

THIS PRELIMINARY OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO CHANGE, COMPLETION, OR AMENDMENT WITHOUT NOTICE. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED BEFORE THE TIME THE OFFICIAL STATEMENT IS DELIVERED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY OFFICIAL STATEMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION, OR SALE WOULD BE UNLAWFUL BEFORE REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 25, 2025

**Book-Entry-Only
New Issue – Bank Qualified**

**Rating: Moody’s “A1”
See “RATING” herein**

In the opinion of Bond Counsel, based upon an analysis of laws, regulations, rulings, and court decisions, and assuming continuing compliance with certain covenants made by the City, and subject to the conditions and limitations set forth herein under the caption “TAX TREATMENT,” (i) interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, (ii) interest on the Bonds is exempt from Kentucky income tax, and (iii) the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.



\$7,000,000*
CITY OF MOREHEAD, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2025A

Dated: Date of Initial Delivery

Due: See Inside Cover

Interest on the above-referenced General Obligation Bonds, Series 2025A (the “Bonds”) will be payable from their dated date, payable on each April 1 and October 1, commencing April 1, 2026, and will mature on the dates and in the amounts, bear interest at the rates per annum, and have the yields, prices, and CUSIP numbers as depicted on the inside cover page hereof.

The Bonds are being issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds will be issued under a book-entry system and registered in the name of The Depository Trust Company or its nominee. There will be no distribution of the Bonds to the ultimate purchasers. See “DESCRIPTION OF THE BONDS – Book-Entry-Only System” herein. The principal of the Bonds will be payable when due at the designated corporate trust office of U.S. Bank Trust Company, National Association, in Louisville, Kentucky, as Paying Agent and Bond Registrar. Interest payments will be mailed by the Paying Agent and Bond Registrar to each holder of record as of the fifteenth day of the month preceding the date for such interest payment. See “DESCRIPTION OF THE BONDS.”

The Bonds are subject to redemption before maturity as described herein.

The City deems this Preliminary Official Statement to be final for purposes of Rule 15c2-12 of the Securities and Exchange Commission, except for certain information on the cover page and inside cover hereof and certain pages herein that has been omitted in accordance with Rule 15c2-12 and will be provided with the final Official Statement.

The Bonds are offered when, as, and if issued, subject to the approval of legality and tax treatment by Dinsmore & Shohl LLP, Louisville, Kentucky, as Bond Counsel. Certain legal matters have been passed upon for the City by Megan Hughes Richmond, City Attorney. The Bonds are expected to be available for delivery on or about October 23, 2025.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY AND IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.



Dated October __, 2025

* Preliminary, subject to change.

\$7,000,000*
CITY OF MOREHEAD, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2025A

Dated: Date of Delivery

Due: October 1, as shown below

Year	Amount*	Interest Rate	Yield	Price	CUSIP 616599[†]
2026	\$170,000	___%	___%	___%	
2027	175,000				
2028	185,000				
2029	190,000				
2030	195,000				
2031	200,000				
2032	205,000				
2033	215,000				
2034	225,000				
2035	230,000				
2036	240,000				
2037	250,000				
2038	260,000				
2039	275,000				
2040	285,000				
2041	300,000				
2042	310,000				
2043	325,000				
2044	340,000				
2045	355,000				
2046	375,000				
2047	395,000				
2048	410,000				
2049	435,000				
2050	455,000				

* Preliminary, subject to change.

[†] CUSIP data herein is provided by the CUSIP Global Services, which is managed on behalf of the American Bankers Association by Factset Research Systems, Inc. The CUSIP numbers listed above are being provided solely for the convenience of holders only at the time of issuance of the Bonds and the City and the Underwriter do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, without limitation, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

CITY OF MOREHEAD, KENTUCKY

Mayor

Laura White-Brown

City Council

Yvonne Baldwin

Lincoln Caudill

Mike Kash

Darrell Littleton

Beth Ousley

Edna Schack

City Administrator

Rodney Fouch

City Attorney

Megan Hughes Richmond

City Clerk

Helen Smith

BOND COUNSEL

Dinsmore & Shohl LLP

Louisville, Kentucky

MUNICIPAL ADVISOR

RSA Advisors, LLC

Lexington, Kentucky

PAYING AGENT AND BOND REGISTRAR

U.S. Bank Trust Company, National Association

Louisville, Kentucky

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REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the City. No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

Upon issuance, the Bonds will not be registered by the City under any federal or state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal, or other governmental entity or agency except the City will have, at the request of the City, passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate any future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by such financial and other information, will necessarily continue or be repeated in the future. Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements have been or will be realized, and all such statements should be regarded as suggesting independent investigation or consultation of other sources before the making of investment decisions. Certain information contained in this Official Statement may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the City preliminary to the sale of the Bonds should be regarded as part of the City's contract with the successful bidder or the holders from time to time of the Bonds.

All references in this Official Statement to any provisions of Kentucky law, whether codified in the Kentucky Revised Statutes or uncodified, or to any provisions of the Kentucky Constitution or the City's ordinances, resolutions, or municipal orders are references to such provisions as they presently exist. Any of these provisions may be amended, repealed, or supplemented from time to time.

As used in this Official Statement, "debt service" means the principal of and premium, if any, and interest on the obligations referred to; "City" means the City of Morehead, Kentucky; and "Commonwealth" or "Kentucky" means the Commonwealth of Kentucky.

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and inside cover hereof and the appendices hereto, is to provide certain information with respect to the issuance of \$7,000,000* aggregate principal amount of City of Morehead, Kentucky General Obligation Bonds, Series 2025A (the “Bonds”), as specified on the cover page and inside cover hereof.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and inside cover hereof and the appendices hereto, and in the documents summarized and described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The Issuer

The Bonds are being issued by the City of Morehead, Kentucky (the “City”), a municipal corporation and a political subdivision of the Commonwealth of Kentucky. The City is located in Rowan County in Northeastern Kentucky.

Authority for Issuance

The authority for the issuance of the Bonds is provided by (i) Sections 66.011 through 66.191, inclusive, of the Kentucky Revised Statutes, and (ii) an ordinance adopted by the City Council of the City on December 9, 2024 (the “Ordinance”).

Security and Source of Payment for the Bonds

The Bonds are a general obligation of the City. The basic security for the Bonds is the City’s ability to levy, and its pledge to levy, an annual tax to pay the principal of and interest on the Bonds as and when the same become due and payable. (See “DESCRIPTION OF THE BONDS – Security and Source of Payment for the Bonds” herein).

Purpose of the Bonds

The Bonds are being issued for the purposes of (i) financing all or a portion of the costs of the acquisition, construction, installation, and equipping of a new fire station and related facilities and equipment for the Morehead Fire Department for the well-being and benefit of the citizens of the City, (ii) paying the costs of credit enhancement for the Bonds, if any, and (iii) paying all or a portion of the costs of issuance of the Bonds.

Description of the Bonds

The Bonds mature as set forth on the inside cover page hereof. The Bonds are being offered in denominations of \$5,000, or any integral multiple thereof. The Bonds are initially being issued in book-entry only form, registered in the name of The Depository Trust Company, New York, New York (“DTC”), as securities depository for the Bonds, or its nominee. There will be no distribution of the Bonds to the ultimate purchasers thereof. (See “DESCRIPTION OF THE BONDS – Book-Entry-Only System” herein).

Redemption

The Bonds maturing on and after October 1, 2034 shall be subject to optional redemption before maturity on October 1, 2033 or any date thereafter. (See “DESCRIPTION OF THE BONDS – Redemption Provisions – Optional Redemption” herein).

[The Bonds maturing on October 1, 20__ shall be subject to mandatory sinking fund redemption commencing October 1, 20__. (See “DESCRIPTION OF THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption” herein).]

* Preliminary, subject to change.

If any of the Bonds are called for redemption, notice of such redemption shall be given by mailing a copy of the redemption notice to the registered owner of each Bond to be redeemed at least thirty days before the date fixed for such redemption. (See “DESCRIPTION OF THE BONDS – Redemption Provisions – Notice of Redemption” herein).

Book-Entry

The Bonds are issuable only as fully registered Bonds, without coupons. The Bonds, when issued, shall be registered in the name of Cede & Co., as the nominee of DTC. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal, premium, if any, and interest due on the Bonds shall be made directly to DTC by U.S. Bank Trust Company, National Association, Louisville, Kentucky, as Paying Agent and Bond Registrar (the “Paying Agent and Bond Registrar”). (See “DESCRIPTION OF THE BONDS – Book-Entry-Only System” and “APPENDIX G – Book-Entry-Only System” hereto.)

Payment of the Bonds

The principal of and interest on the Bonds are payable in lawful money of the United States of America. The principal of the Bonds shall be paid upon their surrender by the registered owners thereof at the designated corporate trust office of the Paying Agent and Bond Registrar in Louisville, Kentucky, and interest on the Bonds shall be mailed by the Paying Agent and Bond Registrar to the registered owners of the Bonds, as of the applicable record date set forth below, at their addresses appearing on the registration books maintained by the Paying Agent and Bond Registrar. Alternatively, the principal of and interest on the Bonds may be paid by any other transfer of funds acceptable to the Paying Agent and Bond Registrar and the registered owners of the Bonds. The record date for each April 1 and October 1 interest payment date for the Bonds shall be the preceding March 15 and September 15, respectively.

Interest

The Bonds shall be dated their date of initial issuance and delivery and shall bear interest at the rates set forth on the inside cover page hereof, payable semiannually on April 1 and October 1 of each year, commencing April 1, 2026.

Tax Treatment

In accordance with the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest, including any original issue discount, on the Bonds is excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Further, interest on the Bonds will not be treated as a specific item of tax preference in computing the federal alternative minimum tax imposed on individuals. In addition, interest on the Bonds is also exempt from Kentucky income taxation and the Bonds also are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. In rendering the opinions contained in this paragraph, Dinsmore & Shohl LLP, Bond Counsel for the Bonds, has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion as to the federal or state tax consequences of purchasing, holding, or disposing of the Bonds.

The City has designated the Bonds as “qualified tax-exempt obligations” with respect to certain financial institutions under Section 265 of the Code. (See “TAX TREATMENT” herein).

See “APPENDIX E – Form of Approving Legal Opinion of Bond Counsel” hereto for the form of the opinion Bond Counsel proposes to deliver in connection with the Bonds.

Parties to the Issuance of the Bonds

The Paying Agent and Bond Registrar for the Bonds will be U.S. Bank Trust Company, National Association, Louisville, Kentucky. Legal matters incident to the issuance of the Bonds and with respect to the treatment of the interest thereon for purposes of federal and Kentucky income taxation are subject to the approving legal opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, as Bond Counsel for the Bonds. The Municipal Advisor to the City is RSA Advisors, LLC, Lexington, Kentucky.

Offering and Delivery of the Bonds

The Bonds are offered when, as, and if issued by the City, and will be delivered on or about October 23, 2025, in New York, New York through the Depository Trust Company (DTC).

Disclosure Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and the continuing disclosure documents of the City are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Bonds, including the Ordinance and the bond forms, are available from the City.

The City deems this Preliminary Official Statement to be final for purposes of Rule 15c2-12 of the Securities and Exchange Commission, except for certain information on the cover page and inside cover hereof and certain pages herein that has been omitted in accordance with Rule 15c2-12 and will be provided with the final Official Statement.

Additional Information

Additional information concerning this Official Statement and copies of the basic documentation relating to the Bonds is available from RSA Advisors, LLC, 147 East Third Street, Lexington, Kentucky 40508, Telephone: (800) 255-0795, Attention: Joe Lakofka.

DESCRIPTION OF THE BONDS

The Bonds are dated their date of initial issuance and delivery and bear interest from such date at the rates set forth on the inside cover page hereof. The Bonds are being issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Interest on the Bonds is payable semiannually on April 1 and October 1 of each year, commencing on April 1, 2026. Interest on the Bonds shall be paid by check or draft mailed to the registered owners thereof, as of the applicable record date set forth below, by U.S. Bank Trust Company, National Association, the Paying Agent and Bond Registrar. Principal is payable when due to the registered owners of the Bonds, upon the surrender thereof at the corporate trust office of the Paying Agent and Bond Registrar in Louisville, Kentucky. Alternatively, the principal of and interest on the Bonds may be paid by any other transfer of funds acceptable to the Paying Agent and Bond Registrar and the registered owners thereof. The record date for each April 1 and October 1 interest payment date for the Bonds shall be the preceding March 15 and September 15, respectively.

Redemption Provisions

Optional Redemption

The Bonds maturing on and after October 1, 2034 shall be subject to optional redemption before maturity on and after October 1, 2033, in whole or in part, in such order of maturity as shall be designated in writing by the City and by lot within a maturity, at the election of the City upon thirty-five days' written notice to the Paying Agent and Bond Registrar, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

[Mandatory Sinking Fund Redemption]

The Bonds maturing on the dates set forth below shall be subject to mandatory sinking fund redemption before maturity at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, plus accrued interest to the redemption date, on the dates, in the years, and in the principal amounts as follows:

Maturing October 1, 20__	
Date	Amount
October 1, 20__	
October 1, 20__*	
<hr/>	
* Final Maturity	

Notice of Redemption

If less than all Bonds which, by their terms, are payable on the same date are to be called for redemption, then the particular Bonds or portions thereof payable on such date and to be redeemed shall be selected by lot, by the Paying Agent and Bond Registrar, in such manner as the Paying Agent and Bond Registrar, in its discretion, may determine; provided, however, that (i) the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or any integral multiple thereof, and (ii) in selecting Bonds for redemption, the Paying Agent and Bond Registrar shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

At least thirty days before the redemption date of any Bonds, the Paying Agent and Bond Registrar shall cause a notice of redemption, signed by the Paying Agent and Bond Registrar, to be mailed, postage prepaid, to all registered owners of the Bonds to be redeemed in whole or in part, at their addresses as they appear on the registration books kept by the Paying Agent and Bond Registrar; provided, however, that the failure to mail any such notice shall not affect the validity of the proceedings for such redemption. Each redemption notice shall set forth the date fixed for redemption, the redemption price to be paid, and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive numbers or letters, if any, of the Bonds to be redeemed. In addition, if any Bond is to be redeemed in part only, such redemption notice shall also set forth the portion of the principal amount of the Bond to be redeemed and shall include a statement that on or after the redemption date, upon the surrender of such Bond for redemption, a new Bond will be issued in a principal amount equal to the unredeemed portion of the Bond so redeemed.

On the date so fixed for redemption, notice having been sent in the manner and under the conditions set forth above, and moneys for the payment of the redemption price being held in a separate account by the Paying Agent and Bond Registrar for the registered owners of the Bonds or portions thereof to be redeemed, (i) the Bonds or portions thereof so called for redemption shall become and be due and payable at the redemption price provided for the redemption of such Bonds or portions thereof on such date; (ii) interest on the Bonds or portions thereof so called for redemption shall cease to accrue; and (iii) the registered owners of the Bonds or portions thereof to be redeemed shall have no rights in respect thereof, except the right to receive payment of the redemption price thereof and to receive new Bonds for any unredeemed portions of such Bonds.

If part, but not all, of any Bond shall be selected for redemption, the registered owner thereof, or their attorney or legal representative, shall present and surrender such Bond to the Paying Agent and Bond Registrar for payment of the principal amount thereof so called for redemption, and thereupon, the City shall execute, and the Paying Agent and Bond Registrar shall authenticate and deliver, to or upon the order of such registered owner or attorney or legal representative, without charge therefor, a new Bond in a principal amount equal to the unredeemed portion of the Bond so surrendered for redemption, and of the same series and maturity and bearing interest at the same rate as the Bond so redeemed.

Security and Source of Payment for the Bonds

The Bonds are a general obligation of the City, and the full faith, credit, and taxing power of the City have been irrevocably pledged to the payment of the principal of and interest on the Bonds as and when due and payable. The basic security for general obligation indebtedness of the City, including the Bonds, is the City's ability to levy, and its pledge to levy, an annual tax to pay the principal of and interest on the Bonds as and when the same become due and payable. The tax must be levied in sufficient amount to pay, as the same become due and payable, the principal of and interest on all outstanding general obligation bonds and other obligations of the City, including the Bonds. The Kentucky Constitution mandates the collection of a tax sufficient to pay the interest on an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. The Ordinance levies such annual tax, which shall be collected to the extent other lawfully available monies of the City are not provided. The Ordinance also requires the maintenance of the City's existing Sinking Fund, into which the proceeds of such tax or other monies of the City are to be deposited for the payment of the principal of and interest on the general obligation bonds and other obligations of the City, including the Bonds, and such proceeds or other monies on deposit therein shall not be used for any other purpose.

Chapter 9 of the U.S. Bankruptcy Code contains provisions regarding the adjustment of debts of a state's political subdivisions, public agencies, and instrumentalities (each, an "eligible entity"), such as the City. Under the Bankruptcy Code, and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without any prior notice to or consent of its creditors, which proceedings may result in a material and

adverse modification or alteration of the rights of the entity’s secured and unsecured creditors, including the holders of its bonds and notes.

Statutory Lien

Section 66.400 of the Kentucky Revised Statutes (the “Municipal Bankruptcy Law”) permits any political subdivision in Kentucky, such as the City, for the purpose of enabling such political subdivision to take advantage of the provisions of the Bankruptcy Code, and for that purpose only, (i) to file a petition stating (a) that the political subdivision is insolvent or unable to meet its debts as they mature and (b) desires to effect a plan for the composition or readjustment of its debts, and (ii) to take any further proceedings set forth in the Bankruptcy Code as they relate to such political subdivision. Under the Municipal Bankruptcy Law, the City does not need the approval or permission of the State Local Debt Officer or any other governmental authority before availing itself of the bankruptcy process.

The Municipal Bankruptcy Law provides that (a) a statutory lien exists on any tax revenues pledged for the benefit of general obligation debt; (b) such tax revenues are pledged for the repayment of the principal of and premium, if any, and interest on all outstanding general obligation indebtedness, regardless of whether such pledge is stated in the documents or proceedings authorizing such indebtedness; and (c) such pledge constitutes a first lien on such tax revenues. In addition, the Municipal Bankruptcy Law also creates a statutory lien on annual appropriations for the payment of any obligations that are subject to annual renewal, including, without limitation, any leases entered into under Chapter 58 and Chapter 65 of the Kentucky Revised Statutes.

The validity and priority of the statutory lien summarized above have not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

Book-Entry-Only System

The Bonds will initially be issued solely in book-entry form, to be held in the book-entry system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of the Bonds, and the beneficial owners of the Bonds will not be or be considered to be, and will not have any rights as, the owners or the holders of the Bonds under the Ordinance. For additional information about DTC and the book-entry-only system see “APPENDIX G – Book-Entry-Only System” attached hereto.

THE INFORMATION IN THIS SECTION AND IN APPENDIX G ATTACHED HERETO CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THE CITY BELIEVES TO BE RELIABLE, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

PLAN OF FINANCE

The Bonds are being issued for the purposes of (i) financing all or a portion of the costs of the acquisition, construction, installation, and equipping of a new fire station and related facilities and equipment for the Morehead Fire Department for the well-being and benefit of the citizens of the City, (ii) paying the costs of credit enhancement for the Bonds, if any, and (iii) paying all or a portion of the costs of issuance of the Bonds.

SOURCES AND USES OF FUNDS

Proceeds from the sale of the Bonds are expected to be received and applied by the City as follows:

Sources:

Bond Proceeds	\$ _____
[Plus [net] Original Issue Premium][Less [net] Original Issue Discount]	_____
Total Sources	\$ _____

Uses:

Underwriter's Discount	\$ _____
Deposit to Construction Fund	_____
Costs of Issuance	_____
Total Uses	\$ _____

INVESTMENT CONSIDERATIONS

The following is a discussion of certain investment considerations for investors to consider of risks that could affect payments to be made with respect to the Bonds. Such discussion is not exhaustive and should be read in conjunction with all other parts of this Official Statement, and should not be considered a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should carefully analyze the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement.

Limitation on Enforcement of Remedies

Enforcement of the remedies applicable to the Bonds under the Ordinance may be limited or restricted by laws relating to bankruptcy and insolvency and by the rights of creditors under the application of general principles of equity, and may be substantially delayed in the event of litigation or the required use of statutory remedy procedures. All legal opinions delivered in connection with the Bonds and relating to the enforceability of such remedies contain an exception regarding the limitations that may be imposed by bankruptcy and insolvency laws and by the rights of creditors under general principals of equity.

Risk of Bankruptcy

The obligations of the City under the Bonds and the Ordinance are general obligations of the City secured only by the pledge to the bondholders of the full faith, credit, and taxing power of the City, any monies on deposit in the City's Sinking Fund (on a parity with all other general obligation indebtedness of the City), the Bond Payment Fund established under the Ordinance, and the statutory lien provided by the Municipal Bankruptcy Law. A bondholder's enforcement of any remedies provided under the Ordinance may be limited or delayed in the event of the application of federal bankruptcy laws or other laws affecting creditors' rights and may be substantially delayed and subject to judicial discretion in the event of litigation or the required use of statutory remedial procedures. The validity and priority of the statutory lien provided under the Municipal Bankruptcy Law has not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

Under the Municipal Bankruptcy Law, the City is permitted to file a petition for relief under Title 11, Chapter 9 of the United States Code (the "Bankruptcy Code") without the prior approval of any official or department of the state government, including the Kentucky Department for Local Government State Local Debt Officer. If the City were to file such a petition, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the City and any interest in (a) any monies contained in the Sinking Fund or the Bond Payment Fund, (b) the City's general fund revenues, or (c) the taxing power of the City. However, any such petition would not stay the application of pledged special revenues, as defined by the Bankruptcy Code.

During its bankruptcy proceedings, the City could use its property, including its tax receipts and the proceeds thereof, but excluding any pledged special revenues, for the benefit of the City's bankruptcy estate, despite the claims of its creditors. Notwithstanding the foregoing, it is possible that the City could also use its pledged special revenues to pay certain operating expenses, even after filing its bankruptcy petition.

In any Chapter 9 proceeding under the Bankruptcy Code, only the City, and not any other creditor or party in interest, could file a proposed plan of adjustment. The plan of adjustment is the vehicle for satisfying, and provides for the comprehensive treatment of, all claims against the City, and could result in the modification of rights of any class of creditors, secured or unsecured, and which modification of rights could be contrary to state law. To confirm a plan of adjustment, with one exception discussed below, it must be approved by the vote of each class of impaired creditors. A class approves a plan of adjustment if, of those who vote, those holding more than one-half in number and at least two-thirds in amount vote in favor of such plan. If fewer than all impaired classes accept the plan, the plan may nevertheless be confirmed by the bankruptcy court, and all claims and interests would be bound thereby regardless of whether or how

they voted. For this “cramdown” to occur, at least one impaired class must vote to accept the plan and the bankruptcy court must determine that the plan does not “discriminate unfairly” and is “fair and equitable” with respect to the non-consenting classes. To be confirmed, the bankruptcy court must also determine that the plan, among other requirements, is proposed by the City in good faith and is in the best interest of its creditors, such that the plan represents a reasonable effort by the City to satisfy its debts and is a better alternative than dismissal of the bankruptcy case. Unlike in a Chapter 11 proceeding, in a Chapter 9 proceeding, this standard does not include use of a liquidation analysis.

Generally, the City would likely receive a discharge after (i) the plan of adjustment is confirmed, (ii) the City deposits any consideration to be distributed under the plan with a disbursing agent appointed by the bankruptcy court, and (iii) the bankruptcy court determines that the securities deposited by the City with the disbursing agent will constitute valid and legal obligations of the City and that any provision made to pay or secure the payment of such obligations is valid.

See the additional discussion regarding the statutory pledge of tax revenues provided for the Bonds under the heading “DESCRIPTION OF THE BONDS – Statutory Lien” herein. Prospective bondholders should consult their legal counsel regarding the impact of a bankruptcy filing by the City on the payment and security of the Bonds.

Suitability of Investment

An investment in the Bonds involves a certain degree of risk. The interest rates borne by the Bonds are intended to compensate investors for assuming this element of risk. Prospective investors in the Bonds should carefully examine this entire Official Statement, including all of the Appendices hereto, and assess their ability to bear the economic risk of making such an investment in the Bonds and determine whether or not the Bonds would be an appropriate investment for them.

Additional Debt

The City may, from time to time, issue additional general obligation bonds or notes. The issuance of additional general obligation bonds or notes would increase the City’s overall debt service requirements and could adversely affect the debt service coverage on the Bonds.

