

CITY OF UNION, KENTUCKY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the Year Ended June 30, 2024

CITY OF UNION, KENTUCKY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended June 30, 2024

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CITY OF UNION, KENTUCKY

LIST OF CITY OFFICIALS

For the Year Ended June 30, 2024

Mayor

Larry K. Solomon

Commissioners

Brian Garner

Jeremy Ramage

John Mefford

Doug Bine

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Union, Kentucky, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Union, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Union, Kentucky as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major fund budgetary comparison schedules, and *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Union, Kentucky's basic financial statements. The combining financial statements

and cemetery fund budgetary comparison schedules 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 financial statements and cemetery fund budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2024, 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 City of Union, Kentucky's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.
Erlanger, Kentucky
December 13, 2024

**CITY OF UNION, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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, 2024. 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 2024 Amount	FYE 2023 Amount	Percentage Increase/ (Decrease)	Increase Incr/(Decr) From FYE 23
General	\$ 2,934,037	\$ 1,484,382	97.66%	\$ 1,449,655
Municipal Road Aid	238,535	294,361	-18.97%	\$ (55,826)
Cemetery Fund	49,415	39,489	25.14%	\$ 9,926
Total fund balance	<u>\$ 3,221,987</u>	<u>\$ 1,818,232</u>	77.20%	<u>\$ 1,403,755</u>

The General Fund balance increased primarily due to the collection of payroll taxes. The Municipal Road Aid fund decreased due to an increase in street repairs. There was no significant change in the Cemetery fund.

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, public works, waste disposal, and cemetery. Property taxes, franchise fees, and telecommunication 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 Commission 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, 2024, net position changed as follows:

	Governmental Activities
	<hr/>
Beginning net position	\$ 1,817,690
Change in net position	1,819,782
Prior period adjustment	5,993
Ending net position	<hr/> <hr/> \$ 3,643,465

Government-Wide Statement of Net Position Summary

	Governmental Activities	
	2024	2023
Current assets	\$ 4,100,901	\$ 2,630,544
Capital assets, net depreciation	5,076,283	4,649,536
Deferred outflows of resources	180,355	230,993
Total assets and deferred outflows of resources	9,357,539	7,511,073
Current liabilities	892,498	825,494
Noncurrent liabilities	4,637,111	4,805,145
Deferred inflows of resources	184,465	62,744
Total liabilities and deferred inflows of resources	5,714,074	5,693,383
Net position	\$ 3,643,465	\$ 1,817,690

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, 2024, and the amount and percentage of increases and decreases in relation to the prior year.

Revenue Summary

Revenues	FYE 2024 Amount	FYE 2023 Amount	Percentage Incr(Decr)	Increase (Decrease)
Property taxes	\$ 1,719,799	\$ 1,590,752	8.1%	\$ 129,047
Franchise fees	261,827	55,895	368.4%	205,932
Telecommunications taxes	25,429	25,429	0.0%	-
Assessments	20,303	25,975	-21.8%	(5,672)
Licenses and permits	1,763,585	14,642	11944.7%	1,748,943
Intergovernmental	747,416	404,956	84.6%	342,460
Charges for services	15,500	5,250	195.2%	10,250
Investment income	166,052	107,748	54.1%	58,304
Miscellaneous	17,248	14,852	16.1%	2,396
Total Revenues	\$ 4,737,159	\$ 2,245,499	111.0%	\$ 2,491,660

Franchise fees increased due to agreement with Duke. Licenses and permits increased due to the new payroll tax and business license fees.

Expenditure Summary

Expenditures	FYE 2024 Amount	FYE 2023 Amount	Percentage Incr(Decr)	Increase (Decrease)
General Government	\$ 912,425	\$ 853,055	7.0%	\$ 59,370
Public Works	1,263,929	765,278	65.2%	498,651
Waste Disposal	422,652	394,387	7.2%	28,265
Cemetery	18,485	5,600	230.1%	12,885
ARPA expenses	53,622	26,657	0.0%	26,965
Capital outlay	466,448	94,522	0.0%	371,926
Debt service	201,836	190,037	6.2%	11,799
Total Expenditures	\$ 3,339,397	\$ 2,329,536	43.4%	\$ 1,009,861

