes and license fees. Governmental activities increased the City's net position by approximately \$237,000. The primary reason for the increase is due to City collections of license fees and permits.

Business-type activities decreased the City's net position by approximately \$151,000. This decrease was caused by additional contractual expenses primarily related to the Garbage fund.

Financial Analysis of the Government's Funds

The fund statements present the City's financial information in a more detailed format, but there are other differences as well. Fund statements provide important information about the City's compliance with laws and regulations that define the local government environment in Kentucky. The measurement principles in the governmental fund statements are also different than the government-wide statements. Fund statements focus on current resources, while the government-wide statements present the long-term view.

Governmental Funds – Financial information for the City's governmental funds is summarized on pages 14 and 15. Governmental fund balances decreased \$6.5 million. The primary reason for the decrease is the increase in spending on capital outlay.

Non-major funds include Police Safety, Drug Forfeiture, Hazard Mitigation, Municipal Road Aid, Toy Program, Cemetery Trusts, Park Trust, Opioid, and Parks and Recreation funds. These funds are combined for this report because their revenues and expenses are smaller than other funds of the City. You can find details about these funds in the combining statements for the non-major governmental funds on pages 65 and 66.

Proprietary Funds – The fund statements for the proprietary funds look much like the business-type activities in the government-wide statements (pages 16 and 17). Proprietary fund financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statements to the government-wide statements.

Governmental Funds Budgetary Highlights

Budgetary comparison schedules include information about both the original budget and the amended budget. Generally, budgets are amended to add projects that were not anticipated when the budget was first adopted. Revenue budgets are usually estimated lower to allow budgetary flexibility for additional projects.

Capital Asset and Debt Administration

The City invests substantial resources in capital assets that support the services provided to the public. Most of the City's outstanding bonds and capital leases have been used to acquire or construct capital assets.

CITY OF DANVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2024

Capital Assets

The City's historical cost of capital assets is summarized below:

City of Danville, Kentucky Capital Assets (historical cost)

	Governmental Activities	Business-Type Activities	Total
Land	\$ 4,735,000	\$ 1,557,000	\$ 6,292,000
Buildings	23,156,000	38,992,000	62,148,000
Improvements other than buildings	2,298,000	522,000	2,820,000
Vehicles	4,652,000	658,000	5,310,000
Equipment	7,118,000	1,977,000	9,095,000
Leased assets	2,043,000	659,000	2,702,000
Infrastructure	88,901,000	65,994,000	154,895,000
Construction in progress	18,341,000	26,162,000	44,503,000
Total	\$ 151,244,000	\$ 136,521,000	\$ 287,765,000

Major capital asset events during the fiscal year included the following (approximate totals):

Governmental Activities: The City of Danville wrapped up construction on the tennis courts project (total project cost of \$3,103,795) and the City Hall Basement renovations (total project cost of \$89,489). Additionally, significant work on several projects was ongoing in the current year, including construction on the Public Works Department facility renovations (\$122,553), construction on the Main Street Streetscape project (\$2,486,070), construction on the Jennie Rogers Community Center (\$3,687,951), and work on the Michael Smith Park splash pad (\$1,356,790).

Business-Type Activities: In the year ending June 30, 2024, the City completed the Perryville Road Water Storage Tank Project, with a total project cost of \$3,391,810. Utility-related capital projects still underway include the expansion of the Wastewater Treatment Plant (\$2,403,040), replacement of the Lebanon Road trunk sewer (\$576,916), and extension of the Perryville Road water main (\$1,737,868). Planning for additional utility infrastructure improvements is also ongoing.

CITY OF DANVILLE, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2024

Long-Term Debt

The principal outstanding on the City’s long-term debt is summarized in the following table. (Excluding deferred amounts and leases)

City of Danville's Outstanding Debt

	Governmental Activities	Business-Type Activities	Total
KLC Funding Trust	\$ 3,013,000	\$ -	\$ 3,013,000
Series 2012 GO Bonds	2,790,000	-	2,790,000
Series 2014 GO Bonds (A&C)	-	2,650,000	2,650,000
Series 2017 GO Bonds (A&B)	881,000	8,369,000	9,250,000
Series 2018 GO Bonds	8,590,000	-	8,590,000
Series 2015 Bonds (A&B)	-	12,089,000	12,089,000
Series 2020 Bonds (A&B)	125,000	11,691,000	11,816,000
Series 2010 Build America Bond	-	484,000	484,000
Series 2023 GO Bonds	-	6,500,000	6,500,000
KIA Loan – Water Treatment Plant	-	8,597,000	8,597,000
KIA Loan - Water Tower	-	3,300,000	3,300,000
Total	\$ 15,399,000	\$ 53,680,000	\$ 69,079,000

The City’s long-term debt decreased approximately 4,200,000 during the fiscal year.

Economic Factors and Next Year’s Budget

As the City of Danville closed the fiscal year ending June 30, 2024, local economic indicators reflect a period of cautious optimism. Employment levels have remained relatively stable, with modest growth in the healthcare and manufacturing sectors. Occupational tax revenues have shown positive increases, reflecting steady consumer activity and a resilient local workforce. However, inflationary pressures and rising costs in materials, labor, and contracted services continue to impact the City’s operational and capital expenses. In response, the fiscal year 2025 budget emphasizes maintaining core service delivery while advancing critical infrastructure projects.

The City continues to invest in long-term planning efforts and grant opportunities to supplement local revenues and manage financial sustainability, to balance community needs with fiscal responsibility.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, 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 City of Danville, Kentucky, 445 West Main Street, Danville, Kentucky 40422, and telephone number (859) 238-1200.

CITY OF DANVILLE, KENTUCKY
STATEMENT OF NET POSITION

JUNE 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,866,742	\$ 6,551,899	\$ 9,418,641
Investments	1,953,481	108,939	2,062,420
Receivables, net	1,528,963	1,012,700	2,541,663
Current portion of lease receivable	-	138,961	138,961
Inventory	-	223,341	223,341
Prepaid expenses and other current assets	11,532	-	11,532
Internal balances	13,777,671	(13,777,671)	-
Total Current Assets	<u>20,138,389</u>	<u>(5,741,831)</u>	<u>14,396,558</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	-	11,461,315	11,461,315
Restricted investments	-	512,916	512,916
Lease receivable, net of current portion	-	2,331,848	2,331,848
Capital assets:			
Nondepreciable capital assets	23,075,789	27,721,327	50,797,116
Depreciable capital assets, net	26,485,376	63,845,702	90,331,078
Leased assets, net	1,339,878	293,151	1,633,029
Total Noncurrent Assets	<u>50,901,043</u>	<u>106,166,259</u>	<u>157,067,302</u>
Total Assets	<u>71,039,432</u>	<u>100,424,428</u>	<u>171,463,860</u>
Deferred Outflows of Resources:			
Deferred outflows on refunding	-	32,126	32,126
Deferred outflows - pension	6,302,467	2,085,294	8,387,761
Deferred outflows - OPEB	1,971,121	918,611	2,889,732
Total Deferred Outflows of Resources	<u>8,273,588</u>	<u>3,036,031</u>	<u>11,309,619</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 79,313,020</u>	<u>\$ 103,460,459</u>	<u>\$ 182,773,479</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 678,104	\$ 2,648,565	\$ 3,326,669
Cash overdrafts	1,845,152	-	1,845,152
Accrued payroll and benefits	426,068	147,362	573,430
Accrued interest payable	44,404	280,945	325,349
Unearned revenue	2,219,227	4,569,089	6,788,316
Current portion of compensated absences	18,342	9,746	28,088
Current portion of lease liability	455,180	125,633	580,813
Current portion of bonds and notes payable	816,661	1,740,090	2,556,751
Total Current Liabilities	<u>6,503,138</u>	<u>9,521,430</u>	<u>16,024,568</u>
Noncurrent Liabilities:			
Compensated absences, net of current portion	378,111	185,171	563,282
Lease liability, net of current portion	908,194	280,686	1,188,880
Bonds and notes payable, net of current portion	14,982,097	52,997,583	67,979,680
Net pension liability - police and firefighters' retirement	130,623	-	130,623
Net pension liability - CERS	21,105,629	6,134,907	27,240,536
Net OPEB liability - CERS	264,402	281,793	546,195
Total Noncurrent Liabilities	<u>37,769,056</u>	<u>59,880,140</u>	<u>97,649,196</u>
Total Liabilities	<u>44,272,194</u>	<u>69,401,570</u>	<u>113,673,764</u>
Deferred Inflows of Resources:			
Deferred inflows - police and firefighters' retirement	33,478	-	33,478
Deferred inflows - lease receivable	-	2,419,247	2,419,247
Deferred inflows - pension	2,133,181	623,473	2,756,654
Deferred inflows - OPEB	6,425,339	1,828,263	8,253,602
Total Deferred Inflows of Resources	<u>8,591,998</u>	<u>4,870,983</u>	<u>13,462,981</u>
Total Liabilities and Deferred Inflows of Resources	<u>52,864,192</u>	<u>74,272,553</u>	<u>127,136,745</u>
Net Position:			
Net investment in capital assets	33,738,911	36,748,314	70,487,225
Restricted	976,070	7,405,142	8,381,212
Unrestricted	(8,266,153)	(14,965,550)	(23,231,703)
Total Net Position	<u>26,448,828</u>	<u>29,187,906</u>	<u>55,636,734</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 79,313,020</u>	<u>\$ 103,460,459</u>	<u>\$ 182,773,479</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary Government:							
Governmental Activities:							
General government	\$ 1,839,279	\$ 895,572	\$ 204,021	\$ -	\$ (739,686)	\$ -	\$ (739,686)
Public services	2,655,371	-	-	-	(2,655,371)	-	(2,655,371)
Public safety	11,760,282	-	446,407	-	(11,313,875)	-	(11,313,875)
Community services	5,346,454	425,896	-	-	(4,920,558)	-	(4,920,558)
Interest	4,070,292	-	-	-	(4,070,292)	-	(4,070,292)
Total Governmental Activities	25,671,678	1,321,468	650,428	-	(23,699,782)	-	(23,699,782)
Business-Type Activities:							
Utilities	12,656,278	12,085,015	-	-	-	(571,263)	(571,263)
Parking	482,517	299,381	-	-	-	(183,136)	(183,136)
Garbage	1,534,038	1,344,831	-	-	-	(189,207)	(189,207)
Cemetery	447,793	120,417	-	-	-	(327,376)	(327,376)
Museum	81,312	-	-	-	-	(81,312)	(81,312)
Storm water	586,197	628,095	-	-	-	41,898	41,898
Total Business-Type Activities	15,788,135	14,477,739	-	-	-	(1,310,396)	(1,310,396)
Total Primary Government	\$ 41,459,813	\$ 15,799,207	\$ 650,428	\$ -	(23,699,782)	(1,310,396)	(25,010,178)
General Revenues:							
Taxes					2,553,684	-	2,553,684
Licenses and fees					19,353,271	-	19,353,271
Fines and forfeitures					16,042	-	16,042
Management fees					429,702	-	429,702
Other					2,133,922	609,439	2,743,361
Total General Revenues					24,486,621	609,439	25,096,060
Transfers (out) in					(549,473)	549,473	-
Total General Revenues and Transfers					23,937,148	1,158,912	25,096,060
Change in net position					237,366	(151,484)	85,882
Net position, beginning of year					26,211,462	29,339,390	55,550,852
Net position, end of year					\$ 26,448,828	\$ 29,187,906	\$ 55,636,734

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

CITY OF DANVILLE, KENTUCKY
BALANCE SHEET –
GOVERNMENTAL FUNDS

JUNE 30, 2024

	<u>General Fund</u>	<u>Parks and Recreation Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,768,043	\$ -	\$ 1,098,699	\$ 2,866,742
Investments	1,946,656	-	6,825	1,953,481
Receivables, net	690,904	105,601	732,458	1,528,963
Due to/from other funds	13,777,671	-	-	13,777,671
Prepaid expenses and other assets	11,532	-	-	11,532
Total Assets	<u>\$ 18,194,806</u>	<u>\$ 105,601</u>	<u>\$ 1,837,982</u>	<u>\$ 20,138,389</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 470,029	\$ 194,811	\$ 13,264	\$ 678,104
Cash overdrafts	-	589,545	1,255,607	1,845,152
Accrued payroll and benefits	373,383	52,671	14	426,068
Unearned revenue	1,474,603	-	744,624	2,219,227
Total Liabilities	<u>2,318,015</u>	<u>837,027</u>	<u>2,013,509</u>	<u>5,168,551</u>
Fund Balance:				
Nonspendable	-	-	-	-
Restricted	-	-	976,070	976,070
Assigned	-	-	106,404	106,404
Unassigned	15,876,791	(731,426)	(1,258,001)	13,887,364
Total Fund Balance	<u>15,876,791</u>	<u>(731,426)</u>	<u>(175,527)</u>	<u>14,969,838</u>
Total Liabilities and Fund Balance	<u>\$ 18,194,806</u>	<u>\$ 105,601</u>	<u>\$ 1,837,982</u>	<u>\$ 20,138,389</u>

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

Fund balance reported above	\$ 14,969,838
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	50,901,043
Long-term liabilities, including bonds, leases and notes payable, net pension/OPEB liability, and accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(39,103,643)
Net deferred inflows/outflows related to the long-term pension/OPEB liability are not reported in the funds.	(318,410)
Net Position of Governmental Activities	<u>\$ 26,448,828</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2024

