

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council City of Morehead Morehead, KY 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 statement 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 standard 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 included 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 risk. 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 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 and 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 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 Galloway Smith Goolsby,PSC Ashland, Kentucky February 9, 2024

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

Table with columns: Business-type Activities, OPERATING REVENUES, OPERATING EXPENSES, OPERATING INCOME (LOSS), NON-OPERATING REVENUES (EXPENSES), INCOME (LOSS) BEFORE CONTRIBUTIONS, CAPITAL CONTRIBUTIONS, CHANGE IN NET POSITION, NET POSITION, JUNE 30, 2022, NET POSITION, JUNE 30, 2023.

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

Table with columns: Original Budget, Revisions, Revised Budget, Actual, Variance Positive (Negative). Rows include Revenues (Taxes, Licenses, Intergovernmental), Expenditures (Police, Fire, Recreation, etc.), and Capital financing.

Table with columns: Total Revenues, Expenditures (General Government, Public Works, Police, Recreation, Community Center), Total Expenditures, Excess (Deficiency) of revenues over (Under) Expenditures, Other Financing Sources (Uses), Transfers in (out), Total other financing sources (uses), Net change in fund balance, Fund balance beginning of year, Fund balance end of year.

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

Table with columns: Original Budget, Revisions, Revised Budget, Actual, Variance Positive (Negative). Rows include REVENUES (Morehead Tourism Commission) and EXPENDITURES (Morehead Tourism Commission).

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

Table with columns: Original Budget, Revisions, Revised Budget, Actual, Variance Positive (Negative). Rows include REVENUES (Morehead Conference Center) and EXPENDITURES (Morehead Conference Center).

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

Table with columns: Original Budget, Revisions, Revised Budget, Actual, Variance Positive (Negative). Rows include REVENUES (Rowan County Arts Center) and EXPENDITURES (Rowan County Arts Center).