Public works expenses increased due to increase in road repairs and the addition of a public works director.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities	
	2024	2023
Land	\$ 4,089,972	\$ 4,089,972
Land improvements	61,556	33,206
Buildings	266,814	264,139
Equipment	38,697	25,805
Construction in progress	437,665	51,480
Vehicles	36,346	-
Infrastructure	610,301	610,301
	\$ 5,541,351	\$ 5,074,903

Debt

The City has \$4,224,987 in outstanding debt as of June 30, 2024, as detailed below:

	Governmental Activities	
	2024	2023
KIA Sewer Loan	\$ 104,215	\$ 117,398
Bond Anticipation Note	4,120,772	4,120,772
Totals	\$ 4,224,987	\$ 4,238,170

BUDGETARY HIGHLIGHTS

General Fund – Primarily as a result of receiving payroll taxes and business license fees, actual revenues were more than budgeted amounts by \$1,836,594. Actual expenditures were less than budgeted by \$699,172 primarily due to the full amount budgeted for ARPA funds not being expended.

Municipal Road Aid Fund – Actual revenues for this fund were \$44,192 in excess of the budget. No expenditures were budgeted for this fund but \$201,530 was expended for streets.

Cemetery Fund – Actual revenues for this fund were \$13,778 in excess of the budget. Expenditures were \$5,335 more than budgeted.

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 Public Pension Authority's County Employee Retirement System (CERS), a cost sharing multiple employer plan, in which the City is a participant. The net pension liability, \$402,636, the deferred outflow of resources, \$127,689, and the deferred inflow of resources, \$44,056, on the Statement of Net Position at June 30, 2024 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 asset, \$8,662 the deferred outflow of resources, \$52,666, and the deferred inflow of resources, \$140,408, on the Statement of Net Position at June 30, 2024 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 2025 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, Amy Safran at (859) 384-1511 or at the city building at 1843 Bristow Dr., Union, KY 41091.

CITY OF UNION, KENTUCKY STATEMENT OF NET POSITION June 30, 2024
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	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 3,582,224
Property taxes receivable	3,378
Payroll taxes receivable	484,933
Other assets	30,366
Total current assets	<u>4,100,901</u>
Noncurrent assets	
Capital assets	
Land	4,151,528
Capital assets being depreciated	1,389,823
Less: accumulated depreciation	<u>(465,068)</u>
Net capital assets	<u>5,076,283</u>
Total assets	<u>9,177,184</u>
Deferred outflows of resources	
Deferred outflows related to pension and OPEB liabilities	<u>180,355</u>
Total assets and deferred outflows of resources	<u>9,357,539</u>
Liabilities	
Current liabilities	
Accrued liabilities	691,615
Deferred revenue - ARPA funds	187,299
Current portion of note payable	13,584
Total current liabilities	<u>892,498</u>
Noncurrent liabilities	
Compensated absences	31,734
Note payable	90,631
Bond anticipation note payable	4,120,772
Net pension and OPEB liabilities	<u>393,974</u>
Total noncurrent liabilities	<u>4,637,111</u>
Total liabilities	5,529,609
Deferred inflows of resources	
Deferred inflows related to pension and OPEB liabilities	<u>184,465</u>
Total liabilities and deferred inflows of resources	<u>5,714,074</u>
Net position	
Net investment in capital assets	851,296
Restricted	287,950
Unrestricted	<u>2,504,219</u>
Total net position	<u>\$ 3,643,465</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, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities						
Administration	\$ 930,333	\$ -	\$ -	\$ -	\$ (930,333)	
Public works	1,263,929	-	747,416	-	(516,513)	
Waste collection	422,652	-	-	-	(422,652)	
Cemetery	18,485	15,500	-	-	(2,985)	
ARPA expenses	53,622	-	-	-	(53,622)	
Unallocated depreciation	39,701	-	-	-	(39,701)	
Interest on long term debt	188,653	-	-	-	(188,653)	
Total governmental activities	\$ 2,917,375	\$ 15,500	\$ 747,416	\$ -	(2,154,459)	
General revenues						
Taxes						
Property taxes						1,719,799
Franchise fees						261,827
Telecommunications taxes						25,429
Assessments						20,303
Licenses and permits						1,763,585
Investment income						166,052
Miscellaneous						17,246
Total general revenues						3,974,241
Change in net position						1,819,782
Net position, beginning of year						1,817,690
Prior period adjustment						5,993
Net position, end of year						\$ 3,643,465