	General Fund	Parks and Recreation Fund	Streetscape Fund Formerly Major	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,553,684	\$ -	\$ -	\$ -	\$ 2,553,684
Licenses and fees	19,353,271	-	-	-	19,353,271
Intergovernmental revenue	650,428	483,068	-	397,604	1,531,100
Fines and forfeitures	8,331	-	-	7,711	16,042
Other revenues	1,756,013	445,959	-	26,392	2,228,364
Total Revenues	<u>24,321,727</u>	<u>929,027</u>	<u>-</u>	<u>431,707</u>	<u>25,682,461</u>
Expenditures:					
Current Operating:					
General government	6,161,683	-	-	-	6,161,683
Public services	2,471,677	-	-	276,173	2,747,850
Public safety	10,405,016	1,834,134	-	14,081	12,253,231
Debt service:					
Principal	1,376,203	16,594	-	-	1,392,797
Interest	584,171	-	-	-	584,171
Capital outlay	1,752,849	5,597,952	-	1,948,384	9,299,185
Total Expenditures	<u>22,751,599</u>	<u>7,448,680</u>	<u>-</u>	<u>2,238,638</u>	<u>32,438,917</u>
Excess (deficiency) of revenues over expenditures	<u>1,570,128</u>	<u>(6,519,653)</u>	<u>-</u>	<u>(1,806,931)</u>	<u>(6,756,456)</u>
Other Financing Sources (Uses):					
Lease proceeds	776,018	-	-	-	776,018
Transfers from other funds	24,999	5,753,608	-	1,049,000	6,827,607
Transfers to other funds	(7,352,081)	-	-	(24,999)	(7,377,080)
Total Other Financing Sources (Uses)	<u>(6,551,064)</u>	<u>5,753,608</u>	<u>-</u>	<u>1,024,001</u>	<u>226,545</u>
Net change in fund balance	(4,980,936)	(766,045)	-	(782,930)	(6,529,911)
Fund balances, beginning of year, as previously reported	20,857,727	-	(426,649)	1,068,671	21,499,749
Change within financial reporting entity (nonmajor to major fund)	-	34,619	426,649	(461,268)	-
Fund balances, beginning of year, restated (See Note 15)	20,857,727	34,619	-	607,403	21,499,749
Fund balance, end of year	<u>\$ 15,876,791</u>	<u>\$ (731,426)</u>	<u>\$ -</u>	<u>\$ (175,527)</u>	<u>\$ 14,969,838</u>
Reconciliation to government-wide change in net position:					
Net change in fund balances					\$ (6,529,911)
Add capital outlay					9,236,526
Add debt service					807,042
Add loss on disposal of leased assets					(22,283)
Less depreciation and amortization on governmental activities assets					(3,387,826)
New lease liability					(276,880)
Change in net pension liability - CERS					(486,036)
Change in net OPEB liability - CERS					387,628
Change in net pension liability - police & firefighters' retirement					557,063
Change in compensated absences					(47,957)
Change In Net Position of Governmental Activities					<u>\$ 237,366</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS

JUNE 30, 2024

	Utilities Fund	Other Nonmajor Proprietary Funds	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 4,586,991	\$ 1,964,908	\$ 6,551,899
Investments	-	108,939	108,939
Accounts receivable, net	832,142	180,558	1,012,700
Current portion of lease receivable	-	138,961	138,961
Inventory	223,341	-	223,341
Total Current Assets	5,642,474	2,393,366	8,035,840
Noncurrent Assets:			
Restricted cash and cash equivalents	11,461,315	-	11,461,315
Restricted investments	512,916	-	512,916
Lease receivable, net of current portion	-	2,331,848	2,331,848
Capital Assets:			
Nondepreciable capital assets	27,563,582	157,745	27,721,327
Depreciable capital assets	95,187,586	12,953,998	108,141,584
Leased assets	594,649	63,878	658,527
Less accumulated depreciation and amortization	(40,318,411)	(4,342,847)	(44,661,258)
Total Noncurrent Assets	95,001,637	11,164,622	106,166,259
Total Assets	100,644,111	13,557,988	114,202,099
Deferred Outflows of Resources:			
Deferred outflows on refunding	-	32,126	32,126
Deferred outflows - pension	1,854,958	230,336	2,085,294
Deferred outflows - OPEB	821,753	96,858	918,611
Total Deferred Outflows of Resources	2,676,711	359,320	3,036,031
Total Assets and Deferred Outflows of Resources	\$ 103,320,822	\$ 13,917,308	\$ 117,238,130

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS (CONTINUED)

JUNE 30, 2024

	<u>Utilities Fund</u>	<u>Other Nonmajor Proprietary Funds</u>	<u>Totals</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 2,470,035	\$ 178,530	\$ 2,648,565
Accrued payroll and benefits	130,609	16,753	147,362
Accrued interest payable	270,181	10,764	280,945
Due to other funds	13,643,517	134,154	13,777,671
Unearned revenue	4,569,089	-	4,569,089
Current portion of compensated absences	9,052	694	9,746
Current portion of lease liability	117,254	8,379	125,633
Current portion of bonds and notes payable	1,508,782	231,308	1,740,090
Total Current Liabilities	<u>22,718,519</u>	<u>580,582</u>	<u>23,299,101</u>
Noncurrent Liabilities:			
Compensated absences, net of current portion	171,984	13,187	185,171
Lease liability, net of current portion	262,771	17,915	280,686
Bonds and notes payable, net of current portion	49,942,627	3,054,956	52,997,583
Net pension liability - CERS	5,468,159	666,748	6,134,907
Net OPEB liability - CERS	255,384	26,409	281,793
Total Noncurrent Liabilities	<u>56,100,925</u>	<u>3,779,215</u>	<u>59,880,140</u>
Total Liabilities	<u>78,819,444</u>	<u>4,359,797</u>	<u>83,179,241</u>
Deferred Inflows of Resources:			
Deferred inflows - lease receivable	-	2,419,247	2,419,247
Deferred inflows - pension	561,104	62,369	623,473
Deferred inflows - OPEB	1,629,792	198,471	1,828,263
Total Deferred Inflows of Resources	<u>2,190,896</u>	<u>2,680,087</u>	<u>4,870,983</u>
Net Position:			
Net investment in capital assets	31,195,972	5,552,342	36,748,314
Restricted	7,405,142	-	7,405,142
Unrestricted	<u>(16,290,632)</u>	<u>1,325,082</u>	<u>(14,965,550)</u>
Total Net Position	<u>22,310,482</u>	<u>6,877,424</u>	<u>29,187,906</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 103,320,822</u>	<u>\$ 13,917,308</u>	<u>\$ 117,238,130</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2024

	Utilities Fund	Formerly Reported Major Fund	Other Nonmajor Proprietary Funds	Totals
Operating Revenues:				
Water sales	\$ 5,446,859	\$ -	\$ -	\$ 5,446,859
Sewer charges	5,670,060	-	-	5,670,060
Grant revenue	488,338	-	-	488,338
Other fees for services	-	-	2,390,574	2,390,574
Other revenues	479,758	-	2,150	481,908
Total Operating Revenues	<u>12,085,015</u>	<u>-</u>	<u>2,392,724</u>	<u>14,477,739</u>
Operating Expenses:				
Water	4,845,773	-	-	4,845,773
Sewer	2,658,392	-	-	2,658,392
Perryville	196,603	-	-	196,603
Personnel	-	-	715,964	715,964
Contractual	-	-	1,967,727	1,967,727
Management fees	429,702	-	-	429,702
Depreciation	1,850,201	-	296,609	2,146,810
Amortization	5,458	-	6,737	12,195
Other operating expenses	1,496,033	-	144,820	1,640,853
Total Operating Expenses	<u>11,482,162</u>	<u>-</u>	<u>3,131,857</u>	<u>14,614,019</u>
Operating Loss	<u>602,853</u>	<u>-</u>	<u>(739,133)</u>	<u>(136,280)</u>
Nonoperating Revenues (Expenses):				
Interest income	532,206	-	77,233	609,439
Interest expense	(1,174,116)	-	-	(1,174,116)
Total Nonoperating Revenues	<u>(641,910)</u>	<u>-</u>	<u>77,233</u>	<u>(564,677)</u>
(Loss) Before Transfers	(39,057)	-	(661,900)	(700,957)
Transfers from other funds	<u>-</u>	<u>-</u>	<u>549,473</u>	<u>549,473</u>
Change in net position	(39,057)	-	(112,427)	(151,484)
Fund balances, beginning of year, as previously reported	22,349,539	5,561,376	1,428,475	29,339,390
Change within financial reporting entity (major fund to nonmajor)	-	(5,561,376)	5,561,376	-
Fund balances, beginning of year, restated (See Note 15)	<u>22,349,539</u>	<u>-</u>	<u>6,989,851</u>	<u>29,339,390</u>
Net position, end of year	<u>\$ 22,310,482</u>	<u>\$ -</u>	<u>\$ 6,877,424</u>	<u>\$ 29,187,906</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2024

	Utilities Fund	Other Nonmajor Proprietary Funds	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 12,040,536	\$ 2,374,022	\$ 14,414,558
Payments to suppliers	(6,697,444)	(2,134,440)	(8,831,884)
Payments to employees	(2,875,398)	(687,514)	(3,562,912)
Payments to general fund for management services	(429,702)	-	(429,702)
Net cash flows from operating activities	<u>2,037,992</u>	<u>(447,932)</u>	<u>1,590,060</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	-	549,473	549,473
Net cash flows from noncapital financing activities	<u>-</u>	<u>549,473</u>	<u>549,473</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(5,347,132)	(166,263)	(5,513,395)
Principal paid on bonds and notes	(1,512,511)	(228,739)	(1,741,250)
Interest paid on bonds, leases, and notes	(7,324)	-	(7,324)
Proceeds from bonds and notes	6,504,596	-	6,504,596
Principal paid on lease obligations	(130,578)	(14,717)	(145,295)
Net cash flows from capital and related financing activities	<u>(492,949)</u>	<u>(409,719)</u>	<u>(902,668)</u>
Cash flows from investing activities			
Receipt of interest	532,206	77,233	609,439
Proceeds on sale of investments	-	256,483	256,483
Purchase of investments	(11,821)	-	(11,821)
Net cash flows from investing activities	<u>520,385</u>	<u>333,716</u>	<u>854,101</u>
Net change in cash and cash equivalents	2,065,428	25,538	2,090,966
Cash and cash equivalents, beginning of year	<u>13,982,878</u>	<u>1,939,370</u>	<u>15,922,248</u>
Cash and cash equivalents end of year	<u>\$ 16,048,306</u>	<u>\$ 1,964,908</u>	<u>\$ 18,013,214</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF CASH FLOWS (CONTINUED) –
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2024

	Utilities Fund	Other Nonmajor Proprietary Funds	Totals
Reconciliation of operating income (loss) to net cash flows from operating activities:			
Operating (loss)	\$ 602,853	\$ (739,133)	\$ (136,280)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation and amortization	1,855,659	303,346	2,159,005
Bad debts	44,321	9,191	53,512
Change in assets and liabilities:			
Accounts receivable, net	399,538	(2,002)	397,536
Due to/(from) other funds	130,849	(14,938)	115,911
Lease receivable, net	-	(503,794)	(503,794)
Inventory	19,258	-	19,258
Deferred outflows	(826,928)	(14,139)	(841,067)
Unearned revenue	(488,338)	-	(488,338)
Accounts payable	642,236	6,327	648,563
Compensated absences	18,092	(2,604)	15,488
Accrued expenses	(20,036)	3,655	(16,381)
Accrued interest	(21,950)	-	(21,950)
OPEB liability	(1,282,351)	(159,762)	(1,442,113)
Pension liability	(75,114)	(9,358)	(84,472)
Deferred inflows	2,206,695	673,128	2,879,823
Net cash flows from operating activities	<u>\$ 3,204,784</u>	<u>\$ (450,083)</u>	<u>\$ 2,754,701</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS

JUNE 30, 2024

	Police and Firefighters' Pension Fund
ASSETS	
Cash and cash equivalents	\$ 82,053
Investments	<u>969,371</u>
Total Assets	<u>\$ 1,051,424</u>
NET POSITION	
Net position held in trust for pension benefits	<u>\$ 1,051,424</u>
Total Net Position	<u>\$ 1,051,424</u>

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

CITY OF DANVILLE, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2024

	Police and Firefighters' Pension Fund
Additions:	
Employer contributions	\$ 135,000
Interest and dividends	42,516
Unrealized gains on investments	82,890
Total Additions	<u>260,406</u>
Deductions:	
Benefit payments	118,448
Investment expense	3,863
Total Deductions	<u>122,311</u>
Change in net position	138,095
Net position, beginning of year	<u>913,329</u>
Net position, end of year	<u><u>\$ 1,051,424</u></u>

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

CITY OF DANVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Summary of significant accounting policies

The accounting policies of the City of Danville, Kentucky (the "City") conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity – The City of Danville, Kentucky, is a municipal corporation operating as a "City Manager Plan Government" as provided by Kentucky Revised Statutes ("KRS") 83A.150. The City, which is governed by an elected five member Board of Commissioners, possesses all powers enumerated under KRS 83A.150 as well as KRS 82.082 - the home rule statute. The City has evaluated various organizations with which it is related and determined that there are no component units as defined by GASB. Therefore, there are no component units included in the City's reporting entity.

Related Organizations – The City's officials are responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City's Mayor, with the consent of the City Board of Commissioners, appoints the board members of the Housing Authority of Danville, the Parking Authority of Danville, and the Danville Urban Renewal and Community Development Agency.

