

**CITY OF UNION, KENTUCKY**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**For the Year Ended June 30, 2021**

**CITY OF UNION, KENTUCKY**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended June 30, 2021**

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**CITY OF UNION, KENTUCKY**

**LIST OF CITY OFFICIALS**

**For the Year Ended June 30, 2021**

**Mayor**

Larry K. Solomon

**Commisioners**

Bryan Garner

Jeremy Ramage

John Mefford

Eric Dulaney

## INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and  
Commissioners of the  
City of Union, Kentucky**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Union, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***-Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### ***-Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***-Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the City of Union, Kentucky as of June 30, 2021 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***-Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4-8, the *Budgetary Comparison Schedule – Budget to Actual: General Fund* on page 34, and the *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan Disclosures* on pages 35-36 be presented to supplement the basic financial statements. Such information, 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***-Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements of non-major governmental funds and the budgetary comparison schedules of the non-major governmental funds are supplementary information and 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 May 6, 2022 on our consideration of the City of Union, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Union, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Union, Kentucky's internal control over financial reporting and compliance.

*Chamberlin Owen & Co., Inc.*

**Chamberlin Owen & Co., Inc.**

Erlanger, Kentucky

May 6, 2022

**CITY OF UNION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Our discussion and analysis of City of Union, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the City's basic financial statements.

**USING THIS ANNUAL REPORT**

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

**Financial Highlights**

As of the close of the current and prior fiscal years, the City's governmental funds reported fund balances as follows:

Funds	FYE 2021 Amount	FYE 2020 Amount	Percentage Increase/ (Decrease)	Increase Incr/(Decr) From FYE 20
General	\$ 1,704,510	\$ 1,517,908	12.29%	\$ 186,602
Municipal Road Aid	63,249	59,228	6.79%	\$ 4,021
Cemetery Fund	67,851	77,827	-12.82%	\$ (9,976)
 Total fund balance	 <u>\$ 1,835,610</u>	 <u>\$ 1,654,963</u>	 10.92%	 <u>\$ 180,647</u>

The General Fund balance increased due to debt service expenses being down as well as Public Works expenses being down compared to 2020. Actual General Fund expenditures were \$2,471 below revenues received. The Municipal Road Aid fund increased due to reduced road construction expenses during the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

**Government-Wide Statement of Net Position and Activities**

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

These two statements report the City's *net position* and changes in them. You can think of the City's net position as the difference between assets, what the citizens own, and liabilities, what the citizens owe. This is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other factors also, such as changes in the City's property tax,

gross receipts, payroll and insurance premium tax base, and the condition of the City's capital assets (roads, buildings, equipment and sidewalks) to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we have listed the governmental activities. Most of the City's basic services are reported here, including general government, police, fire & EMS, streets, community center, garage, parks, etc. Gross receipts and payroll license fees, insurance premium taxes, charges for services (waste collection, community center usage, etc.) and property taxes, as well as government grants finance most of these activities.

**Fund Financial Statements**

The Governmental Fund financial statements provide detailed information about the City's funds. Some funds are required to be established by State Statute or Municipal Ordinance. However, the City Council establishes a few other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for grant funds (Ex. Municipal Road Aid Fund).

*Governmental funds:* Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the differences between the government wide net position financial statements and the governmental fund financial statements in the reconciliations within the audited financial statements.

**Government-Wide Change in Net Position**

For the year ended June 30, 2021, net position changed as follows:

	Governmental Activities
Beginning net position	\$ 1,804,463
Change in net position	88,667
Ending net position	<u>\$ 1,893,130</u>

## Government-Wide Statement of Net Position Summary

	Governmental Activities	
	2021	2020
Current assets	\$ 1,837,342	\$ 1,691,171
Capital assets, net depreciation	541,113	570,998
Deferred outflows of resources	158,547	134,967
Total assets and deferred outflows of resources	<u>2,537,002</u>	<u>2,397,136</u>
Current liabilities	14,148	14,877
Noncurrent liabilities	590,997	520,211
Deferred inflows of resources	38,727	57,585
Total liabilities and deferred inflows of resources	<u>643,872</u>	<u>592,673</u>
Net position	<u>\$ 1,893,130</u>	<u>\$ 1,804,463</u>

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expense, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The following schedules presents a summary of general and special revenues and expenditures for all of the funds for the fiscal year ended June 30, 2021, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	FYE 2021 Amount	FYE 2020 Amount	Percentage Incr(Decr)	Increase (Decrease) From FYE 20
Property taxes	\$ 1,467,759	\$ 1,316,005	11.5%	\$ 151,754
Franchise fees	42,800	31,678	35.1%	11,122
Telecommunications taxes	25,165	24,993	0.7%	172
Assessments	20,868	23,228	-10.2%	(2,360)
Licenses and permits	4,899	12,488	-60.8%	(7,589)
Intergovernmental	613,851	102,424	499.3%	511,427
Charges for services	5,054	7,950	-36.4%	(2,896)
Investment income	1,922	17,618	-89.1%	(15,696)
Miscellaneous	804	7,160	-88.8%	(6,356)
Total Revenues	<u>\$ 2,183,122</u>	<u>\$ 1,543,544</u>	41.4%	<u>\$ 639,578</u>

Assessments increased due to collection on past balances. Intergovernmental revenues increased from Corona Relief Grants.