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

CITY OF UNION, KENTUCKY BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2024

	2024			(Memo Only) 2023 Totals
	General Fund	Other Governmental Funds	Total Governmental Funds	
Assets				
Cash and cash equivalents	\$ 3,144,274	\$ 437,950	\$ 3,582,224	\$ 2,626,023
Receivables				
Accounts	27,019	-	27,019	-
Property taxes	3,378	-	3,378	4,520
Payroll taxes	484,933	-	484,933	-
Other assets	3,347	-	3,347	-
Total assets	<u>\$ 3,662,951</u>	<u>\$ 437,950</u>	<u>\$ 4,100,901</u>	<u>\$ 2,630,543</u>
Liabilities and fund balances				
Liabilities				
Accrued liabilities	541,615	150,000	691,615	25,012
Deferred revenue - ARPA funds	187,299	-	187,299	787,299
Total liabilities	<u>728,914</u>	<u>150,000</u>	<u>878,914</u>	<u>812,311</u>
Fund balances				
Restricted	-	287,950	287,950	333,850
Assigned	-	-	-	-
Unassigned	2,934,037	-	2,934,037	1,484,382
Total fund balances	<u>2,934,037</u>	<u>287,950</u>	<u>3,221,987</u>	<u>1,818,232</u>
Total liabilities and fund balances	<u>\$ 3,662,951</u>	<u>\$ 437,950</u>	<u>\$ 4,100,901</u>	<u>\$ 2,630,543</u>

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

<p>CITY OF UNION, KENTUCKY RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2024</p>

Total fund balance for governmental funds	\$ 3,221,987
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$5,541,351 less accumulated depreciation of (\$465,068), used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,076,283
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Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, not reportable in the funds.

Deferred outflows of resources	180,355
Deferred inflows of resources	(184,465)

Long-term liabilities, including notes payable and compensated absences, may not be due and payable in the current period in the funds and therefore, are not reported as liabilities in the governmental funds.

Compensated absences	(31,734)
Net pension and OPEB liabilities	(393,974)
Bond anticipation note payable	(4,120,772)
Note payable	<u>(104,215)</u>

Net position of governmental activities	<u><u>\$ 3,643,465</u></u>
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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, 2024

	2024			(Memo Only) 2023 Totals
	General Fund	Other Governmental Funds	Total Governmental Funds	
Revenues				
Property taxes	\$ 1,719,799	\$ -	\$ 1,719,799	\$ 1,590,752
Franchise fees	261,827	-	261,827	55,895
Telecommunications taxes	25,429	-	25,429	25,429
Assessments	20,303	-	20,303	25,975
Licenses and permits	1,763,585	-	1,763,585	14,642
Intergovernmental	618,713	128,703	747,416	404,956
Charges for services	-	15,500	15,500	5,250
Investment income	146,840	19,212	166,052	107,748
Miscellaneous	11,548	5,700	17,248	14,852
Total revenues	<u>4,568,044</u>	<u>169,115</u>	<u>4,737,159</u>	<u>2,245,499</u>
Expenditures				
Current expenditures				
General government	912,425	-	912,425	853,055
Public works	1,062,399	201,530	1,263,929	765,278
Waste disposal	422,652	-	422,652	394,387
Cemetery	-	18,485	18,485	5,600
ARPA expenses	53,622	-	53,622	26,657
Capital outlay	466,448	-	466,448	94,522
Debt service	201,836	-	201,836	190,037
Total expenditures	<u>3,119,382</u>	<u>220,015</u>	<u>3,339,397</u>	<u>2,329,536</u>
Excess (deficit) of revenues over expenditures	<u>1,448,662</u>	<u>(50,900)</u>	<u>1,397,762</u>	<u>(84,037)</u>
Other financing sources (uses)				
Operating transfers in	50,432	-	50,432	-
Operating transfers out	(55,432)	5,000	(50,432)	-
Total other financing sources (uses)	<u>(5,000)</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,443,662	(45,900)	1,397,762	(84,037)
Fund balances, beginning of year	1,484,382	333,850	1,818,232	1,902,269
Prior period adjustment	5,993	-	5,993	-
Fund balances, end of year	<u>\$ 2,934,037</u>	<u>\$ 287,950</u>	<u>\$ 3,221,987</u>	<u>\$ 1,818,232</u>

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

<p>CITY OF UNION, KENTUCKY RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2024</p>

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

Net change in fund balances - total governmental funds \$ 1,397,762

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset purchases capitalized	466,448
Depreciation expense	(39,701)

Compensated absences not expected to be paid within this next fiscal year are not reported as liabilities in the fund, but are reported as liabilities in the statement of net position. This is the net change in compensated absences for the year. (9,218)

Governmental funds report pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of the pension and OPEB benefits earned net of employer contributions is reported as an expense.