Jointly Governed Organizations – The City, in conjunction with Boyle County, the City of Junction City, and the City of Perryville, created the Danville-Boyle County Planning and Zoning Commission ("DBCPZC"). The DBCPZC's board is comprised of four members from the City of Danville, four members from Boyle County, one member from Junction City, and one member from Perryville. The City appropriated \$75,000 for an operating grant to DBCPZC for the year ended June 30, 2024.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Airport Board ("DBCAB"). The board is comprised of three members from the City of Danville and three members from Boyle County. The City appropriated \$137,504 for an operating grant to the DBCAB for the year ended June 30, 2024.

The City, in conjunction with Boyle County, has created the Danville-Boyle County Tourism Commission ("DBCTC"). The DBCTC's board is comprised of seven members appointed jointly by the City of Danville and Boyle County. The City did not appropriate funds for the DBCTC for the year ended June 30, 2024.

The City, in conjunction with Boyle County, has created the Economic Development Authority ("EDA"). The EDA was organized under KRS 154.50-301 with the intent to acquire property for industrial and/or commercial development. The EDA's board is comprised of 7 members appointed jointly by the City of Danville and Boyle County. The City appropriated \$50,000 for an operating grant for the year ended June 30, 2024.

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 primary government. For the most part, the effect of inter-fund 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 is 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.

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Summary of significant accounting policies (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Basis of Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund 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.

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. Grant revenues are an exception, as they are considered available when eligible expenditures have occurred even though they may be collected for up to one year after the current fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when the liability has matured, with the exception of interest and principal which are recognized as expenditures when funds are transferred to the debt service fund to make payments due shortly after the fiscal year-end.

Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenue, and charges for services are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Fines, permits, net profit tax revenues and special assessments are considered to be measurable and available only when cash is received by the City.

Funds are classified into these categories: governmental, proprietary, and fiduciary.

Major Governmental Funds:

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

The Parks and Recreation Fund accounts for the activities of the parks and recreation services provided to the residents of the City and the surrounding areas.

Major Proprietary Fund:

The Utilities Fund accounts for the activities of the water and sewer services provided to the residents of the City and the surrounding areas.

Additionally, the City reports the following fiduciary fund:

The Pension Trust Fund accounts for the activities of the Police and Firefighters' Retirement Fund, which accumulates resources for pension benefit payments to qualified public safety employees.

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Summary of significant accounting policies (continued)

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments from the Utilities Fund to the General Fund to compensate the General Fund for administrative services provided to the Utilities Fund.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 revenues of the Utilities Fund are charges to customers for sales and services. The Utilities Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary 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 nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash Deposits and Investments – The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments, which consist of highly liquid investments with original maturities of three months or less from the date of acquisition.

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 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.

KRS 95.610 expands the above list of allowable investments for pension trust funds to include corporate notes and equity securities, real estate mortgages, real estate, and life insurance annuity and endowment contracts.

All investments are reported at fair value.

Certain cash and investment amounts are classified on the statement of net position as restricted because applicable bond indentures or other legal provisions limit their use. Restricted cash and cash equivalents are included and used for their respective purpose.

Cash overdrafts are treated as current liabilities and occur when funds overdraw their portion of the City's pooled cash.

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Summary of significant accounting policies (continued)

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 “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.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is based on varying percentages depending on the age of the receivable.

Lease Receivable – The City recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term. The lease receivable is measured at the present value of the lease payments expected to be received during the lease period. The deferred inflow of resources is measured as the value of the lease payments of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. Revenue from leases is recognized by recognizing the deferred inflow of resources on a straight-line basis over the period of the leases.

Inventories – All inventories are valued at lower of cost or market, using the first-in first-out (FIFO) method.

Restricted Assets – Certain resources set aside for the repayment of the Utilities Fund debt have been classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The restricted assets have been accounted for in accordance with the provisions of the Utilities Fund revenue bond resolutions or with state or federal laws and regulations.

Debt Service Reserve – The City is required to set aside the lower of the maximum annual debt service, 125% of the average annual debt service, or 10% of the original net proceeds of the revenue bond issues. The City must continue deposits into the debt service reserve until the funds equal the amount required to retire all outstanding bonds and related accrued interest.

Depreciation Reserve – Revenue bond covenants require the City to set aside \$2,085 monthly until the 1967 and 2003 bonds are retired. The Depreciation Reserve may be used to provide funding for future improvements, extensions, additions or enlargements to the system. Any amount over \$500,000 in the depreciation fund may be used to redeem and retire bonds outstanding before maturity. Also, Kentucky Infrastructure Authority covenants require the City to transfer annually \$48,910 to a replacement reserve until \$489,100 is accumulated in the account.

In addition, the 2010 Rural Development Build America bond issuance required the City to make additional monthly deposits to a separate depreciation fund of \$240 per month until the account reached \$28,800, and \$362 per month to be used specifically as needed to replace or add short-lived assets in the City’s water system.

At June 30, 2024, the City maintained restricted cash and investments as follows:

Debt Service Reserve	\$ 6,141,242
Unspent grant proceeds	4,569,089
Depreciation Reserve	<u>1,263,900</u>
Total Restricted Cash	<u>\$ 11,974,231</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Summary of significant accounting policies (continued)

Capital Assets – Capital assets, which include property, plant, equipment, right to use assets, and infrastructure (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value on the date received. Right to use assets are valued at the future value of discounted lease payments.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Infrastructure, buildings, improvements, plant, equipment, and other capital assets of the government are depreciated or amortized using the straight line method over the following estimated useful lives.

Infrastructure	10-50 Years
Buildings	20-50 Years
Improvements	10-20 Years
Infrastructure - Water and Sewer Distribution System	2-50 Years
Infrastructure - Studies, Surveys, and Maps	2-10 Years
Equipment	2-10 Years
Vehicles and right to use assets	3-10 Years

Compensated Absences – All non-public safety employees earn vacation leave at a rate of 5/6 of a day per month (80 hours per year) up to 10 years of service, 1-1/4 days per month (120 hours per year) for greater than 10 years of service, and 1-2/3 days per month (160 hours per year) for greater than 20 years of service. Public safety employees earn vacation leave at a rate of 1-1/4 days per month (120 hours per year) for police and 1-3/4 days per month (168 hours per year) for firefighters assigned to 24-hour shifts. The City personnel policy states that employees may accrue unlimited vacation leave. However, after the original probation period, any employee who terminates employment with the City shall be compensated for no more than 240 hours of accrued vacation leave (except the Fire Department employees assigned to 24-hour shifts may be compensated for no more than 336 hours). Any vacation hours above 240 shall be converted to sick leave upon retirement from the City of Danville.

All employees occupying established full-time positions with the City are granted one day (eight hours) sick leave per each full month of service, except that Fire Department employees assigned to 24-hour shifts shall accrue twelve hours credit for each month of service. Sick leave credit may be utilized by employees in 1/4 day increments when they are unable to perform their duties because of sickness or injury. Employees may accrue an unlimited amount of sick leave. Employees who terminate employment with the City are not compensated for accrued but unused sick leave, except that employees who retire and participate in the County Employees' Retirement System ("CERS") retirement program immediately upon termination of employment, shall have the accrued but unused sick leave utilized to purchase additional retirement benefits on their behalf, based on a schedule as outlined in the City's personnel policies and procedures manual.

Long-Term Obligations – In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond discounts and premiums are deferred and amortized over the term of the related issues. Bonds payable are reported net of the applicable discounts and premiums. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Summary of significant accounting policies (continued)

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.

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 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.

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

Deferred Inflows of Resources on Refunding – The deferred amount of refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and is being credited to interest income over the life of the refunding debt using the straight-line method.

Fund Balance – Fund balance of the governmental funds is 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 that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of Danville. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Commission.

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.

Unassigned – All other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance is available, the City considers amounts to have been spent first out of committed funds, and finally unassigned funds, as needed, unless the City Commission has provided otherwise in its commitment or assignment actions. Further, the Parks and Recreation, Streetscape, and Garbage funds have deficit balances of (\$731,426), (\$1,258,001), and (\$159,333), as of June 30, 2024, respectively. These deficits are related to accounts payable exceeding assets.

CITY OF DANVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Summary of significant accounting policies (continued)

Reconciliation of Government-Wide and Fund Financial Statements – The governmental fund balance sheet includes reconciliation between fund balances in the governmental funds and net position reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. Capital assets and long-term debt are added to the governmental funds to compile the long-term view of the governmental activities column.

A similar reconciliation is included on the Statement of Revenues, Expenditures, and Changes in Fund Balances for the governmental funds. These adjustments reflect the transition from the modified accrual accounting for governmental funds to the accrual basis of accounting for the Statement of Activities. Capital outlay is replaced with depreciation expense. Lease and bond issuance revenues are added, while principal payments on long-term debt are eliminated from the operating costs.

Note 2—Stewardship, compliance, and accountability

Property Taxes – The City bills and collects its property taxes through the Boyle County Sheriff's Office. The City elects to use annual property assessments prepared by the Boyle County Property Valuation Administrator. According to the KRS, the assessment date for the City must conform to the January 1 assessment date of Boyle County.

For the year ended June 30, 2024, taxes were levied November 1, 2023 and were payable by December 31, 2023. A 10% penalty was imposed on all taxes delinquent as of January 1, 2024. In addition, an interest charge of 1/2% per month is levied on all delinquent taxes. As of May 1, 2024, delinquent property tax bills in excess of \$20 each shall have an enforceable lien filed against the property by the City.

The City is permitted by Section 157 of the Constitution of Kentucky to levy taxes up to \$1.00 per \$100 assessed valuation for general governmental services other than school purposes. Legislation passed by the Kentucky General Assembly imposed severe limits on the ability of a city to significantly increase property tax revenues. A city may not increase its revenues from taxes on real property, exclusive of increases due to assessment growth, without giving notice of such an increase and holding a public hearing on the matter. If that increase is less than 4%, that is all that is necessary, but if the increase is more than 4%, residents of the City may petition for an election to be held on the question. If the majority of those voting in a valid election vote against the proposed rate increase, the rate must be rolled back to one which will not produce more than a 4% increase. City tax rates of 12.40 cents per \$100 on real property, 17.06 cents per \$100 on personal property, and 20.00 cents per \$100 on motor vehicles and personal watercraft for the fiscal year ended June 30, 2024, are within permissible limits under the above legislation.

Note 3—Cash deposits and investments

The City's investment policy follows applicable state statutes and allows the City to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies, and certain shares of mutual funds. In addition, trust funds may invest in uninsured corporate securities.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a policy regarding interest rate risk.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 3—Cash deposits and investments (continued)

At June 30, 2024, the City held investments in one municipal bond.

Over 90% of the primary government’s investments are in bank certificates of deposits (fully insured or collateralized), U.S. Corporate bonds (AAA rated) and U.S. Agencies.

Over 90% of the fiduciary fund investments are in A to BAA rated Corporate Bonds, 14 different Mutual Funds and 18 different Domestic Equities.

Custodial Credit Risk – Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the City may not be able to recover the value of its deposits and investments that are in the possession of the financial institution. The City’s investment policy dictates that all cash maintained in any financial institution named as a depository be insured or collateralized, the collateral held in the name of the City, and that investments be registered in the name of the City. Collateral must be held by an independent third party custodian.

As of June 30, 2024, the City’s deposits were fully covered by federal depository insurance or by collateral held by the custodial banks in the City’s name.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. The City’s policy is that, with the exception of fully insured or fully collateralized investments and demand deposit accounts, no more than 20% of the City’s total investment portfolio shall be invested in a single security type or with a single financial institution.

The fiduciary fund places no limit on the amount the fund may invest in any one issuer. The fiduciary fund has 47% of its investments invested in common stock of 18 companies. The remaining investments are concentrated as follows – 15% in corporate bonds, 30% in mutual funds, 5% in alternative investments, and 3% in foreign equities.

