

CITY OF SOMERSET
Somerset, Kentucky

FINANCIAL STATEMENTS
June 30, 2025

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Somerset, Kentucky, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Somerset, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Somerset, Kentucky, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Somerset, Kentucky's basic financial statements. The accompanying combining nonmajor fund financial statements, proprietary statements of revenues and expenses – budget to actual and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, proprietary statements of revenues and expenses – budget to actual, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2025, on our consideration of the City of Somerset, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Somerset, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Somerset, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
November 26, 2025

Management's Discussion and Analysis

Our discussion and analysis of the City of Somerset, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of resources were \$165.83 million
- Bank balances totaled \$15.36 million
- Total long-term debt increased by \$18.04 million.
- General fund reported a fund balance of \$8.10 million
- During the year, the City's business-type activities generated net revenues of \$4.95 million which were primarily transferred to the general governmental activities.
- Due to GASB accounting rules, the City had to state over \$39.80 million in unfunded liability for future pension cost.
- Due to GASB accounting rules, the City had to state over \$1.05 million in unfunded liability for future OPEB cost.
- Of the major business components, Natural Gas, Sanitation, Sewer and Water continued to generate adequate revenues compared to expenses.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis, Continued

Reporting the City as a Whole

Government-Wide Financial Statements

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

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

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

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

Management's Discussion and Analysis, Continued

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Management's Discussion and Analysis, Continued

THE CITY AS A WHOLE

The City's combined net position decreased by \$.66 million from the prior year. This decrease is primarily due to rising costs related to inflation and employee cost. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1
Net Position
(in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Activities	
	2025	2024	2025	2024	2025	2024
Current & Other Assets	\$ 3.76	\$ 0.01	\$ 21.60	\$ 17.57	\$ 25.36	\$ 17.58
Capital and Leased Assets	36.31	33.11	94.03	89.95	130.34	123.06
Deferred Outflows	<u>8.53</u>	<u>9.38</u>	<u>1.60</u>	<u>1.95</u>	<u>10.13</u>	<u>11.33</u>
Total Assets and Deferred Outflows	<u>48.60</u>	<u>42.50</u>	<u>117.23</u>	<u>109.47</u>	<u>165.83</u>	<u>151.97</u>
Current Liabilities	4.99	3.83	6.81	5.32	11.80	9.15
Long Term Liabilities	57.76	53.20	51.19	42.51	108.95	95.71
Deferred Inflows	<u>13.45</u>	<u>14.12</u>	<u>3.26</u>	<u>3.97</u>	<u>16.71</u>	<u>18.09</u>
Total Liabilities/Deferred Inflows	<u>76.20</u>	<u>71.15</u>	<u>61.26</u>	<u>51.80</u>	<u>137.46</u>	<u>122.95</u>
Net investment in capital assets	16.93	16.56	53.03	53.01	69.96	69.57
Restricted	6.29	1.76	6.31	1.05	12.60	2.81
Unrestricted	<u>(50.82)</u>	<u>(46.97)</u>	<u>(3.37)</u>	<u>3.61</u>	<u>(54.19)</u>	<u>(43.36)</u>
Total Net Position	<u>\$ (27.60)</u>	<u>\$ (28.65)</u>	<u>\$ 55.97</u>	<u>\$ 57.67</u>	<u>\$ 28.37</u>	<u>\$ 29.02</u>

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased by \$10.83 million during fiscal year 2025. The major contributing factor for this decrease is due to the increases in cost for supplies, insurance, and employee related costs.

Total assets and deferred outflows for Governmental Activities increased from \$42.50 million at June 30, 2024 to \$48.60 million at June 30, 2025. The major contributing factor for this increase is due to capital and current assets.

Management's Discussion and Analysis, Continued

Table 2
Change in Net Position
(in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Activities	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues						
Charges for Services	\$ 7.73	\$ 8.35	\$ 30.05	\$ 28.05	\$ 37.78	\$ 36.40
Federal & State Grants	4.10	3.29	1.07	1.82	5.17	5.11
General Revenues						
Property Taxes	2.17	2.09	-	-	2.17	2.09
Other Taxes and License Fees	10.62	10.03	-	-	10.62	10.03
Other General Revenues	<u>1.88</u>	<u>1.38</u>	<u>.09</u>	<u>.09</u>	<u>1.97</u>	<u>1.47</u>
Total Revenues	<u>\$ 26.50</u>	<u>\$ 25.14</u>	<u>\$ 31.21</u>	<u>\$ 29.96</u>	<u>\$ 57.71</u>	<u>\$ 55.10</u>
Program Expenses						
General Government	\$ 5.95	\$ 5.66	\$ -	\$ -	\$ 5.95	\$ 5.66
Public Safety	10.86	11.65	-	-	10.86	11.65
Public Services	.15	.17	-	-	.15	.17
Streets	1.83	1.74	-	-	1.83	1.74
Parks and Recreation	1.24	1.13	-	-	1.24	1.13
Emergency Medical Services	6.47	6.62	-	-	6.47	6.62
Cemetery	.09	.10	-	-	.09	.10
Fuel Center	1.17	1.07	-	-	1.17	1.07
Waterpark	2.75	2.82	-	-	2.75	2.82
Travel & Tourism	.37	.31	-	-	.37	.31
Intergovernmental Programs	.09	.09	-	-	.09	.09
Downtown Revitalization	.15	.16	-	-	.15	.16
Debt Service – Interest & bond costs	.87	.39	-	-	.87	.39
Interest on long-term leases	.03	.04	-	-	.03	.04
Gas	-	-	8.42	8.32	8.42	8.32
Water	-	-	8.42	8.04	8.42	8.04
Wastewater	-	-	3.93	3.76	3.93	3.76
Sanitation	-	-	4.78	4.40	4.78	4.40
Virginia Theater	-	-	.62	.61	.62	.61
Total Expense	<u>\$ 32.02</u>	<u>\$ 31.95</u>	<u>\$ 26.17</u>	<u>\$ 25.13</u>	<u>\$ 58.19</u>	<u>\$ 57.08</u>
Gain (Loss) on disposal of capital assets	\$ (.08)	\$.61	\$ (.09)	\$.47	\$ (.17)	\$ 1.08
Excess (Deficiency) before Transfer	(5.60)	(6.20)	4.95	5.30	(.65)	(.90)
Transfer	<u>6.65</u>	<u>7.25</u>	<u>(6.65)</u>	<u>(7.25)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	1.05	1.05	(1.70)	(1.95)	(.65)	(.90)
Net Position, beginning, as restated	<u>(28.65)</u>	<u>(29.70)</u>	<u>57.67</u>	<u>59.62</u>	<u>29.02</u>	<u>29.92</u>
Net Position, ending	<u>\$ (27.60)</u>	<u>\$ (28.65)</u>	<u>\$ 55.97</u>	<u>\$ 57.67</u>	<u>\$ 28.37</u>	<u>\$ 29.02</u>

Management's Discussion and Analysis, Continued

The City's total revenues increased by \$2.61 million. The total cost of all programs and services increased by \$1.12 million. The major change in revenue comes from an increase in charges for services, taxes and license fees. Expenses are up due to the increase in supplies, insurance and employee cost. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The cost of all governmental activities this year was \$32.03 million compared to \$31.95 million last year. Overall, the City's governmental program fees for services decreased from \$8.35 million in 2024 to \$7.73 million in 2025. The City paid for the remaining "public benefit" portion of governmental activities with \$4.10 million in grants and entitlements, \$2.17 million in property taxes, \$10.62 million in other taxes and license fees, \$1.88 million of other revenues, and \$6.65 million in transfers.

Table 3 presents the cost of each of the City's five largest programs-emergency medical services, police and fire, streets, waterpark, and parks and recreation-as well as each program's net cost (total cost less revenues generated by the activities). The net cost increased by \$.22 million and shows the financial burden that was placed on the City's taxpayers by each of these functions. The major contributing factors for this increase are due to an increase in the supplies and employee related cost to run these programs.

Table 3
Governmental Activities
(in Millions)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Emergency Medical Services	\$ 6.46	\$ 6.62	\$ 0.82	\$ 1.02
Police and Fire Department	10.87	11.65	9.93	10.85
Streets	1.82	1.74	1.56	1.44
Waterpark	2.75	2.82	.80	.55
Parks and recreation	1.24	1.13	1.08	.96
All Others	8.89	7.99	6.0	5.15
Totals	<u>\$ 32.03</u>	<u>\$ 31.95</u>	<u>\$ 20.19</u>	<u>\$ 19.97</u>

Management's Discussion and Analysis, Continued

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) increased by \$1.25 million (\$29.96 million in 2024 compared to \$31.21 million in 2025) and expenses increased by \$1.04 million (\$25.13 million in 2024 compared to \$26.17 million in 2025). The factors driving these results include:

The major increase in revenue for this fiscal year is due to an increase in charges for service. The major contributing factor for the increase in expense is due to the increase in supplies and employee related cost.

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

THE CITY'S FUNDS

As the City completed the year, its general fund (as presented in the balance sheet on page 15) reported a fund balance of \$8.07 million.

General Fund Budgetary Highlights

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

For the General Fund, actual revenues were \$2.39 million less than the \$19.51 million budgeted, while actual expenditures were \$6.99 million less than the expected \$34.98 million budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the City had \$130.24 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water, gas and sewer lines. (See Table 4 below).

Management's Discussion and Analysis, Continued

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total Primary</u> <u>Government</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Land	\$ 3.96	\$ 3.96	\$ 1.12	\$ 1.10	\$ 5.08	\$ 5.06
Right of Way and Easements	.01	.01	.15	.15	.16	.16
Construction in Progress	4.21	.50	16.64	9.87	20.85	10.37
Infrastructure	9.84	10.37	-	-	9.84	10.37
Utility Plant and Distribution System	-	-	37.51	38.81	37.51	38.81
Buildings and Improvements	12.79	13.33	32.12	33.46	44.91	46.79
Vehicles	3.62	2.80	2.56	2.06	6.18	4.86
Equipment	.0	.10	3.08	3.30	3.08	3.40
Office Equipment	.2	.10	.45	.45	.65	.55
Land Improvements	1.13	1.17	.01	.05	1.14	1.22
Leased software	.19	.24	-	-	.19	.24
Leased vehicles	.17	.28	.18	.28	.35	.56
Leased equipment	.18	.25	.17	.39	.35	.64
Leased land	-	-	.03	.04	.03	.04
Total	<u>\$ 36.30</u>	<u>\$ 33.11</u>	<u>\$ 94.02</u>	<u>\$ 89.96</u>	<u>\$ 130.32</u>	<u>\$ 123.07</u>

This year's major additions were:

Construction projects still not finished as of June 30, 2025: Some utility lines and lift station projects, Sidewalk project, Sewer Sludge Dewatering, Somersport park, and Oak Hill Water Booster station.

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

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

Management's Discussion and Analysis, Continued

Debt

As of June 30, 2025, the City's Governmental Activities long term debt had increased by \$8.49 million and the Business-Type Activities long term debt increased by \$9.55 million from the prior year. We are now required to include our Net Pension Liability, which decreased in the Governmental and Business-Type Activities by \$3.03 million and \$.72 million, respectively. We are now required to include our OPEB Liability, which decreased in the Governmental Activities by \$.23 million. We are now required to include our Lease Liability, which decreased in the Governmental Activities by \$.18 million and decreased in the Business-Type activities by \$.28 million. Table 5 below contains the details. We are now required to include our Subscription Based IT Arrangements (SBITA) Liability, which decreased in the Governmental Activities by \$.04 million.