Cost of benefits earned - pension	(18,852)
Cost of benefits earned -OPEB	10,160

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. 13,183

Change in net position of governmental activities \$ 1,819,782

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

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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NOTE 1 – ACCOUNTING POLICIES

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

A. The Reporting Entity

The City is a municipality governed by an elected Mayor and four Commissioner members. The financial statements of the City include all of the funds for which the Mayor and Commissioners 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.

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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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.
- 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 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.

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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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 Commissioners 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 Commissioners explaining any variance from the approved budget.
- 5) Appropriations continue in effect until a new budget is adopted.
- 6) The Commissioners 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 Commissioners.

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.

<p>CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024</p>

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.

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.

CITY OF UNION, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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 the Commissioners (the highest level of decision-making authority). Those committed amounts cannot be used for any other purpose unless the Commissioners remove or change 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.

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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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 the Commissioners.

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.

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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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, 2024, \$3,378 was recorded as property taxes receivable.

NOTE 3 – RECEIVABLES

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

Taxes receivable	
Property taxes	\$ 3,378
Payroll taxes	<u>484,933</u>
Total taxes receivable	<u>\$ 488,311</u>

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2024:

Asset type	Balance at June 30, 2023	Additions	Deletions	Balance at June 30, 2024
Land	\$ 4,089,972	\$ -	\$ -	\$ 4,089,972
Construction in progress	51,480	386,185	-	437,665
Non-depreciable assets	<u>4,141,452</u>	<u>386,185</u>	<u>-</u>	<u>4,527,637</u>
Land improvements	33,206	28,350	-	61,556
Buildings	264,139	2,675	-	266,814
Furniture and equipment	25,805	12,892	-	38,697
Vehicles	-	36,346	-	36,346
Infrastructure	610,301	-	-	610,301
Depreciable assets	<u>933,451</u>	<u>80,263</u>	<u>-</u>	<u>1,013,714</u>
Total capital assets	<u>5,074,903</u>	<u>466,448</u>	<u>-</u>	<u>5,541,351</u>
Less: accumulated depreciation				
Land improvements	(1,629)	(1,418)	-	(3,047)
Buildings	(135,709)	(6,620)	-	(142,329)
Furniture and equipment	(7,148)	(4,828)	-	(11,976)
Vehicles	-	(2,423)	-	(2,423)
Infrastructure	(280,881)	(24,412)	-	(305,293)
Total accumulated depreciation	<u>(425,367)</u>	<u>(39,701)</u>	<u>-</u>	<u>(465,068)</u>
Capital assets, net	<u>\$ 4,649,536</u>	<u>\$ 426,747</u>	<u>\$ -</u>	<u>\$ 5,076,283</u>

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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In fiscal year 2024, depreciation expense of \$39,701 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, 2024, accrued vacation pay is \$31,733.

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, 2023	Additions	Deletions	Balance at June 30, 2024	Current Portion
General obligations:					
KIA sewer loan	\$ 117,398	\$ -	\$ (13,183)	\$ 104,215	\$ 13,584
2022 Bond anticipation note	4,120,772	-	-	4,120,772	-
Total general obligations	4,238,170	-	(13,183)	4,224,987	13,584
Compensated absences	22,518	9,216	-	31,734	-
Total obligations	<u>\$ 4,260,688</u>	<u>\$ 9,216</u>	<u>\$ (13,183)</u>	<u>\$ 4,256,721</u>	<u>\$ 13,584</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
2025	\$ 13,584	\$ 2,941
2026	13,997	2,528
2027	14,422	2,102
2028	14,861	1,663
2029-2031	47,351	2,221
Total	<u>\$ 104,215</u>	<u>\$ 11,455</u>

Series 2022 Bond Anticipation Note - On June 24, 2022, the City issued \$4,120,772 in Series 2022 General Obligation Bond Anticipation Notes, the proceeds were used to purchase twenty-two acres of real property located within the City and paying the costs of issuance of the Notes. The Bond Anticipation Note matures in five years on June 30, 2027, interest is payable semi-annually at 4.554%.