General Economic Conditions

Adverse general economic conditions may result in, among other adverse circumstances, a reduction in the City’s occupational license fees and general tax revenues or declines in the City’s investment portfolio values, resulting in increased funding requirements, all of which could negatively impact the results of operations and the overall financial condition of the City.

Market for the Bonds

There is presently no secondary market for the Bonds and no assurance that a secondary market will develop. Consequently, investors may not be able to resell any of the Bonds they purchase should they need or wish to do so for emergency or other purposes.

Bond Rating

There can be no assurance that the rating assigned to the Bonds at the time of their issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for the Bonds and the marketability thereof. For additional information regarding the rating on the Bonds, see the discussion under the heading “RATING” herein.

Tax Implications

Prospective purchasers of the Bonds may need to consult their own tax advisors before purchasing any Bonds regarding the impact of the Internal Revenue Code of 1986, as amended (the “Code”), upon their acquisition, holding, or disposition of the Bonds.

PROFILE OF THE CITY AND SURROUNDING AREA

Certain demographic, economic, and financial information with respect to the City and the surrounding area is set forth in “APPENDIX B – Demographic and Economic Data” hereto.

CITY GOVERNMENT

Elected and Appointed Officials

The City is governed by a City Council, comprised of a Mayor, elected to a four year term, and six councilmembers who are elected to two year terms. The members of the City Council and their terms of office are as follows:

<u>Member</u>	<u>Original Term Began</u>	<u>Current Term Ends</u>
Laura White-Brown, Mayor	January 1, 2019	December 31, 2026
Yvonne Baldwin	January 1, 2025	December 31, 2026
Lincoln Caudill	October 9, 2023	December 31, 2026
Mike Kash	January 1, 2025	December 31, 2026
Darrell Littleton	January 1, 2025	December 31, 2026
Beth Ousley	January 25, 2012	December 31, 2026
Edna O. Schack	January 1, 2023	December 31, 2026

The current appointed City officials who serve at the pleasure of City Council are:

The currently appointed City officials are:

City Administrator	Rodney Fouch
City Clerk	Helen Smith
City Attorney	Megan Hughes Richmond

Financial Matters

The City Clerk is the fiscal officer of the City and is responsible for the accounting, collection, custody and disbursement of the funds of the City. The City Clerk serves the City Council and the City Administrator as financial advisor in connection with City affairs, and performs such other duties as the City Council or City Administrator request.

The City’s fiscal year commences July 1 and ends the following June 30.

The administrative functions of the City are performed by or under the supervision of the following:

- (1) Establishment of overall financial policy, the City Council.
- (2) Planning and development, the City Administrator.
- (3) Assessment of all real property and personal property, the Rowan County Property Valuation Administrator.
- (4) Financial control functions and supervision, the City Clerk.
- (5) Inspection of the accounts and reports of the City as required by law, by independent certified public accountants.

Financial Management

The City Council is responsible for appropriating the funds used to support the various activities of the City. The City Council exercises its legislative powers by budgeting, appropriating, levying taxes, issuing bonds and notes, and letting contracts for public works and services to provide this financial management.

Financial Reports and Examinations of Accounts

Each city in Kentucky is required to keep its accounting records and render financial reports in such a way as to: (a) determine compliance with statutory provisions, (b) determine fairly and with full disclosure the financial operations of consistent funds and account groups of the city in conformity with generally accepted governmental accounting principles, and (c) readily provide all financial data as may be required by federal and state grant programs. Municipal accounting systems are required to be organized and operated on a fund basis. The City maintains its accounts and other fiscal records on an appropriation and modified accrual basis under and in accordance with the procedures established and prescribed by the Kentucky Department for Local Government.

As required by law, financial reports are prepared annually by the City and subsequently filed with the Kentucky Department for Local Government. Audits are required to be completed by the February 1 immediately following the fiscal year being audited.

The governmental accounting procedures established and prescribed by the Kentucky Department for Local Government are generally applicable to all cities in Kentucky and may be different from the generally accepted government accounting principles presented and recommended in (a) the Governmental Accounting Standards Board's publication entitled "Governmental Accounting, Auditing, and Financial Reporting," and (b) the American Institute of Certified Public Accountants' publication entitled "State and Local Governments – Audit and Accounting Guide." Those publications provide for, among other things, (1) a modified accrual basis of accounting for the general fund and all special revenue funds, capital project funds, and debt service funds, (2) a full accrual basis of accounting for all other funds, and (3) the preparation, for each fund, of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances. In addition, government-wide financial statements are also required for all governmental activities and all business-type activities.

The Audited Financial Statements of the City for the Fiscal Year ended June 30, 2024 is attached hereto as Appendix C.

Budgeting and Appropriations Procedures

Detailed provisions with respect to budgeting, tax levies, and appropriations are made in the Kentucky Revised Statutes. Under the Kentucky Revised Statutes, cities are required to operate under an annual budget ordinance and no city may expend any moneys from a governmental or proprietary fund except in accordance with such budget. A budget proposal must be submitted to the legislative body of a city no later than thirty days before the beginning of the fiscal year covered by the budget. No budget ordinance may be adopted which provides for appropriations to exceed revenues and the available fund balance in a fiscal year. The full amount estimated to be required for debt service during the budget year must be appropriated.

Investment Policies

Section 66.480 of the Kentucky Revised Statutes sets forth the requirements and limitations for investments by any of the state's political subdivisions, including the City. Under that Section, the City must adopt an investment policy and may invest its funds only in the classifications of obligations which are eligible for investment, which are as follows:

- (a) Obligations of the United States and its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of the obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, any national or state banks chartered in Kentucky;
- (b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including, but not limited to:
 - 1. United States Treasury obligations;
 - 2. Export-Import Bank of the United States notes or guaranteed participation certificates;
 - 3. Farmers Home Administration insured notes;
 - 4. Governmental National Mortgage Corporation obligations; and
 - 5. Merchant Marine bonds;

- (c) Obligations of any corporation of the United States government, including, but not limited to:
 - 1. the Federal Home Loan Mortgage Corporation;
 - 2. Federal Farm Credit Banks;
 - 3. the Bank for Cooperatives (CoBank);
 - 4. Federal Intermediate Credit Banks;
 - 5. Federal Land Banks;
 - 6. Federal Home Loan Banks;
 - 7. the Federal National Mortgage Association; and
 - 8. the Tennessee Valley Authority;
- (d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by Section 41.240(4) of the Kentucky Revised Statutes;
- (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one of the three highest categories by a competent rating agency;
- (f) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;
- (g) Commercial paper rated in the highest category by a competent rating agency;
- (h) Bonds or certificates of indebtedness of the Commonwealth and of its agencies and instrumentalities;
- (i) Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;
- (j) Shares of mutual funds, each of which shall have the following characteristics:
 - 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - 2. The management company of the investment company shall have been in operation for at least five years; and
 - 3. All of the securities in the mutual fund shall be eligible investments under this section.
- (k) Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent of the equity allocation; and
- (l) Individual high-quality corporate bonds that are managed by a professional investment manager that:
 - 1. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
 - 2. Have a standard maturity of no more than ten years; and
 - 3. Are rated in the three highest rating categories by at least two competent credit rating agencies.

The City's current investment policy is more restrictive than is permitted by Kentucky law.

The City values safety, liquidity, and return, in that order.

Debt Limitation

Section 158 of the Kentucky Constitution provides that cities shall not incur indebtedness in an amount exceeding the following maximum percentages on the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness:

- (a) Cities having a population of 15,000 or more, 10%;

- (b) Cities having a population of less than 15,000 but not less than 3,000, 5%; and
- (c) Cities having a population of less than 3,000, 3%.

Nothing shall prevent the issue of renewal bonds or bonds to fund the floating indebtedness of any city, county, or taxing district. Subject to the limits and conditions set forth in Section 158 and elsewhere in the Kentucky Constitution, the General Assembly has the power to establish additional limits on indebtedness and conditions under which debt may be incurred by cities.

Section 66.041 of the Kentucky Revised Statutes provides the same limitations as are set forth in the Kentucky Constitution except that the limitations apply to “net indebtedness.” In calculating “net indebtedness,” Section 66.031 of the Kentucky Revised Statutes provides that certain obligations of a municipality are not considered indebtedness, including any notes issued in anticipation of bonds, self-supporting obligations, revenue bonds, special assessment debt, and other infrequently-issued types of obligations. For a complete list of all debt exempt from the calculation of “net indebtedness,” see the Statement of Indebtedness attached hereto as Appendix D.

Appendix D to this Official Statement contains a Statement of Indebtedness for the City, certified by the City Clerk, calculating the amount of all outstanding obligations of the City (including the Bonds) that are subject to the 5% total direct debt limitation applicable to the City. The total principal amount of general obligation debt that could be issued by the City, subject to the 5% direct debt limit, is \$21,005,924, and the City’s net indebtedness subject to such limit presently outstanding (including the Bonds) is \$17,272,089*, leaving a balance of approximately \$3,733,835* borrowing capacity issuable within such limitation.

However, as described below, the City’s ability to incur debt in these amounts is restricted by tax limitations. In the case of general obligation debt, both the debt limitation and tax limitation must be met.

Tax Limitation

Section 157 of the Kentucky Constitution imposes an indirect debt limitation on general obligation indebtedness of cities by limiting the tax rates that cities may impose upon the assessed value of taxable property, as follows:

- (a) cities having a population of 15,000 or more, \$1.50 on each \$100.00 of assessed value;
- (b) cities having a population of less than 15,000 and not less than 10,000, \$1.00 on each \$100.00 of assessed value; and
- (c) cities having a population of less than 10,000, \$0.75 on the \$100.00 of assessed value.

Section 159 of the Kentucky Constitution requires the collection of an annual tax sufficient to pay the interest on contracted indebtedness and to retire indebtedness over a period not exceeding forty years. The two constitutional provisions operate as a limit on general obligation debt. Because the indirect debt limit results from tax limitations and the requirement to levy taxes to pay debt charges, it has application only to debts which are payable from taxes either initially or in the event other pledged non-tax revenues prove to be insufficient. It does not have any application where the type of debt being issued does not pledge the credit of the municipality or when the debt is payable solely out of the revenues of non-tax sources, such as utility income.

Appendix D to this Official Statement contains a Statement of Indebtedness, certified by the City Clerk of the City, setting forth the property tax rate currently levied by the City of \$0.452 per \$100.00 for real property and \$0.7301 per \$100.00 for personal property, and certifying that the issuance of the Bonds will not cause such tax rates of the City to increase to amounts which would exceed the maximum permissible rates.

Future Borrowings of the City

The City currently has no formal plans to issue any general obligation indebtedness to finance the costs of any designated public projects. Nevertheless, the City reserves the right to issue additional general obligation indebtedness in the future.

* Preliminary, subject to adjustment.

LEGAL MATTERS

General Information

Legal matters incident to the issuance of the Bonds and relating to the tax-exempt status thereof are subject to the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel for the Bonds. Upon their delivery to the respective successful bidders therefor, the Bonds will be accompanied by an approving legal opinion rendered by Dinsmore & Shohl LLP dated the date of delivery of the Bonds. The form of such legal opinion is attached hereto as Appendix E.

As Bond Counsel, Dinsmore & Shohl LLP has performed certain functions to assist the City in the preparation of this Official Statement. However, the firm assumes no responsibility for, and will express no opinion with respect to the accuracy or completeness of this Official Statement or any other information relating to the City or the Bonds that may be made available by the City or others to the bidders, the holders of the Bonds, or any other persons.

The engagement of the firm as Bond Counsel is limited to the preparation of certain documents contained in the transcript of proceedings for the Bonds and an examination of such transcript of proceedings incident to rendering its approving legal opinion for the Bonds. In its capacity as Bond Counsel, the firm has reviewed the information set forth in this Official Statement under the Sections entitled “INTRODUCTION – Authority for Issuance,” “DESCRIPTION OF THE BONDS – Security and Source of Payment for the Bonds,” “CITY GOVERNMENT – Debt Limitation,” “CITY GOVERNMENT – Tax Limitation,” “LEGAL MATTERS – General Information,” and “TAX TREATMENT”, which review did not include independent verification of the financial statements and statistical data included therein, if any.

Transcript and Closing Certificates

A complete transcript of proceedings for the Bonds, including a No Litigation Certificate and other appropriate closing documents, will be delivered by the City when the Bonds are delivered to the original purchaser. At the time of such delivery, the City will also provide the original purchaser with a certificate executed by the Mayor or the City Clerk of the City, addressed to such purchaser, and relating to the accuracy and completeness of this Official Statement.

Litigation

To the knowledge of the City, no litigation, administrative action, or other proceeding is pending or threatened directly affecting the Bonds, the security for the Bonds, or the improvements being financed with the proceeds of the Bonds. A No Litigation Certificate to that effect will be delivered to the purchaser at the time of the delivery of the Bonds.

TAX TREATMENT

General

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds will be excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). In addition, Bond Counsel is also of the opinion that interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals (for a discussion of the corporate alternative minimum tax, see “TAX TREATMENT – Tax Treatment of the Bonds – Corporate Alternative Minimum Tax” herein). Further, Bond Counsel is also of the opinion that interest on the Bonds will be exempt from Kentucky income taxation and that the Bonds will also be exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the approving legal opinion Bond Counsel will deliver in connection with the Bonds is set forth in “APPENDIX E – Form of Approving Legal Opinion of Bond Counsel” hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of interest on certain obligations, such as the Bonds, from gross income for federal income tax purposes. The City has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be includable in gross income for federal income tax purposes. Any failure to comply with these covenants could result in the interest on the Bonds being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or

events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bonds and any other relevant documents with respect thereto may be changed, and certain actions (including, without limitation, the defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinions as to any Bonds or the tax status of the interest thereon if any such change occurs or if any such action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel is of the opinion that interest on the Bonds will be excludible from gross income for federal income tax purposes and that interest on the Bonds will be excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal, state, or local tax liabilities of the holders of the Bonds. The nature and extent of these tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion as to any tax consequences other than what is set forth in its opinion, and each Bondholder or potential Bondholder is urged to consult with its tax counsel regarding the effects of purchasing, holding, or disposing of the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, (i) increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, (ii) increasing the federal tax liability of certain insurance companies under Section 832 of the Code, (iii) increasing the federal tax liability and affecting the status of certain S Corporations subject to Section 1362 and Section 1375 of the Code, (iv) increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code, and (v) limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, under Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

The City has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of any bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the inside cover hereof), are initially being offered and sold to the public at an Acquisition Premium (collectively, the "Premium Bonds"). For federal income tax purposes, the amount of the Acquisition Premium on each bond, the interest on which is excludable from gross income of the holder thereof for federal income tax purposes (the "tax-exempt bonds"), must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on any tax-exempt bonds may be deducted in determining a bondholder's taxable income for federal income tax purposes. The amount of Acquisition Premium paid on the Premium Bonds, or any other Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds purchased at an Acquisition Premium, including any Premium Bonds, should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Original Issue Discount

The Bonds with a yield that is higher than the interest rate (as shown on the inside cover hereof) are being offered and sold to the public at an original issue discount ("OID") from the amounts payable on such Bonds at maturity

(the “Discount Bonds”). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the “issue price” of such bond. The issue price is the initial offering price to the public (other than bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold in accordance with that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of such bond, and for Discount Bonds, the amount of such accretion will be based on a single rate of interest, compounded semiannually (the “yield to maturity”). The amount of OID that accrues during each semiannual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period such purchaser owns the Discount Bond is added to the purchaser’s tax basis for purposes of determining gain or loss at the maturity, redemption, sale, or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

In addition to the foregoing, any OID that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies, and may result in some of the collateral federal income tax consequences discussed above. Consequently, the owners of any Discount Bonds should be aware that the accrual of OID in each year may result in an alternative minimum tax liability, additional distribution requirements, or other collateral federal income tax consequences even though the owner of such Discount Bond has not received cash attributable to such OID in such year.

The holders of any Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

Corporate Alternative Minimum Tax

The Inflation Reduction Act of 2022 imposes a corporate alternative minimum tax equal to 15% of the “adjusted financial statement income” of “applicable corporations,” both as defined in Section 59(k) of the Code. Generally, an applicable corporation includes any corporation (as defined for federal income tax purposes, other than S corporations, regulated investment companies, and real estate investment trusts) with an “average annual adjusted financial statement income” of more than \$1,000,000,000 over any preceding period of three tax years (ending with a tax year ending after December 31, 2021). The corporate alternative minimum tax applies for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, the interest on tax-exempt bonds, including the interest on the Bonds, is included (i) in computing “average annual adjusted financial statement income” for the purpose of determining whether a corporation qualifies as an “applicable corporation,” and (ii) in calculating an applicable corporation’s “adjusted financial statement income” for the purpose of determining the alternative minimum tax to be imposed on such applicable corporation under Section 55 of the Code, regardless of the issue date of such tax-exempt bonds.

RATING

As noted on the cover page of this Official Statement, Moody’s Ratings (“Moody’s”) has given the Bonds its municipal bond rating of “A1”. Such rating reflects only the view of Moody’s. An explanation of the significance of this rating may only be obtained from Moody’s at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Telephone: (212) 553-0300. There is no assurance that the rating on the Bonds, when given, will continue for any given period of time or that the rating on the Bonds will not be revised downward or withdrawn entirely if, in the judgment of Moody’s, the circumstances so warrant. Any such downward revision or withdrawal of the rating on the Bonds may have an adverse effect on the marketability and/or the market price of the Bonds.

The City expects to furnish Moody’s with any information and materials it may request with respect to future general obligation bond issues by the City. However, the City assumes no obligation to furnish such requested information and materials to Moody’s, and may issue debt for which a rating is not requested. Any failure by the City to furnish any requested information and materials to Moody’s, or the issuance by the City of any debt for which a rating is not requested, may result in the suspension or withdrawal of Moody’s ratings on the City’s outstanding general obligation bonds.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12 (the “Rule”) and so long as the Bonds are outstanding, the City will agree, under a continuing disclosure undertaking to be dated as of the date of the issuance and delivery of the Bonds (the “Disclosure Undertaking”), to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board (the “MSRB”) or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB’s Electronic Municipal Market Access (“EMMA”) system, as described in 1934 Act Release No. 59062, or any other similar system acceptable to the Securities and Exchange Commission, certain annual financial information and operating data for the City, including audited financial statements of the City, generally consistent with the information set forth in “APPENDIX B – Demographic and Economic Data” and “APPENDIX C – Audited Financial Statements of the City of Morehead, Kentucky for the Fiscal Year Ended June 30, 2024” attached hereto (collectively, the “Annual Financial Information”). The Annual Financial Information will be provided on or before 210 days following the fiscal year ending on the preceding June 30, commencing with the fiscal year ending June 30, 2025; provided that the audited financial statements may not be available by such date, but will be made available immediately upon the delivery thereof by the auditors for the City; and
- (ii) to the MSRB, through EMMA, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:
 - (a) Principal and interest payment delinquencies;
 - (b) Non-payment related defaults, if material;
 - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) Substitution of credit or liquidity providers, or their failure to perform;
 - (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or any other material notices or determinations with respect to the tax status of the security, or any other material events affecting the tax-exempt status of the security;
 - (g) Modifications to rights of security holders, if material;
 - (h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
 - (i) Defeasances;
 - (j) Release, substitution, or sale of any property securing repayment of the securities, if material;
 - (k) Rating changes;
 - (l) Bankruptcy, insolvency, receivership, or similar event of the City (Note: This event is considered to occur upon the occurrence of the following: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);
 - (m) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

- (o) Incurrence of a material financial obligation by the City or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any financial obligation of the City, any of which affect security holders, if material; and
 - (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any financial obligation of the City, any of which reflect financial difficulties.
- (iii) to the MSRB, through EMMA, in a timely manner, notice of any failure of the City (of which the City has knowledge) to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

The Disclosure Undertaking provides bondholders, including the beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the City to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances, in accordance with the Rule, as more fully described therein.

For purposes of this transaction with respect to events as set forth in the Rule:

- (i) there are no debt service reserve funds applicable to the Bonds;
- (ii) there are no credit enhancements applicable to the Bonds;
- (iii) there are no liquidity providers applicable to the Bonds; and
- (iv) there is no property securing the repayment of the Bonds.

The City has previously entered into continuing disclosure undertakings in accordance with the Rule (the “Prior Disclosure Undertakings”). During the past five years, the City has filed its audited financial statements for its fiscal years ending June 30, 2024, 2023, and 2022 after their respective due dates as a result of their unavailability on their respective due dates, but has timely filed failure to file notices with respect to each such filing.

The City intends to file all future Annual Financial Information within the time requirements specified in the Prior Disclosure Undertakings and in the Disclosure Undertaking relating to the Bonds, and the City has adopted policies and procedures to ensure the timely filing thereof, which policies and procedures are available to the public upon request.

UNDERWRITING

The Bonds are being purchased for reoffering by [____] (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$[____] (reflecting the par amount of the Bonds, [plus/less] [net] original issue [premium/discount] of \$[____], and less underwriter’s discount of \$[____]). The initial public offering prices which produce the yields set forth on the inside cover page of this Official Statement may be changed by the Underwriter, and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices that produce the yields set forth on the inside cover page hereof.

MUNICIPAL ADVISOR

RSA Advisors, LLC, Lexington, Kentucky, has been employed as the independent registered municipal advisor (the “Municipal Advisor”) in connection with the issuance of the Bonds. The Municipal Advisor’s fee for its services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

MISCELLANEOUS

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not

guaranteed. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

This Official Statement has been duly executed and delivered in the name and on behalf of the City of Morehead, Kentucky, by its Mayor.

CITY OF MOREHEAD, KENTUCKY

By: _____
Mayor

Dated: October ____, 2025

APPENDIX A

**CITY OF MOREHEAD, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2025A**

ESTIMATED DEBT SERVICE REQUIREMENTS FOR THE BONDS AND
TOTAL DEBT SERVICE ON OUTSTANDING GENERAL OBLIGATION INDEBTEDNESS

ESTIMATED DEBT SERVICE REQUIREMENTS FOR THE BONDS

Date	Principal	Coupon	Interest	Total P+I
06/30/2026	-	-	136,578.81	136,578.81
06/30/2027	170,000.00	3.000%	293,645.00	463,645.00
06/30/2028	175,000.00	3.000%	288,470.00	463,470.00
06/30/2029	185,000.00	3.000%	283,070.00	468,070.00
06/30/2030	190,000.00	3.050%	277,397.50	467,397.50
06/30/2031	195,000.00	3.150%	271,428.75	466,428.75
06/30/2032	200,000.00	3.250%	265,107.50	465,107.50
06/30/2033	205,000.00	3.400%	258,372.50	463,372.50
06/30/2034	215,000.00	3.550%	251,071.25	466,071.25
06/30/2035	225,000.00	3.650%	243,148.75	468,148.75
06/30/2036	230,000.00	3.850%	234,615.00	464,615.00
06/30/2037	240,000.00	4.050%	225,327.50	465,327.50
06/30/2038	250,000.00	4.200%	215,217.50	465,217.50
06/30/2039	260,000.00	4.300%	204,377.50	464,377.50
06/30/2040	275,000.00	4.350%	192,806.25	467,806.25
06/30/2041	285,000.00	4.400%	180,555.00	465,555.00
06/30/2042	300,000.00	4.450%	167,610.00	467,610.00
06/30/2043	310,000.00	4.500%	153,960.00	463,960.00
06/30/2044	325,000.00	4.550%	139,591.25	464,591.25
06/30/2045	340,000.00	4.600%	124,377.50	464,377.50
06/30/2046	355,000.00	4.650%	108,303.75	463,303.75
06/30/2047	375,000.00	4.750%	91,143.75	466,143.75
06/30/2048	395,000.00	4.800%	72,757.50	467,757.50
06/30/2049	410,000.00	4.850%	53,335.00	463,335.00
06/30/2050	435,000.00	4.850%	32,843.75	467,843.75
06/30/2051	455,000.00	4.900%	11,147.50	466,147.50
Total	\$7,000,000.00	-	\$4,776,258.81	\$11,776,258.81

City of Morehead, KY

Current Outstanding Debt Service Chart - GO Debt

Fiscal Year Ended June 30	Series 2017 Lease	Series 2017B Lease	Series 2020 Bonds	Series 2021 Lease	Series 2025 <i>ESTIMATED</i>	Total Tourism Debt	Total New Debt Service
2026	\$94,371	\$61,402	\$387,080	\$64,187	\$136,579	\$610,995	\$1,354,614
2027	\$94,372	\$61,401	\$389,080	\$64,187	\$463,645	\$610,585	\$1,683,271
2028	\$94,371	\$61,402	\$390,330	\$64,188	\$463,470	\$704,696	\$1,778,456
2029	\$94,372	\$61,401	\$390,830	\$64,188	\$468,070	\$585,318	\$1,664,178
2030	\$94,372	\$61,401	\$390,580	\$64,187	\$467,398	\$551,741	\$1,629,679
2031	\$94,371	\$61,401	\$387,380	\$64,188	\$466,429	\$484,496	\$1,558,266
2032	\$94,372	\$61,402	\$389,180		\$465,108	\$484,034	\$1,494,095
2033	\$47,185	\$30,701	\$465,605		\$463,373	\$247,485	\$1,254,349
2034			\$545,745		\$466,071	\$167,700	\$1,179,516
2035			\$544,375		\$468,149	\$87,456	\$1,099,980
2036			\$542,445		\$464,615	\$49,361	\$1,056,421
2037			\$544,945		\$465,328		\$1,010,273
2038			\$541,785		\$465,218		\$1,007,003
2039			\$543,288		\$464,378		\$1,007,665
2040			\$544,363		\$467,806		\$1,012,169
2041					\$465,555		\$465,555
2042					\$467,610		\$467,610
2043					\$463,960		\$463,960
2044					\$464,591		\$464,591
2045					\$464,378		\$464,378
2046					\$463,304		\$463,304
2047					\$466,144		\$466,144
2048					\$467,758		\$467,758
2049					\$463,335		\$463,335
2050					\$467,844		\$467,844
2051					\$466,148		\$466,148
Totals	\$707,785	\$460,511	\$6,997,010	\$385,125	\$11,776,259	\$4,583,867	\$24,910,558

APPENDIX B

**CITY OF MOREHEAD, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2025A**

DEMOGRAPHIC AND ECONOMIC DATA

CITY OF MOREHEAD, KENTUCKY

Rowan County, Kentucky was formed in 1856 from parts of Fleming and Morgan Counties. The County was named for John Rowan who represented Kentucky in the U.S. House and Senate. The County seat is Morehead, Kentucky.