Table 5
Outstanding Debt at Year End
(in Millions)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total Primary</u> <u>Government</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Long-Term Debt	\$ 24.29	\$ 15.80	\$ 45.81	\$ 36.26	\$ 70.10	\$ 52.06
Net Pension Liability	32.20	35.23	7.60	8.32	39.80	43.55
Net OPEB Liability	1.05	1.28	-	-	1.05	1.28
SBITA Liability	.15	.19	-	-	.15	.19
Lease Liability	<u>.38</u>	<u>.56</u>	<u>.42</u>	<u>.70</u>	<u>.80</u>	<u>1.26</u>
Totals	<u>\$ 58.07</u>	<u>\$ 53.06</u>	<u>\$ 53.83</u>	<u>\$ 45.28</u>	<u>\$ 111.90</u>	<u>\$ 98.34</u>

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

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,337,204	\$ 791,869	\$ 3,129,073
Receivables, net	4,000,468	4,256,941	8,257,409
Inventories	236,637	1,246,250	1,482,887
Prepaid expenses	7,505	13,000	20,505
Internal balances, net	(13,984,666)	13,984,666	-
Total current assets	<u>(7,402,852)</u>	<u>20,292,726</u>	<u>12,889,874</u>
Noncurrent assets			
Restricted cash and cash equivalents	11,162,595	1,085,758	12,248,353
Excess cost over market value of assets acquired, net	-	6,084	6,084
Net OPEB asset	-	220,140	220,140
Capital assets			
Nondepreciable capital assets	8,184,702	17,917,279	26,101,981
Depreciable capital assets, net	27,583,560	75,724,096	103,307,656
Leased vehicles and equipment, net	350,675	387,764	738,439
Subscription-based information technology arrangements, net	190,227	-	190,227
Total noncurrent assets	<u>47,471,759</u>	<u>95,341,121</u>	<u>142,812,880</u>
Total assets	<u>40,068,907</u>	<u>115,633,847</u>	<u>155,702,754</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	6,463,183	1,191,852	7,655,035
Deferred outflows - OPEB	2,065,413	403,713	2,469,126
Total deferred outflows of resources	<u>8,528,596</u>	<u>1,595,565</u>	<u>10,124,161</u>
Total assets and deferred outflows of resources	<u>\$ 48,597,503</u>	<u>\$ 117,229,412</u>	<u>\$ 165,826,915</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 1,251,968	\$ 1,961,293	\$ 3,213,261
Deferred revenue	-	4,430	4,430
Accrued interest payable	129,191	230,098	359,289
Other current liabilities	1,605,145	538,782	2,143,927
Retainage payable	138,994	912,946	1,051,940
Current portion of SBITA liability	46,662	-	46,662
Current portion of lease liability	169,285	294,637	463,922
Current portion of long-term debt	1,649,196	2,870,810	4,520,006
Total current liabilities	<u>4,990,441</u>	<u>6,812,996</u>	<u>11,803,437</u>
Noncurrent liabilities			
Compensated absences	1,559,413	524,060	2,083,473
SBITA liability	101,876	-	101,876
Lease liability	208,838	121,504	330,342
Notes payable	2,015,391	17,135,450	19,150,841
Bonds payable	20,622,267	25,802,633	46,424,900
Net pension liability	32,204,407	7,603,385	39,807,792
Net OPEB liability	1,045,612	-	1,045,612
Total noncurrent liabilities	<u>57,757,804</u>	<u>51,187,032</u>	<u>108,944,836</u>
Total liabilities	<u>62,748,245</u>	<u>58,000,028</u>	<u>120,748,273</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	4,898,756	1,056,517	5,955,273
Deferred inflows - OPEB	8,555,691	2,201,897	10,757,588
Total deferred inflows of resources	<u>13,454,447</u>	<u>3,258,414</u>	<u>16,712,861</u>
NET POSITION			
Net investment in capital assets	16,926,821	53,032,222	69,959,043
Restricted for			
Debt service	42,089	1,085,758	1,127,847
Future capital projects	5,394,575	5,222,033	10,616,608
Other purposes	849,474	-	849,474
Unrestricted	<u>(50,818,148)</u>	<u>(3,369,043)</u>	<u>(54,187,191)</u>
Total net position	<u>(27,605,189)</u>	<u>55,970,970</u>	<u>28,365,781</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 48,597,503</u>	<u>\$ 117,229,412</u>	<u>\$ 165,826,915</u>

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 5,949,551	\$ 511,522	\$ 1,205,638	\$ -	\$ (4,232,391)	\$ -	\$ (4,232,391)
Public safety	10,874,197	-	948,853	-	(9,925,344)	-	(9,925,344)
Public services	154,574	-	-	-	(154,574)	-	(154,574)
Streets	1,827,973	-	-	268,487	(1,559,486)	-	(1,559,486)
Parks and recreation	1,238,138	155,529	-	-	(1,082,609)	-	(1,082,609)
Emergency medical services	6,464,347	4,000,445	1,640,562	-	(823,340)	-	(823,340)
Cemetery	94,738	32,106	-	-	(62,632)	-	(62,632)
Waterpark	2,745,871	1,946,246	-	-	(799,625)	-	(799,625)
Fuel center	1,167,126	1,079,611	-	-	(87,515)	-	(87,515)
Travel and tourism	369,269	-	-	-	(369,269)	-	(369,269)
Intergovernmental programs	98,880	-	47,131	-	(51,749)	-	(51,749)
Downtown revitalization	151,000	-	-	-	(151,000)	-	(151,000)
Bond issuance cost	424,785	-	-	-	(424,785)	-	(424,785)
Interest on long-term debt	439,878	-	-	-	(439,878)	-	(439,878)
Interest on long-term leases/SBITA	33,882	-	-	-	(33,882)	-	(33,882)
Total governmental activities	32,034,209	7,725,459	3,842,184	268,487	(20,198,079)	-	(20,198,079)
Business-type activities							
Gas department	8,424,745	11,080,349	-	-	-	2,655,604	2,655,604
Water department	8,419,812	9,416,461	2,240	13,241	-	1,012,130	1,012,130
Wastewater department	3,927,762	4,216,083	-	1,056,381	-	1,344,702	1,344,702
Sanitation department	4,776,322	5,117,559	-	-	-	341,237	341,237
Virginia Theater	630,040	219,979	-	-	-	(410,061)	(410,061)
Total business-type activities	26,178,681	30,050,431	2,240	1,069,622	-	4,943,612	4,943,612
Total primary government	\$ 58,212,890	\$ 37,775,890	\$ 3,844,424	\$ 1,338,109	(20,198,079)	4,943,612	(15,254,467)
General revenues							
Taxes:							
Property taxes					1,977,491	-	1,977,491
Transient room tax					199,366	-	199,366
License fees:							
Franchise					1,132,927	-	1,132,927
Insurance premiums					2,893,952	-	2,893,952
Occupational					5,615,666	-	5,615,666
ABC					970,440	-	970,440
Investment earnings					99,647	88,326	187,973
Miscellaneous					1,777,566	10,500	1,788,066
Total general revenues					14,667,055	98,826	14,765,881
Gain (loss) on disposal of capital assets					(77,343)	(92,321)	(169,664)
Transfers in (out)					6,649,424	(6,649,424)	-
Change in Net Position					1,041,057	(1,699,307)	(658,250)
Net position-beginning, as restated					(28,646,246)	57,670,277	29,024,031
NET POSITION-ENDING					\$ (27,605,189)	\$ 55,970,970	\$ 28,365,781

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

CITY OF SOMERSET, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	<u>General</u>	<u>EMS</u>	<u>Waterpark</u>	<u>Fuel Center</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 12,600,842	\$ 258,194	\$ 292,209	\$ 46,585	\$ 301,969	\$ 13,499,799
Receivables, net	3,083,952	782,831	36,031	35,571	62,083	4,000,468
Inventories	51,392	-	65,303	119,942	-	236,637
Prepaid expenses	7,500	-	5	-	-	7,505
Due from other funds	<u>9,075,113</u>	<u>-</u>	<u>482,041</u>	<u>21,257</u>	<u>7,068</u>	<u>9,585,479</u>
Total assets	<u>\$ 24,818,799</u>	<u>\$ 1,041,025</u>	<u>\$ 875,589</u>	<u>\$ 223,355</u>	<u>\$ 371,120</u>	<u>\$ 27,329,888</u>
LIABILITIES						
Accounts payable	\$ 920,347	\$ 63,857	\$ 133,114	\$ 127,973	\$ 6,677	\$ 1,251,968
Due to other funds	13,935,599	5,471,031	3,688,011	468,047	7,457	23,570,145
Other current liabilities	<u>1,079,290</u>	<u>386,152</u>	<u>117,234</u>	<u>5,905</u>	<u>16,902</u>	<u>1,605,483</u>
Total liabilities	<u>15,935,236</u>	<u>5,921,040</u>	<u>3,938,359</u>	<u>601,925</u>	<u>31,036</u>	<u>26,427,596</u>
DEFERRED INFLOWS						
Deferred inflows - unavailable revenue	<u>812,886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>812,886</u>
FUND BALANCE						
Nonspendable	58,892	-	65,308	119,942	-	244,142
Restricted	5,935,070	-	5,492	-	340,084	6,280,646
Unassigned	<u>2,076,715</u>	<u>(4,880,015)</u>	<u>(3,133,570)</u>	<u>(498,512)</u>	<u>-</u>	<u>(6,435,382)</u>
Total fund balance	<u>8,070,677</u>	<u>(4,880,015)</u>	<u>(3,062,770)</u>	<u>(378,570)</u>	<u>340,084</u>	<u>89,406</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 24,818,799</u>	<u>\$ 1,041,025</u>	<u>\$ 875,589</u>	<u>\$ 223,355</u>	<u>\$ 371,120</u>	<u>\$ 27,329,888</u>

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

Fund balance reported above	\$ 89,406
Capital and leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	36,309,164
Deferred inflows - unavailable revenue related to the opioid settlement is recognized as revenue in the year of settlement in the governmental activities in accordance with the accrual basis of accounting.	812,886
Accrued leave not due and payable in the current period and therefore not reported in the funds.	(1,559,413)
Retainage payable is not due and payable in the current period and therefore not reported in the funds.	(138,994)
Interest accrued on general long-term debt is not a current expenditure and is not reported in the funds.	(129,191)
Net deferred inflows/outflows related to the long-term net pension and net OPEB liabilities are not reported in the funds.	(4,925,513)
Long-term liabilities, including bonds, leases, notes payable and net pension/OPEB liability, are not due and payable in the current period and therefore are not reported in the funds.	<u>(58,063,534)</u>
Net position of governmental activities	<u>\$ (27,605,189)</u>

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
for the year ended June 30, 2025

	<u>General</u>	<u>EMS</u>	<u>Waterpark</u>	<u>Fuel Center</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 1,977,491	\$ -	\$ -	\$ -	\$ 199,366	\$ 2,176,857
Licenses and permits	10,612,985	-	-	-	-	10,612,985
Fines and forfeits	52,295	-	-	-	-	52,295
Charges for services	668,379	4,000,445	1,946,246	1,079,613	-	7,694,683
Intergovernmental	2,157,991	1,640,562	-	-	328,611	4,127,164
Interest income	92,033	553	5,693	149	886	99,314
Other revenues	1,558,229	189,461	23,920	-	31,650	1,803,260
Total revenues	<u>17,119,403</u>	<u>5,831,021</u>	<u>1,975,859</u>	<u>1,079,762</u>	<u>560,513</u>	<u>26,566,558</u>
EXPENDITURES						
Current:						
General administration	6,157,889	-	-	-	-	6,157,889
Public safety	11,461,253	-	-	-	-	11,461,253
Public services	154,574	-	-	-	-	154,574
Streets	1,152,066	-	-	-	53,859	1,205,925
Parks and recreation	1,165,850	-	-	-	-	1,165,850
Emergency medical services	-	7,065,552	-	-	-	7,065,552
Cemetery	116,010	-	-	-	-	116,010
Waterpark	-	-	2,007,049	-	-	2,007,049
Fuel center	-	-	-	1,169,008	-	1,169,008
Travel and tourism	-	-	-	-	387,037	387,037
Downtown revitalization	151,000	-	-	-	-	151,000
Intergovernmental programs	98,880	-	-	-	-	98,880
Capital outlay	5,274,127	78,382	731,055	-	61,475	6,145,039
Bond issuance cost	367,098	-	57,687	-	-	424,785
Debt service	1,902,599	82,878	233,965	1,673	5,575	2,226,690
Total expenditures	<u>28,001,346</u>	<u>7,226,812</u>	<u>3,029,756</u>	<u>1,170,681</u>	<u>507,946</u>	<u>39,936,541</u>
Excess (deficiency) of revenues over expenditures	<u>(10,881,943)</u>	<u>(1,395,791)</u>	<u>(1,053,897)</u>	<u>(90,919)</u>	<u>52,567</u>	<u>(13,369,983)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debt/leases/SBITA	8,749,784	-	1,215,995	-	-	9,965,779
Proceeds from bond premium	75,570	-	11,875	-	-	87,445
Proceeds from sale of capital assets	20,699	7,233	1,575	-	-	29,507
Transfers in (out)	6,399,424	-	350,000	-	(100,000)	6,649,424
Total other financing sources and uses	<u>15,245,477</u>	<u>7,233</u>	<u>1,579,445</u>	<u>-</u>	<u>(100,000)</u>	<u>16,732,155</u>
Net change in fund balances	<u>4,363,534</u>	<u>(1,388,558)</u>	<u>525,548</u>	<u>(90,919)</u>	<u>(47,433)</u>	<u>3,362,172</u>
Fund balance-beginning, as restated	<u>3,707,143</u>	<u>(3,491,457)</u>	<u>(3,588,318)</u>	<u>(287,651)</u>	<u>387,517</u>	<u>(3,272,766)</u>
Fund balance-ending	<u>\$ 8,070,677</u>	<u>\$ (4,880,015)</u>	<u>\$ (3,062,770)</u>	<u>\$ (378,570)</u>	<u>\$ 340,084</u>	<u>\$ 89,406</u>

Reconciliation to government-wide change in net position:

Net change in fund balances	\$ 3,362,172
add: capital outlay expenditures capitalized	6,145,039
add: debt service expenditures	2,226,690
less: opioid settlement revenue	(63,371)
less: loss from sale of capital assets	(77,343)
less: proceeds from sale of assets	(29,507)
less: proceeds from issuance of debt	(9,965,779)
less: proceeds from bond premium	(87,445)
less: depreciation and amortization on governmental activities assets	(2,980,495)
less: change in accrued leave	(94,587)
add: change in net pension liability	1,457,392
add: change in net OPEB liability	1,622,051
less: interest on long term debt and long term leases	(473,760)