Expenditures	FYE 2021 Amount	FYE 2020 Amount	Percentage Incr(Decr)	Increase (Decrease) From FYE 20
General Government	\$ 1,197,140	\$ 626,159	91.2%	\$ 570,981
Public Works	472,215	341,279	38.4%	130,936
Waste Disposal	371,848	361,678	2.8%	10,170
Cemetery	15,106	8,226	83.6%	6,880
Capital outlay	-	179,822	-100.0%	(179,822)
Debt service	4,773	16,846	-71.7%	(12,073)
<b>Total Expenditures</b>	<b>\$ 2,061,082</b>	<b>\$ 1,534,010</b>	<b>34.4%</b>	<b>\$ 527,072</b>

General government expenses increased as a result of grant activity; public works increased due to increase in ice/snow removal.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The capital assets were reported for the fiscal years ended as follows:

	Governmental Activities	
	2021	2020
Land	\$ 17,000	\$ 17,000
Buildings	284,891	284,891
Equipment	21,717	21,717
Infrastructure	610,301	610,801
	<b>\$ 933,909</b>	<b>\$ 934,409</b>

### Debt

The City has \$166,357 in outstanding debt as of June 30, 2021, as detailed below:

	Governmental Activities	
	2021	2020
KIA Sewer Loan	\$ 142,607	\$ 154,663
Totals	<b>\$ 142,607</b>	<b>\$ 154,663</b>

## GENERAL BUDGETARY HIGHLIGHTS

Primarily as a result of receiving Coronavirus grants actual revenues were more than budgeted amounts by \$596,620 in the General Fund; actual expenditures were more than budgeted by (\$459,714). The City ended the year with an increase of \$186,602 in the fund balance.

## **GASB 68 AND GASB 75 RECOGNITION**

The City is required, by Governmental Accounting Standards Board Statements No. 68, to display its proportionate share of the unfunded liability of the Kentucky Retirement System's County Employee Retirement System (CERS), a cost sharing multiple employer plan, in which the City is a participant. The net pension liability, \$344,763, the deferred outflow of resources, \$95,022, and the deferred inflow of resources, \$11,277, on the Statement of Net Position at June 30, 2021 are a function of this required reporting. Detailed information on this pension recognition can be found in Note 7 in the Notes to the Financial Statements.

The City is required, by Governmental Accounting Standards Board Statement No. 75, to display its proportionate share of the unfunded liability of the Kentucky Retirement System's County Employee Retirement System (CERS), a cost sharing multiple employer other post-employment benefit plan (OPEB), in which the City is a participant. The net OPEB liability, \$63,524 the deferred outflow of resources, \$108,516, and the deferred inflow of resources, \$27,451, on the Statement of Net Position at June 30, 2020 are a function of this required reporting. Detailed information on this OPEB recognition can be found in Note 7 in the Notes to the Financial Statements

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City's elected officials consider many factors when setting the fiscal year 2022 budget. Some of the factors are the local economy, expected grant monies and anticipated tax revenues.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Administrator, David Plummer at (859) 384-1511 or at the city building at 1843 Mt. Zion Rd, Union, KY 41091.

<b>CITY OF UNION, KENTUCKY</b> <b>STATEMENT OF NET POSITION</b> <b>June 30, 2021</b>
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	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 1,830,132
Property taxes receivable	7,210
Total current assets	<u>1,837,342</u>
Noncurrent assets	
Capital assets	
Land	17,000
Capital assets being depreciated	916,909
Less: accumulated depreciation	<u>(392,796)</u>
Net capital assets	<u>541,113</u>
<b>Total assets</b>	<u>2,378,455</u>
<b>Deferred outflows of resources</b>	
Deferred outflows related to pension and OPEB liabilities	<u>158,547</u>
<b>Total assets and deferred outflows of resources</b>	<u>2,537,002</u>
<b>Liabilities</b>	
Current liabilities	
Accrued liabilities	1,732
Current portion of notes payable	<u>12,416</u>
Total current liabilities	<u>14,148</u>
Noncurrent liabilities	
Compensated absences	7,527
Notes payable	130,191
Net pension and OPEB liabilities	<u>453,279</u>
Total noncurrent liabilities	<u>590,997</u>
<b>Total liabilities</b>	605,145
<b>Deferred inflows of resources</b>	
Deferred inflows related to pension and OPEB liabilities	<u>38,727</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>643,872</u>
<b>Net position</b>	
Net investment in capital assets	398,506
Restricted	131,100
Unrestricted	<u>1,363,524</u>
<b>Total net position</b>	<u>\$ 1,893,130</u>