Rowan County was first explored in 1773 by surveyors from Pennsylvania who established Farmers, the first settlement in Rowan County. Located 10 miles west of Morehead, Farmers' population rapidly increased due its fertile farming land and proximity to water sources. Additional settlers came to Rowan County from Virginia in the late 18th century after being awarded land grants at the end of the American Revolutionary War. Clearfield was the second settlement established in the county, being colonized by a Virginia aristocrat named Dixon Clack in the early 1800's. It accommodated the first sawmill in the county.

In 1854, Morehead became the third community to be settled in the area. Colonel John Hargis founded the city after purchasing land in the county, naming it after Governor James Morehead.

Morehead is home to Morehead State University ("MSU") which is a comprehensive public university with undergraduate and graduate programs, emerging doctoral programs, and an emphasis on regional engagement. MSU was founded in 1887 as Morehead Normal School, a private, church-supported institution known as "a light to the mountains." In 1926, it became part of the state-supported system and was renamed Morehead State Normal School and Teacher's College. An increase in enrollment and degree programs resulted in successive renaming as Morehead State College in 1948 and its current designation as Morehead State University in 1966.

Morehead is also home to St. Claire Healthcare, established in 1963 as a general acute care hospital. Today, St. Claire is an integrated healthcare system with over 1,000 staff members including more than 100 medical providers representing 32 medical specialties. It includes the largest rural hospital in Northeastern Kentucky with 159 beds, seven family medicine locations located within five counties, a multi-specialty medical pavilion, an outpatient center, homecare services and operates three retail services including family medical supply, pharmacy and aesthetics. St. Clair Healthcare also partners with the University of Kentucky HealthCare to offer services at the Morehead Cancer Treatment Center and Morehead Women's Healthcare. St. Claire serves as an established training site for the UK College of Medicine's Rural Physician Leadership Program.

Property Tax Rates

Description	2019	2020	2021	2022	2023
Real Estate	31.8000	34.0000	36.2000	38.4000	41.0000
Tangible Personal	52.2500	56.4700	64.3300	65.8400	74.9100
Motor Vehicle	22.0000	22.0000	22.0000	22.0000	22.0000
Merchant Inventor	52.2500	56.4700	64.3300	65.8400	74.9100
Documented Water	0.0000	0.0000	0.0000	0.0000	0.0000
Personal Aircraft	0.0000	0.0000	0.0000	0.0000	0.0000
Inventory in Transit	0.0000	0.0000	0.0000	0.0000	0.0000

Assessed Values

Tax Year	Real Property	Tangible Property	Total Assessed Values
2019	\$338,313,995	\$55,663,919	\$393,977,914
2020	\$340,419,399	\$45,785,458	\$386,204,857
2021	\$362,077,249	\$43,742,069	\$405,819,318
2022	\$355,731,507	\$46,345,835	\$402,077,342
2023	\$377,831,771	\$46,196,153	\$424,027,924
2024	\$369,075,731	\$51,042,751	\$420,118,482

Source: City of Morehead, 2023

Top Ten Taxpayers

Taxpayer	Real Property Assessed Value
Kroger Center Morehead LLC	\$16,788,000
Wal-Mart Real Estate Business Trust	\$13,589,167
Polo 1 LLC	\$9,688,232
Pinecrest Realty LLC	\$7,048,946
ERC Investments LLC	\$6,129,500
Lowes Home Centers Inc	\$5,080,000
Morehead Ventures LLC	\$4,775,000
PRL Properties LLC	\$3,293,184
SSDMH LLC	\$3,089,752
Allen Brothers Realty Co Inc	\$3,079,202

Source: City of Morehead, 2024

Occupational Tax

Fiscal Year	Total Receipts
2024	\$5,782,420
2023	\$5,139,136
2022	\$4,827,735
2021	\$4,297,213
2020	\$4,045,705
2019	\$4,192,633

Source: City of Morehead, 2023

Overlapping Indebtedness

Issuer	Issued	Redeemed	Outstanding
City of Morehead			
2017B GO Lease	\$750,000	\$311,933	\$438,067
2019 GO Lease	\$159,900	\$159,900	\$0
2019B GO Lease	\$126,088	\$126,088	\$0
2021 GO Bond	\$6,845,000	\$525,000	\$6,320,000
2021 GO Lease	\$597,662	\$232,918	\$364,744
Rowan County			
2013 REF GO Bond	\$1,190,000	\$1,105,000	\$85,000
2016 GO Bond	\$15,000,000	\$4,685,000	\$10,315,000
2017 GO Bond	\$4,300,000	\$1,275,000	\$3,025,000
2017 REF GO Lease	\$1,470,872	\$366,395	\$1,104,477
2020 GO Bonds	\$2,290,000	\$345,000	\$1,945,000
Rowan County School District			
2014-REF Rev Bond	\$3,775,000	\$1,980,000	\$1,795,000
2015 Rev Bond	\$4,285,000	\$630,000	\$3,655,000
2015-REF Rev Bond	\$1,525,000	\$1,230,000	\$295,000
2016 Rev Bond	\$5,145,000	\$190,000	\$4,955,000
2017-REF Rev Bond	\$10,535,000	\$3,565,000	\$6,970,000
2019 Rev Bond	\$6,635,000	\$375,000	\$6,260,000
2021 Rev Bond	\$10,930,000	\$1,010,000	\$9,920,000
2022 Rev Bond	\$2,090,000	\$20,000	\$2,070,000
2022B Rev Bond	\$7,385,000	\$20,000	\$7,365,000

Source: Department for Local Government

¹ Source: Audited Financial Statement, EMMA - represents District participation only

APPENDIX C
CITY OF MOREHEAD, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2025A

ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY OF MOREHEAD, KENTUCKY
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Note: The entire audited financial statements and accompanying supplemental information for the City's fiscal year ending June 30, 2024 are included in this Appendix D. Potential purchasers of the Bonds are reminded that the Bonds are secured solely by, and payable solely from, the tax revenues of the City as described in the forepart of this Official Statement and that revenues described in the enclosed audited financial statements for funds other than the City's general fund have not been pledged and are not legally required to be available to pay debt service on the Bonds.

CITY OF MOREHEAD, KENTUCKY

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2024

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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Kelley **G**alloway
Smith **G**oolsby, PSC

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of City Council
City of Morehead
Morehead, Kentucky 40351

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

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

We did not audit the financial statements of Morehead Recreation, Tourism and Convention Commission (MRTCC), which represent 6.2%, 7.0%, and 8.7%, respectively, of the assets, net position, and revenues of the City as of June 30, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for MRTCC, is based solely on the report of the other auditors.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair

presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and the Schedule of

City's Proportionate Share of the Net Pension and OPEB Liability (Asset) and the Schedule of Pension and OPEB Contributions 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kelley Balloway Smith Jodshy, PSC

Ashland, Kentucky
February 25, 2025

City of Morehead, Kentucky

Management's Discussion and Analysis

Our discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2024. Please read in conjunction with the independent auditors' report on page 2-4 and the accompanying basic financial statements, which begin to appear on page 16. To comply with certain accounting standards, certain prior year amounts have been restated to make this presentation of prior year's information consistent with the current year.

FINANCIAL HIGHLIGHTS

- The City's net position increased by \$7.2 million (20.0%) There was an increase in its governmental activities (62.3%) and an increase in business type activities (9.2%) representing a \$4.6 million increase and a \$2.6 million increase respectively.
- The City's combined revenues increased 15.6% (\$4.6 million), while combined expenses decreased 2% (\$550,000). Governmental activities accounted for most of this growth in revenues with operating grants providing \$2.6 million of increased revenue while taxes and licenses fees revenue increased by \$735,000. With gas per unit costs decreased from the prior year, net business-type revenue decreased net by \$720,000 with that decrease all attributable to the gas, while other service revenues increased. The business type activities also accounted for most of the decreased expenses in the amount of \$1.7 million (10.7%), again with significant matched cost reduction in gas purchased relative to the revenue decrease. More detailed information is available in Table A-2 following in this discussion.

OVERVIEW OF THIS ANNUAL REPORT

This annual report consists of the management's discussion and analysis report, the independent auditor's report, the basic financial statements of the City, required supplemental information, and the independent auditor's report on internal control and compliance. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Two entities over which the City exercises significant oversight responsibility are the Morehead Utility Plant Board and the Morehead Recreation, Tourism & Convention Commission. Their financial information has been included in this report under the appropriate activities. Complete financial statements and additional information regarding these two entities can be obtained from their respective administrative offices.

In the past, the primary focus of local government financial statements has been summarized fund type information on a current financial resource basis. This approach has been modified; the City's financial statements now present two kinds of statements, each with a different snapshot of the City's finances. The new focus is both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements, which have been provided in the past, focus on the individual funds of the City, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow

the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the City's accountability.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the City as a whole, using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the City's finances is whether the City as a whole is "better or worse" as a result of this year's activities. The Statement of Net position and the Statement of Activities report information about the City's activities in a way that will help 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 of the current year's revenues and expenditures are reflected regardless of when cash is received or paid.

These two statements report the net position of the City and the changes in them. The difference between and changes in assets and liabilities is an important way to measure financial health or financial position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health or position is improving or deteriorating. However, in evaluating the overall position of the City, there are other non-financial factors such as changes in economic conditions, population growth, changes in property tax rates or valuation, infrastructure asset condition, and new or changed government legislation that may have a material impact on the City's position and need to be considered.

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 general government, police, fire, public works-streets, recreation, Community Center, Community Development, and tourism. Property taxes, licenses, and permits (including occupational licenses fees, franchise and other fees), and grants finance most of these activities, with the exception of tourism which is funded predominantly by restaurant and hotel taxes.

Business-type activities—Gas, water and sewer revenues are collected from utility customers by the Morehead Utility Plant Board to cover the costs of the utility services provided by the Morehead Utility Plant Board.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's funds. The fund financial statements provide more information about the City's funds and not the City as a whole.

The City has two kinds of funds:

Governmental Fund—Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

Proprietary Fund—This fund reflects the utility service charges and costs of providing those services. Since the proprietary fund is reported on the accrual basis and is the only fund reported in the business-type activities in the government-wide statements, the amounts reflected in these fund statements will be the same as the business-type activities in the government-wide statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

NET POSITION

Our analysis begins with a summary of the City’s Statement of Net Position, which is presented on Table A-1 followed by an explanation of the results. Changes in net position are presented in Table A-2, also followed by an explanation of the results. These amounts reflect the City as a whole.

Table A-1

Condensed Statement of Net Position

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>FYE 2024</u>	<u>FYE 2023</u>
Current and Other Assets	\$ 9,969,367	\$ 10,811,844	\$ 12,220,734	\$ 9,811,574	\$ 22,190,101	\$ 20,623,418
Capital Assets	26,263,168	24,288,521	80,470,055	55,949,433	106,733,223	80,237,954
Deferred Outflows	3,120,303	2,287,960	3,419,898	1,640,085	6,540,201	3,928,045
Total Assets & Def Outflows	<u>39,352,838</u>	<u>37,388,325</u>	<u>96,110,687</u>	<u>67,401,092</u>	<u>135,463,525</u>	<u>104,789,417</u>
Long-Term Debt Outstanding	11,885,734	12,869,421	51,804,686	28,012,821	63,690,420	40,882,242
Net Pension Liability	9,475,278	9,608,903	6,870,220	5,530,484	16,345,498	15,139,387
Net OPEB Liability	157,651	2,651,986	-	1,509,560	157,651	4,161,546
Current and Other Liabilities	1,866,548	3,681,063	2,713,689	2,517,398	4,580,237	6,198,461
Deferred Inflows	4,039,223	1,228,317	3,371,757	1,117,477	7,410,980	2,345,794
Total Liabilities & Def Inflows	<u>27,424,434</u>	<u>30,039,690</u>	<u>64,760,352</u>	<u>38,687,740</u>	<u>92,184,786</u>	<u>68,727,430</u>
Net Position:						
Invested in Capital Assets,						
net of debt	13,864,887	11,034,767	28,139,472	27,239,487	42,004,359	38,274,254
Restricted	-	23,397	5,387,744	3,429,614	5,387,744	3,453,011
Unrestricted	(1,936,483)	(3,709,529)	(2,176,881)	(1,955,749)	(4,113,364)	(5,665,278)
Total Net Position	<u>\$ 11,928,404</u>	<u>\$ 7,348,635</u>	<u>\$ 31,350,335</u>	<u>\$ 28,713,352</u>	<u>\$ 43,278,739</u>	<u>\$ 36,061,987</u>

The City's net position in governmental activities increased by \$4.6 million (62.3%) compared to an increase of 20.8% in the prior year. The business-type net position increased by \$2.6 million (9.2%), compared to a 2.9% increase in the prior year. Governmental activities included significant increases in grants along with taxes and licenses. These increases in revenues and the corresponding decrease in expenses leave the City increasing its net position by \$4.6 million which is substantially higher than the \$1.26 million increase in net position during the previous year. The net position from one activity generally cannot be used to make up for any deficits in the other activities.

Table A-2

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>FYE 2024</u>	<u>FYE 2023</u>
Revenues						
<u>Program Revenues</u>						
Charges for Services	\$ 550,809	\$ 510,347	\$ 14,895,486	\$ 15,616,424	\$ 15,446,295	\$ 16,126,771
Operating Grants-Contributions	3,184,089	622,584	-	-	3,184,089	622,584
Capital Grants and Contributions	470,337	509,208	1,515,557	793,091	1,985,894	1,302,299
<u>General Revenue</u>						
Taxes	4,903,107	4,634,736	-	-	4,903,107	4,634,736
License Fees	7,041,555	6,574,784	-	-	7,041,555	6,574,784
Building Inspection fees	85,182	42,117	-	-	85,182	42,117
Investment Earnings	18,180	22,289	190,085	45,125	208,265	67,414
Other Revenues	195,763	153,182	1,070,575	-	1,266,338	153,182
Total Revenue	<u>16,449,022</u>	<u>13,069,247</u>	<u>17,671,703</u>	<u>16,454,640</u>	<u>34,120,725</u>	<u>29,523,887</u>
Program Expenses						
General Government	2,035,677	1,972,863	-	-	2,035,677	1,972,863
Public safety-Police	3,119,020	3,683,566	-	-	3,119,020	3,683,566
Public safety-Fire	974,492	934,819	-	-	974,492	934,819
Public works-Streets	1,936,715	1,593,585	-	-	1,936,715	1,593,585
Recreation	1,284,666	1,337,663	-	-	1,284,666	1,337,663
Community Center	42,642	52,664	-	-	42,642	52,664
Community Development	76,887	1,000	-	-	76,887	1,000
Tourism	2,090,290	1,906,308	-	-	2,090,290	1,906,308
Interest on long-term debt	308,864	323,716	496,946	343,724	805,810	667,440
Gas, Water and Sewer	-	-	14,537,775	15,307,203	14,537,775	15,307,203
Total Program Expenses	<u>11,869,253</u>	<u>11,806,184</u>	<u>15,034,721</u>	<u>15,650,927</u>	<u>26,903,974</u>	<u>27,457,111</u>
Net Change In Net Position	<u>\$ 4,579,769</u>	<u>\$ 1,263,063</u>	<u>\$ 2,636,982</u>	<u>\$ 803,713</u>	<u>\$ 7,216,751</u>	<u>\$ 2,066,776</u>

- In the City's governmental activities, revenue from license fees and taxes increased by \$778,000 (6.9%) and comprised 73.1% of the total revenue (85.8% in the prior year.) This percentage decreased due to higher operating grants-contributions revenue and slightly lower capital grants received this year combined with higher charges for services. General Government expenses increased by about 3.2% (\$63,000), the Police department decreased 15.3% (\$565,000), and Community Development experienced a \$76,000 increase. Tourism increased 9.7% (\$184,000) while recreation had an decrease of \$53,000 and interest expenses decreased about \$15,000 compared to the prior year. Overall, the core expenses of the city's governmental activities decreased about 2% (\$197,000) before factoring in Tourism and Community Development increased spending.

- In the City's business-type activities, revenues increased by 7.4 percent (\$1.2 million) and the operating expenses decreased 3.9% (\$616,000). There were some increases particularly in industrial consumption resulting in higher sewer revenue \$530,000 (9.8%,) however water revenue also experienced an increase of about \$490,000 (9.9%.) There were non-operating revenues of about \$1.1 million reduced by about \$1.8 million in gas revenues. The gas revenue reduction is primarily related to the unit price of gas since the margin is a fixed rate. Therefore there was about \$1.6 million relative decrease in cost of gas purchased some consumption resulting in less net margin from gas for the year. When factoring out the decreased gas purchased cost, the overall utility expenses experienced an increase of about \$616,000 (3.9%) in expenses.

The City's change in Net position above appears to be the same as the long-standing concept of net revenues, but under the full accrual basis utilized by the Governmental Activities under GASB 34, these numbers include dollars of "paper" depreciation expenses that represent the use or deterioration of the capital assets but have no relationship to the amounts spent in the current year for capital outlay. Therefore, these "paper" bookkeeping entries are never considered as part of the City's budget process. Additionally, the principal portions of debt obligations are excluded from the above but are reflected as debt service expenditures along with capital outlay expenditures in the City's budget for governmental activities. The business-type activities have always been on the full accrual basis and accordingly, have always included depreciation in the expenses.

GOVERNMENTAL ACTIVITIES – FUND FINANCIAL STATEMENTS

Next, the City analyzes the governmental activities and the changes in those activities, which is presented in Table A-3.

Table A-3**Condensed Governmental Activities - Revenues & Expenditures by Funds**

	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>Change</u>
Taxes	\$ 4,903,107	\$ 4,634,736	\$ 268,371
Licenses and Permits	7,126,737	6,616,901	509,836
Charges for Services	550,809	510,347	40,462
Intergovernmental	3,654,426	1,131,792	2,522,634
Interest Income	18,180	22,289	(4,109)
Other Revenues	<u>195,765</u>	<u>153,182</u>	<u>42,583</u>
Total Revenues	<u>16,449,024</u>	<u>13,069,247</u>	<u>3,379,777</u>
General administration	\$ 1,943,195	\$ 1,761,967	\$ 181,228
Public safety-Police	2,957,898	2,959,018	(1,120)
Public safety-Fire	789,023	662,348	126,675
Public works-Streets	1,786,613	1,344,687	441,926
Recreation	1,257,185	1,252,538	4,647
Community Center	39,278	47,327	(8,049)
Community Development	76,887	1,000	75,887
Tourism	1,880,423	1,703,377	177,046
Debt Service	1,164,337	1,144,646	19,691
Capital Outlay	<u>3,470,583</u>	<u>3,328,926</u>	<u>141,657</u>
Total Expenditures	<u>15,365,422</u>	<u>14,205,834</u>	<u>1,159,588</u>
Excess Revenues over Expenditures before other financing sources(uses)	<u>\$ 1,083,602</u>	<u>\$ (1,136,587)</u>	<u>\$ 2,220,189</u>

When comparing the City's governmental activities by funds, revenues reflect a 25.9% increase, highlighted by the \$510,000 increase from Licenses and Permits revenues along with \$268,000 in increased taxes. Expenditures reflect an increase of 8.2% from last year (\$1.2 million), with that overall net increase being attributable to the \$442,000 from Public Works-Streets and \$181,000 from General Government, coupled with the \$177,000 increase in Tourism with mostly increases in the core governmental activity expense categories.

The bottom number of Table A-3 above should not be confused with the end-of-year "Fund Balance" figure shown in the City's General Fund Budget, because the above does not reflect the General Fund's beginning-of-year balance and any debt proceeds received during the fiscal year.

BUDGET HIGHLIGHTS

The City amended the General Fund budget due to unexpected circumstances or unusual events that occurred during the year. The total budgeted revenues were increased by \$401,000 (mostly Intergovernmental) while expenditures budgeted were increased by \$524,000 most of which (\$509,000) related to general government. Actual revenues for the year reflected a positive variance of \$4.1 million compared to the revised budget amounts. Significant variances include \$1,227,000 more grant funds than expected and the majority of that increase related to timing of when certain grant funds are recognized as spent. There were positive variances of \$1,629,000, \$230,000, \$472,000, and \$123,000 respectively in occupational & net profit license fees, insurance premium fees, general property taxes, and alcohol taxes.

The favorable variance in total actual expenditures (\$2.44 million) includes favorable \$1.56 million in other expenses offset by spending \$707,000 more in capital outlay than budgeted, netting out about \$947,000 positive variance in General Government. This large variance mostly relates to timing of expenditures for funds allocated for special capital projects and the Streetscape program. In addition, Public Works, the Police, Fire and Recreation departments have \$276,000, \$497,000, \$299,000, and \$396,000 positive variances respectively as well. Overall personnel services were under budget in most departments combined by \$358,000 (6.8% of total personnel budget.) The budget contains proposed expenditures and expected revenues based on the modified accrual basis of accounting as further explained in the Notes to the Financial Statements. Accordingly, this table reflects expenditures for capital outlay and debt service but does not reflect depreciation as an expense. A comparison of the final amended budget to actual amounts for governmental activities is presented in the table below only for the General Fund (Tables A-4 & 5).

Table A-4**Condensed Governmental Activities - Revenues**

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
Taxes	\$ 1,859,000	\$ 2,562,489	\$ 703,489
Licenses and permits	5,135,200	7,126,737	1,991,537
Intergovernmental	1,819,379	3,046,456	1,227,077
Charges for Services	301,250	390,056	88,806
Other Revenues	43,000	88,846	45,846
Capital Financing	-	-	-
Total Revenues	<u>\$ 9,157,829</u>	<u>\$ 13,214,584</u>	<u>\$ 4,056,755</u>

Table A-5**Condensed Governmental Activities - Expenditures**

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
General Government	\$ 5,884,912	\$ 4,938,284	\$ (946,628)
Public safety-Police	3,694,348	3,197,363	(496,985)
Public safety-Fire	1,292,984	994,106	(298,878)
Public works-Streets	1,809,282	1,533,166	(276,116)
Recreation	1,678,987	1,282,969	(396,018)
Community Center	68,035	39,278	(28,757)
Total Expenditures	<u>\$ 14,428,548</u>	<u>\$ 11,985,166</u>	<u>\$ (2,443,382)</u>

CAPITAL ASSETS

Table A-6 shows summary totals for a broad range of capital assets, including land and depreciated value of land improvements, buildings, equipment and utility plant. This table reflects the breakdown of capital assets before depreciation for both governmental and business-type activities. Governmental activities added a net amount of \$2.8 million of capital assets for the year and the majority of that was for land acquisition and improvement. Business-type activities added about \$27.7 million of capital assets with the majority of those dollars spent on the new water plant and raw water intake for that plant. There were still fairly routine dollars spent on capital improvement of the water and wastewater systems as a whole. Additional information regarding future commitments for capital asset acquisition and related debt can be found in the notes to the financial statements.