<p>CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024</p>

Fiscal Year	2022 Bond Anticipation Note	
	Principal	Interest
2025	\$ -	\$ 186,749
2026	-	186,749
2027	4,120,772	186,749
Totals	<u>\$ 4,120,772</u>	<u>\$ 560,247</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 – City 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 Pension Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statue (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Public Pension Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension 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/>.

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, 2022:

	Non-Hazardous	
	Pension	OPEB
Active Plan Members	77,849	76,946
Inactive Plan Members	105,707	28,719
Retired Members	68,889	37,584
	<u>252,445</u>	<u>143,249</u>
Number of participating employers		<u>1,141</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:

<p>CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024</p>

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 rate	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% 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:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5%
Tier 3	5%

Contributions

The City contributed 23.34% of covered-employee's compensation, of which 23.34 was for the pension fund and 0.00% was for the health insurance fund.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$54,443 of which \$54,443 was for the pension fund and \$0 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, 2024, the City reported a liability of \$402,636 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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,

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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actuarially determined. At the June 30, 2023 measurement year, the City's non-hazardous employer allocation proportion was 0.0628% of the total CERS non-hazardous duty employees. For the year ended June 30, 2024, the City recognized pension expense of \$18,852 in addition to its \$54,443 pension contribution.

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 20,844	\$ (1,094)
Net difference between projected actual earnings on plan investments	-	(5,492)
Changes of assumptions	-	(36,902)
Changes in proportion and differences between contributions and proportionate share of contributions	52,402	(568)
Contributions subsequent to the measurement date	54,443	-
	<u>\$ 127,689</u>	<u>\$ (44,056)</u>

The City's contributions subsequent to the measurement date of \$54,443 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. 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
2024	\$ 34,958
2025	(10,860)
2026	8,988
2027	(3,897)
2028	-
Thereafter	-
	<u>\$ 29,189</u>

Actuarial Methods and Assumptions for Determining the Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2023 were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled forward from the valuation date (June 30, 2021) to the plan's fiscal year ending date of June 30, 2023, using generally accepted actuarial principles.

CITY OF UNION, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Changes of Assumptions

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

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

House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis or in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore reflected no fiscal impact to the total pension liability of the hazardous plan.

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

There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022. It is GRS's opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under *GASB No. 68*.

The actuarial assumptions are:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous

<p>CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024</p>

Investment Rate of Return 6.50% for CERS Non-hazardous

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

Discount Rate

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

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions for Fiscal Year 2023

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

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 Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	5.90%
Private equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit / high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.50%	Current Rate 6.50%	1% Increase 7.50%
	Non-hazardous	\$ 508,352	\$ 402,636
Total	\$ 508,352	\$ 402,636	\$ 314,782

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.

<p>CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024</p>

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, 2016, the contribution was \$12.99 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, 2016, the contribution was \$12.99 per month.

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

	<u>Required Contribution</u>
Tier 1	None
Tier 2	1%
Tier 3	1%

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KPPA Trustees.

For non-hazardous employees, the City contributed 0.00% of covered employees' compensation for the health insurance fund.

The City made all required contributions for the non-hazardous plan OPEB obligation for the fiscal year in the amount of \$0.

These contributions are 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 (asset). For the year ended June 30, 2024, the City recognized OPEB gain (expense) of \$-10,160 in addition to its \$0 OPEB contribution.

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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OPEB Liabilities (Assets), OPEB Gain (Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the City reported a liability (asset) of \$-8,662 as its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability (asset) 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, 2023 measurement year, the City's proportion of the total non-hazardous plan was 0.0628%.

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	Deferred Inflow
Differences between expected and actual experience	\$ 6,039	\$(122,996)
Net difference between projected actual earnings on plan investments	-	(2,011)
Changes of assumptions	17,047	(11,880)
Changes in proportion and differences between contributions and proportionate share of contributions	29,580	(3,521)
Contributions subsequent to the measurement date	-	-
	<u>\$ 52,666</u>	<u>\$(140,408)</u>

The City's contributions subsequent to the measurement date of \$0 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025.