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

**CITY OF UNION, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2021**

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
<b>Governmental activities</b>					
Administration	\$1,197,140	\$ -		\$ -	\$ (1,197,140)
Public works	472,215	-	613,851	-	141,636
Waste collection	371,848	-	-	-	(371,848)
Cemetery	15,106	5,054	-	-	(10,052)
Interest expense	4,766	-	-	-	(4,766)
<b>Total governmental activities</b>	<b>\$2,061,075</b>	<b>\$ 5,054</b>	<b>\$ 613,851</b>	<b>\$ -</b>	<b>(1,442,170)</b>
<b>General revenues</b>					
Taxes					
Property taxes					
Franchise fees					
Telecommunications taxes					
Assessments					
Licenses and permits					
Investment income					
Miscellaneous					
<b>Total general revenues</b>					
<b>Change in net position</b>					
<b>Net position, beginning of year</b>					
<b>Net position, end of year</b>					

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

<b>CITY OF UNION, KENTUCKY</b> <b>BALANCE SHEET - GOVERNMENTAL FUNDS</b> <b>June 30, 2021</b>
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	2021			(Memo Only) 2020 Totals
	General Fund	Other Governmental Funds	Total Governmental Funds	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,699,032	\$ 131,100	\$ 1,830,132	\$ 1,645,011
Receivables				
Taxes	7,210	-	7,210	12,780
Assessments	-	-	-	33,380
<b>Total assets</b>	<u>\$ 1,706,242</u>	<u>\$ 131,100</u>	<u>\$ 1,837,342</u>	<u>\$ 1,691,171</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accrued liabilities	1,732	-	1,732	2,828
Deferred revenue	-	-	-	33,380
<b>Total liabilities</b>	<u>1,732</u>	<u>-</u>	<u>1,732</u>	<u>36,208</u>
<b>Fund balances</b>				
Restricted	-	131,100	131,100	137,055
Assigned	46,770	-	46,770	6,752
Unassigned	1,657,740	-	1,657,740	1,511,156
<b>Total fund balances</b>	<u>1,704,510</u>	<u>131,100</u>	<u>1,835,610</u>	<u>1,654,963</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,706,242</u>	<u>\$ 131,100</u>	<u>\$ 1,837,342</u>	<u>\$ 1,691,171</u>

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

<p><b>CITY OF UNION, KENTUCKY</b>  <b>RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS</b>  <b>TO THE STATEMENT OF NET POSITION</b>  <b>June 30, 2021</b></p>
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<b>Total fund balance for governmental funds</b>	\$ 1,835,610
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$933,909 less accumulated depreciation of (\$392,796), used in governmental activities are not financial resources and, therefore, are not reported in the funds.	541,113
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reportable in the funds.

Deferred outflows of resources	158,547
Deferred inflows of resources	(38,727)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	(7,527)
Net pension and OPEB liabilities	(453,279)
Notes payable	<u>(142,607)</u>

<b>Net position of governmental activities</b>	<b><u><u>\$ 1,893,130</u></u></b>
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The accompanying notes are an integral part of the financial statements.

**CITY OF UNION, KENTUCKY**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2021**

	2021			(Memo Only) 2020 Totals
	General Fund	Other Governmental Funds	Total Governmental Funds	
<b>Revenues</b>				
Property taxes	\$ 1,467,759	\$ -	\$ 1,467,759	\$ 1,316,005
Franchise fees	42,800	-	42,800	31,678
Telecommunications taxes	25,165	-	25,165	24,993
Assessments	20,868	-	20,868	23,228
Licenses and permits	4,899	-	4,899	12,488
Intergovernmental	502,872	110,979	613,851	102,424
Charges for services	-	5,054	5,054	7,950
Investment income	1,804	118	1,922	17,618
Miscellaneous	804	-	804	7,160
<b>Total revenues</b>	<u>2,066,971</u>	<u>116,151</u>	<u>2,183,122</u>	<u>1,543,544</u>
<b>Expenditures</b>				
Current expenditures				
General government	1,126,483	-	1,126,483	626,159
Public works	367,686	104,529	472,215	341,279
Waste disposal	371,848	-	371,848	361,678
Cemetery	-	15,106	15,106	8,226
Capital outlay	-	-	-	179,822
Debt service	16,823	-	16,823	16,846
<b>Total expenditures</b>	<u>1,882,840</u>	<u>119,635</u>	<u>2,002,475</u>	<u>1,534,010</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>184,131</u>	<u>(3,484)</u>	<u>180,647</u>	<u>9,534</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	-	-
Operating transfers out	2,471	(2,471)	-	-
<b>Total other financing sources (uses)</b>	<u>2,471</u>	<u>(2,471)</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	186,602	(5,955)	180,647	9,534
<b>Fund balances, beginning of year</b>	1,517,908	137,055	1,654,963	1,645,429
<b>Fund balances, end of year</b>	<u>\$ 1,704,510</u>	<u>\$ 131,100</u>	<u>\$ 1,835,610</u>	<u>\$ 1,654,963</u>

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

<p><b>CITY OF UNION, KENTUCKY</b>  <b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES</b>  <b>AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS</b>  <b>TO THE STATEMENT OF ACTIVITIES</b>  <b>For the Year Ended June 30, 2021</b></p>
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Net change in fund balances - total governmental funds \$ 180,647

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

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	(29,885)
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Revenues in the statement of activities that do not provide current financial resources are fully deferred in the funds.	(33,381)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as compensated absences.	9,722
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Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of the pension benefits earned, net of employer contributions, is reported as pension expense.