The City’s investments at June 30, 2024 are as follows:

Investment Type	Carrying Value	Investment Maturities in Years			
		1 year or less	1-5	6-10	More than 10
Governmental Funds:					
U.S. Agencies	\$ 703,570	\$ 67,437	\$ 312,122	\$ 324,011	\$ -
Municipal Bonds	24,913	24,913	-	-	-
Certificates of Deposit at amortized cost	1,224,998	1,224,998	-	-	-
Totals	\$ 1,953,481	\$ 1,317,348	\$ 312,122	\$ 324,011	\$ -
Fiduciary Funds:					
Corporate Bonds	\$ 144,568	\$ -	\$ 144,568	\$ -	\$ -
Mutual Funds	290,058	290,058	-	-	-
Foreign Equities	31,332	31,332	-	-	-
Investment alternatives	47,585	47,585	-	-	-
Domestic Equities	455,828	455,828	-	-	-
Totals	\$ 969,371	\$ 824,803	\$ 144,568	\$ -	\$ -
Proprietary Funds:					
Money Market and Mutual Funds	\$ 621,855	\$ 621,855	\$ -	\$ -	\$ -

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 3—Cash deposits and investments (continued)

Investment Valuation – The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

For those investments measured at fair value, the investments’ fair value measurements are as follows at June 30, 2024:

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Governmental Funds:				
U.S. agencies	\$ 703,570	\$ 703,570	\$ -	\$ -
Municipal bonds	24,913	-	24,913	-
Total investments at fair value	728,483	\$ 703,570	\$ 24,913	\$ -
Certificates of deposit at amortized cost	1,224,998			
Totals	<u>\$ 1,953,481</u>			
Fiduciary Funds:				
Corporate bonds	\$ 144,568	\$ -	\$ 144,568	\$ -
Mutual funds	290,058	290,058	-	-
Foreign equities	31,332	31,332	-	-
Alternative investments	47,585	-	47,585	-
Domestic equities	455,828	455,828	-	-
Totals	<u>\$ 969,371</u>	<u>\$ 777,218</u>	<u>\$ 192,153</u>	<u>\$ -</u>
Proprietary Funds:				
Money Market and Mutual Funds	<u>\$ 621,855</u>	<u>\$ 621,855</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4—Receivables

Receivables at June 30, 2024 were as follows:

	General	Parks &	Nonmajor	Governmental
	Fund	Recreations	Funds	Funds Total
Governmental Funds:				
Taxes	\$ 33,444	\$ -	\$ -	\$ 33,444
Licenses and fees	386,491	-	-	386,491
Intergovernmental	142,312	-	179,115	321,427
Fines and forfeitures	511	-	-	511
Other revenues	128,146	105,601	553,343	787,090
Total Receivables	<u>\$ 690,904</u>	<u>\$ 105,601</u>	<u>\$ 732,458</u>	<u>\$ 1,528,963</u>
Proprietary Funds:				
Customers	<u>\$ 1,876,051</u>	<u>\$ 444,703</u>	<u>\$ 2,320,754</u>	
Gross receivables	1,876,051	444,703	2,320,754	
Less allowance for uncollectible	(1,043,909)	(264,145)	(1,308,054)	
Net Receivables	<u>\$ 832,142</u>	<u>\$ 180,558</u>	<u>\$ 1,012,700</u>	

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 5—Capital assets

Capital asset activity for the fiscal year ended June 30, 2024 was as follows:

	Balance			Balance
	July 1, 2023	Additions	Deductions	June 30, 2024
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,734,592	\$ -	\$ -	\$ 4,734,592
Construction in progress	13,734,861	8,492,444	(3,886,108)	18,341,197
Total	18,469,453	8,492,444	(3,886,108)	23,075,789
Capital assets being depreciated or amortized:				
Improvements	2,251,014	47,296	-	2,298,310
Buildings	20,046,535	3,109,278	-	23,155,813
Vehicles	4,651,935	-	-	4,651,935
Equipment	6,548,907	569,567	-	7,118,474
Leased assets - vehicles	1,608,839	786,623	(352,784)	2,042,678
Total	35,107,230	4,512,764	(352,784)	39,267,210
Total non-infrastructure assets	53,576,683	13,005,208	(4,238,892)	62,342,999
Infrastructure	88,783,553	117,426	-	88,900,979
Total capital assets	142,360,236	13,122,634	(4,238,892)	151,243,978
Accumulated depreciation:				
Land improvements	973,036	27,070	-	1,000,106
Buildings	5,026,112	460,805	-	5,486,917
Vehicles	3,829,404	187,336	-	4,016,740
Equipment	4,418,788	492,625	-	4,911,413
Infrastructure	82,516,444	1,708,515	-	84,224,959
Total	96,763,784	2,876,351	-	99,640,135
Accumulated amortization:				
Leased assets - vehicles	521,826	511,475	(330,501)	702,800
Total	521,826	511,475	(330,501)	702,800
Total capital assets, net	\$ 45,074,626	\$ 9,734,808	\$ (3,908,391)	\$ 50,901,043

Depreciation and amortization expense was charged to the governmental functions as follows:

General government	\$ 2,565,371
Public services	312,992
Public safety	509,463
Total depreciation expense	\$ 3,387,826

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 5—Capital assets (continued)

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,557,350	\$ -	\$ -	\$ 1,557,350
Construction in progress	25,512,810	5,420,771	(4,769,604)	26,163,977
Total	27,070,160	5,420,771	(4,769,604)	27,721,327
Capital assets being depreciated or amortized:				
Buildings	37,659,313	1,332,374	-	38,991,687
Improvements	522,110	-	-	522,110
Vehicles	657,537	-	-	657,537
Equipment	1,864,683	112,041	-	1,976,724
Infrastructure	62,575,713	3,417,813	-	65,993,526
Leased assets - vehicles	806,098	-	(147,571)	658,527
Total	104,085,454	4,862,228	(147,571)	108,800,111
Total capital assets	131,155,614	10,282,999	(4,917,175)	136,521,438
Accumulated depreciation:				
Buildings	7,308,516	922,701	-	8,231,217
Improvements	274,346	16,707	-	291,053
Vehicles	657,310	-	-	657,310
Equipment	1,673,396	31,165	-	1,704,561
Infrastructure	32,235,503	1,176,238	-	33,411,741
Total	42,149,071	2,146,811	-	44,295,882
Accumulated amortization:				
Leased assets - vehicles	355,361	143,100	(133,085)	365,376
Total	355,361	143,100	(133,085)	365,376
Total capital assets, net	\$ 88,651,182	\$ 7,993,088	\$ (4,784,090)	\$ 91,860,180

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 6—Lease receivables

Lease Receivables and Deferred Inflows of Resources – On January 14, 2008, the City entered into a lease agreement with Farmers National Bank to lease out 35 parking spaces located in a parking garage owned by the City. The initial agreement was for 30 years, with an option to continue on a month-to-month basis after the 30-year term expires. The lease term is scheduled to terminate in fiscal year 2038. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.88%. The balance of the lease receivable as of June 30, 2024 totaled \$285,615. The City reported interest revenue totaling \$9,971 and lease revenue totaling \$16,869 for fiscal year 2024.

On January 14, 2008, the City entered into a lease agreement with Central Kentucky Ambulatory Surgery Center to lease out 100 parking spaces located in a parking garage owned by the City. The initial agreement was for 30 years, with an option to continue on a month-to-month basis after the 30-year term expires. The lease term is scheduled to terminate in fiscal year 2038. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.88%. The balance of the lease receivable as of June 30, 2024, totaled \$816,042. The City reported interest revenue totaling \$24,488 and lease revenue totaling \$50,065 for fiscal year 2024.

On January 14, 2008, the City entered into a lease agreement with Ephraim McDowell Regional Medical Center to lease out 160 parking spaces located in a parking garage owned by the City. The initial agreement was for 30 years, with an option to continue on a month-to-month basis after the 30-year term expires. The lease term is scheduled to terminate in fiscal year 2038. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.88%. The balance of the lease receivable as of June 30, 2024, totaled \$1,305,668. The City reported interest revenue totaling \$45,580 and lease revenue totaling \$80,104 for fiscal year 2024.

On January 14, 2008, the City entered into a lease agreement with Malcom Bryant Corporation (formerly Lanreal, Inc.) to lease out 35 parking spaces located in a parking garage owned by the City. The initial agreement was for 30 years, with an option to continue on a month-to-month basis after the 30-year term expires. The lease term is scheduled to terminate in fiscal year 2038. In fiscal year ended June 30, 2023, the City amended the lease agreement to reduce the leased spaces to 8. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.88%. The balance of the lease receivable as of June 30, 2024 totaled \$63,484. The City reported interest revenue totaling \$2,244 and lease revenue totaling \$5,063 for fiscal year 2024.

The present value of expected future minimum lease payments is as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 138,961	\$ 94,198	\$ 233,159
2026	147,859	88,628	236,487
2027	153,699	82,788	236,487
2028	159,770	76,717	236,487
2029	166,080	70,406	236,486
2030-2034	934,136	248,298	1,182,434
2035-2039	770,304	57,400	827,704
	<u>\$ 2,470,809</u>	<u>\$ 718,435</u>	<u>\$ 3,189,244</u>

The deferred inflows of resources will be recognized over the term of the lease agreements as lease revenue. During fiscal year 2024, the City recognized \$86,282 of interest revenue and \$152,102 of lease revenue from the lease agreements.

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 7—Lease liabilities

Governmental Activities – On March 12, 2017, 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. During 2024, the City leased addition vehicles with a net present value of \$765,274. The lease term for the vehicle leases ranges from 48 to 79 months. The interest rates for vehicle leases range from 1.85% to 6.975%. The balance of the liability related to the vehicle leases as of June 30, 2024 totaled \$1,363,374.

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

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 455,180	\$ 67,780	\$ 522,960
2026	408,768	43,430	452,198
2027	340,659	21,458	362,117
2028	146,477	4,244	150,721
2029	12,290	289	12,579
	<u>\$ 1,363,374</u>	<u>\$ 137,201</u>	<u>\$ 1,500,575</u>

Business-Type Activities – On March 12, 2017, 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 terms for these vehicles range from 60 to 72 months. The interest rates for vehicle leases range from 2.49% to 6.00%. The balance of the liability related to the vehicle leases as of June 30, 2024 totaled \$406,319.

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

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 125,633	\$ 15,119	\$ 140,752
2026	130,868	9,884	140,752
2027	111,913	4,502	116,415
2028	37,905	821	38,726
	<u>\$ 406,319</u>	<u>\$ 30,326</u>	<u>\$ 436,645</u>

Note 8—Line of credit

The City of Danville has a \$2,060,000 irrevocable, unconditional and nontransferable letter of credit. There were no borrowing against this letter of credit as of June 30, 2024.

Note 9—Defined benefit pension plans

The government maintains a single-employer, defined benefit pension plan, the Police and Firefighters' Retirement Fund ("PFRF"), which covers public safety employees who work in non-hazardous positions, which they have held since July 31, 1988. The City also participates in the Commonwealth of Kentucky's County CERS, which covers all hazardous position public safety employees and all other governmental employees not already covered by PFRF. No medical insurance benefits are provided to retirees covered by the PFRF. Certain medical insurance benefits are provided to retirees covered by the CERS.

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 9—Defined benefit pension plans (continued)

Police and Firefighters' Retirement Fund

Plan Description and Provisions – All of the government's full-time police and fire employees who work in non-hazardous positions which they have held since July 31, 1988, participate in the PFRF, a single-employer, defined benefit pension plan. This plan was established by Ordinance No. 824, effective February 14, 1958, pursuant to KRS Chapter 95. Prior to August 1, 1988, all full-time police and fire employees, both those working in hazardous and non-hazardous positions, were eligible to participate in the PFRF.

In accordance with the provisions of House Bill 398 passed by the 1988 Kentucky General Assembly, the City closed the PFRF to new members August 1, 1988, by passage of Ordinance No. 1400. After August 1, 1988, all new employees who would have been eligible to participate in the City's pension system must be enrolled as members of Kentucky County Employees' Retirement System. Employees hired on or before August 1, 1988, who were participating in the City plan, were given an option of transferring from the existing City pension plan to CERS.

<u>Plan Members</u>	<u>Employees</u>
Retirees	5
Active	-

Members of the police or fire department having served 20 years or longer in the police or fire department may petition the board of trustees for retirement, and if his petition is granted, the board may order paid to him monthly (50%) of his monthly salary at the time of retirement. If this petition for retirement is denied, any policeman or firefighter has the right of appeal in accordance with the Rules of Civil Procedure.

The pension payable for periods of service between 20 and 25 years shall be 50% of salary plus 2% of salary for each year in excess of 20. The pension payable for 25 years of service shall be 60% of salary. The pension payable for periods of service between 25 and 30 years shall be 60% of salary plus 3% of salary for each year in excess of 25. The pension payable 30 years of service shall be 75% of salary.

The pension or benefits paid for disability or death from the Police and Firefighters' Retirement Fund is as follows:

- a) If any member of the police and fire department becomes temporarily totally disabled, physically or mentally, the board of trustees of the pension fund shall order paid to him monthly, during his disability, until he has recovered and returned to active duty, a sum of not more than one-half (1/2) his salary per month, the amount to be determined by the board. This provision shall not apply if a salary is paid during the same period.
- b) If any member of the police or fire department becomes permanently disabled, physically or mentally, so as to render necessary his retirement from service in the department, the board of trustees shall retire him from service and order paid to him monthly 50% of his monthly salary at the time of his retirement.
- c) If any member of the police or fire department is killed or dies as the result of an injury received in the performance of duty, or dies of any disease contracted by reason of his occupation, or dies while in the service from any cause as a result of his service in the department, or dies in service or while on the retired list from any cause after one year of service in the department and leaves a widow or a child under 18 years of age, the board of trustees shall order a pension paid to the widow, while unmarried, of one-half of salary per month and for each child until it reaches the age of 18 years \$24 per month. The board may provide a minimum benefit of no more than \$400 per month, initially, to the surviving spouse if the benefit can be supported on an actuarially sound basis by the fund. The board may increase the minimum benefit pursuant to the terms of subsection (4) of this section. If the deceased member was unmarried and childless, a pension shall be paid to his dependent father and mother of one-fourth of salary per month. If one parent is dead, the other shall receive the entire one-fourth salary.

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 9—Defined benefit pension plans (continued)

If an employee terminates his or her employment with the police or fire departments and is not eligible for any other benefits under the PFRF, the employee is entitled to a refund of his or her accumulated contributions to the fund without interest.

Measurement Focus and Basis of Accounting – The PFRF is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required to be made and benefits and refunds are recognized as an expense and liability when due and payable. Administrative costs are financed through contributions and investment income. The PFRF does not issue a separate report containing financial statements.

Investments – The following was the Board's adopted target allocation and the long-term expected rate of return on Plan investments. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic fixed income	35%	5.0%
Domestic equity	60%	8.5%
Cash	5%	1.5%
Total	<u>100%</u>	6.9%
Less investment expense		-0.4%
Net		6.5%

Investments are stated at fair value. Securities traded on a national exchange are valued at the last reported sales price. Gains or losses on the sale of fixed income securities are recognized using the completed transaction method. There are no significant investments (other than U.S. Government Agencies) in any one organization that represent more than 5% of net assets available for benefits. There are no investments or other assets legally reserved for purposes other than the payment of member benefits.