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
2024	\$ (17,945)
2025	(27,035)
2026	(19,759)
2027	(23,004)
2028	-
Thereafter	-
	<u>\$ (87,743)</u>

<p>CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024</p>

Actuarial Methods and Assumptions to Determine the Net OPEB Liability (Asset)

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability (asset), net OPEB liability (asset), and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total OPEB liability (asset) was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using the generally accepted actuarial principles.

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

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS Non-hazardous
Investment Rate of Return	6.50%
Health Care Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 8.50% in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Mortality

Pre-retirement	PUB-2010 General Mortality table, for the Non-hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (nondisabled)	System-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010.

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

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024 and adjusted the minimum required

<p>CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024</p>

separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

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

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

There have been no other plan provision changes that would materially impact the total OPEB liability (asset) since June 30, 2022. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2023

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13

<p>CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024</p>

years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.

Post - 65

Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.

Mortality

Pre-retirement

PUB-2010 General Mortality table, for the Non-hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

Post-retirement (non- disabled)

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

Post-retirement (disabled)

PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The single discount rates used to calculate the total OPEB liability (asset) within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable on January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability (asset) as of June 30, 2023, is determined using these updated benefit provisions. There were no other material plan provision changes.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability (asset) increased from 5.70% to 5.93%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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Discount Rate

Single discount rates of 5.93% for CERS non-hazardous were used to measure the total OPEB liability (asset) as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

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 Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	5.90%
Private equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit /high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability (asset) calculated using the discount rates of 5.93% for the Non-hazardous plan, as well as what the proportionate share of the net OPEB liability (asset) 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:

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.93%	5.93%	6.93%
Net OPEB liability, Non-Haz	\$ 16,256	\$ (8,662)	\$ (29,528)
Total	\$ 16,256	\$ (8,662)	\$ (29,528)

Sensitivity of the 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	\$ (27,764)	\$ (8,662)	\$ 14,803
Total	\$ (27,764)	\$ (8,662)	\$ 14,803

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 Kentucky Public Pension Authority, 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 have been made in the accompanying financial statements.

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, 2024 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.

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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NOTE 10 – STATE AND LOCAL FISCAL RECOVERY FUNDS

In response to the COVID-19 Global Pandemic, the City has qualified and was approved for \$1,375,127 in funding from the American Rescue Plan Act. This funding has been designated to help city governments respond to the pandemic and its negative economic impacts. The City has received these funds and recognized \$600,000 as income during the year ended June 30, 2024. The remaining \$187,299 is Unearned Revenue at June 30, 2024.

NOTE 11 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 99 – *Omnibus 2020*, Para. 4-10 – This standard has no significant impact on the City.

Statement No. 100 – *Accounting Changes and Error Corrections* – This standard has no significant impact on the City.

Statement No. 101 – *Compensated Absences* – This standard has no significant impact on the City.

NOTE 12 – FUTURE ACCOUNTING STANDARDS

Statement No. 102 – *Certain Risk Disclosures* – Implementation in FY 2025

Statement No. 103 – *Financial Reporting Model Improvements* – Implementation in FY 2026

NOTE 13 – PRIOR PERIOD ADJUSTMENT

The City has recorded a prior period adjustment to the beginning net position of \$5,993. This adjustment accounts for assets that weren't included on the balance sheet in the prior year.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated events through December 13, 2024, the date on which the financial statements were available for issue. The City did not have any events subsequent to June 30, 2024 to disclose.

CITY OF UNION, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2024

	Budgeted Amounts			Actual Amounts	Variance Favorable (Unfavorable)
	Original	Amendments	Final		
Budgetary fund balance, July 1	\$ 2,545,965	\$ -	\$ 2,545,965	\$ 1,484,382	(1,061,583)
Resources (inflows)					
Estimated revenues	2,773,370	-	2,731,450	4,568,044	1,836,594
Transfer of funds	-	-	-	-	-
Amounts available for appropriation	<u>5,319,335</u>	<u>-</u>	<u>5,277,415</u>	<u>6,052,426</u>	<u>775,011</u>
Charges to appropriations (outflows)					
General government	1,126,073	-	1,126,073	912,425	213,648
Public works	1,187,377	-	1,187,377	1,062,399	124,978
Waste disposal	418,000	-	418,000	422,652	(4,652)
ARPA expenses	1,070,104	-	1,070,104	53,622	1,016,482
Capital outlay	-	-	-	466,448	(466,448)
Debt service	17,000	-	17,000	201,836	(184,836)
Total charges to appropriations	<u>3,818,554</u>	<u>-</u>	<u>3,818,554</u>	<u>3,119,382</u>	<u>699,172</u>
Transfers in (out)	-	-	-	(5,000)	(5,000)
Prior period adjustment	-	-	-	5,993	-
Budgetary fund balance, June 30	<u>\$ 1,500,781</u>	<u>\$ (41,920)</u>	<u>\$ 1,458,861</u>	<u>\$ 2,934,037</u>	<u>\$ 1,475,176</u>