Cost of benefits earned - pension	(41,462)
Cost of benefits earned -OPEB	(9,023)

Repayment of notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	12,049
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Change in net position of governmental activities	\$ 88,667
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The accompanying notes are an integral part of the financial statements.



<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2021</b>
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## **NOTE 1 – ACCOUNTING POLICIES**

Kentucky Revised Statutes and Ordinances of the City Council of the City of Union, Kentucky (City) designate the purpose, function and restrictions of the various funds.

### **A. The Reporting Entity**

The City operates under a City Council government comprised of the Mayor and four commissioners. The financial statements of the City include all of the funds 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 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 services. The City has no component units or entities for which the government is considered to be financially accountable.

### **B. Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-Wide Financial Statements** - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements** - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to determine legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds, if any, are presented in a single column.

### **C. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

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**Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows, liabilities, and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

- General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky.
- Municipal Road Aid Fund - The municipal road aid fund accounts for the allocation of funds from the Commonwealth of Kentucky as provided in KRS 174 for design, right-of-way acquisitions, utilities, construction, and other municipal road aid expenditures.
- Coal Fund - The coal fund accounts for the allocation of funds from the Commonwealth of Kentucky. The coal fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky.
- Cemetery Fund - This fund accounts for the operations of maintain the Union Rice cemetery.

#### **D. Measurement Focus**

**Government-wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

**Fund Financial Statements** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (e.g. revenues and other financing sources) and uses (e.g. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government - wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the financial statements for governmental funds.

#### **E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and deferred outflows, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Nonexchange Transactions** - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to

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be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty days of year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, and grants. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, for which the City must provide local resources to be used for a specified purpose, and expenditure requirements, for which the resources are provided to the City on a reimbursement basis.

On the modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: state-levied locally shared taxes.

**Deferred Inflows of Resources and Deferred Outflows of Resources** - A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future operating period.

Taxes and assessments not received within the available period are recorded as deferred inflows in the governmental fund financial statements.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on the decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

## **F. Budgetary Data**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with City code, prior to June 1, the Mayor submits to the Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- 2) Public hearings are conducted to obtain taxpayer comment.
- 3) Prior to June 30, the budget is legally enacted through passage of an ordinance.
- 4) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council explaining any variance from the approved budget.
- 5) Appropriations continue in effect until a new budget is adopted.
- 6) The City Council may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the City Council.

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**G. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. The City's infrastructure consists of sidewalks, streets, and traffic signals. Infrastructure acquired prior to the implementation of GASB Statement No. 34 has been reported.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000 with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value to the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 years
Infrastructure	25 years
General equipment	5-10 years

**I. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and retirement incentives that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

**J. Restricted Assets**

Certain cash accounts have been classified as restricted assets to indicate that they have been earmarked for a specific use.

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#### **K. Interfund Balances**

On the fund financial statements, unpaid amounts for inter-fund services are reported as "due from/to other funds". These amounts are eliminated in the statement of net position.

#### **L. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

#### **M. Pensions**

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

#### **N. Other Post-Employment Benefits (OPEB) Health Insurance**

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

#### **O. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Non-spendable** - The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

**Restricted** - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**Committed** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Commission (the highest level of decision-making authority). Those committed amounts cannot be used for any other purpose unless City

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Commission removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council.

**Unassigned** - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used.

#### **P. Use of Estimates**

The preparation of financial statements in conformity GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

#### **Q. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of programs to enhance the security of persons and property.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### **R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

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**NOTE 2 – PROPERTY TAXES**

The City levies property taxes on qualifying property. Property taxes are the City's primary source of revenue. Property taxes attached as an enforceable lien of property as of October 15 and are payable December 31. Property tax revenues are recognized when they become levied. No allowance for uncollectible receivable is considered necessary. On January 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on January 1. As of June 30, 2021, \$7,210 was recorded as property taxes receivable.

**NOTE 3 – RECEIVABLES**

Receivables at year end consisted of property taxes, sewer assessments, and street-light assessments. A summary of the receivable balance as reported on the statement of net position is as follows:

Taxes receivable	
Property taxes	<u>\$ 7,210</u>

**NOTE 4 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2021:

<u>Asset type</u>	<u>Balance at June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2021</u>
Land	\$ 17,000	\$ -	\$ -	\$ 17,000
Non-depreciable assets	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>17,000</u>
Buildings	284,891	-		284,891
Furniture and equipment	21,717	-	-	21,717
Infrastructure	610,301	-	-	610,301
Depreciable assets	<u>916,909</u>	<u>-</u>	<u>-</u>	<u>916,909</u>
Total capital assets	<u>933,909</u>	<u>-</u>	<u>-</u>	<u>933,909</u>
Less: accumulated depreciation				
Buildings	(131,980)	(8,161)		(140,141)
Furniture and equipment	(20,320)	(278)	-	(20,598)
Infrastructure	(211,111)	(20,946)	-	(232,057)
Total accumulated depreciation	<u>(363,411)</u>	<u>(29,385)</u>	<u>-</u>	<u>(392,796)</u>
Capital assets, net	<u>\$ 570,498</u>	<u>\$ (29,385)</u>	<u>\$ -</u>	<u>\$ 541,113</u>

In fiscal year 2021, depreciation expense of \$29,385 was charged to general government.