Change in net position governmental activities \$ 1,041,057

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

	Business-type Activities					
	Gas Department	Water Department	Wastewater Department	Sanitation Department	Virginia Theater	Total
ASSETS						
Current assets						
Cash and cash equivalents	\$ 71,063	\$ 207,892	\$ 477,355	\$ 27,408	\$ 8,151	\$ 791,869
Receivables, net	967,146	1,454,833	1,092,969	714,215	27,778	4,256,941
Inventories	277,415	913,662	46,206	-	8,967	1,246,250
Prepaid expenses	-	-	-	-	13,000	13,000
Due from other funds	504,929	13,170,749	1,361,939	238,616	-	15,276,233
Total current assets	1,820,553	15,747,136	2,978,469	980,239	57,896	21,584,293
Noncurrent assets						
Restricted cash and cash equivalents	-	865,155	220,603	-	-	1,085,758
Excess cost over market value of assets acquired, net	-	6,084	-	-	-	6,084
Net OPEB asset	58,747	69,514	34,695	52,309	4,875	220,140
Capital assets						
Nondepreciable capital assets	277,571	10,743,689	6,721,019	75,000	100,000	17,917,279
Leased vehicles and equipment	1,068,593	99,219	124,406	116,749	-	1,408,967
Depreciable capital assets	28,618,650	74,255,028	47,869,469	4,857,206	3,029,499	158,629,852
Less accumulated depreciation and amortization	(23,445,121)	(31,237,871)	(26,761,432)	(2,046,855)	(435,680)	(83,926,959)
Total noncurrent assets	6,578,440	54,800,818	28,208,760	3,054,409	2,698,694	95,341,121
Total assets	8,398,993	70,547,954	31,187,229	4,034,648	2,756,590	116,925,414
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows - pension	318,063	376,351	187,840	283,205	26,393	1,191,852
Deferred outflows - OPEB	107,737	127,480	63,627	95,929	8,940	403,713
Total deferred outflows of resources	425,800	503,831	251,467	379,134	35,333	1,595,565
Total assets and deferred outflows of resources	\$ 8,824,793	\$ 71,051,785	\$ 31,438,696	\$ 4,413,782	\$ 2,791,923	\$ 118,520,979
LIABILITIES						
Current liabilities						
Accounts payable	\$ 298,427	\$ 838,312	\$ 669,222	\$ 135,249	\$ 20,083	\$ 1,961,293
Due to other funds	4,035	3,573	4,420	-	1,279,539	1,291,567
Accrued interest payable	2,188	181,349	34,837	6,641	5,083	230,098
Unearned revenue	-	-	-	-	4,430	4,430
Other current liabilities	182,688	166,926	84,929	95,006	9,233	538,782
Retainage payable	-	387,618	525,328	-	-	912,946
Current portion of lease liability	223,936	20,635	26,117	23,949	-	294,637
Current portion of long-term debt	94,885	726,000	648,092	1,286,009	115,824	2,870,810
Total current liabilities	806,159	2,324,413	1,992,945	1,546,854	1,434,192	8,104,563
Noncurrent liabilities						
Compensated absences	140,103	274,071	53,004	55,536	1,346	524,060
Notes payable	88,854	9,591,142	6,539,868	915,586	-	17,135,450
Lease liability	63,742	15,277	16,165	26,320	-	121,504
Bonds payable	376,794	19,046,353	3,917,131	-	2,462,355	25,802,633
Net pension liability	2,029,071	2,400,925	1,198,320	1,806,696	168,373	7,603,385
Total noncurrent liabilities	2,698,564	31,327,768	11,724,488	2,804,138	2,632,074	51,187,032
Total liabilities	3,504,723	33,652,181	13,717,433	4,350,992	4,066,266	59,291,595
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows - pension	281,944	333,621	166,512	251,044	23,396	1,056,517
Deferred inflows - OPEB	587,609	695,297	347,028	523,204	48,759	2,201,897
Total deferred inflows of resources	869,553	1,028,918	513,540	774,248	72,155	3,258,414
NET POSITION						
Net investment in capital assets	5,671,482	28,600,462	17,894,402	750,236	115,640	53,032,222
Restricted for debt service	-	865,155	220,603	-	-	1,085,758
Future Capital Projects	-	4,133,720	1,088,313	-	-	5,222,033
Unrestricted	(1,220,965)	2,771,349	(1,995,595)	(1,461,694)	(1,462,138)	(3,369,043)
Total net position	4,450,517	36,370,686	17,207,723	(711,458)	(1,346,498)	55,970,970
Total liabilities, deferred inflows of resources and net position	\$ 8,824,793	\$ 71,051,785	\$ 31,438,696	\$ 4,413,782	\$ 2,791,923	\$ 118,520,979

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2025

	Business-type Activities					
	Gas Department	Water Department	Wastewater Department	Sanitation Department	Virginia Theater	Total
Operating revenues						
Sales to customers	\$ 9,974,888	\$ 9,087,911	\$ 4,029,142	\$ 5,088,763	\$ 230,363	\$ 28,411,067
Transportation/surcharges	708,737	257,912	36,216	-	-	1,002,865
Other operating revenues	396,724	72,878	150,725	28,798	114	649,239
Total operating revenues	11,080,349	9,418,701	4,216,083	5,117,561	230,477	30,063,171
Operating expenses						
Gas purchases, net of refunds	4,555,474	-	-	-	-	4,555,474
Operating expenses	2,533,212	4,196,887	1,849,757	3,954,525	420,622	12,955,003
Maintenance	615,675	1,663,463	695,911	267,048	-	3,242,097
Depreciation and amortization	692,114	1,869,547	1,141,428	446,352	150,298	4,299,739
Total operating expenses	8,396,475	7,729,897	3,687,096	4,667,925	570,920	25,052,313
Operating income (loss)	2,683,874	1,688,804	528,987	449,636	(340,443)	5,010,858
Nonoperating revenues (expenses)						
Gain (loss) on disposal of capital assets	1,525	2,887	6,050	(102,783)	-	(92,321)
Interest and investment income (loss)	6,561	40,243	39,995	1,508	19	88,326
Interest expense	(28,270)	(474,901)	(130,537)	(108,397)	(59,120)	(801,225)
Bond issuance cost	-	(215,014)	(110,129)	-	-	(325,143)
Total nonoperating revenues (expenses)	(20,184)	(646,785)	(194,621)	(209,672)	(59,101)	(1,130,363)
Income (loss) before capital contributions and transfers	2,663,690	1,042,019	334,366	239,964	(399,544)	3,880,495
Transfers in (out)	(2,900,000)	(2,500,000)	(899,424)	(350,000)	-	(6,649,424)
Capital contributed - grants	-	13,241	1,056,381	-	-	1,069,622
Change in net position	(236,310)	(1,444,740)	491,323	(110,036)	(399,544)	(1,699,307)
Total net position-beginning	4,686,827	37,815,426	16,716,400	(601,422)	(946,954)	57,670,277
TOTAL NET POSITION-ENDING	\$ 4,450,517	\$ 36,370,686	\$ 17,207,723	\$ (711,458)	\$ (1,346,498)	\$ 55,970,970

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2025

	Business-type Activities					
	Gas Department	Water Department	Wastewater Department	Sanitation Department	Virginia Theater	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 10,597,706	\$ 9,619,247	\$ 3,983,875	\$ 5,027,197	\$ 209,239	\$ 29,437,264
Cash payments to suppliers for goods and services	(5,930,669)	(3,817,890)	(1,643,232)	(2,675,136)	(302,407)	(14,369,334)
Cash payments to employees	(1,874,568)	(2,269,733)	(1,167,062)	(1,751,233)	(121,080)	(7,183,676)
Other operating revenues	396,724	72,878	150,725	28,798	114	649,239
Net cash provided (used) by operating activities	3,189,193	3,604,502	1,324,306	629,626	(214,134)	8,533,493
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Receipts (payments) on interfund loans	(23,175)	(5,783,750)	(876,035)	189,358	385,587	(6,108,015)
Transfers (to) from other funds	(2,900,000)	(2,500,000)	(899,424)	(350,000)	-	(6,649,424)
Net cash provided (used) by non-capital financing activities	(2,923,175)	(8,283,750)	(1,775,459)	(160,642)	385,587	(12,757,439)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal paid on bonds, notes and leases	(312,164)	(681,758)	(645,059)	(2,522,187)	(111,824)	(4,272,992)
Interest paid on bonds, notes and leases	(28,589)	(429,294)	(108,634)	(105,599)	(59,446)	(731,562)
Proceeds from issuance of debt	-	5,061,805	5,257,358	2,929,092	-	13,248,255
Acquisition and construction of capital assets	(189,626)	(454,331)	(5,478,803)	(2,554,335)	-	(8,677,095)
Capital contributed - grants	-	13,241	623,093	-	-	636,334
Proceeds from sale of assets	1,525	5,350	6,750	1,799,638	-	1,813,263
Net cash provided (used) by capital and related financing activities	(528,854)	3,515,013	(345,295)	(453,391)	(171,270)	2,016,203
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from certificates of deposit	253,303	253,303	903,014	-	-	1,409,620
Interest income	9,724	43,406	42,168	1,508	19	96,825
Net cash provided (used) by investing activities	263,027	296,709	945,182	1,508	19	1,506,445
Net increase (decrease) in cash and cash equivalents	191	(867,526)	148,734	17,101	202	(701,298)
Balances-beginning of the year	70,872	1,940,573	549,224	10,307	7,949	2,578,925
BALANCES-END OF THE YEAR	\$ 71,063	\$ 1,073,047	\$ 697,958	\$ 27,408	\$ 8,151	\$ 1,877,627
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss):	\$ 2,683,874	\$ 1,688,804	\$ 528,987	\$ 449,636	\$ (340,443)	\$ 5,010,858
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization expense	692,114	1,869,547	1,141,428	446,352	150,298	4,299,739
Net pension liability activity	(77,694)	(250,647)	(143,382)	(46,736)	(8,396)	(526,855)
Net OPEB liability activity	(142,535)	(211,861)	(110,718)	(120,804)	(12,361)	(598,279)
Change in assets and liabilities:						
Receivables, net	(85,919)	273,424	(81,483)	(61,566)	(20,041)	24,415
Inventory	55,991	328,927	8,180	-	3,009	396,107
Accounts payable	13,345	(114,850)	(22,768)	1,567	13,429	(109,277)
Other liabilities	50,017	21,158	4,062	(38,823)	1,454	37,868
Unearned revenue	-	-	-	-	(1,083)	(1,083)
Net cash provided by operating activities	\$ 3,189,193	\$ 3,604,502	\$ 1,324,306	\$ 629,626	\$ (214,134)	\$ 8,533,493
Supplemental disclosure of cash flow information:						
Noncash capital and related financing activities:						
Payables for capital items, net	\$ -	\$ 783,350	\$ 841,350	\$ -	\$ -	\$ 1,624,700

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

D. Fund Balance

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

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

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

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Balance (continued)

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

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

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

	General	EMS Fund	Waterpark	Fuel Center	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventory	\$ 51,392	\$ -	\$ 65,303	\$ 119,942	\$ -	\$ 236,637
Prepays	7,500	-	5	-	-	7,505
Restricted						
Capital projects	5,935,070	-	-	-	-	5,935,070
Other	-	-	5,492	-	16,493	21,985
Road repair	-	-	-	-	229,693	229,693
Coal & mineral	-	-	-	-	47,423	47,423
Tourism	-	-	-	-	46,475	46,475
Unassigned	<u>2,076,715</u>	<u>(4,880,015)</u>	<u>(3,133,570)</u>	<u>(498,512)</u>	<u>-</u>	<u>(6,435,382)</u>
Total	<u>\$ 8,070,677</u>	<u>\$(4,880,015)</u>	<u>\$(3,062,770)</u>	<u>\$(378,570)</u>	<u>\$ 340,084</u>	<u>\$ 89,406</u>

E. Pensions

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

F. Postemployment Benefits Other Than Pensions (OPEB)

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Net Position or Fund Balance

Deposits and Investments

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

Cash and Cash Equivalents

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

Interfund Receivables and Payables

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

Inventories

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

Accounts Receivable

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

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

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets and Depreciation

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

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

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

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

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

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

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

Compensated Absences

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Compensated Absences (continued)

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

The City follows GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The City implemented GASB Statement No. 101 during the fiscal year ending June 30, 2024.

H. Budgeting

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

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

I. Other Accounting Policies

Interfund Transactions

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

Use of Estimates

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Leases

Effective July 1, 2021, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease receivable and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. See Note 7 for information regarding the City's liabilities. As of June 30, 2025 the City does not have any lease receivables.

K. Subscription-based Information Technology Arrangements

Effective July 1, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-based Information Technology Arrangements. GASB Statement No. 96 requires recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. See Note 8 for information regarding the City's subscription-based assets and liabilities.

L. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through November 26, 2025, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2025, have not been evaluated by the City.