Net Pension Liability – The components of the net pension liability at June 30, 2024 were as follows:

Total pension liability	\$ 1,182,047
Less plan fiduciary net position	<u>1,051,424</u>
Net position liability	<u>\$ 130,623</u>
Plan fiduciary net position as a percentage of total pension liability	88.95%

Actuarial Assumptions – The total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions:

Cost of living	3.00%
Salary adjustments	N/A
Investment rate of return	6.50%
Cost method	Entry age normal
Asset valuation	Market value

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 9—Defined benefit pension plans (continued)

Mortality rates for post-retirement were based on Pub-S 2010 Mortality Table, with adjustments for generationally with Scale MP 2019.

A single discount rate of 6.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.5% and the municipal bond rate of 4.21%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability calculated using the discount rate noted above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower and higher than the current rate.

	<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease	5.50%	\$ 216,579
Current discount rate	6.50%	\$ 130,623
1% increase	7.50%	\$ 54,755

Employer Contributions – The contribution requirements of plan members and the City are established and may be amended by the Board of Trustees.

The City contributes on an actuarially funded basis amounts required to fund current service costs and interest on unfunded past service costs in compliance with KRS. For the year ended June 30, 2024, the City made a contribution of \$135,000.

Pension Expense and Deferred Outflows/Inflows – For the year ended June 30, 2024, the City recognized pension expense of \$422,063. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Plan investments	\$ -	\$ (33,478)

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

Years Ending June 30,

2025	\$ (12,758)
2026	10,674
2027	(16,941)
2028	(14,453)
	<u>\$ (33,478)</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 9—Defined benefit pension plans (continued)

The County Employees' Retirement System ("CERS")

General Information About the Pension Plan

Plan Description – Employees of the City are provided a defined benefit pension plan through the County Employees Retirement System ("CERS"), a cost-sharing, multiple-employer defined pension plan administered by the Kentucky Public Pensions Authority ("KPPA"). The KPPA is the successor to Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute Section 61.645 as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the CERS to a separate nine member Board of Trustees. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits Provided – Kentucky Revised Statute Section 61.645 established the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute, there are currently three benefit Tiers. Tier 1 members are those participating in the plan before September 1, 2008; Tier 2 are those that began participation September 1, 2008 through December 31, 2013; and Tier 3 are those members that began participation on or after January 1, 2014.

Benefits Provided – Non-hazardous - Tier 1 non-hazardous members are eligible to retire with an unreduced benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must contain at least 48 months. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with five years of service credit. Service related disability benefits are provided after five years of service. Tier 2 non-hazardous members are eligible to retire based on the rule of 87: the member must be at least age 57 and age plus earned service must equal 87 years at retirement or at age 65 with five years of service credit. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must be 60 months. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 non-hazardous members are also eligible to retire based on the rule of 87. Benefits are determined by a life annuity calculated in accordance with actuarial assumptions and methods adopted by the board based on a member's accumulated account balance. Tier 3 members are not eligible for reduced retirement benefits.

Benefits Provided – Hazardous – Tier 1 hazardous members are eligible to retire with an unreduced benefit at age 55 with five years of service credit or after 20 years of service credit regardless of age. Benefits are determined by a formula using the member's highest three consecutive year average compensation, which must have at least 24 months. Reduced benefits for early retirement are available at age 50 with 15 years of service credit. Tier 2 hazardous members are eligible to retire at any age with 25 years of service or at age 60 with 5 years of service credit. Benefits are determined by a formula using the member's highest three consecutive year average compensation, which must be 36 months. Reduced benefits for early retirement are available at age 50 with 15 years of service. Tier 3 hazardous members are also eligible to retire at any age with 25 years of service or at age 60 with 5 years of service. Tier 3 members are not eligible for reduced retirement benefits.

Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index ("CPI") for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011.

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 9—Defined benefit pension plans (continued)

The County Employees' Retirement System ("CERS") (continued)

General Information about the Pension Plan (continued)

Contributions – Contribution for employees are established in the statutes governing the KKPA and may only be changed by the Kentucky General Assembly. Non-hazardous employees contribute 5% and hazardous employees contribute 8% of salary if they were plan members prior to September 1, 2008. Non-hazardous and hazardous employees that entered the plan after September 1, 2008, are required to contribute 6% and 9%, respectively, of their annual creditable compensation. The additional 1% is deposited to an account created for the payment of health insurance benefits under 26 U.S.C. Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The City makes employer contributions at the rate set by the KPPA Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2024, the total employer contributions for the City were \$1,439,071 based on a rate of 23.34% for non-hazardous and \$2,167,973 based on a rate of 43.69% for hazardous members covers through payroll. The fiscal year 2024 non-hazardous rate of 23.34% was fully allocated to pension; there was no employer contribution required for insurance. The total contribution rate of 43.69% or \$2,167,973 for hazardous consists of 41.11% or \$2,039,949 toward pension benefits and 2.58% or \$128,024 for insurance benefits. By law, employer contributions are required to be paid. The employer's actuarially determined contribution ("ADC") and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate net pension liability was determined by an actuarial valuation performed as of June 30, 2022. The total pension liability was rolled forward from the valuation date to the measurement date using generally accepted actuarial principles.

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

Non-hazardous and Hazardous:

Inflation	2.50%
Payroll Growth Rate	2.00%
Salary increases	3.30%-10.30%, varies by service for CERS Non-hazardous 3.55%-19.05%, varies by service for CERS Hazardous
Investment rate of return	6.50%, net of Plan investment expense, including inflation

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy 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 the 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 the MP-2020 mortality improvement scale using a base year of 2010.

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 9—Defined benefit pension plans (continued)

Net Pension Liability (continued)

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic 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:		
Public equity	50%	5.90%
Private equity	10%	11.73%
Fixed income:		
Core fixed income	10%	2.45%
Specialty credit	10%	3.65%
Cash	0%	1.39%
Inflation protected:		
Real estate	7%	4.99%
Real return	13%	5.15%
Total	<u>100%</u>	

Discount Rate – The projection of cash flows used to determine the discount rate of 6.50% for CERS Non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination 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:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
City of Danville’s net pension liability:			
Nonhazardous	\$ 14,601,251	\$ 11,564,794	\$ 9,041,384
Hazardous	19,794,366	15,675,742	12,311,761
Totals	<u>\$ 34,395,617</u>	<u>\$ 27,240,536</u>	<u>\$ 21,353,145</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 9—Defined benefit pension plans (continued)

Net Pension Liability (continued)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Pension Expense – For the year ended June 30, 2024, the City recognized pension expense of \$4,088,928.

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	\$ 1,315,318	\$ 31,425
Investment experience	-	315,007
Change of assumptions	-	2,284,152
Changes in proportion and differences between City contributions and proportionate share of contributions	3,593,423	126,070
City contributions subsequent to the measurement date	3,479,020	-
Total	<u>\$ 8,387,761</u>	<u>\$ 2,756,654</u>

The amount shown above for “City contributions subsequent to the measurement date”, will be recognized as a reduction (increase) to net pension liability in the following measurement period.

Other amounts shown as deferred outflows of resources will be recognized according to the following schedule:

Years Ending June 30,

2025	\$ 1,079,779
2026	464,392
2028	820,484
2029	<u>(212,568)</u>
	<u>\$ 2,152,087</u>

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 10—Postemployment benefits other than pensions (“OPEB”)

General Information about the OPEB Plan

Plan Description – Employees of the City are provided hospital and medical insurance through the Kentucky Public Pensions Authority’s County Employees’ Retirement System insurance fund (“Insurance Fund”), a cost-sharing, multiple-employer defined benefit other postemployment benefits (“OPEB”) plan. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Public Pension Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

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

Contributions – Contribution requirements of the participating employers are established and may be amended by the KPPA Board of Trustees. The City’s contractually required contribution rate for the year ended June 30, 2024 was 0% of covered payroll for non-hazardous employees and 2.58% for hazardous employees. Contributions to the Insurance Fund from the City were \$0 for the non-hazardous plan and \$128,024 for the hazardous plan for the year ended June 30, 2024. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2024, the City reported a liability of \$546,195 for its proportionate share of the collective net OPEB liability for each plan. The collective net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2023, using generally accepted actuarial principles. The City’s proportion of the collective net OPEB liability and OPEB expense was determined using the employers’ actual contributions for fiscal year 2023. This method is expected to be reflective of the employers’ long-term contribution effort. At June 30, 2023, the City’s proportion was 0.180228% for the non-hazardous plan and 0.581065% for the hazardous plan.

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 10—Postemployment benefits other than pensions (“OPEB”)

General Information about the OPEB Plan (continued)

For the year ended June 30, 2024, the City recognized OPEB benefit of \$0. 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
Liability experience	\$ 245,384	\$ 6,810,879
Investment experience	-	167,240
Change of assumptions	1,032,540	1,170,047
Changes in proportion and differences between City contributions and proportionate share of contributions	1,409,897	105,436
City contributions subsequent to the measurement date	201,911	-
Total	<u>\$ 2,889,732</u>	<u>\$ 8,253,602</u>

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The amount shown above for “City contributions subsequent to the measurement date”, will be recognized as a reduction (increase) to net OPEB liability in the following measurement period.

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

<u>Years Ending June 30,</u>	
2025	\$ (1,150,824)
2026	(1,476,842)
2026	(1,098,568)
2028	(1,337,853)
2029	(501,694)
	<u>\$ (5,565,781)</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 10—Postemployment benefits other than pensions (“OPEB”) (continued)

Actuarial Assumptions – The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2023:

Inflation		2.50%
Payroll growth rate		2.00%
Salary increases		3.30%-10.30%, varies by service for CERS nonhazardous 3.55%-19.05%, varies by service for CERS hazardous
Investment rate of return		6.50%
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, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality trend		
	Pre – retirement:	PUB-2010 General Mortality table, for the nonhazardous system and the PUB 2010 Public Safety Mortality table for the hazardous systems, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2010.
	Post – retirement:	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. PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2020.

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 10—Postemployment benefits other than pensions (“OPEB”) (continued)

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

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

Discount Rate – Single discount rates of 5.93% for CERS Nonhazardous and 5.97% for CERS Hazardous were used to measure the total OPEB liability as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.86% as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2023. The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

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:

	1% Decrease (4.97% Hazardous 4.93% Non-hazardous)	Current Discount Rate (5.97% Hazardous 5.93% Non-hazardous)	1% Increase (6.97% Hazardous 6.93% Non-hazardous)
Hazardous	\$ 2,010,645	\$ 795,030	\$ (217,900)
Non-hazardous	466,968	(248,835)	(848,232)
Totals	\$ 2,477,613	\$ 546,195	\$ (1,066,132)

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 10—Postemployment benefits other than pensions (“OPEB”) (continued)

Sensitivity of the City’s Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the City’s proportionate share of the collective net OPEB liability, as well as what the City’s proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
Hazardous	\$ 9,058	\$ 795,030	\$ 1,744,254
Nonhazardous	(797,559)	(248,835)	425,221
	<u>\$ (788,501)</u>	<u>\$ 546,195</u>	<u>\$ 2,169,475</u>

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report.

Note 11—Long-term debt

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

<u>Description</u>	<u>Balance July 1, 2023</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2024</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Fund:					
KLC note payable with interest at					
3.00%, maturing in fiscal year 2038	\$ 3,168,794	\$ -	\$ 155,636	\$ 3,013,158	\$ 162,768
Series 2012 GO with interest at 1.00% to					
3.25% maturing in fiscal year 2038	2,955,000	-	165,000	2,790,000	170,000
Series 2017A GO with interest at 1.00% to					
2.95% maturing in fiscal year 2036	934,031	-	52,793	881,238	52,793
Series 2018 GO with interest at					
3.60% to 4.00% maturing in fiscal year 2039	8,965,000	-	375,000	8,590,000	390,000
Series 2020B GO with interest at					
1.64% maturing in fiscal year 2027	165,700	-	40,400	125,300	41,100
Premiums/(Discounts)	417,275	-	18,213	399,062	-
Total bonds and notes payable	<u>16,605,800</u>	<u>-</u>	<u>807,042</u>	<u>15,798,758</u>	<u>816,661</u>
Compensated absences	348,496	47,957	-	396,453	18,342
Lease liability	1,086,494	765,274	488,394	1,363,374	455,180
Net pension liability - CERS	21,437,071	-	331,442	21,105,629	-
Net OPEB liability - CERS	5,922,795	-	5,658,393	264,402	-
Net pension liability – police and firefighters' retirement	753,443	-	622,820	130,623	-
Total governmental activities	<u>\$ 46,154,099</u>	<u>\$ 813,231</u>	<u>\$ 7,908,091</u>	<u>\$ 39,059,239</u>	<u>\$ 1,290,183</u>

Additions to compensated absences are presented net of amounts used in this table.