**NOTE 5 – COMPENSATED ABSENCES**

City employees earn vacation time based on length of service. Employees cannot opt for cash in lieu of time off. Employees also accrue sick days based on length of service. Sick days are not paid out at retirement. At June 30, 2021, accrued vacation pay is \$7,527.

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**NOTE 6 – LONG-TERM OBLIGATIONS**

A schedule of changes in long-term obligations of the City during the current year is summarized below:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021	Current Portion
General obligations:					
KIA sewer loan	\$ 154,657	\$ -	\$ (12,049)	\$ 142,608	\$ 12,416
Total general obligations	154,767	-	(12,049)	142,608	12,416
Compensated absences	17,249	-	(9,722)	7,527	-
Total obligations	<u>\$ 172,016</u>	<u>\$ -</u>	<u>\$ (21,771)</u>	<u>\$ 150,135</u>	<u>\$ 12,416</u>

**KIA Sewer Loan** – In March 2010, the City borrowed \$248,294 through the Kentucky Infrastructure Authority to be repaid over 20 years at a fixed rate of 3.00%. The proceeds were used to fund the sewer tap fees and assessments of the City's taxpayers.

Principal and interest requirements to retire the City's long-term obligations outstanding at year end are as follows:

Year Ending June 30:	KIA Sewer Loan	
	Principal	Interest
2022	\$ 12,416	\$ 4,108
2023	12,794	3,731
2024	13,183	3,342
2025	13,584	2,941
2026	13,997	2,528
2027-2031	76,634	5,986
Total	<u>\$ 142,608</u>	<u>\$ 22,636</u>

**NOTE 7 – COUNTY EMPLOYEES' RETIREMENT SYSTEM**

The City's eligible employees are covered by the County Employees Retirement System (Plan)

**General information about the County Employees Retirement System ("CERS")**

*Plan description* - Employees are covered by CERS (County Employees Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Public Pensions Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Public Pensions Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.



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The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on **Non-Hazardous** duty and **Hazardous** duty covered-employee classifications. The City has only Non-Hazardous employees.

Membership in CERS consisted of the following at June 30, 2020:

	Non-Hazardous	
	Pension	OPEB
Active Plan Members	81,506	81,147
Inactive Plan Members	91,543	29,362
Retired Members	64,539	36,371
	<u>237,588</u>	<u>146,880</u>
Number of participating employers		<u>1,139</u>

## **PENSION PLAN**

### **Non-Hazardous Pension Plan Description**

*Benefits Provided* – CERS provides retirement, health insurance, death and disability benefits to Non-Hazardous duty Plan employees and beneficiaries. Employees are vested in the plan after five years of service. For retirement purposes, employees are grouped into three tiers, based on hire date:

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

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

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for all dependent children. Five years' service is required for nonservice-related disability benefits.

*Contributions* – Required pension plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	5%
Tier 2	5%
Tier 3	5%

### Contributions

For non-hazardous duty employees, the City contributed 24.06% of which 19.30% was for the pension fund and 4.76% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2021.

The City made all required contributions for the non-hazardous Plan obligation for the fiscal year in the amount of \$26,718 of which \$21,432 was for the pension fund and \$5,286 was for the health insurance fund.

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

At June 30, 2021, the City reported a liability of \$344,763 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2020 measurement year, the City's non-hazardous employer allocation proportion was 0.0045% of the total CERS non-hazardous duty employees. For the year ended June 30, 2021, the City recognized pension expense of \$41,471 in addition to its \$21,432 pension contribution.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 8,597	\$ -
Net difference between projected actual earnings on plan investments	14,944	(6,317)
Changes of assumptions	13,462	-
Changes in proportion and differences between contributions and proportionate share of contributions	36,587	(4,960)
Contributions subsequent to the measurement date	21,432	-
	<u>\$ 95,022</u>	<u>\$ (11,277)</u>

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The City's contributions subsequent to the measurement date of \$21,432 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2021	\$ 31,123
2022	22,506
2023	5,221
2024	3,463
2025	-
Thereafter	-
	\$ 62,313

### Actuarial Assumptions

The total pension liability as of June 30, 2021 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2020, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognize
Amortization method	Level percentage of payroll
Amortization period	25 years, closed
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.05-11.55%, varies by service
Mortality	RP-2000 Combined Mortality Table projected to 2013 with Scale BB (set-back 1 year for females)

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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**Changes of Assumptions**

There have been no changes in actuarial assumptions since June 30, 2019.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.25%. 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 6.25%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

**Plan Target Allocation**

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

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	18.75%	4.50%
Non-US equity	18.75%	5.25%
Private equity	10.00%	6.65%
Specialty credit/high yield	15.00%	3.90%
Core bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real return	15.00%	3.95%
Total	100.00%	

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, 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 (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 425,168	\$ 344,763	\$ 278,185
Total	\$ 425,168	\$ 344,763	\$ 278,185

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**HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS**

**Non-Hazardous OPEB Plan Description**

*Benefits Provided* – CERS provides retirement, health insurance, death and disability benefits to non-hazardous duty plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$13.38 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$13.38 per month.