2. CASH

Custodial Credit Risks – Deposits

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

The balances for cash and cash equivalents and certificates of deposit for the primary government at June 30, 2025 are as follows:

Carrying amount	\$ 15,377,426
Bank balance	\$ 16,107,699
FDIC Insurance	\$ 1,524,477
Uninsured and collateral held by the pledging financial institution's trust department or agent and pledged to the City, in the depositor-government's name	\$ 14,583,222

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

3. ACCOUNTS RECEIVABLE

Accounts Receivable

Account receivables at June 30, 2025 for all funds of the City are as follows:

	Accounts	Taxes	Licenses & Permits	Intergov.	Other	Allowance	Total
General Fund	\$ 58,863	\$ 32,821	\$ 2,039,436	\$ 22,307	\$ 983,122	\$ (52,597)	\$ 3,083,952
EMS Fund	3,877,425	-	-	-	4,052	(3,098,646)	782,831
Waterpark	36,031	-	-	-	-	-	36,031
Fuel Center	-	-	-	-	35,571	-	35,571
Other Gov.	-	24,303	-	37,780	-	-	62,083
Gas	833,222	-	-	-	133,924	-	967,146
Water	1,434,241	-	-	20,592	-	-	1,454,833
Wastewater	657,931	-	-	433,288	1,750	-	1,092,969
Sanitation	714,215	-	-	-	-	-	714,215
Virginia Theater	27,778	-	-	-	-	-	27,778
Totals	\$7,639,706	\$ 57,124	\$ 2,039,436	\$ 513,967	\$ 1,158,419	\$ (3,151,243)	\$ 8,257,409

4. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables within governmental activities and business-type activities not eliminated for purposes of government-wide financial statements as of June 30, 2025 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Virginia Theater	\$ 1,279,466
Fuel Center Fund	Virginia Theater	73
Fuel Center Fund	Gas Department	4,035
Fuel Center Fund	Sewer Department	3,759
Fuel Center Fund	Water Department	3,573
Gas Department	General Fund	(504,929)
Sanitation Department	Fuel Center Fund	(47,041)
Sanitation Department	General Fund	(191,575)
Wastewater Department	General Fund	(1,361,939)
Water Department	General Fund	(11,870,088)
Water Department	Waterpark	(1,300,000)
Internal balances, net		<u>\$(13,984,666)</u>

Interfund receivables and payables within governmental activities and business-type activities eliminated for purposes of government-wide financial statements as of June 30, 2025 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	EMS Fund	\$ 5,461,645
General Fund	Fuel Center	\$ 421,006
General Fund	Tourism & Travel	\$ 7,380
General Fund	Waterpark	\$ 1,905,616
Horsesoldier TIF	General Fund	\$ 7,068
Fuel Center Fund	EMS Fund	\$ 9,386
Fuel Center Fund	Travel and Tourism	\$ 77
Fuel Center Fund	Waterpark	\$ 354

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

5. CAPITAL ASSETS

A summary of changes in the City's capital assets during the year ended June 30, 2025, is as follows:

	June 30, 2024	Additions/ Transfers	Disposals/ Transfers	June 30, 2025
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 3,960,782	\$ -	\$ -	\$ 3,960,782
Right of way and easements	11,068	-	-	11,068
Construction in progress	<u>504,300</u>	<u>3,726,368</u>	<u>(17,816)</u>	<u>4,212,852</u>
Totals	<u>4,476,150</u>	<u>3,726,368</u>	<u>(17,816)</u>	<u>8,184,702</u>
Capital assets that are depreciated:				
Infrastructure	39,091,850	706,789	(109,357)	39,689,282
Building and improvements	20,356,193	38,640	-	20,394,833
Vehicles	7,893,185	1,520,343	(547,263)	8,866,265
Equipment	2,978,730	291,894	(128,495)	3,142,129
Office equipment	1,092,971	-	-	1,092,971
Right to use software	248,122	-	-	248,122
Land improvements	2,427,580	-	-	2,427,580
Leased vehicles	560,331	-	-	560,331
Leased equipment	<u>335,992</u>	<u>-</u>	<u>-</u>	<u>335,992</u>
Totals	<u>74,984,954</u>	<u>2,557,666</u>	<u>(785,115)</u>	<u>76,757,505</u>
Total capital assets	<u>79,461,104</u>	<u>6,284,034</u>	<u>(802,931)</u>	<u>84,942,207</u>
Accumulated depreciation:				
Infrastructure	28,723,876	1,188,803	(69,945)	29,842,734
Buildings and improvements	7,030,060	583,487	-	7,613,547
Vehicles	5,094,307	658,363	(504,841)	5,247,829
Equipment	2,876,557	280,581	-	3,157,138
Office equipment	987,225	26,584	(121,295)	892,514
Land improvements	<u>1,261,380</u>	<u>14,358</u>	<u>-</u>	<u>1,275,738</u>
Totals	<u>45,973,405</u>	<u>2,752,176</u>	<u>(696,081)</u>	<u>48,029,500</u>
Accumulated amortization:				
Right to use software	8,271	49,624	-	57,895
Leased vehicles	277,810	113,979	-	391,789
Leased equipment	<u>89,143</u>	<u>64,716</u>	<u>-</u>	<u>153,859</u>
Totals	<u>375,224</u>	<u>228,319</u>	<u>-</u>	<u>603,543</u>
Total accumulated depreciation and amortization	<u>46,348,629</u>	<u>2,980,495</u>	<u>(696,081)</u>	<u>48,633,043</u>
Capital Assets, Net	<u>\$ 33,112,475</u>	<u>\$ 3,303,539</u>	<u>\$ (106,850)</u>	<u>\$ 36,309,164</u>

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

5. CAPITAL ASSETS (CONTINUED)

	June 30, 2024	Additions/ Transfers	Disposals/ Transfers	June 30, 2025
Business-type Activities				
Capital assets not depreciated:				
Land	\$ 1,106,113	\$ 18,428	\$ -	\$ 1,124,541
Right of way and easements	147,022	-	-	147,022
Construction in progress	<u>9,881,674</u>	<u>6,837,973</u>	<u>(73,931)</u>	<u>16,645,716</u>
Totals	<u>11,134,809</u>	<u>6,856,401</u>	<u>(73,931)</u>	<u>17,917,279</u>
Capital assets that are depreciated:				
Utility plant and dist. system	92,749,102	622,437	-	93,371,539
Building and improvements	53,052,534	-	(187,000)	52,865,534
Vehicles	4,836,364	2,650,056	(2,748,371)	4,738,049
Equipment	6,465,487	216,428	(2,500)	6,679,415
Office equipment	911,657	-	-	911,657
Land improvements	114,227	-	(50,570)	63,657
Leased vehicles	542,491	-	-	542,491
Leased land	53,002	-	-	53,002
Leased equipment	<u>813,475</u>	<u>-</u>	<u>-</u>	<u>813,475</u>
Totals	<u>159,538,339</u>	<u>3,488,921</u>	<u>(2,988,441)</u>	<u>160,038,819</u>
Total capital assets	<u>170,673,148</u>	<u>10,345,322</u>	<u>(3,062,372)</u>	<u>177,956,098</u>
Accumulated depreciation:				
Utility plant and dist. system	53,933,243	1,933,189	-	55,866,432
Buildings and improvements	19,585,622	1,155,438	-	20,741,060
Vehicles	2,779,837	443,757	(1,044,094)	2,179,500
Equipment	3,161,395	466,939	(25,463)	3,602,871
Office equipment	466,315	10,103	(13,300)	463,118
Land improvements	<u>52,779</u>	<u>-</u>	<u>-</u>	<u>52,779</u>
Totals	<u>79,979,191</u>	<u>4,009,426</u>	<u>(1,082,857)</u>	<u>82,905,760</u>
Accumulated amortization:				
Leased vehicles	257,224	100,474	-	357,699
Leased land	7,950	10,600	-	18,550
Leased equipment	<u>474,736</u>	<u>170,214</u>	<u>-</u>	<u>644,950</u>
Totals	<u>739,910</u>	<u>281,288</u>	<u>-</u>	<u>1,021,198</u>
Total accumulated depreciation and amortization	<u>80,719,101</u>	<u>4,290,715</u>	<u>(1,082,857)</u>	<u>83,926,959</u>
Capital Assets, Net	<u>\$ 89,954,047</u>	<u>\$ 6,054,607</u>	<u>\$ (1,979,515)</u>	<u>\$ 94,029,139</u>

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

5. CAPITAL ASSETS (CONTINUED)

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

Primary Government
Governmental Activities

Waterpark	\$ 788,635
Streets	579,120
Public Safety	554,442
General Government	363,429
Emergency Medical Services	153,365
Parks and Recreation	196,520
Fuel Center	10,058
Cemetery	8,049
Municipal Aid Projects	98,245
Travel & Tourism	313
	<u>\$ 2,752,176</u>

Business-Type Activities

Water	\$ 1,840,801
Wastewater	1,116,594
Gas	478,468
Sanitation	423,265
Virginia	<u>150,298</u>
	<u>\$ 4,009,426</u>

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

Primary Government
Governmental Activities

Waterpark	\$ 5,251
Streets	62,575
Public Safety	86,349
General Government	44,391
Emergency Medical Services	5,728
Fuel Center	1,432
Travel & tourism	4,777
Parks and Recreation	17,816
	<u>\$ 228,319</u>

Business-Type Activities

Water	\$ 19,725
Wastewater	24,833
Gas	213,643
Sanitation	<u>23,087</u>
	<u>\$ 281,288</u>

6. LONG-TERM LIABILITIES

The City has entered into multiple direct borrowing and direct placement agreements with various banks and state agencies to finance infrastructure, equipment, and other capital projects. These agreements generally require the City to pledge specific revenue sources or assets as collateral and include provisions that, in an event of default, outstanding amounts become immediately due and payable.

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2025:

Description	Balance June 30, 2024	Issued/ Transfers	Retired	June 30, 2025	Due within One year
Primary Government					
<u>Governmental Activities</u>					
<u>General Fund</u>					
Series 2021 with interest at 2.00% to 5.00% maturing in fiscal year 2041	\$ 1,602,000	\$ -	\$ 200,000	\$ 1,402,000	\$ 208,000
Series 2021 Bond Premium	255,069	-	15,004	240,065	15,004
Series 2020 with interest at 2.00% to 3.00% maturing in fiscal year 2045	7,555,000	-	285,000	7,270,000	295,000

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

6. LONG-TERM LIABILITIES (CONTINUED)

Description	Balance June 30, 2024	Issued/ Transfers	Retired	June 30, 2025	Due within One year
Primary Government, continued					
<u>Governmental Activities, continued</u>					
<u>General Fund, continued</u>					
Series 2020 Bond Premium	231,460	-	14,466	216,994	14,466
Direct borrowing - Police car loan with interest at 1.99% maturing in fiscal year 2026	73,353	-	41,604	31,749	31,750
Direct borrowing - Cinder pumper loan with interest at 2.31% maturing in fiscal year 2031	392,176	-	56,523	335,653	57,861
Series 2021 GO Refunding with interest at 2.80% maturing in fiscal year 2032	3,081,219	-	346,750	2,734,469	357,480
Direct borrowing - Citizens National Bank Loan with interest at 2.91% maturing in fiscal year 2028	25,999	-	7,736	18,263	7,967
Direct borrowing - Cumberland Security Commercial Loan with interest at 2.60% maturing in fiscal year 2028	204,294	-	62,683	141,611	64,355
Direct borrowing- Citizens National Bank Loan with interest at 2.91% maturing in fiscal year 2028	30,498	-	9,075	21,423	9,346
Direct borrowing- Forcht Bank Loan with interest at 5.99% maturing in fiscal year 2029	225,862	-	48,038	177,824	51,038
Direct borrowing - Cumberland Valley National Bank Loan with interest at 5.16% maturing in fiscal year 2029	54,454	-	12,024	42,430	12,659
Direct borrowing - Cumberland Valley National Bank Loan with interest at 4.98% maturing in fiscal year 2029	290,607	-	56,731	233,876	59,621
Direct borrowing - Cumberland Valley National Bank Loan with interest at 5.16% maturing in fiscal year 2029	189,113	-	34,685	154,428	36,518
Direct borrowing - Citizens National Bank of Somerset Loan with interest at 5.49% maturing in FY 2030	-	110,700	18,058	92,642	20,786
Direct borrowing - Cumberland Valley National Bank and Trust Loan with interest at 5.19% and maturing in FY 2030	-	315,000	42,210	272,790	58,894
KBC 2025 Program Revenue Bond Series with an interest rate of 4.375% maturing in FY 2055	-	7,293,706	-	7,293,706	17,083
KBC 2025 Program Revenue Bond Premium	-	87,444	279	87,165	3,357

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

6. LONG-TERM LIABILITIES (CONTINUED)

Description	Balance June 30, 2024	Issued/ Transfers	Retired	June 30, 2025	Due within One year
<u>Primary Government, continued</u>					
<u>Governmental Activities, continued</u>					
<u>General Fund, continued</u>					
Direct borrowing - Cumberland Security Bank Loan – Dodge Durango with an interest rate of 4.8% maturing in fiscal year 2030	-	39,997	4,795	35,202	7,479
Direct borrowing - Cumberland Security Bank Loan – Dodge Durango with an interest rate of 5.25% maturing in fiscal year 2030	-	39,997	5,348	34,649	7,464
Monticello Bank Loan- Dodge Durango with an interest rate of 4.732% maturing in FY 2030	-	39,000	1,157	37,843	7,138
Monderna Loan - Cameras at the park with interest of 5% and maturing in FY 2035	-	75,916	16,699	59,217	13,739
Direct borrowing - Citizens National Bank of Somerset – Fire Truck Loan with an interest rate of 5.09% maturing in FY 2034	-	835,468	37,935	797,533	67,550
<u>EMS</u>					
Direct borrowing – Ambulance loan with interest at 2.31% maturing in fiscal year 2026	45,246	-	33,805	11,441	11,441
Direct borrowing- Stryker EMS Loan with interest at 0.00% maturing in fiscal year 2026	43,485	-	30,695	12,790	12,790
<u>Waterpark</u>					
Series 2021 GO with interest at 2.0 to 5.0% maturing in fiscal year 2041	440,000	-	55,000	385,000	58,000
Series 2021 GO Refunding with interest at 2.80% maturing in fiscal year 2032	1,059,292	-	119,209	940,083	122,898
Direct borrowing - Cumberland Security Bank Loan – Dodge Durango interest of 5.25% and maturing in FY 2029	-	39,295	5,852	33,443	7,365
Direct borrowing – Waterpark lift Indfas Rentals with an interest rate of 2%	-	30,546	4,134	26,412	10,063
KBC Program Revenue Bond Series with an interest rate of 4.375% maturing in FY 2055	-	1,146,154	-	1,146,154	2,083
Net pension liability	\$ 35,230,642	\$ -	\$ 3,026,235	\$ 32,204,407	\$ -
Net OPEB liability	\$ 1,283,390	\$ -	\$ 237,778	\$ 1,045,612	\$ -
SBITA liability	\$ 192,563	\$ -	\$ 44,025	\$ 148,538	\$ 46,662
Lease liability	\$ 556,087	\$ -	\$ 177,964	\$ 378,123	\$ 169,285
Total governmental activities	<u>\$ 53,061,809</u>	<u>\$ 10,053,223</u>	<u>\$ 5,051,497</u>	<u>\$ 58,063,535</u>	<u>\$ 1,865,142</u>