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

CITY OF UNION, KENTUCKY BUDGETARY COMPARISON SCHEDULE BUDGET AND ACTUAL - MUNICIPAL ROAD AID FUND For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>			<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amendments</u>	<u>Final</u>		
Budgetary fund balance, July 1	\$ 289,073	\$ -	\$ 289,073	\$ 294,361	\$ 5,288
Resources (inflows):					
Estimated revenues	96,000	-	96,000	128,703	32,703
Interest	10,800	-	10,800	17,001	6,201
Amounts available for appropriation	<u>395,873</u>	<u>-</u>	<u>395,873</u>	<u>440,065</u>	<u>44,192</u>
Charges to appropriations (outflows):					
Streets	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,530</u>	<u>(201,530)</u>
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,530</u>	<u>(201,530)</u>
Transfers to (from) fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary fund balance, June 30	<u>\$ 395,873</u>	<u>\$ -</u>	<u>\$ 395,873</u>	<u>\$ 238,535</u>	<u>\$ (157,338)</u>

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

CITY OF UNION, KY
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE-NON-HAZARDOUS
Last Ten Fiscal Years

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability	0.0063%	0.0061%	0.0041%	0.0045%	0.0041%	0.0032%	0.0040%	0.0142%	0.0139%	0.0134%
Proportionate share of the net pension liability (asset)	\$ 402,636	\$ 438,006	\$ 263,065	\$ 344,763	\$ 290,816	\$ 196,778	\$ 234,249	\$ 699,711	\$ 596,683	\$ 435,622
Covered payroll in year of measurement	198,731	152,402	111,048	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	202.60%	287.40%	236.89%	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	57.48%	52.42%	57.33%	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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 54,443	\$ 46,503	\$ 32,264	\$ 21,432	\$ 23,401	\$ 17,518	\$ 6,760	\$ 16,408	\$ 27,871	\$ 28,416
Actual contribution	54,443	46,503	32,264	21,432	23,401	17,518	6,760	16,408	27,871	28,416
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 233,260	\$ 198,731	\$ 152,402	\$ 111,048	\$ 121,248	\$ 108,000	\$ 46,685	\$ 118,015	\$ 224,408	\$ 222,875
Contributions as a percentage of covered payroll	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.90%	12.42%	12.75%

Notes to Required Supplementary Information
For the Year Ended June 30, 2024

The net pension liability as of June 30, 2024 is based on the June 30, 2023, 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.

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability	0.0063%	0.0061%	0.0041%	0.0045%	0.0041%	0.0032%	0.0040%			
Proportionate share of the net pension liability (asset)	\$ (8,662)	\$ 119,634	\$ 78,971	\$ 108,516	\$ 69,532	\$ 57,366	\$ 80,454			
Covered payroll in year of measurement	198,731	152,402	111,048	121,248	108,000	46,685	118,015			
Share of the net pension liability (asset) as a percentage of its covered payroll	-4.36%	78.50%	71.11%	89.50%	64.38%	122.88%	68.17%			
Plan fiduciary net position as a percentage of total pension liability	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%			

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ -	\$ 6,737	\$ 8,809	\$ 5,286	\$ 5,771	\$ 5,681	\$ 2,194	\$ 5,582		
Actual contribution	-	6,737	8,809	5,286	5,771	5,681	2,194	5,582		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	\$ 233,260	\$ 198,731	\$ 152,402	\$ 111,048	\$ 121,248	\$ 108,000	\$ 46,685	\$ 118,015		
Contributions as a percentage of covered payroll	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%		

Notes to Required Supplementary Information
For the Year Ended June 30, 2024

The net OPEB liability as of June 30, 2024, is based on the June 30, 2023, 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.

