

**CITY OF UNION, KENTUCKY**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**For the Year Ended June 30, 2025**

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

**For the Year Ended June 30, 2025**

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**CITY OF UNION, KENTUCKY**

**LIST OF CITY OFFICIALS**

**For the Year Ended June 30, 2025**

**Mayor**

Larry K. Solomon

**Commissioners**

George Eldrigde

Kimberly Tuyn

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, 2025, 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, 2025, 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 16, 2025, 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 16, 2025

**CITY OF UNION, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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, 2025. 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 2025 Amount	FYE 2024 Amount	Percentage Increase/ (Decrease)	Increase Incr/(Decr) From FYE 24
General	\$ 3,746,485	\$ 2,934,037	27.69%	\$ 812,448
Municipal Road Aid	366,386	238,535	53.60%	127,851
Cemetery Fund	57,173	49,415	15.70%	7,758
Total fund balance	<u>\$ 4,170,044</u>	<u>\$ 3,221,987</u>	29.42%	<u>\$ 948,057</u>

The General Fund balance increased primarily due to the collection of payroll taxes. The Municipal Road Aid fund increased due to a decrease in street repair expenses. 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, 2025, net position changed as follows:

	<u>Governmental Activities</u>
Beginning net position	\$ 3,643,465
Change in net position	<u>2,295,281</u>
Ending net position	<u><u>\$ 5,938,746</u></u>

## Government-Wide Statement of Net Position Summary

	Governmental Activities	
	2025	2024
Current assets	\$ 4,196,727	\$ 4,100,901
Capital assets, net depreciation	6,452,666	5,076,283
Deferred outflows of resources	172,458	180,355
Total assets and deferred outflows of resources	10,821,851	9,357,539
Current liabilities	40,680	892,498
Noncurrent liabilities	4,670,357	4,637,111
Deferred inflows of resources	172,068	184,465
Total liabilities and deferred inflows of resources	4,883,105	5,714,074
Net position	\$ 5,938,746	\$ 3,643,465

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, 2025, and the amount and percentage of increases and decreases in relation to the prior year.

### Revenue Summary

Revenues	FYE 2025 Amount	FYE 2024 Amount	Percentage Incr(Decr)	Increase (Decrease)
Property taxes	\$ 1,845,809	\$ 1,719,799	7.3%	\$ 126,010
Franchise fees	436,029	261,827	66.5%	174,202
Telecommunications taxes	25,434	25,429	0.0%	5
Assessments	11,692	20,303	-42.4%	(8,611)
Licenses and permits	1,893,453	1,763,585	7.4%	129,868
Intergovernmental	308,829	747,416	-58.7%	(438,587)
Charges for services	11,000	15,500	-29.0%	(4,500)
Investment income	170,239	166,052	2.5%	4,187
Miscellaneous	11,665	17,248	-32.4%	(5,583)
Total Revenues	\$ 4,714,150	\$ 4,737,159	-0.5%	\$ (23,009)

Franchise fees increased due to agreement with Duke. Licenses and permits increased due to the new payroll tax and business license fees. Intergovernmental revenue decreased due to recognition of less ARPA funds.

## Expenditure Summary

Expenditures	FYE 2025 Amount	FYE 2024 Amount	Percentage Incr(Decr)	Increase (Decrease)
General Government	\$ 956,097	\$ 912,425	4.8%	\$ 43,672
Public Works	717,397	1,263,929	-43.2%	(546,532)
Waste Disposal	431,276	422,652	2.0%	8,624
Cemetery	12,266	18,485	-33.6%	(6,219)
ARPA expenses	-	53,622	0.0%	(53,622)
Capital outlay	1,447,248	466,448	0.0%	980,800
Debt service	201,809	201,836	0.0%	(27)
<b>Total Expenditures</b>	<b>\$ 3,766,093</b>	<b>\$ 3,339,397</b>	<b>12.8%</b>	<b>\$ 426,696</b>

Public works expenses decreased due to decrease in road repair expenses.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

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

	Governmental Activities	
	2025	2024
Land	\$ 4,089,972	\$ 4,089,972
Land improvements	188,308	61,556
Buildings	266,814	266,814
Equipment	40,340	38,697
Construction in progress	1,756,518	437,665
Vehicles	36,346	36,346
Infrastructure	610,301	610,301
	<b>\$ 6,988,599</b>	<b>\$ 5,541,351</b>