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

6. LONG-TERM LIABILITIES (CONTINUED)

<i>Description</i>	Balance June 30, 2024	Issued/ Transfers	Retired	June 30, 2025	Due within One year
<u>Primary Government, continued</u>					
<u>Business-type Activities</u>					
<u>Gas Department</u>					
Direct borrowing - Note payable to City of Ferguson with interest at 2.0% maturing in FY 2034	\$ 17,638	\$ -	\$ 1,720	\$ 15,918	\$ 1,755
Direct borrowing - Note payable local bank with interest at 2.48% maturing in FY 2026	8,239	-	5,785	2,454	2,454
Series 2021 GO Refunding with interest at 2.80% maturing in FY 2032	488,427	-	54,966	433,461	56,667
Direct borrowing - Cumberland Security Bank Loan with interest at 2.70% maturing in fiscal year 2028	76,666	-	21,161	55,505	21,748
Direct borrowing- Citizens National Bank Loan with interest at 5.24% maturing in fiscal year 2029	<u>64,824</u>	<u>-</u>	<u>11,629</u>	<u>53,195</u>	<u>12,261</u>
Total Gas Department	<u>\$ 655,794</u>	<u>\$ -</u>	<u>\$ 95,261</u>	<u>\$ 560,533</u>	<u>\$ 94,885</u>
<u>Water Department</u>					
Series 2012 with interest at 2.125% maturing in FY 2052	\$ 11,427,000	\$ -	\$ 292,500	\$ 11,134,500	\$ 299,000
Direct borrowing - KIA loan with interest at .5% maturing in FY 2055	8,686,538	169,294	-	8,855,832	-
Series 2021 GO with interest at 2.00 to 5.00% maturing in FY 2041	4,059,000	-	228,000	3,831,000	235,000
Direct borrowing – Citizens National Bank loan with interest at 2.35%, maturing in FY 2026	62,813	-	50,101	12,712	12,712
Direct borrowing - Monticello Bank loan with interest at 2.50% to 5.00% maturing in FY 2026	16,823	-	11,153	5,670	5,670
Cumberland Security Bank Loan with interest at 4.75% maturing in FY 2029	-	113,905	8,498	105,407	22,856
Direct borrowing -KIA Loan with interest rate of 2% maturing in FY 2035	-	652,330	-	652,330	59,548
KBC Program Revenue Bond Series 2025A with an interest rate of 4.375% maturing in FY 2055	-	4,272,028	-	4,272,028	10,000
Direct borrowing Water Solutions with an interest rate of 0% maturing in FY 2026	-	25,000	19,992	5,008	5,008

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

6. LONG-TERM LIABILITIES (CONTINUED)

Description	Balance June 30, 2024	Issued/ Transfers	Retired	June 30, 2025	Due within One year
Primary Government, continued					
<u>Business-type Activities, continued</u>					
<u>Water Department, continued</u>					
KBC 2025 Program Revenue Bond premium	-	44,262	124	44,138	1,492
Direct borrowing - Citizens National Bank Loan with interest at 3.75% maturing in fiscal year 2028	\$ 37,817	\$ -	\$ 10,565	\$ 27,252	\$ 10,974
Direct borrowing- Citizens National Bank Loan with interest at 3.86% maturing in fiscal year 2028	83,102	-	21,497	61,605	22,353
Direct borrowing - Cumberland Valley National Bank Loan with interest at 4.93% maturing in fiscal year 2027	22,015	-	9,869	12,146	10,367
Series 2025A Bond Premium	351,536	-	20,679	330,857	20,679
Direct borrowing- Cumberland Valley National Bank Loan with interest at 5.16% maturing in fiscal year 2027	22,833	-	9,822	13,011	10,341
Total Water Department	<u>\$ 24,769,477</u>	<u>\$ 5,276,819</u>	<u>\$ 682,800</u>	<u>\$ 29,363,496</u>	<u>\$ 726,000</u>
<u>Wastewater Department</u>					
Direct borrowing – KIA Loan with interest at 1%, maturing in fiscal year 2032	\$ 4,068,292	\$ -	\$ 410,314	\$ 3,657,978	\$ 414,427
Direct borrowing - Note payable to City of Ferguson with interest at 2.0%, maturing in FY 2034	199,841	-	19,481	180,360	19,874
Series 2021 GO with interest at 2.0% to 5.0%, maturing in FY 2041	1,139,000	-	89,000	1,050,000	92,000
Direct borrowing – KIA Loan Pittman Creek with an interest rate of .25% beginning in FY 2026	-	3,088,704	-	3,088,704	-
KBC Program Revenue Bond Series 2025A with an interest rate of 4.375% and maturing in 2055	-	2,188,112	-	2,188,112	-
Series 2025A Premium Bond	-	22,671	64	22,607	764
Direct borrowing - Note payable to Direct borrowing- Monticello Bank with an interest rate of 4.84% maturing in FY 2030	-	68,000	8,149	59,851	12,722
Series 2021 Bond Premium	135,844	-	12,350	123,494	12,350
Series 2021 GO Bond Refunding with interest at 2.80%, maturing in fiscal year 2032	827,061	-	93,075	733,986	95,955
Total Wastewater Department	<u>\$ 6,370,038</u>	<u>\$ 5,367,487</u>	<u>\$ 632,433</u>	<u>\$ 11,105,092</u>	<u>\$ 648,092</u>

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

6. LONG-TERM LIABILITIES (CONTINUED)

Description	Balance June 30, 2024	Issued/ Transfers	Retired	June 30, 2025	Due within One year
Primary Government, continued					
<u>Business-type Activities,</u>					
<u>continued</u>					
<i>Sanitation Department</i>					
Direct borrowing – Citizens National Bank loan with interest at 2.36%, maturing in FY 2026	43,533	-	32,519	11,014	11,014
Direct borrowing - Cumberland Valley National Bank Loan with interest at 4.93% maturing in fiscal year 2025	420,596	-	420,596	-	-
Cumberland Valley National Bank Loan with interest at 5.60% maturing in fiscal year 2025	218,295	-	218,295	-	-
Direct borrowing- Cumberland Valley National Bank Loan with interest at 4.93% maturing in FY 2030	-	420,596	31,222	389,374	77,629
Direct borrowing- Monticello Bank Loan with interest at 4.63% maturing in FY 2026	-	691,049	-	691,049	691,049
Direct borrowing - Cumberland Valley Security Bank with interest of 4.75% maturing in 2026	-	372,458	-	372,458	372,458
Direct borrowing – Monticello Bank with an interest rate of 4.63% maturing in FY 2025	-	707,289	707,289	-	-
Direct borrowing - Forcht Bank with an interest rate of 4.7% maturing in FY 2030	-	737,700	-	737,700	133,860
Direct borrowing - Cumberland Valley National Bank Loan with interest at 5.79% maturing in fiscal year 2025	218,295	-	218,295	-	-
Direct borrowing - Cumberland Valley National Bank Loan with interest at 5.79% maturing in fiscal year 2025	652,922	-	652,922	-	-
Direct borrowing - Cumberland Valley National Bank Loan with interest at 4.95% maturing in fiscal year 2026	<u>218,295</u>	<u>-</u>	<u>218,295</u>	<u>-</u>	<u>-</u>
Total Sanitation Department	<u>\$ 1,771,936</u>	<u>\$ 2,929,092</u>	<u>\$ 2,499,433</u>	<u>\$ 2,201,595</u>	<u>\$ 1,286,010</u>
<i>Virginia Theater Fund</i>					
Series 2021 GO with interest at 2.0% to 5.0% maturing in fiscal year 2031	\$ 2,540,000	\$ -	\$ 103,000	\$ 2,437,000	\$ 107,000
Premium on Series 2021 GO	<u>150,002</u>	<u>-</u>	<u>8,824</u>	<u>141,178</u>	<u>8,824</u>
Total Virginia Theatre Fund	<u>\$ 2,690,002</u>	<u>\$ -</u>	<u>\$ 111,824</u>	<u>\$ 2,578,178</u>	<u>\$ 115,824</u>
Net pension liability	<u>\$ 8,324,815</u>	<u>\$ -</u>	<u>\$ 721,430</u>	<u>\$ 7,603,385</u>	<u>\$ -</u>
Lease Liability	<u>\$ 700,598</u>	<u>\$ -</u>	<u>\$ 284,458</u>	<u>\$ 416,140</u>	<u>\$ 294,637</u>
Total Business-type activities	<u>\$ 45,282,660</u>	<u>\$13,573,398</u>	<u>\$ 5,027,639</u>	<u>\$ 53,828,419</u>	<u>\$ 3,165,448</u>

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

6. LONG-TERM LIABILITIES (CONTINUED)

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

General	\$ 2,734,469
Waterpark	940,083
Gas department	433,461
Wastewater department	<u>733,986</u>
Total	<u>\$ 4,841,999</u>

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

General	\$ 1,402,000
Waterpark	385,000
Water department	3,831,000
Wastewater department	1,050,000
Virginia Theater	<u>2,437,000</u>
Total	<u>\$ 9,105,000</u>

The Financing Program Revenue Bonds, 2025A Bond issue is dated March 13, 2025 in the amount of \$14,900,000 and carries a interest rate of 4.375% to 4.50%. The issue was intended to benefit the general fund, waterpark, water department, wastewater department, and to be determined future capital projects. The issue is included on the statement of net position under long-term debt as follows:

General	\$ 7,293,706
Waterpark	1,146,154
Water department	4,272,028
Wastewater department	<u>2,188,112</u>
Total	<u>\$ 14,900,000</u>

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

6. LONG-TERM LIABILITIES (CONTINUED)

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

Governmental Activities

Year ended	Principal	Interest	Total
2026	\$ 1,649,196	\$ 887,489	\$ 2,536,685
2027	1,650,199	753,812	2,404,011
2028	1,477,964	678,721	2,156,685
2029	1,425,738	625,677	2,051,415
2030	1,248,444	583,241	1,831,685
2031-2035	4,783,756	2,405,630	7,189,386
2036-2040	4,413,642	1,734,532	6,148,174
2041-2045	3,949,521	1,193,700	5,143,221
2046-2050	1,647,321	684,772	2,332,093
2051-2055	<u>2,041,073</u>	<u>283,216</u>	<u>2,324,289</u>
	<u>\$ 24,286,854</u>	<u>\$ 9,830,790</u>	<u>\$ 34,117,644</u>

Business-type Activities

Year ended	Principal	Interest	Total
2026	\$ 2,870,810	\$ 876,993	\$ 3,747,803
2027	1,811,037	828,694	2,639,731
2028	1,831,196	777,725	2,608,921
2029	1,850,778	721,776	2,572,554
2030	1,832,681	665,093	2,497,774
2031-2035	7,693,929	2,780,118	10,474,047
2036-2040	5,067,448	2,076,534	7,143,982
2041-2045	4,079,503	1,452,685	5,532,188
2046-2050	3,949,696	877,004	4,826,700
2051-2055	<u>2,877,279</u>	<u>282,733</u>	<u>3,160,011</u>
	33,864,357	11,339,355	45,203,712
KIA Sewer A21-044	3,088,704	-	3,088,704
KIA Water F20-019	<u>8,855,832</u>	<u>-</u>	<u>8,855,832</u>
Totals	<u>\$ 45,808,893</u>	<u>\$ 11,339,355</u>	<u>\$ 57,148,248</u>

The bond ordinances contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds and minimum revenue bond coverages. Funds held in the various reserves at June 30, 2025 required by the revenue bond ordinances are reported in the accompanying financial statements as restricted net position in the respective funds. At June 30, 2025, the City had sufficient funds in restricted accounts to meet required existing bond ordinances.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

7. LEASE LIABILITIES

Governmental Activities

As of June 30, 2025, the City has entered into lease agreements for copiers and a phone system which are utilized by various departments throughout the City. The term of these lease agreements varies from 60-63 months. Monthly payments due on the leases total \$5,369 and bear interest at 3.0% - 5.99%. The balance of the liability related to the leases as of June 30, 2025 totaled \$192,603.

On September 30, 2016 the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases ranges from 48-60 months. The interest rates for the vehicle leases range from 2.9 – 5.37%. The balance of the liability related to the vehicle leases as of June 30, 2025 totaled \$185,520.

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

Year ended	Principal	Interest	Total
2026	\$ 169,285	\$ 14,968	\$ 184,253
2027	125,311	10,323	135,634
2028	56,132	3,416	59,548
2029	<u>27,395</u>	<u>480</u>	<u>27,875</u>
	<u>\$ 378,123</u>	<u>\$ 29,187</u>	<u>\$ 407,310</u>

Business-type Activities

On June 9, 2021, the City entered into a lease agreement for a gas compressor with USA Compression. The lease calls for monthly payments of \$14,250 over a period of 60 months and bears interest at 2.6%. The balance of the lease liability as of June 30, 2025 totaled \$182,471.