Table A-6

Capital Assets at Year End Without Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	FYE 2024	FYE 2023	FYE 2024	FYE 2023	FYE 2024	FYE 2023
Land & Improvements	\$ 13,117,255	\$ 10,082,862	\$ 843,106	\$ 843,106	\$ 13,960,361	\$ 10,925,968
Infrastructure	2,800,895	2,340,462	-	-	2,800,895	2,340,462
Bldgs & Improvements	17,065,985	17,065,985	1,055,789	1,055,789	18,121,774	18,121,774
Vehicles & Equipment	8,281,977	8,506,847	5,604,127	5,360,086	13,886,104	13,866,933
Construction in progress	-	467,760	42,723,162	18,523,210	42,723,162	18,990,970
Water, Gas & Sewer System	-	-	101,278,182	98,147,395	101,278,182	98,147,395
Total Capital Assets	<u>\$ 41,266,112</u>	<u>\$ 38,463,916</u>	<u>\$ 151,504,366</u>	<u>\$ 123,929,586</u>	<u>\$ 192,770,478</u>	<u>\$ 162,393,502</u>

DEBT

Table A-7 provides a summary of all the City's outstanding indebtedness. In addition to the amounts listed below, liabilities for unpaid compensated absences in the amounts of \$145,267 are outstanding at June 30, 2024 as well as OPEB and Pension liabilities which are reflected in the notes to the financial statements. Other than additional vehicle leases, there was no new debt issued for the governmental activities. Debt reduction of \$1,031,000 for the governmental activities represents normal scheduled debt retirement. The business-type activities, through normal debt retirement reduced debt by \$1.1 million while drawing an additional \$25 million of new debt related to the water plant and system improvements. Combining all activities, the City's average annual debt reduction for the next 5 years will be \$2.26 million per year, which the majority of that includes substantial debt reduction on the new water plant loan which will begin in the coming year.

Table A-7

Debt Outstanding at Year End

	Governmental Activities		Business-type Activities		Total Primary Government	
	FYE 2024	FYE 2023	FYE 2024	FYE 2023	FYE 2024	FYE 2023
Capital Leases	\$ 528,874	\$ 661,931	\$ 770,137	\$ 557,347	\$ 1,299,011	\$ 1,219,278
Bonds & Notes Payable	<u>12,398,281</u>	<u>13,253,754</u>	<u>52,330,397</u>	<u>28,696,685</u>	<u>64,728,678</u>	<u>41,950,439</u>
Total Year End Debt	<u>\$ 12,927,155</u>	<u>\$ 13,915,685</u>	<u>\$ 53,100,534</u>	<u>\$ 29,254,032</u>	<u>\$ 66,027,689</u>	<u>\$ 43,169,717</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council consider many factors when setting the annual budget. The 2024-25 fiscal year budget reflects anticipated changes in the local economy, expected grant money, and anticipated tax revenue. Occupational License revenue is projected at nearly the same level as last fiscal year's revenue.

Major projects continuing or with plans to start during the fiscal year are as follows:

- Public Safety Building to house Fire department including property purchase
- Playground renovation at the city park
- New handguns, Drone and training facility for Police Department
- Residential trash cans for every citizen in the city of Morehead

With the myriad of unknowns that come with health insurance, pension reform, COVID effect on employment and business profits taxes with the possible Federal Congressional and State Legislative revisions that may occur going forward, employee benefit costs remain a large question mark for several years into the future.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of the City, 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, please contact Helen Smith or Laura Brown at 314 Bridge Street, Morehead, Kentucky 40351.

CITY OF MOREHEAD, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,714,023	\$ 790,734	\$ 8,504,757
Accounts receivable:			
Taxes & licenses, net	1,546,306	-	1,546,306
Intergovernmental	177,514	-	177,514
Other	27,697	-	27,697
Customers, net	-	2,439,176	2,439,176
Prepaid expenses	-	258,659	258,659
Restricted assets -			
Cash and cash equivalents	-	4,018,938	4,018,938
Investments	-	2,884,362	2,884,362
Other receivables	-	20,901	20,901
Accrued interest receivable	-	36,986	36,986
Inventory	-	876,941	876,941
Right to use leased assets, net	503,827	745,686	1,249,513
Nondepreciable capital assets	9,397,855	43,566,258	52,964,113
Depreciable capital assets	31,868,257	107,938,108	139,806,365
Accumulated depreciation	(15,002,944)	(71,034,311)	(86,037,255)
Due from other funds	-	-	-
Total assets	<u>36,232,535</u>	<u>92,542,438</u>	<u>128,774,973</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - deferred gain on refunding	-	24,265	24,265
Deferred outflows - pension related	2,376,746	2,438,035	4,814,781
Deferred outflows - OPEB related	743,557	957,598	1,701,155
Total deferred outflows of resources	<u>3,120,303</u>	<u>3,419,898</u>	<u>6,540,201</u>
LIABILITIES			
Accounts payable	618,943	289,614	908,557
Accrued payroll liabilities	-	497,267	497,267
Other accrued liabilities	46,879	136,682	183,561
Accrued interest payable	14,038	129,893	143,931
Customer deposits	-	364,385	364,385
Accrued compensated absences, current	128,984	-	128,984
Current portion of long-term debt	850,020	1,079,165	1,929,185
Lease payable - current	191,401	216,683	408,084
Accrued compensated absences, non-current	16,283	-	16,283
Bonds payable, net of current portion	6,607,464	3,657,596	10,265,060
Notes payable, net of current portion	4,940,797	47,593,636	52,534,433
Lease payable, net of current portion	337,473	553,454	890,927
Net pension liability	9,475,278	6,870,220	16,345,498
Net OPEB liability (asset)	157,651	(148,351)	9,300
Total liabilities	<u>23,385,211</u>	<u>61,240,244</u>	<u>84,625,455</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension related	1,079,868	925,202	2,005,070
Deferred inflows - OPEB related	2,959,355	2,446,555	5,405,910
Total deferred inflows of resources	<u>4,039,223</u>	<u>3,371,757</u>	<u>7,410,980</u>
NET POSITION			
Net investment in capital assets	13,864,887	28,139,472	42,004,359
Restricted	-	5,387,744	5,387,744
Unrestricted	(1,936,483)	(2,176,881)	(4,113,364)
Total net position	<u>\$ 11,928,404</u>	<u>\$ 31,350,335</u>	<u>\$ 43,278,739</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF MOREHEAD, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	2,035,677	\$ 248,111	\$ 2,185,223	\$ 317,137	\$ 714,794	\$ -	\$ 714,794
Public safety:							
Police	3,119,020	11,004	227,777	153,200	(2,727,039)	-	(2,727,039)
Fire	974,492	-	91,649	-	(882,843)	-	(882,843)
Public works:							
Streets and roads	1,936,715	-	175,522	-	(1,761,193)	-	(1,761,193)
Recreation	1,284,666	87,151	71,470	-	(1,126,045)	-	(1,126,045)
Community Center	42,642	43,790	-	-	1,148	-	1,148
Community development	76,887	-	205,157	-	128,270	-	128,270
Tourism	2,090,290	160,753	227,291	-	(1,702,246)	-	(1,702,246)
Interest on long-term debt	308,864	-	-	-	(308,864)	-	(308,864)
Total governmental activities	<u>11,869,253</u>	<u>550,809</u>	<u>3,184,089</u>	<u>470,337</u>	<u>(7,664,018)</u>	<u>-</u>	<u>(7,664,018)</u>
Business-Type Activities:							
Gas	3,299,195	3,014,412	-	-	-	(284,783)	(284,783)
Water	4,650,077	5,563,068	-	-	-	912,991	912,991
Sewer	6,588,503	6,318,006	-	1,515,557	-	1,245,060	1,245,060
Interest on long-term debt	496,946	-	-	-	-	(496,946)	(496,946)
Total business-type activities	<u>15,034,721</u>	<u>14,895,486</u>	<u>-</u>	<u>1,515,557</u>	<u>-</u>	<u>1,376,322</u>	<u>1,376,322</u>
Total primary government	<u>\$ 26,903,974</u>	<u>\$ 15,446,295</u>	<u>\$ 3,184,089</u>	<u>\$ 1,985,894</u>	<u>(7,664,018)</u>	<u>1,376,322</u>	<u>(6,287,696)</u>
General Revenues:							
Taxes -							
Property taxes, levied for general purposes					2,094,737	-	2,094,737
Alcohol revenue tax					363,008	-	363,008
Transient room tax					279,818	-	279,818
Restaurant tax					2,060,800	-	2,060,800
Telecommunications tax					104,744	-	104,744
License fees -							
Franchise					357,247	-	357,247
Insurance premiums					1,030,243	-	1,030,243
Occupational					5,628,591	-	5,628,591
Alcohol beverage fees					25,474	-	25,474
Building inspection fees					85,182	-	85,182
Investment income (loss)					18,180	190,085	208,265
Other revenues					195,763	1,070,575	1,266,338
Total general revenues					<u>12,243,787</u>	<u>1,260,660</u>	<u>13,504,447</u>
Change in net position					4,579,769	2,636,982	7,216,751
Net position, June 30, 2023, as restated					<u>7,348,635</u>	<u>28,713,352</u>	<u>36,061,987</u>
Net position, June 30, 2024					<u>\$ 11,928,404</u>	<u>\$ 31,350,334</u>	<u>\$ 43,278,738</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MOREHEAD, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024

	General	Tourism Operations	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,361,463	\$ 896,890	\$ 455,670	\$ 7,714,023
Receivables:				
Taxes & licenses	1,350,919	195,387	-	1,546,306
Grants	146,688	-	30,826	177,514
Other	-	-	27,697	27,697
Due from other funds	350	-	49,191	49,541
 Total assets	 <u>\$ 7,859,420</u>	 <u>\$ 1,092,277</u>	 <u>\$ 563,384</u>	 <u>\$ 9,515,081</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 319,341	\$ 33,512	\$ 266,090	\$ 618,943
Accrued leave payable	122,005	6,979	-	128,984
Accrued liabilities	35,407	11,472	-	46,879
Accrued interest payable	-	14,038	-	14,038
Due to TIF Fund	49,191	-	-	49,191
Due to General Fund	-	-	350	350
 Total liabilities	 <u>525,944</u>	 <u>66,001</u>	 <u>266,440</u>	 <u>858,385</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	296,944	296,944
Unassigned	7,333,476	1,026,276	-	8,359,752
 Total fund balances	 <u>7,333,476</u>	 <u>1,026,276</u>	 <u>296,944</u>	 <u>8,656,696</u>
 Total liabilities and fund balances	 <u>\$ 7,859,420</u>	 <u>\$ 1,092,277</u>	 <u>\$ 563,384</u>	 <u>\$ 9,515,081</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MOREHEAD, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2024

Total fund balance - total governmental funds	\$ 8,656,696
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$41,266,112 net of accumulated depreciation of \$15,002,944 used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	26,263,168
Right to use leased assets of \$1,114,787 net of accumulated amortization of \$610,960 used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	503,827
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the governmental funds.	(918,920)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Net pension liabilities	(9,475,278)
Net OPEB liability (asset)	(157,651)
Compensated absences	(16,283)
Lease payable	(528,874)
Notes and bonds payable	(12,398,281)
Net position, end of year - Governmental Activities	\$ 11,928,404

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF MOREHEAD, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	General	Tourism Operations	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,562,489	\$ 2,340,618	\$ -	\$ 4,903,107
Licenses and permits	7,126,737	-	-	7,126,737
Charges for services	390,056	160,753	-	550,809
Intergovernmental	3,046,456	227,291	380,679	3,654,426
Interest income	16,360	-	1,820	18,180
Other revenues	72,486	123,279	-	195,765
Total revenues	13,214,584	2,851,941	382,499	16,449,024
Expenditures				
General administration	1,943,195	-	-	1,943,195
Public safety - police	2,957,898	-	-	2,957,898
Public works	1,310,515	-	476,098	1,786,613
Tourism	-	1,880,423	-	1,880,423
Recreation	1,257,185	-	-	1,257,185
Public safety - fire	789,023	-	-	789,023
Community Center	39,278	-	-	39,278
Community development	-	-	76,887	76,887
Capital outlay	3,134,404	336,179	-	3,470,583
Debt service	553,668	610,669	-	1,164,337
Total expenditures	11,985,166	2,827,271	552,985	15,365,422
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,229,418	24,670	(170,486)	1,083,602
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	1,229,418	24,670	(170,486)	1,083,602
Fund balances beginning of year, as restated	6,104,058	1,001,606	467,430	7,573,094
Fund balances end of year	<u>\$ 7,333,476</u>	<u>\$ 1,026,276</u>	<u>\$ 296,944</u>	<u>\$ 8,656,696</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MOREHEAD, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Net change in fund balances - total governmental funds \$ 1,083,602

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital asset purchases capitalized	3,110,359
Depreciation expense	(1,135,712)
Right to use leased asset additions	42,010
Amortization expense	(181,394)

Governmental funds report pension and OPEB contributions as expenditures when paid. However, in the Statement of Activities, pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, OPEB, and investment experience.

CERS Pension and OPEB expense	672,619
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The issuance of long-term debt and leases payable provides current financial resources to governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt, leases payable, and related items.

New leases payable	(42,010)
Lease payments	175,067
Debt payments	838,480
Premium amortization	16,993

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for accrued compensated absences.

(245)

Change in net position of governmental activities	\$ 4,579,769
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The accompanying notes to financial statements
are an integral part of this statement.

CITY OF MOREHEAD, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024

ASSETS	<u>Business-Type Activities</u>
Current assets:	
Cash and cash equivalents	\$ 790,734
Accounts receivable, net	2,439,176
Inventory	876,941
Prepaid expenses	258,659
Total current assets	<u>4,365,510</u>
Non-current assets:	
Restricted cash and cash equivalents	4,018,938
Restricted investments	2,884,362
Restricted interest receivable	36,986
Restricted other receivables	20,901
Right to use leased assets, net	745,686
Capital assets:	
Nondepreciable capital assets	43,566,258
Depreciable capital assets	107,938,108
Accumulated depreciation	(71,034,311)
Net OPEB asset	148,351
Total non-current assets	<u>88,325,279</u>
Total assets	<u>92,690,789</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - deferred gain on refunding	24,265
Deferred outflows - pensions	2,438,035
Deferred outflows - OPEB	957,598
Total deferred outflows of resources	<u>3,419,898</u>
Total assets and deferred outflows of resources	<u>\$ 96,110,687</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 289,614
Accrued payroll and vacation	497,267
Other accrued liabilities	136,682
Accrued interest on bonds	129,893
Customer deposits	364,385
Lease payable - current	216,683
Notes and bonds payable - current	1,079,165
Total current liabilities	<u>2,713,689</u>
Non-current liabilities:	
Notes and bonds payable, net of current portion	51,251,232
Lease payable, net of current portion	553,454
Net pension liability	6,870,220
Total non-current liabilities	<u>58,674,906</u>
Total liabilities	<u>61,388,595</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	925,202
Deferred inflows - OPEB	2,446,555
Total deferred inflows of resources	<u>3,371,757</u>
NET POSITION	
Net investment in capital assets	28,139,472
Restricted	5,387,744
Unrestricted	(2,176,881)
Total net position	<u>31,350,335</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 96,110,687</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF MOREHEAD, KENTUCKY
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

	Business-Type Activities
OPERATING REVENUES	
Gas revenue	\$ 2,962,547
Water revenue	5,467,349
Sewer revenue	6,209,296
Penalties	101,753
Other income	154,541
Total operating revenues	14,895,486
 OPERATING EXPENSES	
Gas	2,834,231
Water	3,994,729
Sewer	5,659,968
Administrative	2,048,846
Total operating expenses	14,537,774
 OPERATING INCOME (LOSS)	 357,712
 NON-OPERATING REVENUES (EXPENSES)	
Investment income (loss)	190,085
Grant income	1,340,460
Other income (expenses)	1,070,575
Interest expense	(496,946)
Total non-operating revenues (expenses)	2,104,174
 INCOME (LOSS) BEFORE CONTRIBUTIONS	 2,461,886
 CAPITAL CONTRIBUTIONS	 175,097
 CHANGE IN NET POSITION	 2,636,983
 NET POSITION, JUNE 30, 2023	 28,713,352
 NET POSITION, JUNE 30, 2024	 \$ 31,350,335

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF MOREHEAD, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

	Business Type Activities
Cash Flows from Operating Activities	
Cash received from customers	\$ 14,442,804
Other cash receipts	256,294
Cash payments for gas supply	(2,148,106)
Cash payments for water supply	(1,402,459)
Cash payments for sewer supply	(2,277,416)
Cash payments to employees for services	(4,759,034)
Cash payments for administrative costs	(629,175)
Net cash provided by operating activities	3,482,908
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(27,574,780)
Interest paid on long-term debt	(417,143)
Principal paid on long-term debt	(1,092,341)
Increase in customer deposits	12,876
Other expenses	1,052,912
Proceeds from debt	24,512,931
Capital grants received	1,515,557
Net cash used for capital and related financing activities	(1,989,988)
Cash Flows from Investing Activities	
Call of investments	1,500,000
Purchase of investments	(499,926)
Interest income from investments	142,294
Net cash provided by investing activities	1,142,368
Net increase in cash and cash equivalents	2,635,288
Cash and cash equivalents, June 30, 2023	2,174,384
Cash and cash equivalents, June 30, 2024	\$ 4,809,672
Cash and Cash Equivalents Reported As:	
Unrestricted	\$ 790,734
Restricted	4,018,938
	\$ 4,809,672
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 357,712
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	3,296,133
Net pension expense	350,165
Net OPEB expense	(195,389)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(196,388)
(Increase) decrease in other receivable	-
(Increase) decrease in inventories	(165,035)
(Increase) decrease in prepaids	(14,781)
Increase (decrease) in accounts payable and accrued expenses	(23,372)
Increase (decrease) in accrued wages	73,863
Total adjustments	3,125,196
Net cash provided by operating activities	\$ 3,482,908
Non-cash investing activities:	
Change in fair value of investments	\$ (37,922)
Right to use leased assets obtained in exchange for lease obligations	\$ 443,575
Non-cash capital activities:	
Infrastructure assets constructed by outside entities	\$ 878,199

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF MOREHEAD, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Morehead, Kentucky (the "City") have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body of governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced. The City of Morehead, Kentucky provides the following services as authorized by its charter: public safety, public works, recreation and community development. The following is a summary of the more significant accounting policies.

a. Reporting Entity

The City operates under a City Council government comprised of the Mayor and six council members. The financial statements of the City include the funds, agencies, boards and entities for which the Mayor and City Council are financially accountable. Financial accountability, as defined by Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, as amended by GASB Statement No. 14, was determined on the basis of the City's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service.

Based on these criteria, the Morehead Utility Plant Board (MUPB) and the Morehead Recreation, Tourism & Convention Commission (MRTCC) have been included within the reporting entity. These organizations' activities have been blended with the City's financial statements. Complete financial statements of the Morehead Utility Plant Board and the Morehead Recreation, Tourism & Convention Commission can be obtained from their respective administrative offices.

b. Basis of Presentation, Fund Accounting

Government-Wide Financial Statements. The statement of net position and statement of activities display information about the City as a whole. These statements include all funds of the City. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements. The financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10% of the corresponding total for all funds of

- that category or type, and
- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or proprietary fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The following fund types are used by the City:

Governmental Funds

General Fund. The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities, except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for a certain purpose. The City has the following Special Revenue Funds:

- The **Municipal Road Aid Fund** accounts for the allocation from the Commonwealth of Kentucky as provided by KRS 174 for design, right-of-way acquisitions, utilities, construction, and other municipal road expenditures.
- The **Federal Forfeiture Fund** accounts for forfeitures under Federal laws that are restricted to expenditures for public safety.
- The **State Forfeiture Fund** accounts for forfeitures under state laws that are restricted to expenditures for public safety.
- The **Federal Treasury Forfeiture Fund** accounts for forfeitures under Federal laws that are restricted to expenditures for public safety.
- The **Morehead Recreation, Tourism and Convention Commission (MRTCC)** is used for the purpose of promoting recreational, tourist, and convention activities in Morehead and Rowan County. The Commission’s primary source of revenue is from a restaurant tax and a hotel and motel room tax, which are both collected by the City of Morehead.
- The **TIF Fund** is used to account for the revenue and expenditures related to the Tax Increment Financing Development Plan for the Downtown Morehead Development Area.

Capital Projects Fund. The **Police Station and E911 Construction Fund** accounts for the construction of the new E911 and police station. Principal sources of revenue are grants, City funding, and municipal long-term debt proceeds and interest income.

Proprietary Fund

Proprietary Fund. Proprietary Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City has the following Proprietary Funds:

The **Morehead Utility Plant Board (MUPB)** is used to account for the gas, water, and sewer services provided to residents of the City and areas surrounding the City, the operations of which are financed primarily through user charges.

Major and Nonmajor Funds. The funds are further classified as major or nonmajor as follows:

<u>Fund</u>	<u>Fund Type</u>	<u>Major/Non-Major</u>
General Fund	Governmental	Major
Municipal Road Aid Fund	Special Revenue	Nonmajor
Federal Forfeiture Fund	Special Revenue	Nonmajor
Federal Treasury Forfeiture Fund	Special Revenue	Nonmajor
State Forfeiture Fund	Special Revenue	Nonmajor

TIF Fund	Special Revenue	Nonmajor
Police Station and E911 Construction Fund	Capital Projects	Nonmajor
Morehead Recreation, Tourism and Convention Commission (Tourism Operations)	Special Revenue	Major
Morehead Utility Plant Board	Proprietary	Major

c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus. In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item 2 below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

1. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of change in net position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting. In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, government funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period (generally 60 days) or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used.

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

d. Assets, Liabilities, and Net Position

Assets

Cash and Investments. The City adopted written policies and procedures for cash and investment management that designate the Mayor and City Clerk be responsible for these duties. The primary objective of the investment policy is to maintain the safety of the investment and to maintain funds in accounts, which will enable the City to meet all reasonably anticipated operating requirements.

For the purpose of the proprietary fund Statement of Net Position, "cash and cash equivalents" includes all demand and savings accounts of the City. For the purposes of the proprietary fund, Statement of Cash Flows, "cash and cash equivalents" include all demand, savings accounts, and certificate of deposits with an original maturity of three months or less.

To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding fair value measurement of investments is disclosed in Note (13). The majority of the investments are restricted as to use. Funds are required to be invested in accordance with the investment policy as adopted by MUPB's Board. The investment policy allows MUPB to invest in those investments authorized by KRS 66.480. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

Internal Balances. During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Accounts Receivable. In the fund financial statements, material receivables in governmental funds include revenue accruals, such as grants, licenses, fees and permits, interest earnings, and similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions earned, but not collected within 60 days of the end of the fiscal year, are not included in the fund financial statements in accordance with the modified accrual basis of accounting. Receivables related to interest and other investment earnings are recorded using the modified accrual basis of accounting, in the same manner as non-exchange transactions. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to customer accounts receivable. The allowance for uncollectible accounts receivable as of June 30, 2024 was \$680,747 (consisting of \$152,559 - City and \$528,188 - MUPB).

Inventories. Purchases of supplies in the General Fund are recorded as expenditures at the time they are purchased and are not inventoried. Purchases of supplies in the Proprietary Fund are stated at the lower of cost or market on the basis of "first-in, first out" (FIFO) inventory method.

Capital Assets. The accounting treatment for capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated property, which is recorded at the estimated fair value at the date of donation. Expenditures for items having a useful life greater than one year and having a cost greater than \$5,000 are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible property is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the asset's estimated useful lives, using the straight-line method of depreciation.

In the proprietary fund type, expenditures for items having a useful life greater than one year and having a cost greater than \$5,000 are capitalized. Capital assets are stated at cost. Depreciation is provided over the estimated useful lives using the straight-line method.

In the fund financial statements, property used in governmental fund operations is accounted for as capital outlay expenditures of the governmental fund upon acquisition. Property used in proprietary fund operations is accounted for the same as in the government-wide statements.