### Debt

The City has \$4,211,404 in outstanding debt as of June 30, 2025, as detailed below:

	Governmental Activities	
	2025	2024
KIA Sewer Loan	\$ 90,632	\$ 104,215
Bond Anticipation Note	4,120,772	4,120,772
<b>Totals</b>	<b>\$ 4,211,404</b>	<b>\$ 4,224,987</b>

## **BUDGETARY HIGHLIGHTS**

General Fund – Primarily as a result of receiving payroll taxes and business license fees, actual revenues were more than budgeted amounts by \$565,475. Actual expenditures were less than budgeted by \$160,252 due to multiple accounts coming in under budget.

Municipal Road Aid Fund – Actual revenues for this fund were \$9,051 in excess of the budget. No expenditures were recorded for the fiscal year.

Cemetery Fund – Actual revenues for this fund were \$5,864 in excess of the budget. Expenditures were \$2,084 less 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, \$444,345, the deferred outflow of resources, \$121,718, and the deferred inflow of resources, \$48,645, on the Statement of Net Position at June 30, 2025 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, \$12,865 the deferred outflow of resources, \$50,740, and the deferred inflow of resources, \$123,423, on the Statement of Net Position at June 30, 2025 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 2026 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.

<b>CITY OF UNION, KENTUCKY</b> <b>STATEMENT OF NET POSITION</b> <b>June 30, 2025</b>
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	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 3,632,768
Property taxes receivable	3,041
Payroll taxes receivable	529,893
Other assets	31,025
Total current assets	<u>4,196,727</u>
Noncurrent assets	
Capital assets	
Land	278,280
Capital assets being depreciated	6,710,319
Less: accumulated depreciation	<u>(535,933)</u>
Net capital assets	<u>6,452,666</u>
<b>Total assets</b>	<u>10,649,393</u>
<b>Deferred outflows of resources</b>	
Deferred outflows related to pension and OPEB liabilities	<u>172,458</u>
<b>Total assets and deferred outflows of resources</b>	<u>10,821,851</u>
<b>Liabilities</b>	
Current liabilities	
Accrued liabilities	26,683
Deferred revenue - ARPA funds	-
Current portion of note payable	13,997
Total current liabilities	<u>40,680</u>
Noncurrent liabilities	
Compensated absences	41,470
Note payable	76,635
Bond anticipation note payable	4,120,772
Net pension and OPEB liabilities	<u>431,480</u>
Total noncurrent liabilities	<u>4,670,357</u>
<b>Total liabilities</b>	4,711,037
<b>Deferred inflows of resources</b>	
Deferred inflows related to pension and OPEB liabilities	<u>172,068</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>4,883,105</u>
<b>Net position</b>	
Net investment in capital assets	2,241,262
Restricted	423,559
Unrestricted	<u>3,273,925</u>
<b>Total net position</b>	<u>\$ 5,938,746</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, 2025**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	
<b>Governmental activities</b>						
Administration	\$ 998,838	\$ -	\$ -	\$ -	\$ (998,838)	
Public works	717,397	-	308,829	-	(408,568)	
Waste collection	431,276	-	-	-	(431,276)	
Cemetery	12,266	11,000	-	-	(1,266)	
ARPA expenses	-	-	-	-	-	
Unallocated depreciation	70,865	-	-	-	(70,865)	
Interest on long term debt	188,225	-	-	-	(188,225)	
<b>Total governmental activities</b>	<b>\$ 2,418,867</b>	<b>\$ 11,000</b>	<b>\$ 308,829</b>	<b>\$ -</b>	<b>(2,099,038)</b>	
<b>General revenues</b>						
Taxes						
Property taxes						1,845,809
Franchise fees						436,029
Telecommunications taxes						25,434
Assessments						11,692
Licenses and permits						1,893,453
Investment income						170,239
Miscellaneous						11,663
<b>Total general revenues</b>						<b>4,394,319</b>
<b>Change in net position</b>						<b>2,295,281</b>
<b>Net position, beginning of year</b>						<b>3,643,465</b>
<b>Prior period adjustment</b>						<b>0</b>
<b>Net position, end of year</b>						<b>\$ 5,938,746</b>