On July 29, 2023, the City entered into a lease agreement for land for a gas processing center. The lease calls for annual payments of \$12,000 in the first year of the lease and increasing annually by the cumulative increase in the consumer price index, not to exceed 6% with a floor of 2.5%, over a period of 5 years. The liability and related leased equipment have been recorded at the present value of the future minimum lease payments based on an incremental borrowing rate of 5.99%. The balance of the liability related to the land lease as of June 30, 2025 totaled \$34,523.

As of June 30, 2025, the City has entered into a lease agreement for copiers which are utilized by various departments throughout the City. The term of the lease agreement is 63 months. Monthly payments due on the copier leases total \$5,621. The liability and related leased equipment have been recorded at the present value of the future minimum lease payments based on an incremental borrowing rate of 5.99%. The balance of the liability related to the copier leases as of June 30, 2025 totaled \$36,885.

On September 30, 2016 the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases ranges from 48-60 months. The interest rates for the vehicle leases range from 2.90 – 5.37%. The balance of the liability related to the vehicle leases as of June 30, 2025 totaled \$162,262.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

7. LEASE LIABILITIES (CONTINUED)

Business-type Activities, continued

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

Year ended	Principal	Interest	Total
2026	\$ 294,637	\$ 11,029	\$ 305,666
2027	92,250	4,284	96,534
2028	23,500	1,453	24,953
2029	<u>5,754</u>	<u>101</u>	<u>5,855</u>
	<u>\$ 416,141</u>	<u>\$ 16,867</u>	<u>\$ 433,008</u>

8. SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Governmental Activities

In May 2024, the City entered into an agreement for body camera software. The agreement calls for annual payments of \$55,559 over a period of 5 years. The City has imputed an interest rate of 5.99% to determine the present value of the intangible right-to-use asset and SBITA liability. The balance of the SBITA liability related to the agreement as of June 30, 2025 totaled \$148,538.

The total of the City's subscription assets are recorded at a cost of \$248,122, less accumulated amortization of \$57,895, at June 30, 2025.

The future subscription payments under SBITA agreements are as follows:

Year ended	Principal	Interest	Total
2026	\$ 46,662	\$ 8,897	\$ 55,559
2027	49,457	6,102	55,559
2028	<u>52,419</u>	<u>3,140</u>	<u>55,559</u>
	<u>\$ 148,538</u>	<u>\$ 18,139</u>	<u>\$ 166,677</u>

9. RETIREMENT PLAN

CERS

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

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

9. RETIREMENT PLAN (CONTINUED)

Contributions – For the year ended June 30, 2025, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2025, participating employers contributed 19.71% of each employee's wages for non-hazardous job classifications and 38.61% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 10. Plan members contributed 19.71% to the pension trust for non-hazardous job classifications and 36.49% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2025, the City contributed \$1,550,508 or 100% of the required contribution for non-hazardous job classifications, and \$3,088,472 for the year ended June 30, 2025, or 100% of the required contribution for hazardous job classifications.

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

9. RETIREMENT PLAN (CONTINUED)

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

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

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2025, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net Pension Liability	Non-hazardous	Hazardous
\$ <u>39,807,792</u>	\$ <u>13,822,434</u>	\$ <u>25,985,358</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2024, was as follows:

Non-hazardous	Hazardous
.231%	1.010%

The proportionate share at June 30, 2024 relative to June 30, 2023 decreased for non-hazardous by .007% and decreased for hazardous by .038%.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

9. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2025, the City recognized pension expense of \$2,588,450. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 2,357,491	\$ -
Changes of assumptions	-	2,091,056
Net difference between projected and actual earnings on Plan investments	-	2,275,610
Changes in proportion and differences between City contributions and proportionate share of contributions	737,756	1,588,607
City contributions subsequent to the measurement date	<u>4,559,788</u>	<u>-</u>
 Total	 <u>\$ 7,655,035</u>	 <u>\$ 5,955,273</u>

The \$4,559,788 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2026	\$ (1,644,959)
2027	\$ 178,436
2028	\$ (883,515)
2029	\$ (509,988)

Actuarial Assumptions – The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

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

Hazardous

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

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

9. RETIREMENT PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2024, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Liquidity	20.00%	
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected	20.00%	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	4.69%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		7.19%

Discount Rate – The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the closed 27-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

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

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability
1% decrease	5.50%	\$ 17,819,376	5.50%	\$ 33,453,435
Current discount rate	6.50%	\$ 13,822,434	6.50%	\$ 25,985,358
1% increase	7.50%	\$ 10,506,025	7.50%	\$ 19,888,084

Payable to the Pension Plan – At June 30, 2025, the City reported a payable of \$645,267 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2025. The payable includes both the pension and insurance contribution allocation.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

Contributions – As more fully described in Note 9, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2025, the employer's contribution was 0.00% to the insurance trust for non-hazardous job classifications and 2.12% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2025, the City contributed \$0, or 100% of the required contribution for non-hazardous job classifications, and \$179,434, or 100% of the required contribution for hazardous job classifications.

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

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

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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

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

Total Net OPEB Liability (asset)	Non-hazardous	Hazardous
\$ <u>825,471</u>	\$ <u>(400,200)</u>	\$ <u>1,225,671</u>

The net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2024 was as follows:

Non-hazardous	Hazardous
.231%	1.010%

The proportionate share at June 30, 2024 relative to June 30, 2023 for non-hazardous decreased by .007% and hazardous decreased by .038%.

For the year ended June 30, 2025, the City recognized OPEB expense of \$(1,942,143). At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 553,930	\$ 7,635,017
Changes of assumptions	1,193,991	1,361,052
Net difference between projected and actual earnings on Plan investments	-	1,135,403
Changes in proportion and differences between City contributions and proportionate share of contributions	451,677	626,116
City contributions subsequent to the measurement date	<u>269,528</u>	<u>-</u>
Total	<u>\$ 2,469,126</u>	<u>\$ 10,757,588</u>

The \$269,528 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. This includes adjustments of \$108,483 for the nonhazardous implicit subsidy and \$(16,858) for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2026	\$ (2,711,437)
2027	\$ (2,221,032)
2028	\$ (2,565,752)
2029	\$ (1,097,364)
2030	\$ 37,595

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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

Actuarial Assumptions – The total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 6.80% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Post – 65:	Initial trend starting at 8.00% at January 1, 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years

Hazardous

Inflation	2.50%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Post – 65:	Initial trend starting at 8.00% at January 1, 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years

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

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2018 - June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

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

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Liquidity	20.00%	
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected	20.00%	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	4.69%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		7.19%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.99% and 6.02% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 22-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2024. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

Non-hazardous			Hazardous		
	Discount rate	City's proportionate share of net OPEB liability (asset)		Discount rate	City's proportionate share of net OPEB liability (asset)
1% decrease	4.99%	\$ 541,115		5.02%	\$ 3,387,184
Current discount rate	5.99%	\$ (400,200)		6.02%	\$ 1,225,671
1% increase	6.99%	\$ (1,191,660)		7.02%	\$ (580,690)

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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

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

	Non-hazardous	Hazardous
	City's proportionate share of net OPEB liability (asset)	City's proportionate share of net OPEB liability (asset)
1% decrease	\$ (962,833)	\$ (190,004)
Current trend rate	\$ (400,200)	\$ 1,225,671
1% increase	\$ 255,227	\$ 2,880,285

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

11. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2025 were levied in September 2024 on the assessed valuation of property located in Pulaski County as of the preceding January 1, the lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

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

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

12. TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
Gas	General	General operations	\$ 2,900,000
Wastewater	General	General operations	\$ 899,424
Water	General	General operations	\$ 2,500,000
Coal Severance	General	General Operations	\$ 100,000
Sanitation	Water Park	General operations	\$ 350,000

13. CONDUIT DEBT

The City is the issuer of certain industrial revenue bonds issued in order to promote the local construction of production facilities. The facilities, which are constructed from the bond proceeds, are leased to the industrial companies for an amount required to annually service the debt. The lessee assumes ownership of the facilities at the completion of all lease payments required to fully service the debt. The lease payments are remitted directly to the trustee (bank) with whom the facilities are mortgaged. These bonds constitute a limited obligation of the City, payable solely from the revenues and receipts derived from the lease agreement. Accordingly, the assets and liabilities relating to these bonds are not recorded on the books of the City. The amount of bonds outstanding at June 30, 2025, is not readily available.

CITY OF SOMERSET, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

14. LEGAL CONTINGENCIES

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

15. RISK MANAGEMENT

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

16. SUBSEQUENT LOANS

On August 21, 2025, the City took out a loan totaling \$290,000 to finance the purchase of an ambulance. The loan is to be paid over 60 months and bears interest at 4.75%.

On September 5, 2025, the City took out a loan totaling \$300,000 to finance the purchase of vehicles for the police department. The loan is to be paid over 60 months and bears interest at 4.99%.

On August 29, 2025, the City took out a loan totaling \$697,000 to finance the purchase of two trucks for the sanitation department. The loan is to be paid over 60 months and bears interest at 4.54%.

17. RESTATEMENT OF FUND BALANCE/NET POSITION

County EMS contribution receivable

The City reports four quarters of local contributions in EMS fund revenue annually. The quarter ending June 30th is typically received in July. In the previous year the 1st quarter fiscal year 2025 payment was received in June 2024 and incorrectly recorded in revenue in fiscal year 2024. The City is restating beginning fund balance in the EMS fund and beginning net position in the governmental activities to show revenues in the correct year.

Governmental Funds

EMS Fund	
Fund Balance, at beginning of year	\$ (3,166,457)
County EMS contribution	<u>(325,000)</u>
Fund Balance, at beginning of year, as restated	<u>\$ (3,491,457)</u>
Total Governmental Funds	
Fund Balance, at beginning of year	\$ (2,947,766)
County EMS contribution	<u>(325,000)</u>
Fund Balance, at beginning of year, as restated	<u>\$ (3,272,766)</u>

Governmental activities

Net position, at beginning of year	\$ (28,321,246)
County EMS contribution	<u>(325,000)</u>
Net position, at beginning of year, as restated	<u>\$ (28,646,246)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2025

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes	\$ 1,870,000	\$ 1,870,000	\$ 1,977,491	\$ 107,491
Licenses and permits	9,856,000	9,856,000	10,612,985	756,985
Fines and forfeits	40,000	40,000	52,295	12,295
Charges for services	642,100	650,600	668,379	17,779
Intergovernmental	5,387,000	5,527,000	2,157,991	(3,369,009)
Interest income	20,000	20,000	92,033	72,033
Other revenues	<u>1,545,500</u>	<u>1,545,500</u>	<u>1,558,229</u>	<u>12,729</u>
TOTAL REVENUES	<u>19,360,600</u>	<u>19,509,100</u>	<u>17,119,403</u>	<u>(2,389,697)</u>
EXPENDITURES				
General administration	7,870,729	7,870,729	6,157,889	(1,712,840)
Public safety	13,537,180	13,607,180	11,461,253	(2,145,927)
Public services	299,000	299,000	154,574	(144,426)
Streets	3,215,825	3,266,825	1,152,066	(2,114,759)
Parks and recreation	854,286	1,894,286	1,165,850	(728,436)
Cemetery	128,150	139,750	116,010	(23,740)
Downtown revitalization	255,500	255,500	151,000	(104,500)
Intergovernmental programs	118,500	118,500	98,880	(19,620)
Capital outlay	5,289,980	5,289,980	5,274,127	(15,853)
Bond issuance cost	-	367,100	367,098	(2)
Debt service	<u>1,874,200</u>	<u>1,874,200</u>	<u>1,902,599</u>	<u>28,399</u>
TOTAL EXPENDITURES	<u>33,443,350</u>	<u>34,983,050</u>	<u>28,001,346</u>	<u>(6,981,704)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt/leases/SBITA	3,436,430	8,671,930	8,749,784	77,854
Proceeds from bond premium	75,570	75,570	75,570	-
Proceeds from sale of capital assets	-	6,600	20,699	14,099
Transfer from other funds	4,400,000	6,399,500	6,399,424	(76)
Transfer to other funds	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,912,000</u>	<u>15,053,600</u>	<u>15,245,477</u>	<u>191,877</u>
NET CHANGE IN FUND BALANCE	<u>(6,170,750)</u>	<u>(420,350)</u>	<u>4,363,534</u>	<u>4,783,884</u>
FUND BALANCE, BEGINNING OF YEAR	<u>6,170,750</u>	<u>420,350</u>	<u>3,707,143</u>	<u>3,286,793</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,070,677</u>	<u>\$ 8,070,677</u>

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
EMS FUND
for the year ended June 30, 2025

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for services	\$ 4,325,000	\$ 4,001,000	\$ 4,000,445	\$ (555)
Intergovernmental revenues	1,477,500	1,641,500	1,640,562	(938)
Interest income	900	900	553	(347)
Other revenues	<u>40,000</u>	<u>200,000</u>	<u>189,461</u>	<u>(10,539)</u>
TOTAL REVENUES	<u>5,843,400</u>	<u>5,843,400</u>	<u>5,831,021</u>	<u>(12,379)</u>
EXPENDITURES				
Emergency medical services	8,134,700	8,134,700	7,065,552	(1,069,148)
Capital outlay	325,000	325,000	78,382	(246,618)
Debt service	<u>151,000</u>	<u>151,000</u>	<u>82,878</u>	<u>(68,122)</u>
TOTAL EXPENDITURES	<u>8,610,700</u>	<u>8,610,700</u>	<u>7,226,812</u>	<u>(1,383,888)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	325,000	325,000	-	(325,000)
Proceeds from sale of capital assets	-	-	7,233	7,233
Transfer from other funds	-	-	-	-
Transfer to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>325,000</u>	<u>325,000</u>	<u>7,233</u>	<u>(317,767)</u>
NET CHANGE IN FUND BALANCE	(2,442,300)	(2,442,300)	(1,388,558)	1,053,742
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	<u>2,442,300</u>	<u>2,442,300</u>	<u>(3,491,457)</u>	<u>(5,933,757)</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,880,015)</u>	<u>\$ (4,880,015)</u>