The estimated useful lives are as follows:

Buildings and improvements	25-40 years
Infrastructure	20-40 years
Land improvements	10-20 years
Water plant	40 years
Water and gas distribution systems	33 1/3 years
Sewer system	33 1/3-40 years
Vehicles, furniture and equipment	5-10 years

Construction in progress represents construction projects for fixed assets that have not yet been placed in service. Interest expense related to these projects has not been capitalized; however, this is not considered a material departure from generally accepted accounting principles.

In accordance with GASB Statement No. 34, the City has elected to not report major infrastructure assets retroactively.

Restricted Net Position. Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, as required by bond indentures, are classified as restricted on the Statement of Net Position. Some expenditures of the City may be paid with restricted and non-restricted resources, and the City has determined that when both resources are available, they will use the restricted resources first.

Bond Issuance Cost. Debt issuance costs are expensed in the period they are incurred.

Long-Term Liabilities. The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of revenue bonds, notes, and capital lease obligations, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are recorded as revenue and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Equity Classifications. Government-wide financial statements classify equity as net position and are displayed in three components:

1. *Net investment in capital assets* consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or

- other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. *Restricted net position* consists of net position with constraints placed on the use either by:
 - a. External groups such as creditors, grantors, contributors, or laws or regulations of other governments, and
 - b. Law through constitutional provisions or enabling legislation.
 3. *Unrestricted net position* consists of all other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The following classifications of governmental fund balances describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by the City itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City takes the action to remove or change the constraint;
- Assigned fund balance - amounts the City intends to use for a specific purpose (such as encumbrances); intent can be expressed by the City or by an official or body to which the City delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

Proprietary fund equity is classified the same as in government-wide statements. When restricted, committed, assigned and unassigned resources are available for use, it is the City's policy to use restricted, committed and assigned resources first, then unassigned resources as they are needed.

e. Revenues, Expenditures, and Expenses

Payroll License Fee. The City levies a payroll tax of 1.5% on all individuals, who work within the City limits. This tax is withheld by an employee's employer and remitted to the City monthly or quarterly. The payroll license fee is recorded in the General Fund and is used to pay the general operations of the City.

Insurance License Fee. The City levies an insurance license fee of 5% on certain insurance sold within the City limits. Insurance companies are required to collect this fee from policy holders and to remit this fee quarterly. The insurance license fee is recorded in the General Fund and is used to pay the general operations of the City.

Occupational License Fee. The City levies an occupational license fee of 1.5% on net profits of all companies, who do business within the City. Companies are required to report and remit this fee annually. The occupational license fee is recorded in the General Fund and is used to pay the general operations of the City.

Real and Personal Property Taxes. The City levies a tax on all real and personal property within the City in accordance with State laws. These taxes are collected annually and are recorded in the General Fund and are used to pay the general operations of the City.

Operating Revenues and Expenses. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Water and sewer revenues have been secured by revenue bonds, which have been issued to construct and make improvements to the utility plants in service.

Non-Operating Revenues and Expenses. Governmental funds report all revenues and expenses as operating, except loan proceeds and transfers to other funds. Proprietary funds report all revenue and expenses as operating, except interest income, amortization, and capital contributions.

Expenditures/Expenses. In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. All expenses have been charged as a direct cost to the program in which it benefits.

In the fund financial statements, expenditures in the Governmental Funds are reported by character and in the Proprietary Funds as operating and non-operating.

In the fund financial statements, Governmental Funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers. Permanent re-allocation of resources between funds of the City is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual Governmental Funds have been eliminated.

f. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

g. Pension and OPEB

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

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. The City's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that capital lease proceeds and the related capital outlay are not budgeted.

Budgeted amounts in the financial statements are as adopted by ordinance of the City and have been revised for amendments authorized during the year.

i. Recent Accounting Pronouncements

In May 2022, the GASB issued Statement No. 99, *Omnibus 2022* ("GASB 99"), to provide guidance addressing various accounting and financial reporting issues identified during the implementation

and application of certain GASB pronouncements or during the due process on other pronouncements. GASB 99 addresses, among other matters:

- Accounting and financial reporting for exchange or exchange-like financial guarantees;
- Clarification of certain provisions of Statement No.:
- 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,
- 87, Leases,
- 94, Public-Private and Public-Public Partnership and Availability Payment Arrangements,
- 96, Subscription-Based Information Technology Arrangements (SBITA);
- Replacing the original deadline for use of the London Interbank Offered Rate (LIBOR) as a benchmark interest rate for hedges of interest rate risk of taxable debt with a deadline for when LIBOR ceases to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021;
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP);
- Disclosures related to non-monetary transactions; and
- Pledges of future revenues when resources are not received by the pledging government.

Requirements that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for non-monetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement No. 34, and terminology updates are effective upon issuance. Requirements related to leases, public-public and public-private partnerships (PPPs), and SBITAs are effective for fiscal years beginning after June 15, 2022, and for all reporting periods thereafter. Requirements related to other requirements related to derivative instruments are effective for fiscal years beginning after June 15, 2023, and for all reporting periods thereafter. Adoption of the provisions of this statement did not have a material effect on the City's financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections (an amendment of GASB Statement No. 62)* ("GASB 100"), which has as its primary objective to provide more straightforward guidance that is easier to understand and is more reliable, relevant, consistent, and comparable across governments for making decisions and assessing accountability. Improving the clarity of accounting and financial reporting requirements for accounting changes and error corrections will mean greater consistency in the application of these requirements in general.

GASB 100 prescribes accounting and financial reporting for each category of accounting change and error corrections, requiring that:

- Changes in accounting principle and error corrections be reported retroactively by restating prior periods;
- Changes in accounting estimate be reported prospectively by recognizing the change in the current period; and
- Changes to and within the financial reporting entity be reported by adjusting beginning balances of the current period.
- Governments disclose the effects of each accounting change and error correction on beginning balances in a tabular format.

The requirements of GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and for all reporting periods thereafter. Adoption of the provisions of this statement did not have a material effect on the City's financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"), which

supersedes the guidance in Statement No. 16, *Accounting for Compensated Absences*, issued in 1992. GASB 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. It also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Additionally, it establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. For example, a liability for leave that has not been used would be recognized if the leave:

- Is attributable to services already rendered;
- Accumulates; and
- Is more likely than not to be used for time off or otherwise paid or settled. Some exceptions to this general rule include parental leave, military leave and jury duty leave for which a liability would not be recognized until the leave commences.

Additionally, GASB 101 (1) provides an alternative to the existing requirement to disclose the gross annual increases and decreases in long-term liability for compensated absences, allowing governments to disclose only the net annual change in the liability as long as it is identified as such; and (2) removes the disclosure of the government funds used to liquidate the liability for compensated absences. The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023. Management is currently evaluating the impact of this Statement on its financial statements.

In January 2024, the GASB issued Statement No. 102, *Certain Risk Disclosures* ("GASB 102"), which aims to enhance the transparency of financial reporting by requiring disclosures about risks that state and local governments face due to certain concentrations or constraints. A concentration is defined as a lack of diversity in significant inflows or outflows of resources, while a constraint is a limitation imposed by an external party or by the government's highest level of decision-making authority. Governments must disclose information about these risks if they are vulnerable to a substantial impact from them. The disclosures should include the nature of the concentration or constraint, any associated events that could cause a substantial impact, and actions taken to mitigate the risk. The requirements of GASB 102 are effective for fiscal years beginning after June 15, 2024. Management is currently evaluating the impact of this Statement on its financial statements.

In May 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements* ("GASB 103") with the objective to enhance the effectiveness of the financial reporting model for decision-making and assessing government accountability. The improvements target the following established accounting and financial reporting requirements:

- Management's discussion and analysis;
- Unusual or infrequent items (previously known as extraordinary and special items);
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
- Major component unit information; and
- Budgetary comparison information.

The effective date for GASB 103 is for fiscal years beginning after June 15, 2025. Management is currently evaluating the impact of this Statement on its financial statements.

(2) PROPERTY TAX REVENUES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the City.

Assessed values are established by State Law at 100% of fair value.

Real property and tangible property taxes are recognized as revenue on the modified accrual basis. Public utility taxes are not accrued at June 30, since assessed amounts are not available until the subsequent fiscal year.

The 2023 assessed value for real property was \$369,075,731. Assessed value of tangible property was \$51,042,751. The tax rate on real property adopted was \$.452 per \$100 valuation. The tax rate on tangible property adopted was \$.7301 per \$100 valuation.

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

<u>Due date for payment of taxes</u>	<u>Upon receipt</u>
2% discount period	By November 30, 2023
Face value amount payment dates	To December 31, 2023
Delinquent date, 8% penalty	January 1, 2024

(3) CASH AND INVESTMENTS

Investments are carried at fair market value. The majority of the investments are restricted as to use. Funds of the Morehead Utility Plant Board are required to be invested in accordance with the investment policy adopted by MUPB. The investment policy allows MUPB to invest in those investments authorized by KRS 66.480.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's funds on deposit with the banks may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires bank balances to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance.

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth and its agencies, insured savings and loans, or interest-bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. In addition, trust funds may invest in uninsured corporate securities. At June 30, 2024, the City had \$18,004,375 in financial institutions, of which \$4,295,581 was insured, \$13,708,794 was collateralized, and \$-0- was uninsured and uncollateralized.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy states that unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than one year from the date of purchase.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy is that with the exception of fully insured or fully collateralized investments and demand deposit accounts, no more than 50% of the total investment portfolio shall be invested in a single security type of a single financial institution.

MRTCC periodically transfers money from its operating account into a depreciation reserve account to help pay for major repairs on its capital assets due to normal wear and tear. At June 30, 2024, MUPB had the following investments and maturities:

Investment Type -	<u>Investment Maturities (in years)</u>				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Government Securities	\$ 1,272,634	\$ 244,717	\$ 548,852	\$ -	\$ 479,065
Long-term CD's	1,611,728	1,144,956	233,275	233,497	-

(4) GRANTS RECEIVABLE

Grants receivable from other governmental units as of June 30, 2024, are as follows:

Special Revenue Fund - Municipal Aid Road Fund	\$ 30,826
General Fund - Streetscape Grant	<u>146,688</u>
	<u>\$ 177,514</u>

(5) CAPITAL ASSETS

The activity related to capital assets for the fiscal year ended June 30, 2024 was as follows:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 7,405,018	\$ 1,992,837	\$ -	\$ 9,397,855
Construction in progress	467,760	573,796	(1,041,556)	-
Capital assets being depreciated:				
Land improvements	2,677,844	1,041,556	-	3,719,400
Buildings and improvements	17,065,985	-	-	17,065,985
Vehicles	5,121,694	10,752	(308,163)	4,824,283
Equipment	3,385,153	72,541	-	3,457,694
Infrastructure	2,340,462	460,433	-	2,800,895
	<u>38,463,916</u>	<u>4,151,915</u>	<u>(1,349,719)</u>	<u>41,266,112</u>
Accumulated depreciation	(14,175,395)	(1,135,712)	308,163	(15,002,944)
	<u>\$ 24,288,521</u>	<u>\$ 3,016,203</u>	<u>\$ (1,041,556)</u>	<u>\$ 26,263,168</u>

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Business-type Activities:				
Land	\$ 843,106	\$ -	\$ -	\$ 843,106
Buildings	1,055,789	-	-	1,055,789
Water, gas, and sewer systems	98,147,395	3,130,787	-	101,278,182
Equipment	5,360,086	244,041	-	5,604,127
Construction in progress	18,523,210	27,652,552	(3,452,610)	42,723,152
	<u>123,929,586</u>	<u>31,116,019</u>	<u>(3,452,610)</u>	<u>151,504,366</u>
Accumulated depreciation	(67,980,153)	(3,054,158)	-	(71,034,311)
	<u>\$ 55,949,433</u>	<u>\$ 28,061,861</u>	<u>\$ (3,452,610)</u>	<u>\$ 80,470,055</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 148,775
Public Safety:	
Police	233,137
Fire	229,185
Public Works	192,243
Recreation	114,598
Community Center	8,152
Tourism	209,622
	<u>\$ 1,135,712</u>

(6) Right to Use Leased Assets

Government Activities. As of June 30, 2024, the governmental activities right to use leased assets consisted of the following:

The City has recorded thirty-three right to use leased assets. The assets are right to use vehicles. The related leases are discussed in the Leases Payable subsection of the Long-Term Debt section of the footnotes. The right to use leased assets are amortized on a straight-basis over the terms of the related leases.

Right to use leased asset activity for the fiscal year ended June 30, 2024, was as follows:

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2024</u>
Intangible right to use asset	\$ 1,121,320	\$ 42,010	\$ (48,543)	\$ 1,114,787
Totals at historical cost	1,121,320	42,010	(48,543)	1,114,787
Less: accumulated amortization	(478,109)	(181,394)	(48,543)	(610,960)
Right to Use Leased Assets - Net	<u>\$ 643,211</u>	<u>\$ (139,384)</u>	<u>\$ -</u>	<u>\$ 503,827</u>

Business-Type Activities. As of June 30, 2024, the proprietary fund right to use leased assets consisted of the following:

The Board has recorded twenty-four right to use leased assets. The assets are right to use vehicles. The related leases are discussed in the Leases Payable subsection of the Long-Term Debt section of the footnotes. The right to use leased assets are amortized on a straight-basis over the terms of the related leases.

Right to use leased asset activity for the fiscal year ended June 30, 2024, was as follows:

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2024</u>
Intangible right to use asset	\$ 868,219	\$ 443,575	\$ (242,503)	\$ 1,069,291
Totals at historical cost	868,219	443,575	(242,503)	1,069,291
Less: accumulated amortization	(324,133)	(241,975)	(242,503)	(323,605)
Right to Use Leased Assets - Net	<u>\$ 544,086</u>	<u>\$ 201,600</u>	<u>\$ -</u>	<u>\$ 745,686</u>

(7) LONG-TERM DEBT

A. Notes & Bonds Payable

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities:

Government Activities. As of June 30, 2024, the governmental activities long-term debt consisted of the following:

Notes Payable-City of Morehead

15-year note payable for the acquisition of a Sutphen fire engine. The City borrowed \$1,152,717 at an interest rate of 2.76% with biannual payments commencing April 2018. The note expires October 2032 at which time title will transfer to the City.	\$ 710,669
15-year note payable for the acquisition the Perkins property. The City borrowed \$750,000 at an interest rate of 2.76% with biannual payments commencing May 2018. The note expires November 2032.	462,387

5-year note payable for the acquisition of a Heil garbage truck. The City borrowed \$126,088 at an interest rate of 4.05% with monthly payments commencing October 2019. The note expires October 2024. 4,595

10-year note payable for the acquisition of a Sutphen Monarch engine. The City borrowed \$597,662 at an interest rate of 1.576% with annual payments commencing August 2021. The note expires October 2032 at which time title will transfer to the City. 428,070

General Obligation Bonds

On December 29, 2020, the City issued \$6,845,000 in general obligation bonds with an average rate of 1.9% to fund the construction of a new police station and E911 facility. The 2020 series bonds were sold at a premium of 329,946, which is being amortized over the life of the bonds. 6,320,000
 Sub-total - City 7,925,721

Note Payable- Morehead Recreation, Tourism and Convention Commission

28.5-year note payable for the acquisition, construction, installation and equipping of a convention center to be located in Morehead, Kentucky. The total amount financed was \$4,970,000 with the Kentucky League of Cities at a variable interest rate. The note expires in 2031. 2,118,205

26.5-year note payable for the acquisition, construction, installation and equipping of a convention center to be located in Morehead, Kentucky. The total amount financed was \$1,520,000 with the Kentucky League of Cities at a variable interest rate. The note expires in 2029. 491,755

28.5-year note payable for the acquisition, construction, installation and equipping of a convention center to be located in Morehead, Kentucky. The total amount financed was \$1,500,000 with the Kentucky League of Cities at a variable interest rate. The note expires in 2033. 719,623

28.5-year note payable for the acquisition, construction, installation and equipping of a convention center to be located in Morehead, Kentucky. The total amount financed was \$1,250,000 with the Kentucky League of Cities at a variable interest rate. The note expires in 2035. 710,233

5-year promissory note for the acquisition of the Perkins property. The total amount financed was \$250,000 with The Citizens Bank at an interest rate of 3.9%. The note matures on December 21, 2032. 162,273
 Sub-total - Tourism 4,202,089
 Premium on bonds 270,471
 Total governmental activity debt \$ 12,398,281

The total government-type activities long-term debt is as follows:

Current portion - City of Morehead \$ 412,826
 Current portion - Tourism Commission 437,194
 Total current portion 850,020
 Long-term portion 11,548,261
 Total \$ 12,398,281

Business-Type Activities. As of June 30, 2024, the proprietary fund long-term debt consisted of the following:

	Original Issue	Interest Rates	Final Maturity	Outstanding Principal
Series of 1966 Issue	\$ 1,715,000	4.375-5.25%	12/1/09	\$ 15,000
KIA Wastewater Treatment Plan	7,189,123	1.00%	6/1/26	785,149
KIA Big Woods Project	801,203	1.00%	1/1/30	133,217
KIA Phase IV Project	1,293,013	1.00%	1/1/30	246,846
KIA WWTP	3,000,000	1.00%	1/1/31	903,335
KIA 801 & 158	1,800,000	0.75%	6/1/38	1,292,918
KIA F19-002	4,500,000	2.00%	TBD	4,478,212
KIA F19-002	23,171,000	0.50%	TBD	37,259,795
KIA A20-020	1,363,200	1.50%	TBD	968,162
2022 Refunding	3,820,000	1.97%	12/1/41	3,510,000
Cave Run Lake Water Supply	2,635,500	2.00%	10/1/52	2,455,167
				52,047,801
Plus premium on bond issue				282,596
Less current maturities				(1,079,165)
Total long-term debt				<u>\$ 51,251,232</u>

On September 19, 2022, Morehead Utility Plant Board entered into an agreement with The Department of the Army for the right to utilize an 1.86% of the usable conservation storage space and the right to withdraw water from the Cave Run lake. The cost allocated to the storage space is estimated to be \$2,635,500, these cost shall be repaid over a 30 year period and amortized at 2%. The last payment will be adjusted upward or downward to assure all cost are repaid within 30 years of approval of the agreement.

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for bonds, notes and capital leases as of June 30, 2024 are as follows:

Governmental Activities:

City of Morehead

Fiscal Year	Principal	Interest	Total
2025	\$ 437,194	\$ 177,874	\$ 615,068
2026	446,912	160,979	607,891
2027	466,425	143,495	609,920
2028	486,020	125,151	611,171
2029	505,732	105,938	611,670
2030 - 2034	2,503,438	350,394	2,853,832
2035 - 2039	2,545,000	171,838	2,716,838
2040 - 2041	535,000	9,363	544,363
	<u>\$ 7,925,721</u>	<u>\$ 1,245,032</u>	<u>\$ 9,170,753</u>

Morehead Recreation, Tourism and Convention Commission

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fees</u>	<u>Total</u>
2025	\$ 412,826	\$ 198,354	\$ 611,180
2026	432,749	178,246	610,995
2027	453,743	156,842	610,585
2028	572,623	132,073	704,696
2029	479,950	105,368	585,318
2030 - 2034	1,720,658	214,871	1,935,529
2035 - 2036	129,540	9,803	139,343
	<u>\$ 4,202,089</u>	<u>\$ 995,557</u>	<u>\$ 5,197,646</u>

Business-Type Activities:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,079,165	\$ 294,975	\$ 1,374,140
2026	2,093,348	640,131	2,733,479
2027	1,894,215	438,555	2,332,770
2028	1,918,132	414,834	2,332,966
2029	1,942,213	390,447	2,332,660
2030 - 2034	9,800,922	1,587,495	11,388,417
2035 - 2039	9,671,993	1,072,312	10,744,305
2040 - 2044	8,393,902	646,121	9,040,023
2045 - 2049	6,979,251	352,344	7,331,595
2050 - 2054	6,934,398	138,146	7,072,544
2055	1,340,262	5,033	1,345,295
	<u>\$ 52,047,801</u>	<u>\$ 5,980,393</u>	<u>\$ 58,028,194</u>

B. Leases Payable

Government Activities. As of June 30, 2024, the governmental activities leases consisted of the following:

The City has entered into agreements to lease all fleet vehicles, the terms of which expire in various years through 2029. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2024, were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2025	\$ 191,401	\$ 35,788	\$ 227,189
2026	161,375	31,512	192,887
2027	127,822	26,677	154,499
2028	43,996	10,595	54,591
2029	4,280	1,140	5,420
	<u>\$ 528,874</u>	<u>\$ 105,712</u>	<u>\$ 634,586</u>

Business-Type Activities. As of June 30, 2024, the governmental activities leases consisted of the following:

The Board has entered into agreements to lease all fleet vehicles, the terms of which expire in various years through 2029. The lease agreements qualify as other than short-term leases under GASB 87

and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2024, were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2025	\$ 216,683	\$ 47,653	\$ 264,336
2026	192,203	45,064	237,267
2027	167,693	41,564	209,257
2028	137,250	35,882	173,132
2029	56,308	16,527	72,835
	<u>\$ 770,137</u>	<u>\$ 186,690</u>	<u>\$ 956,827</u>

Changes in Long-Term Liabilities

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

	<u>Balance</u>			<u>Amount due</u>	
	<u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2024</u>	<u>Within One Year</u>
Governmental activities:					
Notes payable-City	\$ 1,862,260	\$ -	\$ 256,539	\$ 1,605,721	\$ 187,194
Bonds payable-City	6,510,000	-	190,000	6,320,000	250,000
Premium-City	287,464	-	16,993	270,471	-
Note payable-MRTCC	4,419,380	-	379,564	4,039,816	397,945
Note payable-MRTCC	174,650	-	12,377	162,273	14,881
Leases payable	661,931	42,010	175,067	528,874	191,401
Pension liability	9,608,903	-	133,625	9,475,278	-
OPEB liability (asset)	2,651,986	-	2,494,335	157,651	-
Compensated absences	101,973	43,294	-	145,267	128,984
	<u>26,278,547</u>	<u>85,304</u>	<u>3,658,500</u>	<u>22,705,351</u>	<u>1,170,405</u>
Business-type activities:					
Bonds payable/premium	3,985,259	-	177,663	3,807,596	150,000
Notes payable	24,711,426	24,512,931	701,556	48,522,801	892,808
Leases payable	557,347	443,575	230,785	770,137	216,683
Pension liability	5,530,484	1,339,736	-	6,870,220	-
OPEB liability	1,509,560	-	1,657,911	(148,351)	-
	<u>36,294,076</u>	<u>26,296,242</u>	<u>2,767,915</u>	<u>59,822,403</u>	<u>1,259,491</u>
	<u>\$ 62,572,623</u>	<u>\$ 26,338,253</u>	<u>\$ 6,426,415</u>	<u>\$ 82,527,754</u>	<u>\$ 2,429,896</u>

(8) Cost - Sharing, Multiple Employer Plan - County Employees Retirement System

Plan description: Substantially all full-time employees of the City participate in the County Employees Retirement System ("CERS"). This system consists of two plans – *Nonhazardous* and *Hazardous*. Each plan is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous or hazardous positions of each county, city and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260

Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members who contribute 5.00% nonhazardous and 8.00% hazardous (6.00% and 9.00% for employees hired after September 1, 2008, respectively) of their salary through payroll deductions. The City’s contractually required contribution rate for the year ended June 30, 2024 was 23.34% nonhazardous (23.34% - pension, 0.00% - insurance) and 43.69% hazardous (41.11% - pension, 2.58% - insurance) of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees. Contributions to the pension plan from the City were \$1,843,959 for the year ended June 30, 2024.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS

At June 30, 2024, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2022. An expected total pension liability as of June 30, 2023 was determined using standard roll-forward techniques. The City's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2023. At June 30, 2023, the City’s proportion for nonhazardous and hazardous was 0.142854% and 0.185647%, respectively.