*Contributions* – Required health insurance plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	None
Tier 2	1%
Tier 3	1%

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2021</b>
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### Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KPPA Trustees. The contractually required contribution rate for governmental entities was 4.76% of covered-employee payroll for non-hazardous duty employees; actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the City were \$5,286 for non-hazardous duty employees for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability of \$108,516 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined. At the June 30, 2020 measurement date, the City's proportion of the non-hazardous plan was 0.00383%.

For the year ended June 30, 2021, the City recognized an OPEB expense of \$9,022. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 18,131	\$ (18,145)
Net difference between projected actual earnings on plan investments	5,821	(2,214)
Changes of assumptions	18,875	(115)
Changes in proportion and difference differences between contributions and proportionate share of contributions	15,411	(6,977)
Contributions subsequent to the measurement date	5,286	-
	<u>\$ 63,524</u>	<u>\$ (27,451)</u>

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2021</b>
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The City's contributions subsequent to the measurement date, \$21,678 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2021	\$ 7,528
2022	8,596
2023	6,547
2024	7,708
2025	408
Thereafter	-
	\$ 30,787

### Actuarial Assumptions

The total OPEB liability as of June 30, 2021 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2020, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognize
Amortization method	Level percentage of payroll
Amortization period	25 years, closed
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-11.55%, varies by service
Mortality:	RP-2000 Combined Mortality Table projected to 2013 with Scale BB (set-back 1 year for females)
Investment rate of return	6.25%, net of pension plan expense, including inflation,
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set-back 1 year for females)
Healthcare trend rates (Pre-65):	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.

**CITY OF UNION, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

Healthcare trend rates  
(Post-65):

Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.

Phase-in provision

Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

**Changes of Assumptions**

The discount rates used to calculate the total OPEB liability decreased from 5.68% to 5.34% for the non-hazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. Also, the June 30, 2020 GASB No. 74 actuarial information reflects the anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 5.34% for the non-hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Plan Target Allocation**

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

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	18.75%	4.50%
Non-US equity	18.75%	5.25%
Private equity	10.00%	6.65%
Specialty credit/high yield	15.00%	3.90%
Core bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real return	15.00%	3.95%
Total	100.00%	



<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2021</b>
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**Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.34% for the non-hazardous plan and 5.30% for the hazardous plan, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.34%	5.34%	6.34%
Net OPEB liability, Non-Haz	\$ 139,412	\$ 108,516	\$ 83,141
Total	\$ 139,412	\$ 108,516	\$ 83,141

**Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 84,019	\$ 108,516	\$ 138,245
Total	\$ 84,019	\$ 108,516	\$ 138,245

**Plan Fiduciary Net Position**

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan’s fiduciary net position. These reports may be obtained, in writing, from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

**NOTE 8 – CONTINGENCIES**

The City is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor possible to estimate the effects adverse decisions may have on the future expenditures or revenue sources of the City. In the opinion of City management, these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of this, and similar cases has been made in the accompanying financial statements.

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2021</b>
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**NOTE 9 – RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2020 will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

**NOTE 10 – COVID-19 GLOBAL PANDEMIC**

On January 30, 2020, the World Health Organization announced a global health emergency, later classified as a global pandemic, as a result of the COVID-19 outbreak. The outbreak and response have impacted financial and economic markets across the World and within the United States of America. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition, liquidity, and future results of operations. There have been no immediate negative effects. The 2021-22 fiscal-year budget has been passed to incorporate potential effects of the pandemic on the District's financial condition.

**NOTE 11 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

Statement No. 84 – *Fiduciary Activities* – Implementation in FY 2021

Statement No. 89 – *Accounting for Interest Cost* – Implementation in FY 2021

Statement No. 90 – *Majority Equity Interests* – Implementation in FY 2021

The implementation of these standards had no significant effect on the City.

**NOTE 12 – FUTURE ACCOUNTING STANDARDS**

Statement No. 87 – *Leases* – Implementation in FY 2022

Statement No. 91 – *Conduit Debt Obligations* – Implementation in FY 2023

Statement No. 92 – *Omnibus 2021* – FY 2022

Statement No. 93 – *Replacement of Interbank Offered Rates* – FY 2022

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2022

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2022

Statement No. 97 – *Component Unit Criteria for IRS Section 457 Deferred Comp. Plans* – FY 2022

**CITY OF UNION, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated events through May 6, 2022, the date on which the financial statements were available for issue. The City had one event subsequent to June 30, 2021 through May 6, 2022 to disclose.