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
WATERPARK FUND
for the year ended June 30, 2025

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for services	\$ 2,040,000	\$ 2,040,000	\$ 1,946,246	\$ (93,754)
Interest income	500	500	5,693	5,193
Other revenues	<u>35,000</u>	<u>35,000</u>	<u>23,920</u>	<u>(11,080)</u>
TOTAL REVENUES	<u>2,075,500</u>	<u>2,075,500</u>	<u>1,975,859</u>	<u>(99,641)</u>
EXPENDITURES				
Waterpark	2,446,300	2,446,300	2,007,049	(439,251)
Capital outlay	-	1,100,350	731,055	(369,295)
Bond issuance costs	57,700	57,700	57,687	(13)
Debt service	<u>172,700</u>	<u>230,400</u>	<u>233,965</u>	<u>3,565</u>
TOTAL EXPENDITURES	<u>2,676,700</u>	<u>3,834,750</u>	<u>3,029,756</u>	<u>(804,994)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	40,000	1,186,175	1,215,995	29,820
Proceeds from bond premium	-	11,875	11,875	-
Proceeds from sale of capital assets	-	-	1,575	1,575
Transfer from other funds	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>390,000</u>	<u>1,548,050</u>	<u>1,579,445</u>	<u>31,395</u>
NET CHANGE IN FUND BALANCE	(211,200)	(211,200)	525,548	736,748
FUND BALANCE, BEGINNING OF YEAR	<u>211,200</u>	<u>211,200</u>	<u>(3,588,318)</u>	<u>(3,799,518)</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,062,770)</u>	<u>\$ (3,062,770)</u>

CITY OF SOMERSET, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
FUEL CENTER FUND
for the year ended June 30, 2025

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for services	\$ 1,229,000	\$ 1,229,000	\$ 1,079,613	\$ (149,387)
Interest income	<u>200</u>	<u>200</u>	<u>149</u>	<u>(51)</u>
TOTAL REVENUES	<u>1,229,200</u>	<u>1,229,200</u>	<u>1,079,762</u>	<u>(149,438)</u>
EXPENDITURES				
Fuel center	1,229,200	1,229,200	1,169,008	(60,192)
Debt service	<u>-</u>	<u>-</u>	<u>1,673</u>	<u>1,673</u>
TOTAL EXPENDITURES	<u>1,229,200</u>	<u>1,229,200</u>	<u>1,170,681</u>	<u>(58,519)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	-	-	-	-
Transfer from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	(90,919)	(90,919)
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>(287,651)</u>	<u>(287,651)</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (378,570)</u>	<u>\$ (378,570)</u>

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

Reporting Fiscal Year (Measurement Date)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)	2025 (2024)
City's proportion of the net pension liability	0.266%	0.247%	0.253%	0.251%	0.243%	0.234%	0.247%	0.240%	0.238%	0.231%
City's proportionate share of the net pension liability (asset)	\$11,416,098	\$12,144,563	\$14,800,439	\$15,215,713	\$17,086,150	\$17,968,238	\$15,733,332	\$17,383,682	\$15,294,454	\$13,822,434
City's covered employee payroll	\$6,313,654	\$5,859,201	\$6,150,570	\$6,245,488	\$6,294,251	\$6,186,406	\$6,506,027	\$6,867,462	\$7,115,737	\$7,470,468
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	180.82%	207.27%	240.64%	243.63%	271.46%	290.45%	241.83%	253.13%	214.94%	185.03%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%	61.61%

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

Reporting Fiscal Year (Measurement Date)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)	2025 (2024)
City's proportion of the net pension liability	0.922%	0.882%	0.908%	0.904%	0.905%	1.013%	1.040%	1.001%	1.048%	1.010%
City's proportionate share of the net pension liability (asset)	\$ 14,149,168	\$ 15,135,833	\$ 20,325,117	\$ 21,852,161	\$ 24,996,287	\$ 30,552,097	\$ 27,616,202	\$ 30,552,685	\$ 28,261,003	\$ 25,985,358
City's covered employee payroll	\$ 4,822,081	\$ 4,556,589	\$ 4,912,100	\$ 5,022,840	\$ 5,128,499	\$ 5,926,948	\$ 6,212,394	\$ 6,518,645	\$ 7,410,878	\$ 7,586,835
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	293.42%	332.17%	413.78%	435.06%	487.40%	515.48%	444.53%	468.70%	381.34%	342.51%
Plan fiduciary net position as a percentage of the total pension liability	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%	52.96%	57.05%

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required employer contribution	\$ 727,713	\$ 863,880	\$ 904,347	\$ 1,020,927	\$ 1,193,976	\$ 1,255,663	\$ 1,564,408	\$ 1,665,083	\$ 1,743,607	\$ 1,550,508
Contributions relative to contractually required employer contribution	<u>727,713</u>	<u>863,880</u>	<u>904,347</u>	<u>1,020,927</u>	<u>1,193,976</u>	<u>1,255,663</u>	<u>1,564,408</u>	<u>1,665,083</u>	<u>1,743,607</u>	<u>1,550,508</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 5,859,201	\$ 6,150,570	\$ 6,245,488	\$ 6,294,251	\$ 6,186,406	\$ 6,506,027	\$ 6,867,462	\$ 7,115,737	\$ 7,470,468	\$ 7,866,606
Employer contributions as a percentage of covered-employee payroll	12.42%	14.05%	14.48%	16.22%	19.30%	19.30%	22.78%	23.40%	23.34%	19.71%

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required employer contribution	\$ 924,463	\$ 1,066,417	\$ 1,115,070	\$ 1,275,458	\$ 1,781,641	\$ 1,867,445	\$ 2,320,637	\$ 3,172,597	\$ 3,118,948	\$ 3,088,472
Contributions relative to contractually required employer contribution	<u>924,463</u>	<u>1,066,417</u>	<u>1,115,070</u>	<u>1,275,458</u>	<u>1,781,641</u>	<u>1,867,445</u>	<u>2,320,637</u>	<u>3,172,597</u>	<u>3,118,948</u>	<u>3,088,472</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$4,556,589	\$ 4,912,100	\$ 5,022,840	\$ 5,128,499	\$ 5,926,948	\$ 6,212,394	\$ 6,518,645	\$ 7,410,878	\$ 7,586,835	\$ 8,463,885
Employer contributions as a percentage of covered-employee payroll	20.29%	21.71%	22.20%	24.87%	30.06%	30.06%	35.60%	42.81%	41.11%	36.49%

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

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)	2025 (2024)
City's proportion of the net OPEB liability (asset)	0.247%	0.253%	0.251%	0.243%	0.234%	0.247%	0.240%	0.238%	0.231%
City's proportionate share of the net OPEB liability (asset)	\$ 3,987,166	\$ 5,083,271	\$ 4,435,842	\$ 4,085,519	\$ 5,656,811	\$ 4,723,120	\$ 4,744,939	\$ (329,085)	\$ (400,200)
City's covered employee payroll	\$ 5,859,201	\$ 6,150,570	\$ 6,245,488	\$ 6,294,251	\$ 6,186,406	\$ 6,506,027	\$ 6,867,462	\$ 7,115,737	\$ 7,470,468
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	68.05%	82.65%	71.02%	64.91%	91.44%	72.60%	69.09%	-4.62%	-5.36%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%	104.89%

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

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

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)	2025 (2024)
City's proportion of the net OPEB liability	0.882%	0.908%	0.904%	0.905%	1.013%	1.037%	1.001%	1.048%	1.010%
City's proportionate share of the net OPEB liability (asset)	\$ 4,487,562	\$ 7,510,105	\$ 6,442,359	\$ 6,694,644	\$ 9,361,254	\$ 8,387,647	\$ 8,524,323	\$ 1,433,353	\$ 1,225,671
City's covered employee payroll	\$ 4,556,589	\$ 4,912,100	\$ 5,022,840	\$ 5,128,499	\$ 5,926,948	\$ 6,212,394	\$ 6,518,645	\$ 7,410,878	\$ 7,586,835
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	98.49%	152.89%	128.26%	130.54%	157.94%	135.01%	130.77%	19.34%	16.16%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	58.84%	66.81%	64.13%	92.27%	93.53%

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

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required employer contribution	\$ 271,867	\$ 292,914	\$ 293,538	\$ 331,078	\$ 294,473	\$ 309,687	\$ 286,373	\$ 241,223	\$ -	\$ -
Contributions relative to contractually required employer contribution	<u>271,867</u>	<u>292,914</u>	<u>293,538</u>	<u>331,078</u>	<u>294,473</u>	<u>309,687</u>	<u>286,373</u>	<u>241,223</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 5,859,201	\$ 6,150,570	\$ 6,245,488	\$ 6,294,251	\$ 6,186,406	\$ 6,506,027	\$ 6,867,462	\$ 7,115,737	\$ 7,470,468	\$ 7,866,606
Employer contributions as a percentage of covered-employee payroll	4.64%	4.76%	4.70%	5.26%	4.76%	4.76%	4.17%	3.39%	0.00%	0.00%

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required employer contribution	\$ 579,045	\$ 459,281	\$ 469,636	\$ 536,954	\$ 564,245	\$ 591,420	\$ 569,078	\$ 502,457	\$ 195,740	\$ 179,434
Contributions relative to contractually required employer contribution	<u>579,045</u>	<u>459,281</u>	<u>469,636</u>	<u>536,954</u>	<u>564,245</u>	<u>591,420</u>	<u>569,078</u>	<u>502,457</u>	<u>195,740</u>	<u>179,434</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 4,556,589	\$ 4,912,100	\$ 5,022,840	\$ 5,128,499	\$ 5,926,948	\$ 6,212,394	\$ 6,518,645	\$ 7,410,878	\$ 7,586,835	\$ 8,463,885
Employer contributions as a percentage of covered-employee payroll	12.71%	9.35%	9.35%	10.47%	9.52%	9.52%	8.73%	6.78%	2.58%	2.12%

CITY OF SOMERSET, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025

1. GENERAL INFORMATION

Contributions

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

Payroll

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

2. CHANGES OF ASSUMPTIONS

June 30, 2024 – Pension and OPEB - Hazardous and Nonhazardous

There were no changes in assumptions in the valuation of pension. The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.80% to 7.10%. The initial healthcare trend rate for post-65 was changed from 8.50% to 8.00%.

June 30, 2023 – Pension and OPEB Hazardous and Nonhazardous

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

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

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

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

CITY OF SOMERSET, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025

2. CHANGES OF ASSUMPTIONS (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous

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

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

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

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

CITY OF SOMERSET, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2017 – Pension – Hazardous and Nonhazardous

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

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

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

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

June 30, 2015 – Pension – Hazardous and Nonhazardous

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

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

SUPPLEMENTARY INFORMATION

**CITY OF SOMERSET, KENTUCKY
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2025**

	Municipal Aid Projects Fund	Coal & Mineral Severance Fund	Travel & Tourism Fund	Horsesoldier TIF Fund	Total
ASSETS					
Cash and cash equivalents	\$ 212,724	\$ 36,037	\$ 53,208	\$ -	\$ 301,969
Receivables, net	16,969	11,386	24,303	9,425	62,083
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,068</u>	<u>7,068</u>
Total assets	<u>\$ 229,693</u>	<u>\$ 47,423</u>	<u>\$ 77,511</u>	<u>\$ 16,493</u>	<u>\$ 371,120</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 6,677	\$ -	\$ 6,677
Due to other funds	-	-	7,457	-	7,457
Other current liabilities	<u>-</u>	<u>-</u>	<u>16,902</u>	<u>-</u>	<u>16,902</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>31,036</u>	<u>-</u>	<u>31,036</u>
Fund balance	<u>229,693</u>	<u>47,423</u>	<u>46,475</u>	<u>16,493</u>	<u>340,084</u>
Total liabilities and fund balance	<u>\$ 229,693</u>	<u>\$ 47,423</u>	<u>\$ 77,511</u>	<u>\$ 16,493</u>	<u>\$ 371,120</u>

CITY OF SOMERSET, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2025

	Municipal Aid Projects Fund	Coal & Mineral Severance Fund	Travel & Tourism Fund	Horsesoldier TIF Fund	Total
REVENUES					
Taxes	\$ -	\$ -	\$ 199,366	\$ -	\$ 199,366
Intergovernmental revenues	268,487	43,631	-	16,493	328,611
Interest income	727	159	-	-	886
Other revenues	-	-	31,650	-	31,650
	<u>-</u>	<u>-</u>	<u>31,650</u>	<u>-</u>	<u>31,650</u>
Total revenues	<u>269,214</u>	<u>43,790</u>	<u>231,016</u>	<u>16,493</u>	<u>560,513</u>
EXPENDITURES					
Current					
Streets	53,859	-	-	-	53,859
Travel and tourism	-	-	387,037	-	387,037
Capital outlay	61,475	-	-	-	61,475
Debt service	-	-	5,575	-	5,575
	<u>-</u>	<u>-</u>	<u>5,575</u>	<u>-</u>	<u>5,575</u>
Total expenditures	<u>115,334</u>	<u>-</u>	<u>392,612</u>	<u>-</u>	<u>507,946</u>
Excess revenues over (under) expenditures before other sources (uses)	<u>153,880</u>	<u>43,790</u>	<u>(161,596)</u>	<u>16,493</u>	<u>52,567</u>
Other financing sources (uses)					
Proceeds from issuance of debt	-	-	-	-	-
Transfers from (to) other funds	-	(100,000)	-	-	(100,000)
	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Excess revenues and other sources over (under) expenditures	<u>153,880</u>	<u>(56,210)</u>	<u>(161,596)</u>	<u>16,493</u>	<u>(47,433)</u>
Fund balance, beginning of year	<u>75,813</u>	<u>103,633</u>	<u>208,071</u>	<u>-</u>	<u>387,517</u>
FUND BALANCE - END OF YEAR	<u>\$ 229,693</u>	<u>\$ 47,423</u>	<u>\$ 46,475</u>	<u>\$ 16,493</u>	<u>\$ 340,084</u>