For the year ended June 30, 2024, the City recognized pension expense of \$1,910,625. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Nonhazardous</u>		
Differences between expected and actual experience	\$ 587,078	\$ 30,816
Changes of assumptions	-	1,039,368
Net difference between projected and actual earnings on investments	-	154,692
Changes in proportion and differences between City contributions and proportionate share of contributions	1,549,307	206,919
City contributions subsequent to the measurement date	1,278,067	-
	<u>\$ 3,414,452</u>	<u>\$ 1,431,795</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 228,806	\$ -
Changes of assumptions	-	390,873
Net difference between projected and actual earnings on investments	-	50,209
Changes in proportion and differences		

between City contributions and proportionate share of contributions	605,631	132,193
City contributions subsequent to the measurement date	<u>565,892</u>	<u>-</u>
	<u>\$ 1,400,329</u>	<u>\$ 573,275</u>

At June 30, 2024, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$1,278,067 and \$565,892 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

Year	Nonhazardous	Hazardous
2025	\$ 278,307	\$ 61,100
2026	282,905	17,392
2027	253,167	199,004
2028	(109,789)	(16,334)
	<u>\$ 704,590</u>	<u>261,162</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2022. The financial reporting actuarial valuation as of June 30, 2023, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Payroll Growth	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service, for nonhazardous 3.55% to 19.05%, varies by service, for hazardous
Investment Rate of Return	6.50%, net of pension plan investment expense, including inflation

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023 and include a change in the investment return assumption from 6.25% to 6.50%. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled “2022 Actuarial Experience Study for the Period Ending June 30, 2022.” The Total Pension Liability as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member’s monthly retirement allowance. Since this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact to the total pension liability.

House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position.

The requirement was previously three months only for members who became reemployed on a part-time basis or in any nonhazardous position. The actuary believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total pension liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the nonhazardous plans. But as the minimum separation period was previously three months in almost every circumstance, the actuary assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the retirement pattern. The total pension liability as of June 30, 2023, for the nonhazardous plans is determined using these updated benefits provisions.

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity		
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income		
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected		
Real Estate	7.00%	4.99%
Real Return	<u>13.00%</u>	5.15%
Total	<u>100.00%</u>	5.75%

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 contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.50%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of net pension liability to changes in the discount rate

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

	1% Decrease (5.50%)	Current discount rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability			
Nonhazardous	\$ 14,318,112	\$ 11,340,537	\$ 8,866,059
Hazardous	\$ 6,319,958	\$ 5,004,961	\$ 3,930,907

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at <https://kyret.ky.gov>.

Payables to the pension plan: At June 30, 2024, there was a total payable to CERS of \$86,384 for nonhazardous and hazardous, which includes pension and OPEB contributions.

(9) OTHER POSTEMPLOYMENT BENEFIT (“OPEB”) PLANS

Cost - Sharing, Multiple Employer Plan - County Employees Retirement System Insurance Fund

Plan description: The County Employees Retirement System (“CERS”) Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. This system consists of two plans – *Nonhazardous* and *Hazardous*. Each Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided: CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member’s years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member’s health insurance premium. Hazardous members receive a contribution subsidy for both the member and dependent coverage.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

Hazardous retirees receive \$15 toward the monthly premium and the hazardous retiree’s spouse may also receive this contribution upon the retiree’s death. The monthly insurance benefit has been increased annually by a Cost of Living Adjustment (COLA) since July 2004.

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2024, CERS allocated 0.00% of the 23.34% nonhazardous and 2.58% of the 43.69% hazardous actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2024, the City contributed \$0 and \$35,515 to the CERS Nonhazardous and Hazardous Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy: The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At June 30, 2024, the City reported a liability its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability (asset) was based on an actuarial valuation as of June 30, 2022. An expected total pension liability as of June 30, 2023 was determined using standard roll-forward techniques. City's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2023. At June 30 2023, the City's proportion for nonhazardous and hazardous was 0.177116% and 0.185522%, respectively.

For the year ended June 30, 2024, the City recognized OPEB expense of \$(400,101), including an implicit subsidy of \$77,513. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Nonhazardous</u>		
Differences between expected and actual experience	\$ 170,480	\$ 3,472,198
Changes of assumptions	481,234	335,372
Net difference between projected and actual earnings on investments	-	56,752
Changes in proportion and differences between City contributions and proportionate share of contributions	623,934	126,870
City contributions subsequent to the measurement date	-	-
	<u>\$ 1,275,648</u>	<u>\$ 3,991,192</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 22,959	\$ 1,046,493
Changes of assumptions	173,321	264,613
Net difference between projected and actual earnings on investments	-	34,958
Changes in proportion and differences between City contributions and proportionate share of contributions	193,712	68,654
City contributions subsequent to the measurement date	35,515	-
	<u>\$ 425,507</u>	<u>\$ 1,414,718</u>

At June 30, 2024, the City reported deferred outflows of resources related to OPEB for City contributions subsequent to the measurement date of \$-0- and \$35,515 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2025	\$ (653,216)	\$ (209,858)
2026	(864,307)	(241,643)
2027	(652,395)	(174,082)
2028	(545,626)	(251,852)
2029	-	(147,291)
Thereafter	-	-
	<u>\$ (2,715,544)</u>	<u>\$ (1,024,726)</u>

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

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Payroll Growth Rate	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service, for nonhazardous 3.55% to 19.05%, varies by service, for hazardous
Investment Rate of Return	6.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 8.50% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	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.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010

Assumption Changes - The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled “2022 Actuarial Experiences Study for the Period Ending June 30, 2022”. Additionally, the single discount rates used to calculate the total OPEB liability (asset) within each plan changed since the prior year. Additional information regarding the single discount rates is provided below. The Total OPEB Liability (Asset) as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024 and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis in any nonhazardous position. The actuary believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total OPEB liability (asset) of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the nonhazardous plan. But as the minimum separation period was previously three months in almost every circumstance, the actuary assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65, in order to reflect a shift in the retirement pattern. The total OPEB liability (asset) as of June 30, 2023, for the nonhazardous plan is determined using these updated benefit provisions.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS’s investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity		
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income		
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected		
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	<u>100.00%</u>	5.75%

Discount rate

The discount rate used to measure the total OPEB liability (asset) was 5.93%. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit

payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plan's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

	1% Decrease (4.93%)	Current discount rate (5.93%)	1% Increase (6.93%)
City's proportionate share of the net OPEB liability			
Nonhazardous	\$ 458,905	\$ (244,537)	\$ (833,586)

The following table presents the City's proportionate share of the collective net OPEB liability (asset) of the Hazardous CERS Insurance Fund, calculated using the discount rate of 5.97%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.97%) or 1-percentage-point higher (6.97%) than the current rate:

	1% Decrease (4.97%)	Current discount rate (5.97%)	1% Increase (6.97%)
City's proportionate share of the net OPEB liability			
Hazardous	\$ 641,957	\$ 253,837	\$ (69,571)

Sensitivity of the City's proportionate share of the collective net OPEB liability (asset) to changes in the healthcare cost trend rates – The following presents the City's proportionate share of the collective net OPEB liability, as well as what the City's proportionate share of the collective net OPEB liability(asset) would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current trend rate	1% Increase
City's proportionate share of the net OPEB liability			
Nonhazardous	\$ (783,788)	\$ (244,537)	\$ 417,879
Hazardous	\$ 2,892	\$ 253,837	\$ 556,904

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at <https://kyret.ky.gov>.

Payables to the OPEB plan: At June 30, 2024, there was a total payable to CERS of \$86,384, which includes pension and OPEB contributions.

(10) COMMITMENTS AND CONTINGENCIES

Purchased Gas Contract

Due to the volatile nature of gas pricing and contracts with gas suppliers, the City has entered into an agreement with a supplier in order to secure and maintain adequate supplies of gas at the lowest possible prices. However, due to government regulation, confusion among the suppliers as to whom actually supplied the gas (since it comes through the same line), and other billing errors, it is not uncommon to be billed or refunded amounts for gas supplied in prior months. These amounts are sometimes significant and the accounting policy is to record these amounts as adjustments to current gas purchases or revenues when billed or received.

In an effort to stabilize availability and cost of purchased natural gas, on September 1, 1993, MUPB entered into a sales agreement with Tennessee Gas Pipeline Company. The contract allows MUPB to purchase a maximum of 2,600 dekatherms (Dth) per day at a rate as stated in the current sellers rate Schedule GS-2, filed with the Federal Energy Regulatory Commission.

Water Purchase Contract

MUPB has entered into an agreement with Rowan Water, Inc. and Bath County Water District to provide potable treated water. The agreement is for a term of 40 years, through November 2048, and provides for Rowan Water, Inc. and Bath County District to receive 33.8% and 25.8% of the capacity of the plant constructed under terms of this agreement.

Other

The City is a defendant in various legal actions arising from normal business operations. The City's legal counsel believes 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.

Construction Commitment

The Board is obligated on construction commitments related to the Derrickson project, lead & copper removal and new water treatment plant at June 30, 2024 in the approximate amount of \$12,000,000.

(11) RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the City also carries commercial insurance for all other risks of loss such as worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) NONMONETARY TRANSACTIONS

Infrastructure assets constructed by outside entities then taken over by MUPB are recorded as other income in accordance with GASB 33, at cost.

(13) FAIR VALUE MEASUREMENTS

The MUPB has determined the fair value of certain assets and liabilities through the application of GASB 72, *Fair Value Measurements and Application*.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not forced liquidation or distressed sale) between market participants

at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value, a reasonable point within the range, is most representative of fair value under current market conditions.

Under GASB 72, the MUPB groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Level 1 Inputs. For these securities, the MUPB obtains fair value measurements from identical instruments traded in active markets.

Level 2 Inputs. For these securities, the MUPB obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

Level 3 Inputs. For these securities, the valuation methods used were (1) discounted cash flow model valuation, where the expected cash flows of the securities are discounted using a yield that incorporates compensation for illiquidity and (2) a market comparables method, where the securities are valued based on indications, from the secondary market, of what discounts buyers demand when purchasing similar securities.

The following tables present the MUPB's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

June 30, 2024	Fair Value	Level 1	Level 2	Level 3
U.S. Government Securities	\$ 1,272,634	\$ -	\$ 1,272,634	\$ -
Long-term CD's	1,611,728	-	1,611,728	-

(14) PRIOR PERIOD ADJUSTMENT

The beginning balances were restated and increased due to prior year voided checks for the tourism operations fund for \$23,223.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MOREHEAD, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Taxes:					
General property taxes	\$ 1,400,000	\$ -	\$ 1,400,000	\$ 1,871,627	\$ 471,627
Motor vehicle taxes	42,000	-	42,000	65,588	23,588
Bank deposit tax	85,000	-	85,000	104,223	19,223
Payments in lieu of tax	36,000	-	36,000	53,299	17,299
Telecommunications tax	56,000	-	56,000	104,744	48,744
Alcohol revenue taxes	240,000	-	240,000	363,008	123,008
	<u>1,859,000</u>	<u>-</u>	<u>1,859,000</u>	<u>2,562,489</u>	<u>703,489</u>
Licenses, fees, and permits:					
Occupational & net profits license fees	4,000,000	-	4,000,000	5,628,591	1,628,591
Insurance premium fees	800,000	-	800,000	1,030,243	230,243
Franchise fees	307,700	-	307,700	357,247	49,547
Building inspection fees	12,500	-	12,500	85,182	72,682
Alcohol beverage fees	15,000	-	15,000	25,474	10,474
	<u>5,135,200</u>	<u>-</u>	<u>5,135,200</u>	<u>7,126,737</u>	<u>1,991,537</u>
Intergovernmental:					
ARPA funds	-	-	-	1,992,468	1,992,468
Police incentive	92,000	-	92,000	109,576	17,576
Fire incentive	17,200	-	17,200	36,649	19,449
E-911 reimbursement	70,294	-	70,294	66,442	(3,852)
Recreation income	42,000	-	42,000	2,000	(40,000)
County contribution - Fire station	55,000	-	55,000	55,000	-
Bicycle/Pedestrian Improvements (TAP Grant)	-	240,000	240,000	20,622	(219,378)
Law enforcement fees	7,000	-	7,000	10,588	3,588
Transportation Cabinet	-	153,200	153,200	153,200	-
Triplet Valley RTP Grant	250,000	-	250,000	69,470	(180,530)
Reimbursed police program	5,000	-	5,000	-	(5,000)
Fire state aid	11,500	-	11,500	-	(11,500)
Collection fee from Tourism Commission	12,000	-	12,000	20,549	8,549
Streetscape Grant	851,386	-	851,386	317,137	(534,249)
National Opioid Settlement	-	8,199	8,199	53,621	45,422
Other grants	4,600	-	4,600	139,134	134,534
	<u>1,417,980</u>	<u>401,399</u>	<u>1,819,379</u>	<u>3,046,456</u>	<u>1,227,077</u>
Charges for services:					
Refuse collection fees	200,000	-	200,000	230,624	30,624
Police warrant fees	2,000	-	2,000	2,635	635
Recreation	58,000	-	58,000	87,151	29,151
Rental income	32,500	-	32,500	43,790	11,290
Parking and code enforcement fines	250	-	250	4,648	4,398
Accident report reimbursement program	1,500	-	1,500	3,721	2,221
Insurance claims payments	5,000	-	5,000	10,856	5,856
Other charges	2,000	-	2,000	6,631	4,631
	<u>301,250</u>	<u>-</u>	<u>301,250</u>	<u>390,056</u>	<u>88,806</u>
Other Revenue:					
Sale of Property	5,000	-	5,000	38,531	33,531
Interest income	6,500	-	6,500	16,360	9,860
Communications tower leases	6,500	-	6,500	4,500	(2,000)
Other income	25,000	-	25,000	29,455	4,455
	<u>43,000</u>	<u>-</u>	<u>43,000</u>	<u>88,846</u>	<u>45,846</u>
Capital financing	-	-	-	-	-
Total revenues	<u>8,756,430</u>	<u>401,399</u>	<u>9,157,829</u>	<u>13,214,584</u>	<u>4,056,755</u>

CITY OF MOREHEAD, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

Expenditures	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
General Government:					
Personnel services	466,368	160,879	627,247	544,708	82,539
Contract services	884,082	143,200	1,027,282	961,939	65,343
Materials and supplies	13,000	-	13,000	15,355	(2,355)
Other	1,775,420	204,699	1,980,119	421,193	1,558,926
Capital outlay	1,854,460	-	1,854,460	2,561,366	(706,906)
Debt service	382,804	-	382,804	433,723	(50,919)
	<u>5,376,134</u>	<u>508,778</u>	<u>5,884,912</u>	<u>4,938,284</u>	<u>946,628</u>
Public Works:					
Personnel services	779,559	50,650	830,209	768,276	61,933
Contract services	520,179	31,000	551,179	421,393	129,786
Materials and supplies	134,000	-	134,000	111,262	22,738
Other	35,000	(5,000)	30,000	9,584	20,416
Capital outlay	168,000	(49,000)	119,000	197,077	(78,077)
Debt service	144,894	-	144,894	25,574	119,320
	<u>1,781,632</u>	<u>27,650</u>	<u>1,809,282</u>	<u>1,533,166</u>	<u>276,116</u>
Police:					
Personnel services	2,342,922	8,780	2,351,702	2,377,625	(25,923)
Contract services	657,060	-	657,060	406,452	250,608
Materials and supplies	24,300	-	24,300	19,934	4,366
Other	469,766	(3,000)	466,766	153,887	312,879
Capital outlay	37,500	-	37,500	239,465	(201,965)
Debt service	157,020	-	157,020	-	157,020
	<u>3,688,568</u>	<u>5,780</u>	<u>3,694,348</u>	<u>3,197,363</u>	<u>496,985</u>
Fire:					
Personnel services	764,164	32,750	796,914	566,308	230,606
Contract services	183,908	-	183,908	138,165	45,743
Materials and supplies	92,500	-	92,500	74,021	18,479
Other	16,000	-	16,000	10,529	5,471
Capital outlay	19,000	-	19,000	110,712	(91,712)
Debt service	184,662	-	184,662	94,371	90,291
	<u>1,260,234</u>	<u>32,750</u>	<u>1,292,984</u>	<u>994,106</u>	<u>298,878</u>
Recreation:					
Personnel services	641,824	(44,620)	597,204	607,586	(10,382)
Contract services	319,686	(2,500)	317,186	304,066	13,120
Materials and supplies	156,500	-	156,500	134,913	21,587
Other	590,200	(4,000)	586,200	210,620	375,580
Capital outlay	-	-	-	25,784	(25,784)
Debt service	21,897	-	21,897	-	21,897
	<u>1,730,107</u>	<u>(51,120)</u>	<u>1,678,987</u>	<u>1,282,969</u>	<u>396,018</u>
Community Center:					
Personnel services	26,935	-	26,935	7,569	19,366
Contract services	20,900	-	20,900	11,899	9,001
Materials and supplies	10,200	-	10,200	9,932	268
Other	10,000	-	10,000	9,878	122
Capital outlay	-	-	-	-	-
	<u>68,035</u>	<u>-</u>	<u>68,035</u>	<u>39,278</u>	<u>28,757</u>

CITY OF MOREHEAD, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONCLUDED
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Total expenditures	13,904,710	523,838	14,428,548	11,985,166	2,443,382
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,148,280)	(122,439)	(5,270,719)	1,229,418	6,500,137
Other Financing Sources (Uses)					
Transfers in (out)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(5,148,280)	(122,439)	(5,270,719)	1,229,418	6,500,137
Fund balance beginning of year	6,264,091	122,439	6,386,530	6,104,058	(282,472)
Fund balance end of year	<u>\$ 1,115,811</u>	<u>\$ -</u>	<u>\$ 1,115,811</u>	<u>\$ 7,333,476</u>	<u>\$ 6,217,665</u>

CITY OF MOREHEAD, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
MOREHEAD RECREATION, TOURISM, AND CONVENTION COMMISSION -
MOREHEAD TOURISM COMMISSION (MTC)
FOR THE YEAR ENDED JUNE 30, 2024

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
Morehead Tourism Commission (MTC)					
Carryover	\$ 484,812	\$ -	\$ 484,812	\$ -	\$ (484,812)
ARPA KDT Grant (DMO Round 1)	100,326	-	100,326	-	(100,326)
ARPA KDT Grant (Meetings & Conventions)	200,000	-	200,000	200,000	-
ARPA KDT Grant (DMO 2 Round)	7,467	-	7,467	-	(7,467)
ARPA KDT Grant (Mutli-Jurisdictional 3 LVA)	13,000	-	13,000	13,000	-
Transient room tax (City)	188,965	-	188,965	211,962	22,997
Transient room tax (County)	70,000	-	70,000	67,856	(2,144)
Morehead restaurant tax - MTC	915,382	-	915,382	1,030,400	115,018
Reimbursements	5,000	-	5,000	81,745	76,745
Grant income	-	-	-	14,291	14,291
Total MTC revenues	1,984,952	-	1,984,952	1,619,254	(365,698)
EXPENDITURES					
Morehead Tourism Commission (MTC)					
Accountant expense	7,500	-	7,500	9,182	(1,682)
Administrative expenses - City of Morehead	17,544	-	17,544	20,592	(3,048)
Audit	7,500	-	7,500	7,000	500
ARPA KDT Grant (DMO Round 1)	100,326	-	100,326	68,092	32,234
ARPA KDT Grant (Meetings & Conventions)	200,000	-	200,000	95,734	104,266
ARPA KDT Grant (DMO 2 Round)	7,467	-	7,467	-	7,467
ARPA KDT Grant (Mutli-Jurisdictional 3 LVA)	13,000	-	13,000	-	13,000
ARPA KDT Grant (Multi-Juris 1 & 2)	2,988	-	2,988	-	2,988
Arts and cultural director	55,038	-	55,038	54,885	153
Assistant executive director	51,761	-	51,761	47,965	3,796
City of Morehead - recreation property purchase	179,808	-	179,808	-	179,808
Benefits - MTC	50,391	-	50,391	45,297	5,094
Retirement - MTC	56,400	-	56,400	41,324	15,076
Executive director	64,738	-	64,738	64,559	179
Fleet expense (gas, maintenance)	7,500	-	7,500	1,326	6,174
Grant funding	350,000	-	350,000	344,890	5,110
Insurance - MTC	12,020	-	12,020	6,587	5,433
Legal	2,000	-	2,000	237	1,763
Marketing - MTC	392,000	-	392,000	477,614	(85,614)
Morehead Visitor Center	20,000	-	20,000	36,217	(16,217)
Administrative expense - office supplies	8,000	-	8,000	22,662	(14,662)
Payroll tax expenses - MTC	19,801	-	19,801	13,497	6,304
RCAC part-time building assistant	15,000	-	15,000	15,432	(432)
Sinking fund	100,000	-	100,000	-	100,000
Visitor center program specialist	-	-	-	3,875	(3,875)
Visitor Experience Communications Associate	37,500	-	37,500	13,498	24,002
Total MTC expenditures	1,778,282	-	1,778,282	1,390,465	387,817
Revenue over (under) expenditures	206,670	-	206,670	228,789	22,119

CITY OF MOREHEAD, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED
MOREHEAD RECREATION, TOURISM, AND CONVENTION COMMISSION -
MOREHEAD CONVENTION COMMISSION (MCC)
FOR THE YEAR ENDED JUNE 30, 2024

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
Morehead Conference Center (MCC)					
Carryover	\$ 157,265	\$ -	\$ 157,265	\$ -	\$ (157,265)
Morehead restaurant tax - MCC	877,186	-	877,186	1,030,400	153,214
Facility room rental	95,000	-	95,000	91,620	(3,380)
Catering	45,000	-	45,000	36,400	(8,600)
Total MCC revenues	<u>1,174,451</u>	<u>-</u>	<u>1,174,451</u>	<u>1,158,420</u>	<u>(16,031)</u>
EXPENDITURES					
Morehead Conference Center (MCC)					
MCC director	59,324	-	59,324	59,160	164
MCC building assistants	36,000	-	36,000	19,651	16,349
MCC facilities operator/staff supervisor	53,435	-	53,435	45,102	8,333
MCC building assistants (part-time)	-	-	-	-	-
Payroll tax expenses - MCC	10,583	-	10,583	12,089	(1,506)
Marketing - MCC	50,000	-	50,000	27,380	22,620
Maintenance - MCC	80,000	-	80,000	53,081	26,919
Interior improvements loan	-	-	-	-	-
Vehicle maintenance / gas	-	-	-	-	-
Benefits - MCC	38,186	-	38,186	13,349	24,837
Insurance	16,730	-	16,730	18,746	(2,016)
Retirement - MCC	30,208	-	30,208	26,418	3,790
Parking lot lease	7,200	-	7,200	7,200	-
Event supplies	25,000	-	25,000	45,839	(20,839)
Utilities - phone & internet	3,000	-	3,000	8,086	(5,086)
Utilities - electric	75,190	-	75,190	61,947	13,243
Utilities - gas	5,150	-	5,150	1,883	3,267
Utilities - water, sewer & garbage	3,605	-	3,605	6,109	(2,504)
Depreciative asset reserve / capital purchases	-	-	-	336,179	(336,179)
Sinking	90,899	-	90,899	-	90,899
Sales tax expense	-	-	-	338	(338)
Jeffersontown Bond	99,900	-	99,900	99,610	290
Morehead Bond	102,000	-	102,000	95,100	6,900
Newport Bond	295,000	-	295,000	312,687	(17,687)
Richmond Bond	85,000	-	85,000	82,447	2,553
Citizens bank	-	-	-	20,825	(20,825)
Total MCC expenditures	<u>1,166,410</u>	<u>-</u>	<u>1,166,410</u>	<u>1,353,226</u>	<u>(186,816)</u>
Revenues over (under) expenditures	<u>8,041</u>	<u>-</u>	<u>8,041</u>	<u>(194,806)</u>	<u>(202,847)</u>

CITY OF MOREHEAD, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONCLUDED
MOREHEAD RECREATION, TOURISM, AND CONVENTION COMMISSION -
ROWAN COUNTY ARTS CENTER (RCAC)
FOR THE YEAR ENDED JUNE 30, 2024