The City received its portion of the Federally funded American Recovery Plan Act (ARPA) grant in the amount of \$781,279 in October 2021. These funds are designated for specific uses, and any amount unused by December 31, 2024, will need to be returned.

<b>CITY OF UNION, KENTUCKY</b> <b>BUDGETARY COMPARISON SCHEDULE</b> <b>BUDGET AND ACTUAL - GENERAL FUND</b> <b>For the Year Ended June 30, 2021</b>
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	Budgeted Amounts			Actual Amounts	Variance Favorable (Unfavorable)
	Original	Amendments	Final		
<b>Budgetary fund balance, July 1</b>	\$ 1,437,874	\$ -	\$ 1,437,874	\$ 1,517,908	80,034
<b>Resources (inflows)</b>					
Estimated revenues	1,470,351	-	1,470,351	2,066,971	596,620
Transfer of funds	-	-	-	-	-
<b>Amounts available for appropriation</b>	<u>2,908,225</u>	<u>-</u>	<u>2,908,225</u>	<u>3,584,879</u>	<u>676,654</u>
<b>Charges to appropriations (outflows)</b>					
General government	340,274	-	340,274	1,126,483	(786,209)
Public works	694,110	-	694,110	367,686	326,424
Waste disposal	371,742	-	371,742	371,848	(106)
Debt service	17,000	-	17,000	16,823	177
<b>Total charges to appropriations</b>	<u>1,423,126</u>	<u>-</u>	<u>1,423,126</u>	<u>1,882,840</u>	<u>(459,714)</u>
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,471</u>	<u>2,471</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ 1,485,099</u>	<u>\$ -</u>	<u>\$ 1,485,099</u>	<u>\$ 1,704,510</u>	<u>\$ 219,411</u>

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

<b>CITY OF UNION, KY</b> <b>MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE-NON-HAZARDOUS</b> <b>Last Ten Fiscal Years</b>
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**Schedule of the City's Proportionate Share of the Net Pension Liability  
County Employees' Retirement System (CERS)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net pension liability	0.0045%	0.0041%	0.0032%	0.0040%	0.0142%	0.0139%	0.0134%			
Proportionate share of the net pension liability (asset)	\$ 344,763	\$ 290,816	\$ 196,778	\$ 234,249	\$ 699,711	\$ 596,683	\$ 435,622			
Covered payroll in year of measurement	121,248	108,000	46,685	118,015	224,408	222,875	209,804			
Share of the net pension liability (asset) as a percentage of its covered payroll	284.35%	269.27%	421.50%	198.49%	311.80%	267.72%	207.63%			
Plan fiduciary net position as a percentage of total pension liability	47.81%	50.54%	53.54%	53.30%	55.50%	59.97%	66.80%			

**Schedule of the City's Pension Fund Contributions  
County Employees' Retirement System (CERS)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 21,432	\$ 23,401	\$ 17,518	\$ 6,760	\$ 16,408	\$ 27,871	\$ 28,416	\$ 28,827		
Actual contribution	21,432	23,401	17,518	6,760	16,408	27,871	28,416	28,827		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	\$ 111,048	\$ 121,248	\$ 108,000	\$ 46,685	\$ 118,015	\$ 224,408	\$ 222,875	\$ 209,804		
Contributions as a percentage of covered payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%		

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2021**

The net pension liability as of June 30, 2021 is based on the June 30, 2020, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE 7 in the Notes to the Financial Statements.

<b>CITY OF UNION, KY</b> <b>MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE-NON-HAZARDOUS</b> <b>Last Ten Fiscal Years</b>
--

**Schedule of the City's Proportionate Share of the Net OPEB Liability  
County Employees' Retirement System (CERS)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net pension liability	0.0045%	0.0041%	0.0032%	0.0040%						
Proportionate share of the net pension liability (asset)	\$ 108,516	\$ 69,532	\$ 57,366	\$ 80,454						
Covered payroll in year of measurement	121,248	108,000	46,685	118,015						
Share of the net pension liability (asset) as a percentage of its covered payroll	89.50%	64.38%	122.88%	68.17%						
Plan fiduciary net position as a percentage of total pension liability	51.67%	60.44%	57.62%	52.40%						

**Schedule of the City's OPEB Fund Contributions  
County Employees' Retirement System (CERS)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 5,286	\$ 5,771	\$ 5,681	\$ 2,194	\$ 5,582					
Actual contribution	5,286	5,771	5,681	2,194	5,582					
Contribution deficiency (excess)	-	-	-	-	-					
Covered payroll	\$ 111,048	\$ 121,248	\$ 108,000	\$ 46,685	\$ 118,015					
Contributions as a percentage of covered payroll	4.76%	4.76%	5.26%	4.70%	4.73%					

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2021**

The net OPEB liability as of June 30, 2021, is based on the June 30, 2020, actuarial valuation. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE 7 in the Notes to the Financial Statements.