CITY OF UNION, KENTUCKY COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS June 30, 2024

	Municipal Road Aid Fund	Cemetery Fund	Total Other Funds
Assets			
Cash and cash equivalents	\$ 388,535	\$ 49,415	\$ 437,950
Accounts receivable			
Intergovernmental	-	-	-
Total assets	<u>\$ 388,535</u>	<u>\$ 49,415</u>	<u>\$ 437,950</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 150,000	\$ -	\$ 150,000
Due to other funds	-	-	-
Total liabilities	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Fund balances			
Restricted	238,535	49,415	287,950
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>238,535</u>	<u>49,415</u>	<u>287,950</u>
Total liabilities and fund balances	<u>\$ 388,535</u>	<u>\$ 49,415</u>	<u>\$ 437,950</u>

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

CITY OF UNION, KENTUCKY COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS For the Year Ended June 30, 2024

	Municipal Road Aid Fund	Cemetery Fund	Total Other Funds
Revenues			
Intergovernmental revenue	\$ 128,703	\$ -	\$ 128,703
Charges for services	-	15,500	15,500
Grant Income	-	5,700	5,700
Interest	17,001	2,211	19,212
Total revenues	<u>145,704</u>	<u>23,411</u>	<u>169,115</u>
Expenditures			
Streets	201,530	-	201,530
Cemetery expenses	-	18,485	18,485
Capital outlay	-	-	-
Total expenditures	<u>201,530</u>	<u>18,485</u>	<u>220,015</u>
Excess (deficit) of revenues over expenditures	(55,826)	4,926	(50,900)
Other financing sources (uses)			
Operating transfers in (out)	-	5,000	5,000
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(55,826)	9,926	(45,900)
Fund balances, beginning of year	294,361	39,489	333,850
Fund balances, end of year	<u>\$ 238,535</u>	<u>\$ 49,415</u>	<u>\$ 287,950</u>

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

CITY OF UNION, KENTUCKY BUDGETARY COMPARISON SCHEDULE BUDGET AND ACTUAL - CEMETERY FUND For the Year Ended June 30, 2024

	Budgeted Amounts			Actual Amounts	Variance Favorable (Unfavorable)
	Original	Amendments	Final		
Budgetary fund balance, July 1	\$ 40,442	\$ -	\$ 40,442	\$ 39,489	\$ (953)
Resources (inflows):					
Plot sales income	6,000	-	6,000	15,500	9,500
Cemetery reimbursement	6,000	-	6,000	5,700	(300)
Interest income	1,680	-	1,680	2,211	531
Transfer to (from) fund	-	-	-	5,000	5,000
Amounts available for appropriation	<u>54,122</u>	<u>-</u>	<u>54,122</u>	<u>67,900</u>	<u>13,778</u>
Charges to appropriations (outflows):					
Cemetery expenses	<u>13,150</u>	<u>-</u>	<u>13,150</u>	<u>18,485</u>	<u>(5,335)</u>
Total charges to appropriations	<u>13,150</u>	<u>-</u>	<u>13,150</u>	<u>18,485</u>	<u>(5,335)</u>
Budgetary fund balance, June 30	<u>\$ 40,972</u>	<u>\$ -</u>	<u>\$ 40,972</u>	<u>\$ 49,415</u>	<u>\$ 8,443</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, 2024 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 December 13, 2024.

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 of 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 the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

Finding # 2024-1 – The City Expended More Than Budgeted

Criteria: Kentucky Revised Statute 91A.030 paragraph (1) states “Each city shall operate under an annual budget ordinance adopted and administered in accordance with the provisions of this section. Notwithstanding any other provision of law, no city shall expend any moneys from any governmental or proprietary fund, except in accordance with a budget ordinance adopted pursuant to this section.”

Condition: The City expended \$201,530 more than budgeted in the Municipal Road Aid Fund for the fiscal year ended June 30, 2024. The City also expended \$5,335 more than budgeted in the Cemetery Fund for the fiscal year ended June 30, 2024. The City did not amend the fiscal year 2024 budgets to include additional expenditure for streets or cemetery expenses.

Effect: Expending more than budgeted is a violation of KRS 91A.030(1).

Recommendation: The City should amend its budgets, in accordance with KRS 91A.030(10), to ensure actual expenditures do not exceed budgeted appropriations.

Management Comment: *The City will review its budget process to ensure compliance with Kentucky Revised Statutes.*

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
December 13, 2024