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—Long-term debt (continued)

The annual debt service requirements to maturity for all governmental activity bonds and notes payable are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 816,661	\$ 544,967	\$ 1,361,628
2026	843,223	525,388	1,368,611
2027	876,133	494,428	1,370,561
2028	865,229	462,380	1,327,609
2029	902,558	429,839	1,332,397
2030-2034	5,183,048	1,603,217	6,786,265
2035-2039	5,912,844	555,591	6,468,435
Premiums	399,062	-	399,062
	<u>\$ 15,798,758</u>	<u>\$ 4,615,810</u>	<u>\$ 20,414,568</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—Long-term debt (continued)

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

Description	Balance			Balance June 30, 2024	Due Within One Year
	July 1, 2023	Issued	Retired		
Business-Type Activities:					
Utility Fund:					
Series 2010 with interest at 3.00% maturing in fiscal year 2050	\$ 495,000	\$ -	\$ 11,500	\$ 483,500	\$ 12,000
KIA note payable with interest at 1.75% maturing in fiscal year 2038	9,156,650	-	559,940	8,596,710	569,782
Series 2014A GO with interest at 3.00% to 3.75% maturing in fiscal year 2035	2,000,000	-	155,000	1,845,000	160,000
Series 2015A with interest at 2.875% maturing in fiscal year 2055	7,814,000	-	145,500	7,668,500	150,000
Series 2015B with interest at 2.25% maturing in fiscal year 2055	4,510,000	-	89,500	4,420,500	92,000
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	6,525,000	-	310,000	6,215,000	330,000
Series 2020 with interest at 2.00% to 5.00% maturing in fiscal year 2045	11,605,000	-	190,000	11,415,000	195,000
Series 2023 with interest at 4.75% maturing in fiscal year 2027	-	6,500,000	-	6,500,000	-
KIA loan #F19-042 with interest at 2.00%. Principal payments commence after project completion.	3,294,942	4,596	-	3,299,538	-
Premiums/(Discounts)	1,058,732	-	51,071	1,007,661	-
Total Utility Fund	\$ 46,459,324	\$ 6,504,596	\$ 1,512,511	\$ 51,451,409	\$ 1,508,782
Storm Water Fund:					
Series 2020B GO with interest at 1.64% maturing in fiscal year 2030	\$ 319,200	\$ -	\$ 43,400	\$ 275,800	\$ 44,100
Total Storm Water Fund	\$ 319,200	\$ -	\$ 43,400	\$ 275,800	\$ 44,100
Parking Fund:					
Series 2014C GO with interest at 2.50% to 3.86% maturing in fiscal year 2036	\$ 855,000	\$ -	\$ 50,000	\$ 805,000	\$ 50,000
Series 2017A GO with interest at 1.00% to 2.95% maturing in fiscal year 2036	184,576	-	10,433	174,143	10,433
Series 2017B GO with interest at 2.00% to 3.00% maturing in fiscal year 2036	2,070,000	-	120,000	1,950,000	125,000
Premiums/(Discounts)	52,000	-	3,050	48,950	-
Total Parking Fund	\$ 3,161,576	\$ -	\$ 183,483	\$ 2,978,093	\$ 185,433

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 11—Long-term debt (continued)

Description	Balance			Balance June 30, 2024	Due Within One Year
	July 1, 2023	Issued	Retired		
Business-Type Activities:					
Museum Fund:					
Series 2017A GO with interest at					
1.00% to 2.95% maturing in fiscal year 2036	\$ 31,395	\$ -	\$ 1,775	\$ 29,620	\$ 1,775
Premiums/(Discounts)	2,832	-	81	2,751	-
Total Museum Fund	34,227	-	1,856	32,371	1,775
Total bonds and notes payable	49,974,327	6,504,596	1,741,250	54,737,673	1,740,090
Compensated absences	179,429	15,488	-	194,917	9,746
Lease liability	551,614	-	145,295	406,319	125,633
Net pension liability - CERS	6,219,379	-	84,472	6,134,907	-
Net OPEB liability - CERS	1,723,906	-	1,442,113	281,793	-
Total business-type activities	\$ 58,648,655	\$ 6,520,084	\$ 3,413,130	\$ 61,755,609	\$ 1,875,469

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 various funds. At June 30, 2024, the City had sufficient funds in restricted accounts to meet required existing bond ordinances.

The annual debt service requirements to maturity for all business-type activity bonds and notes payable are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,740,090	\$ 1,410,971	\$ 3,151,061
2026	1,794,743	1,376,375	3,171,118
2027	8,353,734	1,325,759	9,679,493
2028	1,918,242	949,252	2,867,494
2029	1,969,034	897,435	2,866,469
2030-2034	10,242,594	3,798,832	14,041,426
2035-2039	10,086,336	2,451,281	12,537,617
2040-2044	7,394,500	1,473,357	8,867,857
2045-2049	3,581,000	665,458	4,246,458
2050-2054	2,710,500	296,471	3,006,971
2055-2057	592,565	15,586	608,151
KIA deferred loan	3,294,973	-	3,294,973
Premiums	1,059,362	-	1,059,362
	<u>\$ 54,737,673</u>	<u>\$ 14,660,777</u>	<u>\$ 69,398,450</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Note 13—Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation claims. Significant losses are covered by commercial insurance for all major programs except unemployment compensation and workers' compensation, for which the City retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage from prior years. Also, there have been no settlements exceeding insurance coverage for each of the past three years. The City participates in two pooled self- insurance programs sponsored by the Kentucky League of Cities. These include unemployment compensation and workers' compensation.

The City has established a Health Self-Insurance Plan. Employees participate in the program and certain other medical insurance programs offered by the City. Under this program, the first \$70,000 of a participant's medical claim is payable by the Health Self-Insurance Plan. The City purchases insurance for claims in excess of coverage provided by the fund. All funds with employees of the City participate in the program and make payments to the health fund based on estimates of the amount needed to pay current year claims. Claims totaling \$3,740 have been included in accounts payable at June 30, 2024, based on claims incurred and settled after year-end.

Note 14—Transfer of funds

Transfers between funds consisted of the following for the fiscal year ended June 30, 2024:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	Municipal Road Aid	General	Street repairs	\$ 24,999
Operating	General	Streetscape	Capital improvements	1,049,000
Operating	General	Parks & Recreations	Operating expense and capital improvements	5,753,608
Operating	General	Cemetery	Operating expense	270,608
Operating	General	Garbage	Operating expense	100,000
Operating	General	Museum	Operating expense	50,000
Operating	General	Parking	Operating expense	128,865
				<u>\$ 7,377,080</u>

The following schedule briefly summarizes the City's interfund receivables and payables as of June 30, 2024.

<u>Due to</u>	<u>Due from</u>		<u>Total</u>
	<u>Utility</u>	<u>Garabage</u>	
General	\$13,643,517	\$134,154	\$13,777,671

The interfund loan between the utility fund and general fund is expected to be repaid to the general fund over the next five years.

CITY OF DANVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 15—Tax abatements

In June 2018, the City passed Ordinance 1914 under KRS 154.32-090. The purpose of the ordinance was to attract an employer to the City through the use of a tax abatement. The employer as part of the arrangement, can receive a partial credit against new employees' occupational license tax of 0.72%. The employer must employ at least 10 new employees and can receive the credit for up to 27 employees. The City recaptures a prorated amount of abated taxes if these conditions are not met. Credits are available for a term of 15 years or recoveries of \$181,980, with an accelerated recovery limit of \$100,199, whichever occurs first. The amount of the abatement is issued annually through repayment back to the employer. For the year ended June 30, 2024, the City abated occupational license fees totaling \$39,622 through this agreement. The accelerated recovery limit of \$100,198 was reached in fiscal year 2024.

The City passed resolution 2022-01-24 with the purpose of incentivizing activity at the Danville-Boyle County Airport and Stuart Powell Field through the use of tax abatements. The resolution provided the tangible tax rate for personal aircraft to be \$0.00, an insurance premium tax rate for inland marine, which encompasses aircraft, to be 4.00%, and a wage assessment for occupational tax relief for on-air employees for a 5-year abatement period. For the year ended June 30, 2024, the City abated occupational taxes in the amount of \$6,259 for the Danville-Boyle County Air Board and \$5,341 for Air Evac EMS Inc.

Note 16—Changes to or within the financial reporting entity

The City of Danville formerly classified the Streetscape Fund as a major governmental fund, it has been being reclassified as nonmajor governmental fund in the fiscal year ending June 30, 2024. The City of Danville formerly classified the Parks and Recreation Fund as a nonmajor governmental fund, it has been reclassified as a major governmental fund in fiscal year ending June 30, 2024.

The City of Danville formerly classified the Parking Fund and Storm Water Fund as major proprietary funds, they have been reclassified as a nonmajor proprietary fund in fiscal year ending June 30, 2024. The effect of the changes to the respective governmental fund balances and proprietary fund balances are shown in the table below.

	6/30/2023 Fund Balance as Previously Reported	Change to or within the Financial Reporting Entity	6/30/2023 Fund Balance as Adjusted
<u>Governmental Funds</u>			
Major Funds:			
General Fund	\$ 20,857,727	\$ -	\$ 20,857,727
Parks and Recreation Fund	-	34,619	34,619
Streetscape Fund	(426,649)	426,649	-
Nonmajor Funds	1,068,671	(461,268)	607,403
Total Governmental Funds	<u>\$ 21,499,749</u>	<u>\$ -</u>	<u>\$ 21,499,749</u>
<u>Proprietary Funds</u>			
Major Funds:			
Utilities Fund	\$ 22,349,539	\$ -	\$ 22,349,539
Parking Fund	3,100,716	(3,100,716)	-
Storm Water Fund	2,460,660	(2,460,660)	-
Nonmajor Funds	1,428,475	5,561,376	6,989,851
Total Proprietary Funds	<u>\$ 29,339,390</u>	<u>\$ -</u>	<u>\$ 29,339,390</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DANVILLE, KENTUCKY
BUDGETARY COMPARISON – GENERAL FUND

YEAR ENDED JUNE 30, 2024

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 2,280,000	\$ 2,280,000	\$ 2,553,684	\$ 273,684
Licenses and fees	16,221,620	14,918,500	19,353,271	4,434,771
Intergovernmental revenue	463,000	463,000	650,428	187,428
Penalties and forfeitures	9,000	9,000	8,331	(669)
Other revenue	1,765,387	1,398,452	1,756,013	357,561
Total Revenues	<u>20,739,007</u>	<u>19,068,952</u>	<u>24,321,727</u>	<u>5,252,775</u>
Expenditures:				
Current Operating:				
General government	4,151,512	4,764,896	6,161,683	(1,396,787)
Public services	2,364,690	2,310,980	2,471,677	(160,697)
Public safety	11,185,371	12,131,132	10,405,016	1,726,116
Community services	155,175	155,175	-	155,175
Debt service	1,763,200	1,918,709	1,960,374	(41,665)
Capital outlay	1,461,000	1,461,000	1,752,849	(291,849)
Total Expenditures	<u>21,080,948</u>	<u>22,741,892</u>	<u>22,751,599</u>	<u>(9,707)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(341,941)</u>	<u>(3,672,940)</u>	<u>1,570,128</u>	<u>5,243,068</u>
Other Financing Sources (Uses):				
Proceeds from issuance of debt	5,065,000	5,065,000	-	(5,065,000)
Transfers from other funds	-	-	24,999	24,999
Transfers to other funds	(7,264,809)	(10,296,383)	(7,352,081)	2,944,302
Total Other Financing Sources (Uses)	<u>(2,199,809)</u>	<u>(5,231,383)</u>	<u>(6,551,064)</u>	<u>(1,319,681)</u>
Excess (Deficiency) of Revenues Over Expenditures and Transfers	<u>(2,541,750)</u>	<u>(8,904,323)</u>	<u>(4,980,936)</u>	<u>3,923,387</u>
Fund balance, beginning of year	<u>20,857,727</u>	<u>20,857,727</u>	<u>20,857,727</u>	<u>-</u>
Fund balance, end of year	<u>\$ 18,315,977</u>	<u>\$ 11,953,404</u>	<u>\$ 15,876,791</u>	<u>\$ 3,923,387</u>

CITY OF DANVILLE, KENTUCKY
NOTES TO THE BUDGETARY COMPARISON – GENERAL FUND

YEAR ENDED JUNE 30, 2024

Budgetary Information – The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

KRS 91A.030 requires the preparation and adoption of an annual budget in the form of an appropriations ordinance before the City may expend any monies from any governmental or proprietary fund and prohibits expenditures or expenses in excess of appropriations. KRS further provides that the full amount of debt service be appropriated. All appropriations lapse at year-end.

To meet the legal requirements for appropriations, all budgets are presented on a modified accrual basis. For proprietary funds this means that certain capitalized receipts and disbursements are budgeted along with related revenue and expense, that depreciation, a noncash expenditure, is not budgeted, and that the full amount of debt service is budgeted.

Under KRS, all local government units are required to have a June 30 fiscal year-end. The City of Danville has a June 30 fiscal year-end.

Prior to May 1, the City Manager obtains estimates of proposed expenditures from various division and department heads. The finance department staff prepares revenue estimates.

Prior to June 1, the City Manager submits to the City commission a proposed budget for the fiscal year commencing July 1. Public hearings are conducted to obtain citizen comments and comply with various federal and state mandates.

Prior to June 30, the budget is legally enacted through passage of an ordinance by the City commission.

The City Manager is authorized to transfer budgeted amounts within each fund; however, any revisions that alter the total expenditures of any fund must be approved by the City commission.

Formal budgetary integration is utilized as a management control device for all governmental fund types and proprietary funds.

An encumbrance system under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded is maintained. Encumbrances maintained at year-end do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are re-appropriated in the next budget year.