<b>CITY OF UNION, KENTUCKY</b> <b>COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS</b> <b>June 30, 2021</b>
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	<u>Municipal Road Aid Fund</u>	<u>Cemetery Fund</u>	<u>Total Non-Major Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 63,249	\$ 67,851	\$ 131,100
Accounts receivable			
Intergovernmental	-	-	-
<b>Total assets</b>	<u>\$ 63,249</u>	<u>\$ 67,851</u>	<u>\$ 131,100</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>			
Restricted	63,249	67,851	131,100
Assigned	-	-	-
Unassigned	-	-	-
<b>Total fund balances</b>	<u>63,249</u>	<u>67,851</u>	<u>131,100</u>
<b>Total liabilities and fund balances</b>	<u>\$ 63,249</u>	<u>\$ 67,851</u>	<u>\$ 131,100</u>

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

<b>CITY OF UNION, KENTUCKY</b> <b>COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN</b> <b>FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS</b> <b>For the Year Ended June 30, 2021</b>
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	<u>Municipal Road Aid Fund</u>	<u>Cemetery Fund</u>	<u>Total Non-Major Funds</u>
<b>Revenues</b>			
Intergovernmental revenue	\$ 110,979	\$ -	\$ 110,979
Charges for services	-	5,054	5,054
Interest	42	76	118
<b>Total revenues</b>	<u>111,021</u>	<u>5,130</u>	<u>116,151</u>
<b>Expenditures</b>			
Streets	104,529	-	104,529
Cemetery expenses	-	15,106	15,106
<b>Total expenditures</b>	<u>104,529</u>	<u>15,106</u>	<u>119,635</u>
<b>Excess (deficit) of revenues over expenditures</b>	6,492	(9,976)	(3,484)
<b>Other financing sources (uses)</b>			
Operating transfers out	<u>(2,471)</u>	<u>-</u>	<u>(2,471)</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	4,021	(9,976)	(5,955)
<b>Fund balances, beginning of year</b>	59,228	77,827	137,055
<b>Fund balances, end of year</b>	<u>\$ 63,249</u>	<u>\$ 67,851</u>	<u>\$ 131,100</u>

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



<b>CITY OF UNION, KENTUCKY</b> <b>BUDGETARY COMPARISON SCHEDULE</b> <b>BUDGET AND ACTUAL - MUNICIPAL ROAD AID FUND</b> <b>For the Year Ended June 30, 2021</b>
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	Budgeted Amounts			Actual Amounts	Variance Favorable (Unfavorable)
	Original	Amendments	Final		
<b>Budgetary fund balance, July 1</b>	\$ 71,801	\$ -	\$ 71,801	\$ 59,228	\$ (12,573)
<b>Resources (inflows):</b>					
Estimated revenues	91,200	-	91,200	110,979	19,779
Interest	124	-	124	42	(82)
<b>Amounts available for appropriation</b>	<u>163,125</u>	<u>-</u>	<u>163,125</u>	<u>170,249</u>	<u>7,124</u>
<b>Charges to appropriations (outflows):</b>					
Streets	107,000	-	-	104,529	(104,529)
<b>Total charges to appropriations</b>	<u>107,000</u>	<u>-</u>	<u>-</u>	<u>104,529</u>	<u>(104,529)</u>
Transfers to (from) fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,471)</u>	<u>(2,471)</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ 56,125</u>	<u>\$ -</u>	<u>\$ 163,125</u>	<u>\$ 63,249</u>	<u>\$ (99,876)</u>

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

<b>CITY OF UNION, KENTUCKY</b> <b>BUDGETARY COMPARISON SCHEDULE</b> <b>BUDGET AND ACTUAL - CEMETERY FUND</b> <b>For the Year Ended June 30, 2021</b>
---

	Budgeted Amounts			Actual Amounts	Variance Favorable (Unfavorable)
	Original	Amendments	Final		
<b>Budgetary fund balance, July 1</b>	\$ 79,339	\$ -	\$ 79,339	\$ 77,827	\$ (1,512)
<b>Resources (inflows):</b>					
Plot sales income	12,000	-	12,000	5,054	(6,946)
Interest income	831	-	831	76	(755)
Transfer to (from) fund	-	-	-	-	-
<b>Amounts available for appropriation</b>	<u>92,170</u>	<u>-</u>	<u>92,170</u>	<u>82,957</u>	<u>(9,213)</u>
<b>Charges to appropriations (outflows):</b>					
Cemetery expenses	<u>27,250</u>	<u>-</u>	<u>27,250</u>	<u>15,106</u>	<u>12,144</u>
<b>Total charges to appropriations</b>	<u>27,250</u>	<u>-</u>	<u>27,250</u>	<u>15,106</u>	<u>12,144</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ 64,920</u>	<u>\$ -</u>	<u>\$ 64,920</u>	<u>\$ 67,851</u>	<u>\$ 2,931</u>

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

**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**

**To the Honorable Mayor and  
Commissioners of the  
City of Union, Kentucky**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Union, Kentucky as of June 30, 2021 and the related notes to the financial statements which collectively comprise the City of Union, Kentucky's financial statements, and have issued our report thereon dated May 6, 2022.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified.

**Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Chamberlin Owen & Co., Inc.*

**Chamberlin Owen & Co., Inc.**

Erlanger, Kentucky

May 6, 2022