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
<u>Rowan County Arts Center (RCAC)</u>					
Carryover	\$ 10,250	\$ -	\$ 10,250	\$ -	\$ (10,250)
Art classes	6,500	-	6,500	4,850	(1,650)
Faculty Rentals	900	-	900	6,950	6,050
Fundraisers and donations	14,000	-	14,000	41,534	27,534
Gallery sales	10,000	-	10,000	3,374	(6,626)
Grant income	19,000	-	19,000	-	(19,000)
Studio rentals	18,000	-	18,000	17,559	(441)
Total RCAC revenues	<u>78,650</u>	<u>-</u>	<u>78,650</u>	<u>74,267</u>	<u>(4,383)</u>
EXPENDITURES					
<u>Rowan County Arts Center (RCAC)</u>					
Accountant expense - RCAC	1,800	-	1,800	1,350	450
Art supplies	5,000	-	5,000	1,938	3,062
Building assistants (part-time)	15,000	-	15,000	-	15,000
Exhibit expense	600	-	600	827	(227)
Fundraising expense	4,500	-	4,500	16,929	(12,429)
Gallery sales expense	6,000	-	6,000	1,700	4,300
Garbage pick up - RCAC	550	-	550	-	550
Insurance - contents	1,300	-	1,300	-	1,300
Instructor expense	5,500	-	5,500	947	4,553
Maintenance - RCAC	21,000	-	21,000	46,752	(25,752)
Marketing / travel / education / dues - RCAC	13,000	-	13,000	4,123	8,877
Office supplies/postage fees	2,500	-	2,500	5,406	(2,906)
Utilities - outdoor utility box	750	-	750	623	127
Utilities - phone/internet	3,000	-	3,000	2,985	15
Total RCAC expenditures	<u>80,500</u>	<u>-</u>	<u>80,500</u>	<u>83,580</u>	<u>(3,080)</u>
Revenues over (under) expenditures	<u>(1,850)</u>	<u>-</u>	<u>(1,850)</u>	<u>(9,313)</u>	<u>(7,463)</u>
Total revenues over (under) expenditures	<u>212,861</u>	<u>-</u>	<u>212,861</u>	<u>24,670</u>	<u>(188,191)</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>978,383</u>	<u>978,383</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,223</u>	<u>-</u>
Fund balance, end of year	<u>\$ 212,861</u>	<u>\$ -</u>	<u>\$ 212,861</u>	<u>\$ 1,026,276</u>	<u>\$ 813,415</u>

**CITY OF MOREHEAD, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2024**

	Reporting Fiscal Year (Measurement Date)									
	2024 (2023)		2023 (2022)		2022 (2021)		2021 (2020)		2020 (2019)	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
PENSION										
City's proportion of the net pension liability	0.14%	0.19%	0.14%	0.16%	0.15%	0.16%	0.15%	0.17%	0.15%	0.17%
City's proportionate share of the net pension liability	\$ 11,340,537	\$ 5,004,961	\$ 10,326,934	\$ 4,812,453	\$ 9,733,910	\$ 4,345,869	\$ 11,327,854	\$ 5,114,905	\$ 10,415,657	\$ 4,768,799
City's covered-employee payroll	\$ 4,942,803	\$ 1,298,804	\$ 3,951,804	\$ 1,025,842	\$ 3,897,140	\$ 976,201	\$ 3,766,862	\$ 985,416	\$ 3,725,988	\$ 981,663
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	229.435%	385.352%	261.322%	469.122%	249.771%	445.182%	300.724%	519.061%	279.541%	485.788%
Plan fiduciary net position as a percentage of the total pension liability	57.48%	52.96%	52.42%	47.11%	57.33%	52.26%	47.81%	44.11%	50.45%	46.63%
INSURANCE FUND										
City's proportion of the net OPEB liability (asset)	0.18%	0.19%	0.14%	0.16%	0.15%	0.17%	0.15%	0.17%	0.15%	0.17%
City's proportionate share of the net OPEB liability (asset)	\$ (244,537)	\$ 253,837	\$ 2,818,868	\$ 1,342,678	\$ 2,922,082	\$ 1,319,941	\$ 3,565,274	\$ 1,568,216	\$ 2,491,143	\$ 1,277,035
City's covered-employee payroll	\$ 4,942,803	\$ 1,298,804	\$ 3,951,804	\$ 1,025,842	\$ 3,897,140	\$ 976,201	\$ 3,766,862	\$ 985,416	\$ 3,725,988	\$ 981,663
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-4.947%	19.544%	71.331%	130.885%	74.980%	135.212%	94.648%	159.143%	66.859%	130.089%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	104.23%	92.27%	60.95%	60.13%	62.91%	66.81%	51.67%	58.84%	60.44%	64.44%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF MOREHEAD, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY (ASSET) (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2024

	Reporting Fiscal Year (Measurement Date)									
	2019 (2018)		2018 (2017)		2017 (2016)		2016 (2015)		2015 (2014)	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
PENSION										
City's proportion of the net pension liability	0.14%	0.18%	0.13%	0.17%	0.13%	0.17%	0.13%	0.17%	0.12%	0.17%
City's proportionate share of the net pension liability	\$ 8,557,548	\$ 4,304,926	\$ 7,827,335	\$ 3,751,603	\$ 6,422,997	\$ 2,925,496	\$ 5,499,862	\$ 2,651,429	\$ 4,049,000	\$ 2,024,000
City's covered-employee payroll	\$ 3,487,690	\$ 991,235	\$ 3,256,423	\$ 916,416	\$ 3,111,787	\$ 886,194	\$ 2,982,728	\$ 879,035	\$ 2,865,447	\$ 853,118
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	245.364%	434.299%	240.366%	409.378%	206.409%	330.119%	184.390%	301.629%	141.304%	237.247%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	49.26%	53.30%	49.80%	55.50%	53.95%	59.97%	57.52%	66.80%	63.46%
INSURANCE FUND										
City's proportion of the net OPEB liability	0.13%	0.18%	0.13%	0.17%						
City's proportionate share of the net OPEB liability	\$ 2,494,638	\$ 1,269,161	\$ 2,688,330	\$ 1,386,213						
City's covered-employee payroll	\$ 3,487,690	\$ 991,235	\$ 3,256,423	\$ 916,416						
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	71.527%	128.038%	82.555%	151.265%						
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	64.24%	52.40%	59.00%						

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**CITY OF MOREHEAD, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2024**

	2024		2023		2022		2021		2020		2019	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
PENSION												
Contractually required contribution	\$ 1,278,067	\$ 565,892	\$ 1,156,616	\$ 556,018	\$ 836,597	\$ 347,350	\$ 752,148	\$ 293,446	\$ 727,004	\$ 296,216	\$ 604,355	\$ 244,041
Contributions in relation to the contractually required contribution	<u>1,278,067</u>	<u>565,892</u>	<u>1,156,616</u>	<u>556,018</u>	<u>836,597</u>	<u>347,350</u>	<u>752,148</u>	<u>293,446</u>	<u>727,004</u>	<u>296,216</u>	<u>604,355</u>	<u>244,041</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 5,475,865	\$ 1,376,531	\$ 4,942,803	\$ 1,298,804	\$ 3,951,804	\$ 1,025,842	\$ 3,897,140	\$ 976,201	\$ 3,766,862	\$ 985,416	\$ 3,725,988	\$ 981,663
City's contributions as a percentage of its covered-employee payroll	23.34%	41.11%	23.40%	42.81%	21.17%	33.86%	19.30%	30.06%	19.30%	30.06%	16.22%	24.86%
INSURANCE FUND												
Contractually required contribution	\$ -	\$ 35,515	\$ 172,428	\$ 88,058	\$ 228,418	\$ 107,406	\$ 185,505	\$ 92,934	\$ 182,995	\$ 93,812	\$ 195,987	\$ 102,780
Contributions in relation to the contractually required contribution	<u>-</u>	<u>35,515</u>	<u>172,428</u>	<u>88,058</u>	<u>228,418</u>	<u>107,406</u>	<u>185,505</u>	<u>92,934</u>	<u>182,995</u>	<u>93,812</u>	<u>195,987</u>	<u>102,780</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 5,475,865	\$ 1,376,531	\$ 4,942,803	\$ 1,298,804	\$ 3,951,804	\$ 1,025,842	\$ 3,897,140	\$ 976,201	\$ 3,766,862	\$ 985,416	\$ 3,725,988	\$ 981,663
City's contributions as a percentage of its covered-employee payroll	0.00%	2.58%	3.49%	6.78%	5.78%	10.47%	4.76%	9.52%	4.86%	9.52%	5.26%	10.47%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**CITY OF MOREHEAD, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2024**

	2019		2018		2017		2016		2015		2014	
	Nonhazardous	Hazardous										
PENSION												
Contractually required contribution	\$ 604,355	\$ 244,041	\$ 505,018	\$ 220,054	\$ 454,271	\$ 198,954	\$ 386,484	\$ 179,543	\$ 380,298	\$ 182,224	\$ 393,712	\$ 185,724
Contributions in relation to the contractually required contribution	<u>604,355</u>	<u>244,041</u>	<u>505,018</u>	<u>220,054</u>	<u>454,271</u>	<u>198,954</u>	<u>386,484</u>	<u>179,543</u>	<u>380,298</u>	<u>182,224</u>	<u>393,712</u>	<u>185,724</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 3,725,988	\$ 981,663	\$ 3,487,690	\$ 991,235	\$ 3,256,423	\$ 916,416	\$ 3,111,787	\$ 886,194	\$ 2,982,728	\$ 879,035	\$ 2,865,447	\$ 853,118
City's contributions as a percentage of its covered-employee payroll	16.22%	24.86%	14.48%	22.20%	13.95%	21.71%	12.42%	20.26%	12.75%	20.73%	13.74%	21.77%
INSURANCE FUND												
Contractually required contribution	\$ 195,987	\$ 102,780	\$ 163,921	\$ 92,680	\$ 154,029	\$ 85,685						
Contributions in relation to the contractually required contribution	<u>195,987</u>	<u>102,780</u>	<u>163,921</u>	<u>92,680</u>	<u>154,029</u>	<u>85,685</u>						
Contribution deficiency (excess)	-	-	-	-	-	-						
City's covered-employee payroll	\$ 3,725,988	\$ 981,663	\$ 3,487,690	\$ 991,235	\$ 3,256,423	\$ 916,416						
City's contributions as a percentage of its covered-employee payroll	5.26%	10.47%	4.70%	9.35%	4.73%	9.35%						

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF MOREHEAD, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024

(1) CHANGES OF ASSUMPTIONS

CERS - PENSION

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

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is 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. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% for nonhazardous and 3.55%-19.05% for hazardous (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total pension liability was changed to 6.50%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

CERS - OPEB

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% for nonhazardous and 3.55%-19.05% for hazardous (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

The following change was made by the Board of Trustees and reflected in the valuation performed as of June 30, 2022:

- The single discount rates used to calculate the total OPEB liability increased from 5.34% to 5.70%.

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total OPEB liability was changed to 5.93%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

CERS - PENSION

The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years, closed
Payroll Growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service for nonhazardous 3.55% to 19.05%, varies by service for hazardous
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

CERS - OPEB

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2023:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service for nonhazardous 3.55% to 19.05%, varies by service for hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% at January 1, 2023, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were

Mortality

known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided “Not to Exceed” 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

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

(3) CHANGES OF BENEFITS

CERS - PENSION

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member’s final rate of pay to 75% of the member’s average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member’s final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2019 is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become “totally and permanently disabled” as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member’s monthly final rate of pay to 75% of the member’s monthly average pay. The insurance premium for the member, the member’s spouse, and the member’s dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member’s Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

CERS - OPEB

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain

qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2022, is determined using these updated benefit provisions.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member’s Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

SUPPLEMENTARY INFORMATION

**CITY OF MOREHEAD, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2024**

	Municipal Road Aid Fund	Police Station and E911 Construction Fund	TIF Fund	Federal Forfeiture	State Forfeiture	Federal Treasury Forfeiture	Total Nonmajor Governmental Funds
Assets							
Cash	\$ 301,695	\$ 151,969	\$ -	\$ -	\$ 170	\$ 1,836	\$ 455,670
Receivables	30,826	-	27,697	-	-	-	58,523
Due from other funds	-	-	49,191	-	-	-	49,191
Total assets	\$ 332,521	\$ 151,969	\$ 76,888	\$ -	\$ 170	\$ 1,836	\$ 563,384
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 189,202	\$ -	\$ 76,888	\$ -	\$ -	\$ -	\$ 266,090
Due to general fund	350	-	-	-	-	-	350
Accrued liabilities	-	-	-	-	-	-	-
Total liabilities	189,552	-	76,888	-	-	-	266,440
Fund Balances:							
Unassigned	-	-	-	-	-	-	-
Assigned	142,969	151,969	-	-	170	1,836	296,944
Total fund balances	142,969	151,969	-	-	170	1,836	296,944
Total liabilities and fund balances	\$ 332,521	\$ 151,969	\$ 76,888	\$ -	\$ 170	\$ 1,836	\$ 563,384

CITY OF MOREHEAD, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Municipal Road Aid Fund	Police Station and E911 Construction Fund	TIF Fund	Federal Forfeiture	State Forfeiture	Federal Treasury Forfeiture	Total Nonmajor Governmental Funds
Revenues							
Intergovernmental revenues	\$ 175,522	\$ 128,270	\$ 76,887	\$ -	\$ -	\$ -	\$ 380,679
Interest income	1,518	302	-	-	-	-	1,820
Total revenues	<u>177,040</u>	<u>128,572</u>	<u>76,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>382,499</u>
Expenditures							
Public safety - police	-	-	-	-	-	-	-
Public works	476,098	-	-	-	-	-	476,098
Community development	-	-	76,887	-	-	-	76,887
Capital outlay	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>476,098</u>	<u>-</u>	<u>76,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>552,985</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(299,058)</u>	<u>128,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(170,486)</u>
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(299,058)	128,572	-	-	-	-	(170,486)
Fund balances beginning of year	<u>442,027</u>	<u>23,397</u>	<u>-</u>	<u>-</u>	<u>170</u>	<u>1,836</u>	<u>467,430</u>
Fund balances end of year	<u>\$ 142,969</u>	<u>\$ 151,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170</u>	<u>\$ 1,836</u>	<u>\$ 296,944</u>

**CITY OF MOREHEAD, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of the Treasury</u>				
Coronavirus State and Local Fiscal Recovery Funds Passed through Kentucky Infrastructure Authority	21.027	KY0201	\$ -	\$ 1,989,547 *
Coronavirus State and Local Fiscal Recovery Funds	21.027	21CWW194	-	406,319 *
Coronavirus State and Local Fiscal Recovery Funds	21.027	22CWW145	-	<u>934,141 *</u>
Total U.S. Department of the Treasury				<u>3,330,007</u>
<u>U.S. Department of Transportation</u>				
Passed through Kentucky Department Transportation Cabinet:				
Highway Planning and Construction	20.205	09-03201	-	317,137
Highway Safety Grant	20.219	FY24	-	<u>2,169</u>
				<u>319,306</u>
Passed through Kentucky Infrastructure Authority				
Highway Planning and Constroction	20.205	4000-176	-	20,622
Passed through Kentucky Department of Local Government				
Recreational Trails Program	20.219	0004261	-	<u>69,470</u>
Total U.S. Department of Transportation				<u>409,398</u>
Total expenditures of Federal Awards				<u>\$ 3,739,405</u>

* Denotes major program.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Morehead under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of operations of the City of Morehead, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the City.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represents adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE C - INDIRECT COST RATE

The City of Morehead, Kentucky has not currently elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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

Honorable Mayor and
Members of City Council
City of Morehead
Morehead, Kentucky 40351

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 Morehead, Kentucky (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 25, 2025. Our report includes a reference to other auditors who audited the financial statements of Morehead Recreation, Tourism and Convention Commission, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Kelley Dalloway Smith Hoopsby, PSC

Ashland, Kentucky
February 25, 2025



Kelley **G**alloway
Smith **G**oolsby, PSC

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

Honorable Mayor and
Members of City Council
City of Morehead
Morehead, Kentucky 40351

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design,

implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or

significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
February 25, 2025

CITY OF MOREHEAD, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

(A) SUMMARY OF AUDIT RESULTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal Control over financial reporting:

Material weakness(es) identified? _____ yes x no

Significant deficiency(is) identified? _____ yes x none reported

Noncompliance material to the financial statements noted? _____ yes x no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ices) identified? _____ yes x none reported

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

Unmodified

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

_____ yes x no

Identification of major federal programs:

Coronavirus State and Local Fiscal Recovery Funds (ALN 21.27)

Dollar threshold to distinguish between Type A and Type B Programs:

 \$ 750,000

The City qualified as a low risk auditee x yes _____ no

(B) FINANCIAL STATEMENT FINDINGS

There were no findings in the current year.

(C) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the current year.

CITY OF MOREHEAD, KENTUCKY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

There were no findings in the prior year.

APPENDIX D
CITY OF MOREHEAD, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2025A

STATEMENT OF INDEBTEDNESS

6. The total of all bonds, notes, and other obligations subject to the debt limitation set forth in KRS Section 66.041, as computed in Line 5, does not exceed 5% of the assessed valuation of all of the taxable property in the City.**
7. The current tax rates of the City, for other than school purposes, upon the value of its taxable property is \$0.452 per \$100.00 of assessed valuation for real property and \$0.7301 per \$100.00 of assessed valuation for tangible property, which rates do not exceed the maximum permissible tax rates for the City set forth in Section 157 of the Kentucky Constitution.***
8. The issuance of the bonds, bond anticipation notes, or other obligations set forth in Line 3 hereof will not cause the tax rate set forth in Paragraph 7 hereof to increase in an amount which would exceed the maximum permissible tax rate for the City as set forth in Section 157 of the Kentucky Constitution.***

IN WITNESS WHEREOF, I have hereunto set my hand this October 23, 2025.

CITY OF MOREHEAD, KENTUCKY

By: _____
City Clerk

** In accordance with KRS Section 66.041, a city, county, urban-county, consolidated local government, charter county, or taxing district shall not incur net indebtedness in an amount exceeding the following maximum percentages on the value of taxable property within the city, county, urban-county, consolidated local government, charter county, or taxing district, as estimated by the last certified assessment before the incurring of the indebtedness:

- (a) Cities, urban-counties, consolidated local governments, and charter counties having a population of 15,000 or more, 10%;
- (b) Cities, urban-counties, and charter counties having a population of less than 15,000 but not less than 3,000, 5%;
- (c) Cities, urban-counties, and charter counties having a population of less than 3,000, 3%; and
- (d) Counties and taxing districts, 2%.

*** In accordance with Section 157 of the Kentucky Constitution, the tax rates of cities, counties, and taxing districts, for other than school purposes, shall not, at any time, exceed the following rates upon the value of the taxable property therein:

- (a) Cities having a population of 15,000 or more, \$1.50 per \$100.00 of assessed valuation;
- (b) Cities having a population of less than 15,000 but not less than 10,000, \$1.00 per \$100.00 of assessed valuation;
- (c) Cities having a population of less than 10,000, \$0.75 per \$100.00 of assessed valuation; and
- (d) Counties and taxing districts, \$0.50 per \$100.00 of assessed valuation.

APPENDIX E

**CITY OF MOREHEAD, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2025A**

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

The form of the legal approving opinion of Dinsmore & Shohl LLP, Bond Counsel for the Bonds, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds and may vary from the form set forth below in order to reflect circumstances, both factual and legal, at the time of such delivery. Recirculation of the Final Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in its approving legal opinion subsequent to the date of such opinion.

[Date of Delivery]

Ladies and Gentlemen:

We have examined the transcript of proceedings relating to the issue of \$7,000,000* General Obligation Bonds, Series 2025A (the “Bonds”) of the City of Morehead, Kentucky (the “City”), dated October 23, 2025, numbered R-1 upward, respectively, and of denominations of \$5,000 and any integral multiple thereof. The Bonds mature, bear interest, and are subject to [mandatory and] optional redemption upon the terms set forth therein. We have also examined a specimen Bond.

Based on this examination, we are of the opinion, based upon laws, regulations, rulings, and decisions in effect on the date hereof, that:

1. The Bonds constitute valid obligations of the City in accordance with their terms, which, unless paid from other sources, are payable from taxes to be levied by the City without limitation as to rate.
2. In accordance with the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest on the Bonds is excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Further, interest on the Bonds will not be treated as a specific item of tax preference in computing the federal alternative minimum tax imposed on individuals. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal or state tax consequences of purchasing, holding, or disposing of the Bonds.
3. The interest on the Bonds is not subject to taxation by the Commonwealth of Kentucky.
4. The Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or any political subdivision thereof.

The City has designated the Bonds as “qualified tax-exempt obligations” with respect to investments by certain financial institutions under Section 265 of the Code.

In giving this opinion, we have relied upon covenants and certifications of facts, estimates, and expectations made by officials of the City and others contained in the transcript, which we have not independently verified. It is to be understood that the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws in effect from time to time affecting creditors’ rights, and to the exercise of judicial discretion.

Very truly yours,

* Preliminary; subject to change.

APPENDIX F

**CITY OF MOREHEAD, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2025A**

BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as the securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity date of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of any Bonds under the DTC system must be made by or through the Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (each, a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of their transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into such transactions. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds, as DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and any other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to the Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. The Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of any significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, the Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners of the Bonds. In the alternative, the Beneficial Owners of the Bonds may wish to provide their names and addresses to the Paying Agent and Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by any Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC will mail an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by the Participants to the Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by any authorized representative of DTC) is the responsibility of the City or the Paying Agent, the disbursement of such payments to Direct Participants will be the responsibility of DTC, and the disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository for the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information set forth in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX G

**CITY OF MOREHEAD, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2025A**

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$7,000,000*

**CITY OF MOREHEAD, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2025A**

Notice is hereby given that electronic bids will be received by the City of Morehead, Kentucky (the “City”), until 11:00 a.m., E.S.T., on October 2, 2025, (or at such later time and date announced at least 48 hours in advance via the BiDCOMP™/PARITY™ system) for the purchase of \$7,000,000* aggregate principal amount of the City’s General Obligation Bonds, Series 2025A (the “Bonds”). Alternatively, written and sealed or facsimile bids for the Bonds submitted by the designated time will be received by the City Clerk of the City at 314 Bridge Street, Morehead, Kentucky 40351 (FAX: (606) 784-2216). Electronic bids for the Bonds must be submitted through the BiDCOMP™/PARITY™ system, as described herein. No other provider of electronic bidding services will be accepted. Bids will be opened and acted upon on October 2, 2025.

STATUTORY AUTHORITY, SECURITY, AND PURPOSE OF ISSUES

The Bonds are authorized by Sections 66.011 to 66.191, inclusive, of the Kentucky Revised Statutes and are being issued under and in accordance with a Bond Ordinance adopted by the City Council of the City on December 9, 2024 (the “Bond Ordinance”).

The Bonds are general obligation bonds and constitute a direct indebtedness of the City. The Bonds are secured by the City’s ability to levy, and its pledge to levy, an ad valorem tax on all property within the City in a sufficient amount to pay the principal of and interest on the Bonds when due.

The Bonds are being issued for the purposes of (i) financing all or a portion of the costs of the acquisition, construction, installation, and equipping of a new fire station and related facilities and equipment for the Morehead Fire Department for the well-being and benefit of the citizens of the City, (ii) paying the costs of credit enhancement for the Bonds, if any, and (iii) paying all or a portion of the costs of issuance of the Bonds.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS, AND PAYING AGENT

The Bonds shall be dated their date of initial issuance and delivery and shall bear interest from such date. Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2026.

The Bonds are scheduled to mature on October 1, in each of the years as follows:

Maturity	Amount*	Maturity	Amount*
October 1, 2026	\$170,000	October 1, 2039	\$275,000
October 1, 2027	175,000	October 1, 2040	285,000
October 1, 2028	185,000	October 1, 2041	300,000
October 1, 2029	190,000	October 1, 2042	310,000
October 1, 2030	195,000	October 1, 2043	325,000
October 1, 2031	200,000	October 1, 2044	340,000
October 1, 2032	205,000	October 1, 2045	355,000
October 1, 2033	215,000	October 1, 2046	375,000
October 1, 2034	225,000	October 1, 2047	395,000
October 1, 2035	230,000	October 1, 2048	410,000
October 1, 2036	240,000	October 1, 2049	435,000
October 1, 2037	250,000	October 1, 2050	455,000
October 1, 2038	260,000		

The Bonds maturing on and after October 1, 2034 are subject to optional redemption before maturity on and after October 1, 2033, in whole or in part, in such order of maturity as shall be designated in writing by the City and by lot within a maturity, at the election of the City upon thirty-five days’ prior written notice to U.S. Bank Trust Company, National Association, Louisville, Kentucky, as Paying Agent and Bond Registrar for the Bonds (the “Paying Agent and

* Preliminary, subject to change.

Bond Registrar”), at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest on such principal amount to the date of redemption.

At least thirty days before the redemption date of any Bonds, the Paying Agent and Bond Registrar shall cause a notice of such redemption, either in whole or in part, signed by the Paying Agent and Bond Registrar, to be mailed, first class, postage prepaid, to all of the registered owners of the Bonds to be redeemed at their addresses as they appear on the registration books kept by the Paying Agent and Bond Registrar, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption of Bonds for which such notice has been sent. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive number or letters, if any, of such Bonds to be redeemed.