CITY OF DANVILLE, KENTUCKY
BUDGETARY COMPARISON – PARKS & RECREATION FUND

YEAR ENDED JUNE 30, 2024

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental revenue	\$ 366,935	\$ 366,935	\$ 483,068	\$ 116,133
Other revenue	365,600	394,528	445,959	51,431
Total Revenues	732,535	761,463	929,027	167,564
Expenditures:				
Current Operating:				
Public services	1,421,143	1,791,762	1,834,134	(42,372)
Debt service	-	16,584	16,594	(10)
Capital outlay	5,065,000	5,840,548	5,597,952	242,596
Total Expenditures	6,486,143	7,648,894	7,448,680	200,214
Excess (Deficiency) of Revenues Over Expenditures	(5,753,608)	(6,887,431)	(6,519,653)	367,778
Other Financing Sources (Uses):				
Transfers from other funds	5,753,609	6,887,431	5,753,608	(1,133,823)
Total Other Financing Sources (Uses)	5,753,609	6,887,431	5,753,608	(1,133,823)
Excess (Deficiency) of Revenues Over Expenditures and Transfers	1	-	(766,045)	(766,045)
Fund balance, beginning of year	34,619	34,619	34,619	-
Fund balance, end of year	\$ 34,620	\$ 34,619	\$ (731,426)	\$ (766,045)

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS
POLICE AND FIREFIGHTERS' RETIREMENT FUND

LAST TEN FISCAL YEARS

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Pension Liability:										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	164,512	160,063	154,676	116,353	106,898	102,775	118,098	119,164	115,646	104,156
Difference between expected and actual experience	(8,253)	(8,253)	(540,591)	(88,390)	(7,251)	78,610	72,380	(16,004)	(151,628)	(460,149)
Changes in assumptions	-	-	-	-	-	212,836	-	-	-	-
Benefit payments	(245,159)	(245,159)	(224,188)	(183,120)	(163,754)	(162,390)	(162,390)	(169,834)	(152,838)	(128,732)
Net change in total pension liability	(88,900)	(93,349)	(610,103)	(155,157)	(64,107)	231,831	28,088	(66,674)	(188,820)	(484,725)
Total pension liability - beginning	2,653,431	2,585,063	2,491,714	1,881,611	1,726,454	1,662,347	1,894,178	1,922,266	1,855,592	1,666,772
Total pension liability - ending	2,564,531	2,491,714	1,881,611	1,726,454	1,662,347	1,894,178	1,922,266	1,855,592	1,666,772	1,182,047
Plan Fiduciary Net Position:										
Contributions - employee	-	-	-	-	-	-	-	-	-	-
Contributions - employer	190,000	165,000	165,000	165,000	135,000	135,000	135,000	135,000	135,000	135,000
Net investment income	26,925	46,190	84,891	47,760	67,125	22,174	170,536	(76,154)	67,978	131,827
Benefit payments	(244,955)	(245,159)	(224,188)	(183,120)	(163,754)	(162,390)	(162,390)	(169,834)	(152,838)	(128,732)
Net change in plan net position	(28,030)	(33,969)	25,703	29,640	38,371	(5,216)	143,146	(110,988)	50,140	138,095
Plan fiduciary net position - beginning	804,532	776,502	742,533	768,236	797,876	836,247	831,031	974,177	863,189	913,329
Plan fiduciary net position - ending	776,502	742,533	768,236	797,876	836,247	831,031	974,177	863,189	913,329	1,051,424
Net Pension Liability - Ending	\$ 1,788,029	\$ 1,749,181	\$ 1,113,375	\$ 928,578	\$ 826,100	\$ 1,063,147	\$ 948,089	\$ 992,403	\$ 753,443	\$ 130,623
Plan fiduciary net position as a percentage of total pension liability	30.04%	29.80%	40.83%	46.21%	50.31%	43.87%	50.68%	46.52%	54.80%	88.95%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF CONTRIBUTIONS
POLICE AND FIREFIGHTERS' RETIREMENT FUND

LAST TEN FISCAL YEARS

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	\$ 166,979	\$ 164,914	\$ 167,726	\$ 110,506	\$ 95,743	\$ 88,851	\$ 119,854	\$ 112,659	\$ 125,129	\$ 101,609
Contributions in relation to actuarially determined contribution	(190,000)	(165,000)	(165,000)	(165,000)	(135,000)	(135,000)	(135,000)	(135,000)	(135,000)	(135,000)
Contribution Deficiency (Excess)	\$ (23,021)	\$ (86)	\$ 2,726	\$ (54,494)	\$ (39,257)	\$ (46,149)	\$ (15,146)	\$ (22,341)	\$ (9,871)	\$ (33,391)
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes

Note 1: Valuation Date: Actuarially determined contribution rates are calculated as of December 31 after the valuation date.

Note 2: Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar over 20 years from July 1, 2013
Remaining amortization period	9 years at July 1, 2024
Asset valuation method	Market value
Cost of living increase	3.00% per year
Salary increases	N/A
Inflation	3.00% per year
Investment rate of return	6.50% (7.00% prior to July 1, 2013)
Retirement age	Upon attainment of 25 years of service
Mortality	PubS projected generationally with MP 2019 RP 2000 Combined Healthy Mortality Table projected to the year 2020 with Scale AA before July 1, 2020 RP 2000 Combined Healthy Mortality Table for July 1, 2013 and UP 84 before 7/1/2013

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF INVESTMENT RETURNS
POLICE AND FIREFIGHTERS' RETIREMENT FUND

LAST TEN FISCAL YEARS

<u>Years Ending June 30,</u>		<u>Annual Money-Weighted Rate of Return</u>
2015	7.8%	7.8%
2016	1.6%	1.6%
2017	11.9%	11.9%
2018	6.3%	6.3%
2019	8.6%	8.6%
2020	2.7%	2.7%
2021	20.8%	20.8%
2022	-7.9%	-7.9%
2023	8.0%	8.0%
2024	14.4%	14.4%

Notes

The amounts shown are net of investment expenses.

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM

PLAN FISCAL YEAR JUNE 30,

	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
Total Net Pension Liability for County Employees Retirement Systems	\$ 4,446,199,000	\$ 5,834,632,000	\$ 6,639,559,000	\$ 8,090,586,000	\$ 8,508,762,000	\$ 9,795,340,000	\$ 10,684,945,000	\$ 9,037,943,000	\$ 10,350,470,000	\$ 9,112,465,000
Employer's Proportion (Percentage) of Net Pension Liability	0.20%	0.20%	0.21%	0.21%	0.22%	0.23%	0.22%	0.24%	0.27%	0.30%
Employer's Proportion (Amount) of Net Pension Liability	\$ 9,099,853	\$ 11,407,514	\$ 13,641,345	\$ 17,053,671	\$ 18,982,422	\$ 22,170,648	\$ 23,678,728	\$ 21,355,170	\$ 27,656,450	\$ 27,240,536
Employer's Covered-Employer payroll	\$ 5,031,745	\$ 4,976,200	\$ 5,411,709	\$ 5,532,364	\$ 5,899,175	\$ 6,166,823	\$ 6,013,424	\$ 6,651,580	\$ 9,741,655	\$ 11,127,858
Employer's Proportionate Share (Amount) of the Net Pension Liability As a Percentage of Employer's Covered-Employer Payroll	181%	229%	252%	308%	322%	360%	394%	321%	284%	245%
Total Pension Plan's Fiduciary Net Position	\$ 8,615,148,614	\$ 8,519,002,000	\$ 8,151,568,000	\$ 8,905,233,000	\$ 9,367,300,000	\$ 9,573,629,000	\$ 9,407,031,000	\$ 11,480,060,000	\$ 10,681,820,000	\$ 11,707,789,000
Total Pension's Plan Pension Liability	\$13,061,349,369	\$14,353,633,000	\$14,791,128,000	\$16,995,820,000	\$17,876,062,000	\$ 19,368,969,000	\$ 20,091,976,000	\$ 20,518,004,000	\$ 20,962,290,000	\$20,820,254,000
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	65.96%	59.35%	55.11%	52.40%	52.40%	49.43%	46.82%	55.95%	50.96%	56.23%

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF PENSION CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM

FISCAL YEAR JUNE 30,

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 814,883	\$ 860,251	\$ 950,277	\$ 1,061,907	\$ 1,238,395	\$ 1,446,431	\$ 1,576,373	\$ 2,184,702	\$ 2,230,549	\$ 2,970,572
Contributions relative to contractually required employer contribution	814,883	860,251	950,277	1,061,907	1,238,395	1,446,431	1,576,373	2,184,702	2,230,549	2,970,572
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 4,976,200	\$ 5,411,709	\$ 5,532,364	\$ 5,899,175	\$ 6,166,823	\$ 6,013,424	\$ 6,651,580	\$ 8,193,780	\$ 9,741,655	\$ 11,127,858
Employer contributions as a percentage of covered-employee payroll	16.38%	15.90%	17.18%	18.00%	20.08%	24.05%	23.70%	26.66%	22.90%	26.69%

CITY OF DANVILLE, KENTUCKY

NOTES TO THE SCHEDULES RELATED TO THE COUNTY EMPLOYEES' RETIREMENT SYSTEM

JUNE 30, 2024

Valuation date: Actuarially determined contribution rates for 2023 were calculated based on the June 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Experience Study	July 1, 2018 – June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years, closed period at June 30, 2019, gains/losses incurring after June 30, 2019 will be amortized separate over 20-year amortization bases.
Payroll Growth Rate	2.00% for CERS non-hazardous and hazardous
Asset Valuation	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service (Non-Hazardous) 3.55% to 19.05% varies by service (Hazardous)
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS Nonhazardous and CERS Hazardous.

The retiree mortality is a System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET)
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS

	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
Total Net OPEB Liability for County Employees Retirement Systems	\$ 2,837,013,635	\$ 2,488,439,000	\$ 2,421,815,000	\$ 3,338,801,000	\$ 2,723,008,331	\$ 2,825,328,774	\$ (1,244,018)
Employer's Proportion (Percentage) of Net OPEB Liability	0.22%	0.22%	0.23%	0.22%	0.24%	0.27%	-43.91%
Employer's Proportion (Amount) of Net OPEB Liability	\$ 6,130,195	\$ 5,572,231	\$ 5,685,146	\$ 7,345,875	\$ 6,451,991	\$ 7,646,701	\$ 546,195
Employer's Covered-Employer payroll	\$ 5,532,364	\$ 5,899,175	\$ 6,166,823	\$ 6,013,424	\$ 6,651,580	\$ 9,741,655	\$ 11,127,858
Employer's Proportionate Share (Amount) of the Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	110.81%	94.46%	92.19%	122.16%	97.00%	78.49%	4.91%
Total Pension Plan's Fiduciary Net Position	\$ 3,401,537,049	\$ 3,695,108,000	\$ 3,910,225,000	\$ 3,902,730,000	\$ 4,874,625,000	\$ 4,602,655,000	\$ 5,032,567,000
Total Pension's Plan OPEB Liability	\$ 6,238,550,680	\$ 6,183,547,000	\$ 6,332,040,000	\$ 7,241,531,000	\$ 7,597,634,000	\$ 7,427,955,000	\$ 5,031,323,000
Total Pension Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	54.52%	59.76%	61.75%	53.89%	64.16%	61.96%	100.02%

Note: The above schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF OPEB CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM INSURANCE FUND

JUNE 30, 2024

	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 402,369	\$ 467,889	\$ 412,689	\$ 446,064	\$ 639,943	\$ 484,272	\$ 453,932
Contributions relative to contractually required employer contribution	402,369	467,889	412,689	446,064	639,943	484,272	453,932
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 5,899,175	\$ 6,166,823	\$ 6,013,424	\$ 6,651,580	\$ 8,193,871	\$ 9,741,655	\$ 11,127,858
Employer contributions as a percentage of covered-employee payroll	6.82%	7.59%	6.86%	6.71%	7.81%	4.97%	4.08%

Note: The above schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF DANVILLE, KENTUCKY

NOTES TO THE SCHEDULES RELATED TO COUNTY EMPLOYEES' RETIREMENT SYSTEM INSURANCE FUND

JUNE 30, 2024

Valuation date: Actuarially determined contribution rates for 2023 were calculated based on the June 30, 2021 actuarial valuation.

Experience Study	July 1, 2018 – June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, closed period at June 30, 2019, gains/losses incurring after June 30, 2019 will be amortized separate over 20-year amortization bases.
Payroll Growth Rate	2.00% for CERS nonhazardous and hazardous
Asset Valuation	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30 – 10.30%, varies by service for CERS non-hazardous; 3.55 – 19.05%, varies by service for CERS hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates Pre-65	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Trend Rates Post-65	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

SUPPLEMENTARY INFORMATION

CITY OF DANVILLE, KENTUCKY
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2024

	Police Safety Fund	Drug Forfeiture Fund	Hazard Mitigation Fund	Municipal Road Aid	Toys For Tots Fund	Other Expendable Trust Fund	Park Nonexpendable Trust Funds	Cemetery Nonexpendable Trust Fund	Opioid Settlement Fund	Streetscape Fund	Total
ASSETS											
Cash and cash equivalents	\$ 12,138	\$ 12,688	\$ 28,330	\$ 881,773	\$ 13,276	\$ 29,375	\$ 5,435	\$ 26,696	\$ 88,988	\$ -	\$ 1,098,699
Investments	-	-	-	-	-	6,825	-	-	-	-	6,825
Receivables, net	478	-	-	73,036	-	-	-	-	658,944	-	732,458
Total Assets	\$ 12,616	\$ 12,688	\$ 28,330	\$ 954,809	\$ 13,276	\$ 36,200	\$ 5,435	\$ 26,696	\$ 747,932	\$ -	\$ 1,837,982
LIABILITIES AND FUND BALANCE											
Accounts payable	\$ -	\$ -	\$ -	\$ 10,870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,394	\$ 13,264
Cash overdrafts	-	-	-	-	-	-	-	-	-	1,255,607	1,255,607
Accrued payroll and benefits	14	-	-	-	-	-	-	-	-	-	14
Unearned Revenue	-	-	-	-	-	-	-	-	744,624	-	744,624
Total Liabilities	14	-	-	10,870	-	-	-	-	744,624	1,258,001	2,013,509
Fund balance, restricted	-	-	-	943,939	-	-	5,435	26,696	-	-	976,070
Fund balance, assigned	12,602	12,688	28,330	-	13,276	36,200	-	-	3,308	-	106,404
Fund balance, unassigned	-	-	-	-	-	-	-	-	-	(1,258,001)	(1,258,001)
Total Fund Balance	12,602	12,688	28,330	943,939	13,276	36,200	5,435	26,696	3,308	(1,258,001)	(175,527)
Total Liabilities and Fund Balance	\$ 12,616	\$ 12,688	\$ 28,330	\$ 954,809	\$ 13,276	\$ 36,200	\$ 5,435	\$ 26,696	\$ 747,932	\$ -	\$ 1,837,982