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
GAS DEPARTMENT
for the year ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES			
Sales to customers	\$ 9,000,000	\$ 9,974,888	\$ 974,888
Transportation/surcharges	760,000	708,737	(51,263)
Other operating revenues	<u>323,000</u>	<u>396,724</u>	<u>73,724</u>
TOTAL OPERATING REVENUES	<u>10,083,000</u>	<u>11,080,349</u>	<u>997,349</u>
OPERATING EXPENSES			
Gas purchases, net of refunds	5,201,000	4,555,474	(645,526)
Maintenance	1,004,500	615,675	(388,825)
Personnel services	2,101,750	1,654,339	(447,411)
Supplies	96,000	86,235	(9,765)
Utilities	58,000	56,582	(1,418)
Insurance	60,000	58,673	(1,327)
Engineering	78,000	60,019	(17,981)
Severance tax	25,000	13,684	(11,316)
Contract compression	200,000	61,193	(138,807)
Management fees	420,000	420,000	-
Other	255,300	122,487	(132,813)
Depreciation and amortization	<u>705,000</u>	<u>692,114</u>	<u>(12,886)</u>
TOTAL OPERATING EXPENSES	<u>10,204,550</u>	<u>8,396,475</u>	<u>(1,808,075)</u>
OPERATING INCOME	<u>(121,550)</u>	<u>2,683,874</u>	<u>2,805,424</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income (loss)	5,000	6,561	1,561
Interest expense	(45,539)	(28,270)	17,269
Gain (loss) on disposal of capital assets	<u>-</u>	<u>1,525</u>	<u>1,525</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(40,539)</u>	<u>(20,184)</u>	<u>20,355</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(162,089)</u>	<u>2,663,690</u>	<u>2,825,779</u>
TRANSFERS			
Transfers out	<u>(2,900,000)</u>	<u>(2,900,000)</u>	<u>-</u>
TOTAL TRANSFERS	<u>(2,900,000)</u>	<u>(2,900,000)</u>	<u>-</u>
INCREASE (DECREASE) IN NET POSITION (Note 1)	<u>\$ (3,062,089)</u>	<u>\$ (236,310)</u>	<u>\$ 2,825,779</u>

Note 1: The City's budget includes a cash balance forward from the prior year which totals \$3,062,350. The cash balance forward amount is not included in this schedule. Consequently, this schedule shows a budgeted decrease in net position of \$3,062,089.

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
WATER DEPARTMENT
for the year ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES			
Sales to customers	\$ 8,495,000	\$ 9,087,911	\$ 592,911
Transportation/surcharges	165,000	257,912	92,912
Other operating revenues	<u>52,250</u>	<u>72,878</u>	<u>20,628</u>
TOTAL OPERATING REVENUES	<u>8,712,250</u>	<u>9,418,701</u>	<u>706,451</u>
OPERATING EXPENSES			
Maintenance	1,193,000	1,663,463	470,463
Personnel services	2,530,850	1,807,225	(723,625)
Supplies	847,400	755,695	(91,705)
Utilities	1,025,000	988,387	(36,613)
Insurance	135,000	122,322	(12,678)
Engineering	56,000	18,471	(37,529)
Management fees	420,000	420,000	-
Other	160,000	84,787	(75,213)
Depreciation and amortization	<u>2,029,100</u>	<u>1,869,547</u>	<u>(159,553)</u>
TOTAL OPERATING EXPENSES	<u>8,396,350</u>	<u>7,729,897</u>	<u>(666,453)</u>
OPERATING INCOME (LOSS)	<u>315,900</u>	<u>1,688,804</u>	<u>1,372,904</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	15,000	40,243	25,243
Interest expense	(1,109,650)	(474,901)	634,749
Gain (loss) on disposal of capital assets	-	2,887	2,887
Bond issuance cost	<u>(215,100)</u>	<u>(215,014)</u>	<u>86</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(1,309,750)</u>	<u>(646,785)</u>	<u>662,965</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS	<u>(993,850)</u>	<u>1,042,019</u>	<u>2,035,869</u>
Capital contributed - Grants	711,500	13,241	(698,259)
Transfers in	-	-	-
Transfers out	<u>(2,000,000)</u>	<u>(2,500,000)</u>	<u>(500,000)</u>
INCREASE (DECREASE) IN NET POSITION (Note 1)	<u>\$ (2,282,350)</u>	<u>\$ (1,444,740)</u>	<u>\$ 837,610</u>

Note 1: The City's budget includes a cash balance forward from the prior year which totals \$4,161,635. The cash balance forward amount is not included in this schedule. Consequently, this schedule shows a budgeted decrease in net position of \$2,282,350.

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
WASTEWATER DEPARTMENT
for the year ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES			
Sales to customers	\$ 3,870,000	\$ 4,029,142	\$ 159,142
Transportation/surcharges	30,000	36,216	6,216
Other operating revenues	129,000	150,725	21,725
TOTAL OPERATING REVENUES	<u>4,029,000</u>	<u>4,216,083</u>	<u>187,083</u>
OPERATING EXPENSES			
Maintenance	895,000	695,911	(199,089)
Personnel services	1,259,350	912,962	(346,388)
Supplies	21,000	13,177	(7,823)
Utilities	520,000	498,699	(21,301)
Insurance	63,000	61,379	(1,621)
Engineering	30,000	71,971	41,971
Treatment	195,000	170,387	(24,613)
Other	117,000	121,182	4,182
Depreciation and amortization	1,425,000	1,141,428	(283,572)
TOTAL OPERATING EXPENSES	<u>4,525,350</u>	<u>3,687,096</u>	<u>(838,254)</u>
OPERATING INCOME (LOSS)	<u>(496,350)</u>	<u>528,987</u>	<u>1,025,337</u>
NONOPERATING REVENUES (EXPENSES)			
Gain (loss) on disposal of capital assets	-	6,050	6,050
Interest income	3,500	39,995	36,495
Interest expense	(167,368)	(130,537)	36,831
Bond issuance cost	(110,150)	(110,129)	21
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(274,018)</u>	<u>(194,621)</u>	<u>79,397</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS	<u>(770,368)</u>	<u>334,366</u>	<u>1,104,734</u>
TRANSFERS AND CAPITAL GRANTS			
Capital contributed - Grants	3,000,000	1,056,381	(1,943,619)
Transfers in	-	-	-
Transfers out	(899,500)	(899,424)	76
TOTAL TRANSFERS AND CAPITAL GRANTS	<u>2,100,500</u>	<u>156,957</u>	<u>(1,943,543)</u>
INCREASE (DECREASE) IN NET POSITION (Note 1)	<u>\$ 1,330,132</u>	<u>\$ 491,323</u>	<u>\$ (838,809)</u>

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

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
SANITATION DEPARTMENT
for the year ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES			
Sales to customers	\$ 5,030,000	\$ 5,088,763	\$ 58,763
Other operating revenues	<u>30,000</u>	<u>28,798</u>	<u>(1,202)</u>
TOTAL OPERATING REVENUES	<u>5,060,000</u>	<u>5,117,561</u>	<u>57,561</u>
OPERATING EXPENSES			
Maintenance	425,000	267,048	(157,952)
Personnel services	1,771,450	1,583,693	(187,757)
Supplies	510,500	274,545	(235,955)
Utilities	30,500	22,031	(8,469)
Insurance	110,000	105,813	(4,187)
Landfill	1,600,000	1,474,030	(125,970)
Management fees	420,000	420,000	-
Other	153,400	74,413	(78,987)
Depreciation	<u>405,000</u>	<u>446,352</u>	<u>41,352</u>
TOTAL OPERATING EXPENSES	<u>5,425,850</u>	<u>4,667,925</u>	<u>(757,925)</u>
OPERATING INCOME (LOSS)	<u>(365,850)</u>	<u>449,636</u>	<u>815,486</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	1,500	1,508	8
Interest expense	(130,551)	(108,397)	22,154
Gain (loss) on asset disposal	<u>1,300,000</u>	<u>(102,783)</u>	<u>(1,402,783)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,170,949</u>	<u>(209,672)</u>	<u>(1,380,621)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>805,099</u>	<u>239,964</u>	<u>(565,135)</u>
TRANSFERS			
Transfers in	-	-	-
Transfers out	<u>(450,000)</u>	<u>(350,000)</u>	<u>100,000</u>
TOTAL TRANSFERS	<u>(450,000)</u>	<u>(350,000)</u>	<u>100,000</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 355,099</u>	<u>\$ (110,036)</u>	<u>\$ (465,135)</u>

CITY OF SOMERSET, KENTUCKY
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
VIRGINIA THEATER
for the year ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES			
Sales to customers	\$ 863,500	\$ 230,363	\$ (633,137)
Other operating revenues	<u>116,700</u>	<u>114</u>	<u>(116,586)</u>
TOTAL OPERATING REVENUES	<u>980,200</u>	<u>230,477</u>	<u>(749,723)</u>
OPERATING EXPENSES			
Salaries	107,500	99,338	(8,162)
Other operating expenses	550,300	321,284	(229,016)
Depreciation	<u>151,000</u>	<u>150,298</u>	<u>(702)</u>
TOTAL OPERATING EXPENSES	<u>808,800</u>	<u>570,920</u>	<u>(237,880)</u>
OPERATING INCOME (LOSS)	<u>171,400</u>	<u>(340,443)</u>	<u>(511,843)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	100	19	(81)
Interest expense	(59,676)	(59,120)	556
Gain (loss) on asset disposal	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(59,576)</u>	<u>(59,101)</u>	<u>475</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>111,824</u>	<u>(399,544)</u>	<u>(511,368)</u>
TRANSFERS			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL TRANSFERS	<u>-</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET POSITION (NOTE 1)	<u>\$ 111,824</u>	<u>\$ (399,544)</u>	<u>\$ (511,368)</u>

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



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

To the Mayor and City Council
City of Somerset, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Somerset, Kentucky, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Somerset, Kentucky's basic financial statements, and have issued our report thereon dated November 26, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

RFH

RFH, PLLC
Lexington, Kentucky
November 26, 2025



Members American Institute of Certified Public Accountants
and Kentucky Society of Certified Public Accountants

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

To the Mayor and City Council
City of Somerset, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Somerset, Kentucky's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Somerset, Kentucky's major federal programs for the year ended June 30, 2025. The City of Somerset, Kentucky's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Somerset, Kentucky complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

RFH

RFH, PLLC
Lexington, Kentucky
November 26, 2025

CITY OF SOMERSET, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2025

GRANTOR/PROGRAM TITLE	Federal AL Number	Pass/Through Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
U.S. Environmental Protection Agency					
Passed through the Kentucky Division of Water Performance Partnership Grants	66.605	2100000918	6/15/2021-9/30/2024	\$ -	\$ 13,241
Total U.S. Environmental Protection Agency				-	13,241
U.S. Department of Housing and Urban Development					
Passed through the Kentucky Department for Local Government Community Development Block Grant/State's Program	14.228	22-023	3/17/2023-12/30/2025	-	199,000
Total U.S. Department of Housing and Urban Development				-	199,000
U.S. Department of Commerce					
Economic Adjustment Assistance	11.307	N/A	9/1/2021-8/26/2026	-	1,056,381
Total Department of Commerce				-	1,056,381
U.S. Department of Transportation					
Passed through the Kentucky Transportation Cabinet					
Highway Planning and Construction	20.205	4000-110	7/1/2021-6/30/2025	-	5,152
National Priority Safety Program	20.616	Note 3	7/1/2024-6/30/2025	-	38,019
Total U.S. Department of Transportation				-	43,171
U.S. Department of the Treasury					
Passed through Pulaski County, KY					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	7/1/2022-12/31/2024	-	163,062
Total U.S. Department of the Treasury				-	163,062
Total federal awards expended				\$ -	\$ 1,474,855

Note 1 - Basis of Presentation

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

Note 2 - Indirect Cost Rates

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

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

CITY OF SOMERSET, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2025

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified ☐ Yes ☒ No

Significant deficiencies identified that are not
considered to be material weaknesses ☐ Yes ☒ None reported

Non-compliance material to financial statements noted ☐ Yes ☒ No

Federal Awards:

Internal control over major programs:

Material weaknesses 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 for all major programs.

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

☐ Yes ☒ No

Major Program:

AL Numbers

Name of Federal Program or Cluster

11.307

Economic Adjustment Assistance

Dollar threshold used to distinguish between type A
and type B programs:

\$ 750,000

Auditee qualified as a low-risk auditee?

☒ Yes ☐ No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

NONE