BIDDING CONDITIONS AND RESTRICTIONS

The terms and conditions of the sale of the Bonds are as follows:

(A) The aggregate principal amount of the Bonds and the annual maturing principal amount of the Bonds (collectively, the “Preliminary Amounts”) offered for sale as set forth herein may be revised before the submission of bids for the purchase of the Bonds. Any such revisions (the “Revised Amounts”) WILL BE GIVEN BY A NOTIFICATION PUBLISHED NO LATER THAN (1) 10:00 A.M., E.S.T., ON OCTOBER 2, 2025. If no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts and will remain as stated herein. BIDDERS SHALL SUBMIT BIDS BASED ON THE REVISED AMOUNTS, IF ANY. Any prospective bidders may request notification by facsimile transmission or by email of any revisions to the Preliminary Amounts, together with receipt of a revised Official Bid Form for the Bonds by so advising and providing their telecopier number(s) or providing their email information to RSA Advisors, LLC, Lexington, Kentucky, the Municipal Advisor to the City, at (800) 255-0795, by (i) 9:00 a.m., E.S.T., with respect to the Bonds, on October 2, 2025.

(B) Electronic bids for the Bonds must be submitted through BiDCOMP™/PARITY™ system. No other provider of electronic bidding services will be accepted. A subscription to the BiDCOMP™/PARITY™ Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For purposes of the bidding process, the time maintained by BiDCOMP™/PARITY™ shall constitute the official time with respect to all bids, whether in electronic or written form. To the extent any instructions or directions of BiDCOMP™/PARITY™ conflict with the terms of these Official Terms and Conditions of Bond Sale, these Official Terms and Conditions of Bond Sale shall prevail. All electronic bids made through the facilities of BiDCOMP™/PARITY™ shall be deemed an offer to purchase the Bonds in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed and sealed written bids delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by BiDCOMP™/PARITY™. The use of BiDCOMP™/PARITY™ facilities are at the sole risk of prospective bidders. Notwithstanding the foregoing, non-electronic bids for the Bonds may be submitted via facsimile or by hand delivery utilizing the applicable Official Bid Form. In addition, written bids (in a sealed envelope marked “Official Bid for Bonds”) or facsimile bids for the Bonds by the designated time will be received by the City Clerk of the City at 314 Bridge Street, Morehead, Kentucky 40351 (FAX: (606) 784-2216).

(C) Bidders for the Bonds are required to bid for the entire issue of Bonds at a minimum price of not less than \$6,860,000.00 (98.00% of par), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.

(D) Bidders must stipulate interest rates in multiples of 1/8, 1/10, or 1/20 of 1%. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear interest at the same rate. The interest rates must be on an ascending scale, so that the interest rate stipulated in any year may not be less than the interest rate stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(E) The determination of the best bid for the purchase of the Bonds shall be made on the basis of all bids submitted for exactly \$7,000,000 aggregate principal amount of Bonds offered for sale hereunder; provided that the City may adjust the principal amount of the Bonds awarded to the best bidder therefor downward by any amount, in increments of \$5,000 (the “Permitted Adjustment”). The price at which such adjusted principal amount of Bonds will be sold will be the same price per \$1,000 of Bonds as the price per \$1,000 for the Bonds bid. If the principal amount of any maturity of the Bonds is revised after the award, the interest rate and reoffering price for each maturity and the Underwriter’s Discount

on the Bonds as submitted by the successful bidder, shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the successful bidder for such Bonds and the price at which such Bonds will be issued to the public, calculated from information provided by the applicable bidder, divided by the par amount of the Bonds bid.

While it is the City's intention to sell and issue the approximate par amounts of the Bonds as set forth herein, there is no guarantee that adjustments or revisions may not be necessary in order to properly size the Bonds. Accordingly, the City reserves the right, in its sole discretion, to adjust up or down the original par amount of the Bonds per maturity, even if the issue size of the Bonds does not change. Among other factors the City may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds, is the size of individual maturities or sinking fund installments, assuring aggregate level debt service, or other preferences of the City.

Upon any such adjustment or revision with respect to the Bonds, no rebidding for the Bonds will be permitted, and the portion of such premium or discount (as may have been bid on the Bonds) shall be adjusted in the same proportion as the amount of such revision in the par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be notified by no later than 5:00 p.m. E.S.T., on October 2, 2025 of the exact revisions or the adjustment required with respect to the Bonds, if any.

(F) Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise one or more maturities of Bonds scheduled to mature in the latest of such year and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such term Bonds scheduled in the year of maturity of the term Bonds, which principal amount shall mature in that year.

(G) The successful bidder for the Bonds will be required to pay the cost for obtaining CUSIP identification numbers for the Bonds. CUSIP numbers will be printed on the Bonds at the expense of the City. Improper imprintation or the failure to imprint CUSIP numbers on the Bonds shall not constitute cause for a failure or refusal by the applicable purchaser to accept delivery of and to pay for such Bonds in accordance with the terms of any accepted proposal for the purchase of such Bonds.

(H) The City will provide the successful bidders with a Final Official Statement, in accordance with SEC Rule 15c2-12. The Final Official Statement will be provided in electronic form to the successful bidders, in sufficient time to meet the delivery requirements of the SEC and the Municipal Securities Rulemaking Board. The successful bidders will be required to pay for the printing of Final Official Statements.

(I) Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder for the Bonds will be required to wire transfer, to the order of the City, an amount equal to 2% of the amount of the principal amount of the Bonds awarded by the close of business on the day following the award. This good faith amount shall be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of the Bonds when ready. The good faith amount will be applied (without interest) to the purchase price of such Bonds, upon the delivery of such Bonds to the successful bidder therefor. The successful bidder for the Bonds shall not be required to take delivery of and pay for the Bonds unless delivery is made within 45 days from the date the bid is accepted.

(J) The Depository Trust Company ("DTC"), New York, New York, will act as the securities depository for the Bonds. The Bonds will be issued as fully-registered securities, registered in the name of Cede & Co. (as DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is, in turn, to be recorded on the records of the Direct Participants or of securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). The Beneficial Owners of the Bonds will not receive written confirmation from DTC of their purchase, but are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into such transaction. Any transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that

use of the book-entry system for the Bonds is discontinued. The successful bidder may also elect to notify the Municipal Advisor within 24 hours of the award that standard bond certificates be issued. If certificated Bonds are to be issued at the election of a successful bidder, the costs of printing such Bond Certificates shall be borne by such bidder.

(K) The City reserves the right to reject any bid, to waive any informality in a bid, or, upon 24 hours advance notice before the sale date given through BiDCOMP™/PARITY™ to postpone the sale date of the Bonds.

The Bonds are offered for sale subject to the principal of and interest on the Bonds not being subject to federal income taxation, Kentucky income taxation, or Kentucky ad valorem taxation on the date of the delivery thereof to the successful bidder therefor, all in accordance with the final approving legal opinion with respect to the Bonds provided by Dinsmore & Shohl LLP, Louisville, Kentucky, which opinion will be qualified in accordance with the section hereof entitled TAX TREATMENT.

(L) Bidders are hereby advised that RSA Advisors, LLC has been employed as an independent registered municipal advisor in connection with the issuance of the Bonds. Their fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

(M) The purchasers of the Bonds will be required to certify to the City regarding certain of their activities concerning any reoffering to the public of the Bonds, including any reoffering prices, which information shall also be made available to the Municipal Advisor immediately after the sale of the Bonds.

(N) Unless bids for the Bonds are rejected, the Bonds will be awarded on an all or none basis on the sale date to the bidder whose bid result in the lowest true interest rate to be calculated as that rate (or yield) that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semiannually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds. For purposes of calculating the true interest cost, the principal amount of any Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year for the Bonds. If two or more bidders offer to purchase Bonds at the same lowest true interest cost, then the City Clerk or the City Manager, upon the advice of the Municipal Advisor, shall determine (in his sole discretion) which of the bidders shall be awarded such Bonds.

(O) Additional information regarding the Bonds, including the Preliminary Official Statement, the Official Terms and Conditions of Bond Sale, and the Official Bid Forms for the Bonds, may be obtained from the City's Municipal Advisor, RSA Advisors, LLC at 147 East Third Street, Lexington, Kentucky 40508, Telephone: (800) 255-0795. Further information regarding BiDCOMP™/PARITY™ may be obtained from BiDCOMP™/PARITY™, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: (800) 850-7422.

(P) At the election and cost of the purchaser of the Bonds, one or more maturities of the Bonds may be insured under a municipal bond insurance policy. In such event, the City agrees to cooperate with such purchaser to qualify the Bonds for bond insurance; provided, however, that the City will not assume any of the expenses incident to the issuance of such bond insurance policy, other than the costs for securing a rating of the Bonds from Moody's Ratings.

(Q) The winning bidder of the Bonds shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City, on or before the closing date, an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or sale prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the applicable form attached hereto as Exhibit A-1 or Exhibit A-2, as the case may be, with such modifications as may be appropriate or necessary, in the reasonable judgment of such winning bidder, the City, and Bond Counsel. All actions to be taken by the City under these Official Terms and Conditions of Bond Sale to establish the issue prices of the Bonds may be taken on behalf of the City by the City's Municipal Advisor identified herein and any notice or report to be provided to the City shall be provided to the City's Municipal Advisor.

The City intends that the provisions of Treasury Regulation § 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) the City shall disseminate these Official Terms and Conditions of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;

(3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the City anticipates awarding the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost, all as set forth in these Official Terms and Conditions of Bond Sale.

Any bid submitted in accordance with these Official Terms and Conditions of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(R) If the competitive sale requirements are not satisfied for the Bonds, the City shall so advise the winning bidder. Thereupon, the City will treat the initial offering price of the Bonds to the public as of the sale date of any maturity of such Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). A bid for the Bonds will not be subject to cancellation if the City determines to apply the hold-the-offering-price rule to any maturity of such Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of such Bonds.

If the competitive sale requirements are not satisfied for the Bonds, the winning bidder for the Bonds shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City, at closing, an “issue price” or similar certificate setting forth the hold-the-offering-price rule as the issue price of that maturity, in each case, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each CUSIP number within that maturity), substantially in the form attached hereto as Exhibit A-2, with any such modifications as may be appropriate or necessary in the reasonable judgment of such winning bidder, the City, and Bond Counsel.

(S) The City acknowledges that, in making the representations set forth above, each winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires; (ii) if a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires; and (iii) if an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, any dealer who is a member of a selling group, or any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(T) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement, and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, and the related pricing wires, contains or will contain language obligating each underwriter, each dealer that is a member of any such selling group, and each broker-dealer that is a party to any such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires; and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to any retail distribution agreement to be employed in connection with the initial sale of Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”) the City will agree, pursuant to a Continuing Disclosure Undertaking to be dated as of the date of issuance and delivery of the Bonds (the “Disclosure Undertaking”), to cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board (the “MSRB”), or to any successor thereto for the purposes of the Rule, through the continuing disclosure service portal provided by the MSRB’s Electronic

Municipal Market Access (“EMMA”) system, as described in 1934 Act Release No. 59062, or any similar system acceptable to the Securities and Exchange Commission, certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained in Appendix B and Appendix D to the Official Statement (the “Annual Financial Information”). The Annual Financial Information shall be provided on or before the March 1 following the end of the fiscal year ending on the preceding June 30, commencing with the fiscal year ended June 30, 2025; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the City;

(ii) to the MSRB through EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
- (g) Modifications to rights of security holders, if material;
- (h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (i) Defeasances;
- (j) Release, substitution, or sale of any property securing repayment of the securities, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership, or similar event of the City (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City in possession of the assets and business of the City, but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming any plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);
- (m) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) Appointment of any successor or additional trustee or the change of name of any trustee, if material.
- (o) Incurrence of a material financial obligation by the City, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any financial obligation of the City, any of which affect security holders, if material; and
- (p) Default, event of acceleration, termination event, modification of terms, or any other similar events under the terms of any financial obligation of the City, any of which reflect financial difficulties.

(iii) to the MSRB, through EMMA, in a timely manner, notice of any failure (of which the City has knowledge) of the City to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

The Disclosure Undertaking provides bondholders, including the beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the City to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Bond Ordinance. The Disclosure Undertaking may be amended or terminated under certain circumstances in accordance with the Rule, as more fully described therein.

For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds;
- (c) there are no liquidity providers applicable to the Bonds; and
- (d) there is no property securing the repayment of the Bonds.

TAX TREATMENT

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds will be excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that the interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In addition, Bond Counsel is also of the opinion that interest on the Bonds is exempt from Kentucky income taxation and that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The City has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

A copy of the approving legal opinion of Bond Counsel with respect to the Bonds is set forth in Appendix F to the Official Statement.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of interest on certain obligations, such as the Bonds, from gross income for federal income tax purposes. The City has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be includable in gross income for federal income tax purposes. Any failure to comply with these covenants could result in the interest on the Bonds being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the issue date of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bonds and any other relevant documents with respect thereto may be changed, and certain actions (including, without limitation, the defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinions as to any Bonds or the tax status of the interest thereon if any such change occurs or if any such action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel is of the opinion that interest on the Bonds will be excludible from gross income for federal income tax purposes and that interest on the Bonds will be excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal, state, or local tax liabilities of the holders of the Bonds. The nature and extent of these tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion, and each Bondholder or potential Bondholder is urged to consult with its tax counsel with respect to the effects of purchasing, holding, or disposing of the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, (i) increasing the federal tax

liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, (ii) increasing the federal tax liability of certain insurance companies under Section 832 of the Code, (iii) increasing the federal tax liability and affecting the status of certain S Corporations subject to Section 1362 and Section 1375 of the Code, (iv) increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code, and (v) limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

/s/ Laura White-Brown

Mayor,
City of Morehead, Kentucky

EXHIBIT A-1

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of at least three qualified bids for the Bonds]

ISSUE PRICE CERTIFICATE

Dated October 23, 2025

Re: \$[Final Par] City of Morehead, Kentucky General Obligation Bonds, Series 2025A, dated
October 23, 2025

The undersigned, on behalf of [Underwriter Name] (the “Underwriter”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in Schedule I attached hereto (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. A true and correct copy of the bid provided by the Underwriter to purchase the Bonds is attached hereto as Schedule II.

(b) The Underwriter was not given the opportunity to review any other bids prior to submitting its bid.

(c) The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Yield on the Bonds. It computed the yield on the Bonds, [Yield]%, as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds, is the Expected Offering Prices, determined without taking into account issuance expenses and Underwriter’s discount.

3. Weighted Average Maturity. The weighted average maturity of the Bonds has been calculated to be [WAM] years. The weighted average maturity is the sum of the products of the respective Expected Offering Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Expected Offering Prices of the Bonds as of the date hereof.

4. Defined Terms.

(a) *Issuer* means the City of Morehead, Kentucky.

(b) *Maturity* means any Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Public* means any person (including an individual, a trust, an estate, a partnership, a company, an association, or a corporation) other than an Underwriter or a related party to an Underwriter. The term “related party,” for the purposes of this certificate, generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 2, 2025.

(e) *Underwriter* means (i) any person that agrees, under a written contract with the Issuer (or the lead underwriter to form an underwriting syndicate), to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees, under a written contract, directly or indirectly, with a person described in clause (i) of this paragraph,

to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing contained in this certificate represents the Underwriter's interpretation of any laws, including, specifically, Section 103 and Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations issued thereunder. The Underwriter understands that the information set forth in this certificate will be relied upon (i) by the Issuer with respect to certain representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and (ii) by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and any other federal income tax advice that it may give to the Issuer from time to time in connection with the Bonds.

[UNDERWRITER NAME]

By: _____

Name: _____

Title: _____

SCHEDULE I
TO
ISSUE PRICE CERTIFICATE
EXPECTED OFFERING PRICES

(See attachment)

SCHEDULE II
TO
ISSUE PRICE CERTIFICATE

COPY OF BID

(See attachment)

EXHIBIT A-2

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of less than three qualified bids for the Bonds]

ISSUE PRICE CERTIFICATE

Dated October 23, 2025

Re: \$[Final Par] City of Morehead, Kentucky General Obligation Bonds, Series 2025A, dated
October 23, 2025

The undersigned, [Underwriter Name] (the “Transaction Underwriter”), hereby certifies as set forth below with respect to the sale of the above-captioned bonds (the “Bonds”).

1. Issue Price.

(a) As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule I attached hereto (the “Sale Price,” as applicable to each Maturity of the General Rule Maturities).

(b) The Transaction Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule I attached hereto (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule II.

(c) As set forth in the Official Terms and Conditions of Bond Sale, the Transaction Underwriter has agreed in writing that (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Under the Official Terms and Conditions of Bond Sale or any selling group agreement or any third-party distribution agreement, no Underwriter (as defined herein) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

(d) The aggregate of the Sale Prices of the General Rule Maturities and the Initial Offering Prices of the Hold-the-Offering-Price Maturities is \$[Issue Price] (the “Issue Price”).

2. Yield on the Bonds. It computed the yield on the Bonds, [Yield]%, as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds, is the Issue Price, determined without taking into account issuance expenses and Underwriter’s discount.

3. Weighted Average Maturity. The weighted average maturity of the Bonds has been calculated to be [WAM] years. The weighted average maturity is the sum of the products of the respective Sale Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Sale Price of the Bonds as of the date hereof.

4. Defined Terms.

(a) *General Rule Maturities* means those Maturities of the Bonds listed as the “General Rule Maturities” in Schedule I attached hereto.

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed as the “Hold-the-Offering Price Maturities” in Schedule I attached hereto.

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day following the Sale Date (October 2, 2025), or (ii) the date on which the Transaction Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the City of Morehead, Kentucky.

(e) *Maturity* means any Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or any Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) *Official Terms and Conditions of Bond Sale* means the Official Terms and Conditions of Bond Sale prepared for distribution to potential bidders prior to the Sale Date of the Bonds.

(g) *Public* means any person (including an individual, a trust, an estate, a partnership, a company, an association, or a corporation) other than an Underwriter or a related party to an Underwriter. The term “related party,” for the purposes of this certificate, generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(h) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 2, 2025.

(i) *Underwriter* means (i) any person that agrees, under a written contract with the Issuer (or the lead underwriter to form an underwriting syndicate), to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees, under a written contract, directly or indirectly, with a person described in clause (i) of this paragraph, to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing contained in this certificate represents the Transaction Underwriter’s interpretation of any laws, including, specifically, Section 103 and Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations issued thereunder. The Transaction Underwriter understands that the foregoing information will be relied upon (i) by the Issuer with respect to certain representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and (ii) by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and any other federal income tax advice that it may give to the Issuer from time to time in connection with the Bonds. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose.

[TRANSACTION UNDERWRITER NAME]

By: _____

Name: _____

Title: _____

SCHEDULE I
TO
ISSUE PRICE CERTIFICATE

SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE BONDS

General Rule Maturities

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	Actual Sale Price of <u>First 10%</u>	<u>Issue Price</u>	<u>CUSIP</u>
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Hold-the-Offering-Price Maturities

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	Initial <u>Offering Price</u>	<u>Issue Price</u>	<u>CUSIP</u>
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APPENDIX H

**CITY OF MOREHEAD, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2025A**

OFFICIAL BID FORM FOR THE BONDS

OFFICIAL BID FORM

**CITY OF MOREHEAD, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2025A**

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$7,000,000* aggregate principal amount of General Obligation Bonds, Series 2025A (the “Bonds”), dated their date of initial issuance and delivery, offered for sale by the City of Morehead, Kentucky (the “City”) under and in accordance with the Preliminary Official Statement for the Bonds dated September 25, 2025 and the Notice of Bond Sale, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for the \$7,000,000* principal amount of Bonds, the total sum of \$_____ (not less than \$6,860,000.00) at the following annual rate(s), payable semiannually (rates of any maturity may be less than any preceding maturity, number of interest rates unlimited):

Maturity	Amount*	Interest Rate	Maturity	Amount*	Interest Rate
October 1, 2026	\$170,000	_____ %	October 1, 2039	\$275,000	_____ %
October 1, 2027	175,000	_____ %	October 1, 2040	285,000	_____ %
October 1, 2028	185,000	_____ %	October 1, 2041	300,000	_____ %
October 1, 2029	190,000	_____ %	October 1, 2042	310,000	_____ %
October 1, 2030	195,000	_____ %	October 1, 2043	325,000	_____ %
October 1, 2031	200,000	_____ %	October 1, 2044	340,000	_____ %
October 1, 2032	205,000	_____ %	October 1, 2045	355,000	_____ %
October 1, 2033	215,000	_____ %	October 1, 2046	375,000	_____ %
October 1, 2034	225,000	_____ %	October 1, 2047	395,000	_____ %
October 1, 2035	230,000	_____ %	October 1, 2048	410,000	_____ %
October 1, 2036	240,000	_____ %	October 1, 2049	435,000	_____ %
October 1, 2037	250,000	_____ %	October 1, 2050	455,000	_____ %
October 1, 2038	260,000	_____ %			

The Bonds maturing in the following years _____ are sinking fund redemption amounts for term bonds due October 1, 20___. The Bonds maturing in the following years _____ are sinking fund redemption amounts for term bonds due October 1, 20__.

Bids may be submitted electronically via the BiDCOMP™/PARITY™ system in accordance with the Official Terms and Conditions of Bond Sale for the Bonds, until the appointed date and time, but no bids will be received after such time. Notwithstanding the foregoing, completed bid forms for the Bonds may also be submitted until the appointed date and time (i) in a sealed envelope marked “Official Bid for Bonds,” or (ii) by facsimile transmission, and, in each case, delivered to the office of the City Clerk of the City at 314 Bridge Street, Morehead, Kentucky 40351 (FAX: (606) 784-2216). Neither the City nor RSA Advisors, LLC, the independent registered municipal advisor to the City, assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/or equipment will be available to accept all facsimile transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or have been delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone.

We understand this bid may be accepted with variations in maturing amounts at the same price per \$1,000 of Bonds, with the variation in such amount occurring in any maturity of all maturities, such variations to be determined by the City at the time of acceptance of the best bid.

It is understood that the City will furnish the final, approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel, Morehead, Kentucky, concurrently with the delivery of the Bonds.

No certified or bank cashier’s check will be required to accompany the bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on _____

* Preliminary, subject to change.

the day following the award. The good faith amount will be applied (without interest) to the purchase price when the Bonds are tendered for delivery.

If we are the successful bidder, we agree to accept and make payment for the Bonds in federal funds within forty-five days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

Bidder

Address

By: _____
Signature

Total interest cost: Date of Delivery (estimated to be October 23, 2025) to Final Maturity \$ _____
 (Less Premium) or Plus Discount, if any \$ _____
 Aggregate interest cost \$ _____
 True interest cost (i.e., TIC) _____%

The above computation of true interest cost is submitted for informational purposes only and is not a part of this Bid.

Accepted by the City Clerk of the City of Morehead, Kentucky for \$ _____ principal amount of Bonds at the price of \$ _____, as follows:

Maturity	Amount	Interest Rate	Maturity	Amount	Interest Rate
October 1, 2026	\$ _____	_____ %	October 1, 2039	\$ _____	_____ %
October 1, 2027	\$ _____	_____ %	October 1, 2040	\$ _____	_____ %
October 1, 2028	\$ _____	_____ %	October 1, 2041	\$ _____	_____ %
October 1, 2029	\$ _____	_____ %	October 1, 2042	\$ _____	_____ %
October 1, 2030	\$ _____	_____ %	October 1, 2043	\$ _____	_____ %
October 1, 2031	\$ _____	_____ %	October 1, 2044	\$ _____	_____ %
October 1, 2032	\$ _____	_____ %	October 1, 2045	\$ _____	_____ %
October 1, 2033	\$ _____	_____ %	October 1, 2046	\$ _____	_____ %
October 1, 2034	\$ _____	_____ %	October 1, 2047	\$ _____	_____ %
October 1, 2035	\$ _____	_____ %	October 1, 2048	\$ _____	_____ %
October 1, 2036	\$ _____	_____ %	October 1, 2049	\$ _____	_____ %
October 1, 2037	\$ _____	_____ %	October 1, 2050	\$ _____	_____ %
October 1, 2038	\$ _____	_____ %			

City Clerk,
City of Morehead, Kentucky

Dated: October __, 2025