CITY OF DANVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2024

	Police Safety Fund	Drug Forfeiture Fund	Hazard Mitigation Fund	Municipal Road Aid	Toys For Tot's Fund	Other Expendable Trust Fund	Park Nonexpendable Trust Funds	Cemetery Nonexpendable Trust Fund	Opioid Settlement Fund	Streetscape Fund	Parks and Recreation Fund	Total
Revenues:												
Intergovernmental	\$ 6,886	\$ -	\$ -	\$ 390,718	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 397,604
Penalties and forfeitures	-	7,711	-	-	-	-	-	-	-	-	-	7,711
Other revenues	104	83	215	6,884	2,116	531	41	202	3,308	12,908	-	26,392
Total Revenues	6,990	7,794	215	397,602	2,116	531	41	202	3,308	12,908	-	431,707
Expenditures:												
Public safety	7,986	6,095	-	-	-	-	-	-	-	-	-	14,081
Public services	-	-	-	276,173	-	-	-	-	-	-	-	276,173
Capital outlay	-	-	-	55,124	-	-	-	-	-	1,893,260	-	1,948,384
Total Expenditures	7,986	6,095	-	331,297	-	-	-	-	-	1,893,260	-	2,238,638
Excess (Deficiency) of Revenues Over Expenditures	(996)	1,699	215	66,305	2,116	531	41	202	3,308	(1,880,352)	-	(1,806,931)
Other Financing Sources:												
Transfers to other funds	-	-	-	(24,999)	-	-	-	-	-	-	-	(24,999)
Transfers from other funds	-	-	-	-	-	-	-	-	-	1,049,000	-	1,049,000
Total Other Financing Sources	-	-	-	(24,999)	-	-	-	-	-	1,049,000	-	1,024,001
Net change in fund balance	(996)	1,699	215	41,306	2,116	531	41	202	3,308	(831,352)	-	(782,930)
Fund balance, beginning of year, as previously reported	13,598	10,989	28,115	902,633	11,160	35,669	5,394	26,494	-	(426,649)	34,619	642,022
Change within financial reporting entity (nonmajor to maj)	-	-	-	-	-	-	-	-	-	-	(34,619)	(34,619)
Fund balances, beginning of year, restated (see note 115)	13,598	10,989	28,115	902,633	11,160	35,669	5,394	26,494	-	(426,649)	-	607,403
Fund balance, end of year	\$ 12,602	\$ 12,688	\$ 28,330	\$ 943,939	\$ 13,276	\$ 36,200	\$ 5,435	\$ 26,696	\$ 3,308	\$ (1,258,001)	\$ -	\$ (175,527)

CITY OF DANVILLE, KENTUCKY
COMBINING STATEMENT OF NET POSITION –
NONMAJOR PROPRIETARY FUNDS

JUNE 30, 2024

	Garbage Fund	Cemetery Fund	Museum Fund	Storm Water Fund	Parking Fund	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ -	\$ 527,225	\$ 31,871	\$ 1,292,574	\$ 113,238	1,964,908
Accounts receivable, net	98,089	-	-	42,942	39,527	180,558
Investments	-	108,939	-	-	-	108,939
Current portion of lease receivable	-	-	-	-	138,961	138,961
Total Current Assets	<u>98,089</u>	<u>636,164</u>	<u>31,871</u>	<u>1,335,516</u>	<u>291,726</u>	<u>2,393,366</u>
Noncurrent Assets:						
Lease receivable, net of current portion	-	-	-	-	2,331,848	2,331,848
Capital Assets:						
Nondepreciable capital assets	-	27,939	-	129,806	-	157,745
Depreciable capital assets	-	279,577	1,142,373	2,447,457	9,084,591	12,953,998
Leased assets	-	21,894	-	41,984	-	63,878
Less accumulated depreciation and amortization	-	(177,819)	(322,632)	(678,035)	(3,164,361)	(4,342,847)
Total Noncurrent Assets	<u>-</u>	<u>151,591</u>	<u>819,741</u>	<u>1,941,212</u>	<u>8,252,078</u>	<u>11,164,622</u>
Total Assets	<u>98,089</u>	<u>787,755</u>	<u>851,612</u>	<u>3,276,728</u>	<u>8,543,804</u>	<u>13,557,988</u>
Deferred Outflows of Resources:						
Deferred outflows on refunding	-	-	-	-	32,126	32,126
Deferred outflows - pension	-	60,379	-	144,936	25,021	230,336
Deferred outflows - OPEB	-	23,131	-	62,112	11,615	96,858
Total Deferred Outflows of Resources	<u>-</u>	<u>83,510</u>	<u>-</u>	<u>207,048</u>	<u>68,762</u>	<u>359,320</u>
Total Assets and Deferred Outflows of Resources	\$ 98,089	\$ 871,265	\$ 851,612	\$ 3,483,776	\$ 8,612,566	\$ 13,917,308

CITY OF DANVILLE, KENTUCKY
COMBINING STATEMENT OF NET POSITION –
NONMAJOR PROPRIETARY FUNDS (CONTINUED)

JUNE 30, 2024

	Garbage Fund	Cemetery Fund	Museum Fund	Storm Water Fund	Parking Fund	Total
LIABILITIES						
Current Liabilities:						
Accounts payable	\$ 123,268	\$ 15,206	\$ 1,347	\$ 21,454	\$ 17,255	\$ 178,530
Accrued payroll and benefits	-	4,756	-	10,445	1,552	16,753
Due to other funds	134,154	-	-	-	-	134,154
Accrued interest payable	-	-	763	2,263	7,738	10,764
Current portion of compensated absences	-	112	-	569	13	694
Current portion of lease liability	-	-	-	8,379	-	8,379
Current portion of bonds and notes payable	-	-	1,775	44,100	185,433	231,308
Total Current Liabilities	<u>257,422</u>	<u>20,074</u>	<u>3,885</u>	<u>87,210</u>	<u>211,991</u>	<u>580,582</u>
Noncurrent Liabilities:						
Compensated absences, net of current portion	-	2,132	-	10,810	245	13,187
Lease liability, net of current portion	-	-	-	17,915	-	17,915
Bonds and notes payable, net of current portion	-	-	30,596	231,700	2,792,660	3,054,956
Net pension liability	-	167,667	-	424,025	75,056	666,748
Net OPEB liability	-	(3,585)	-	25,806	4,188	26,409
Total Noncurrent Liabilities	<u>-</u>	<u>166,214</u>	<u>30,596</u>	<u>710,256</u>	<u>2,872,149</u>	<u>3,779,215</u>
Total Liabilities	<u>257,422</u>	<u>186,288</u>	<u>34,481</u>	<u>797,466</u>	<u>3,084,140</u>	<u>4,359,797</u>
Deferred Inflows of Resources:						
Deferred inflows - lease receivable	-	-	-	-	2,419,247	2,419,247
Deferred inflows - pension	-	18,282	-	35,895	8,192	62,369
Deferred inflows - OPEB	-	58,170	-	118,109	22,192	198,471
Total Deferred Inflows of Resources	<u>-</u>	<u>76,452</u>	<u>-</u>	<u>154,004</u>	<u>2,449,631</u>	<u>2,680,087</u>
Net Position:						
Net investment in capital assets	-	151,591	787,370	1,639,118	2,942,137	5,520,216
Net position, unrestricted	(159,333)	456,934	29,761	893,188	136,658	1,357,208
Total Net Position	<u>(159,333)</u>	<u>608,525</u>	<u>817,131</u>	<u>2,532,306</u>	<u>3,078,795</u>	<u>6,877,424</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 98,089</u>	<u>\$ 871,265</u>	<u>\$ 851,612</u>	<u>\$ 3,483,776</u>	<u>\$ 8,612,566</u>	<u>\$ 13,917,308</u>

CITY OF DANVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION – NONMAJOR PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2024

	Garbage Fund	Cemetery Fund	Museum Fund	Storm Water Fund	Parking Fund	Previously Reported as Major Funds	Total
Operating Revenues:							
Fees for services	\$ 1,344,831	\$ 120,417	\$ -	\$ 628,095	\$ 297,231	\$ -	\$ 2,390,574
Other revenue	-	-	-	-	2,150	-	2,150
Total Operating Revenues	1,344,831	120,417	-	628,095	299,381	-	2,392,724
Operating Expenses:							
Personnel	-	210,920	-	440,313	64,731	-	715,964
Contractual	1,534,038	213,954	47,629	37,966	134,140	-	1,967,727
Depreciation	-	3,943	32,800	47,330	212,536	-	296,609
Amortization	-	6,737	-	-	-	-	6,737
Other expenses	-	12,239	883	60,588	71,110	-	144,820
Total Operating Expenses	1,534,038	447,793	81,312	586,197	482,517	-	3,131,857
Operating Loss	(189,207)	(327,376)	(81,312)	41,898	(183,136)	-	(739,133)
Nonoperating Revenues:							
Investment earnings	539	8,175	6,421	29,748	32,350	-	77,233
Total Nonoperating Revenues	539	8,175	6,421	29,748	32,350	-	77,233
Loss Before Other Revenues, Expenses, Gains, Losses, and Transfers	(188,668)	(319,201)	(74,891)	71,646	(150,786)	-	(661,900)
Transfers from other funds	100,000	270,608	50,000	-	128,865	-	549,473
Change in net position	(88,668)	(48,593)	(24,891)	71,646	(21,921)	-	(112,427)
Net position, beginning of year, as previously reported	(70,665)	657,118	842,022	-	-	-	1,428,475
Change within financial reporting entity (nonmajor to major fund)	-	-	-	2,460,660	3,100,716	(5,561,376)	-
Fund balances, beginning of year, restated (see note 115)	(70,665)	657,118	842,022	2,460,660	3,100,716	-	6,989,851
Net position, end of year	\$ (159,333)	\$ 608,525	\$ 817,131	\$ 2,532,306	\$ 3,078,795	\$ -	\$ 6,877,424

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

Grantor/Program Title	Federal ALN Number	Pass/Through Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
U.S. Department of Environmental Protection Agency					
Passed through the Kentucky Energy and Environment Cabinet					
Drinking Water State Revolving Fund Cluster					
Capitalization Grants for Drinking Water State Revolving Fund	66.468	F19-042	7/1/2023-6/30/2024	\$ -	\$ 4,597
Total Drinking Water State Revolving Fund Cluster				-	4,597
Direct program					
Brownfields Multipurpose, Assessment, Revolving Loan Fund and Cleanup Cooperative Agreements	66.818		7/1/2023-6/30/2024	-	68,000
Total U.S. Department of Environmental Protection Agency				-	72,597
U.S. Department of Transportation					
Passed through the Kentucky Department of Transportation					
Highway Safety Cluster					
State and Community Highway Safety	20.600	PT-2022-00-00-24	7/1/2023-6/30/2024	-	6,887
Total Highway Safety Cluster				-	6,887
Direct program					
Safe Streets and Roads for All	20.939			-	136,376
Total U.S. Department of Transportation				-	143,263
U.S. Department of Treasury					
Direct program					
Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027			-	488,338
Total U.S. Department of Treasury				-	488,338
U.S. Department of the Interior					
Passed through the Kentucky Department of Local Government					
Outdoor Recreation Acquisition, Development and Planning	15.916	21-01606	7/1/2023-6/30/2024	-	105,601
Total U.S. Department of the Interior					105,601
Total Federal Awards Expended				\$ -	\$ 809,799

CITY OF DANVILLE, KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

Note 1—Basis of presentation

The accompanying schedule of expenditures of Federal awards (“SEFA”) includes the Federal award activity of the City of Danville, Kentucky (the “City”), under programs of the federal government for the year ended June 30, 2024, in accordance with the 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”). Because the SEFA presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2—Summary of significant accounting policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3—Indirect cost rate

The City has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Report of Independent Auditor 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 Board of Commissioners
City of Danville, Kentucky
Lexington, 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 Danville, Kentucky (the “City”) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated September 12, 2025.

Report on Internal Control over Financial Reporting

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Lexington, Kentucky
September 12, 2025

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Mayor and Board of Commissioners
City of Danville, Kentucky
Lexington, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Danville, Kentucky's (the "City") 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's major federal programs for the year ended June 30, 2024. The City's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs.

In our opinion, the City 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 *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe 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'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's federal programs.

Auditor's 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'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'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'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'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 the City'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 *Auditor's 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.

Cherry Bekaert LLP

Lexington, Kentucky
September 12, 2025

CITY OF DANVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements are in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weakness (es) identified? yes no

Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness (es) identified? yes no

Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 516(a) of Uniform Guidance? yes no

Identification of major programs:

Assistance Listing Number
21.027

Name of Federal Program or Cluster
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 low-risk auditee? yes no

Section II—Financial Statement Findings

No matters were reported.

Section III—Major Federal Award Findings and Questioned Costs

No matters were reported.

CITY OF DANVILLE, KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2024

Findings Related to Financial Statements Reported in Accordance with Government Auditing Standards

2023-001 – Material Weakness – Audit Adjustments – Corrected in the current year.

2023-002 – Material Weakness – Accounting for Cash – Corrected in the current year.