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

<b>CITY OF UNION, KENTUCKY</b> <b>BALANCE SHEET - GOVERNMENTAL FUNDS</b> <b>June 30, 2025</b>
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	2025			(Memo Only) 2024 Totals
	General Fund	Other Governmental Funds	Total Governmental Funds	
<b>Assets</b>				
Cash and cash equivalents	\$ 3,210,209	\$ 422,559	\$ 3,632,768	\$ 3,582,224
Receivables				
Accounts	26,875	1,000	27,875	27,019
Property taxes	3,041	-	3,041	3,378
Payroll taxes	529,893	-	529,893	484,933
Other assets	3,150	-	3,150	3,347
<b>Total assets</b>	<u>\$ 3,773,168</u>	<u>\$ 423,559</u>	<u>\$ 4,196,727</u>	<u>\$ 4,100,901</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accrued liabilities	26,683	-	26,683	691,615
Deferred revenue - ARPA funds	-	-	-	187,299
<b>Total liabilities</b>	<u>26,683</u>	<u>-</u>	<u>26,683</u>	<u>878,914</u>
<b>Fund balances</b>				
Restricted	-	423,559	423,559	287,950
Assigned	-	-	-	-
Unassigned	3,746,485	-	3,746,485	2,934,037
<b>Total fund balances</b>	<u>3,746,485</u>	<u>423,559</u>	<u>4,170,044</u>	<u>3,221,987</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,773,168</u>	<u>\$ 423,559</u>	<u>\$ 4,196,727</u>	<u>\$ 4,100,901</u>

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

<p><b>CITY OF UNION, KENTUCKY</b>  <b>RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS</b>  <b>TO THE STATEMENT OF NET POSITION</b>  <b>June 30, 2025</b></p>
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<b>Total fund balance for governmental funds</b>	\$ 4,170,044
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$6,988,599 less accumulated depreciation of (\$535,933), used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,452,666
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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	172,458
Deferred inflows of resources	(172,068)

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	(41,470)
Net pension and OPEB liabilities	(431,480)
Bond anticipation note payable	(4,120,772)
Note payable	<u>(90,632)</u>

<b>Net position of governmental activities</b>	<b><u><u>\$ 5,938,746</u></u></b>
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The accompanying notes are an integral part of the financial statements.

**CITY OF UNION, KENTUCKY**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2025**

	2025			(Memo Only) 2024 Totals
	General Fund	Other Governmental Funds	Total Governmental Funds	
<b>Revenues</b>				
Property taxes	\$ 1,845,809	\$ -	\$ 1,845,809	\$ 1,719,799
Franchise fees	436,029	-	436,029	261,827
Telecommunications taxes	25,434	-	25,434	25,429
Assessments	11,692	-	11,692	20,303
Licenses and permits	1,893,453	-	1,893,453	1,763,585
Intergovernmental	194,729	114,100	308,829	747,416
Charges for services	-	11,000	11,000	15,500
Investment income	154,214	16,025	170,239	166,052
Miscellaneous	4,915	6,750	11,665	17,248
<b>Total revenues</b>	<u>4,566,275</u>	<u>147,875</u>	<u>4,714,150</u>	<u>4,737,159</u>
<b>Expenditures</b>				
Current expenditures				
General government	956,097	-	956,097	912,425
Public works	717,397	-	717,397	1,263,929
Waste disposal	431,276	-	431,276	422,652
Cemetery	-	12,266	12,266	18,485
ARPA expenses	-	-	-	53,622
Capital outlay	1,447,248	-	1,447,248	466,448
Debt service	201,809	-	201,809	201,836
<b>Total expenditures</b>	<u>3,753,827</u>	<u>12,266</u>	<u>3,766,093</u>	<u>3,339,397</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>812,448</u>	<u>135,609</u>	<u>948,057</u>	<u>1,397,762</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	-	50,432
Operating transfers out	-	-	-	(50,432)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	812,448	135,609	948,057	1,397,762
<b>Fund balances, beginning of year</b>	2,934,037	287,950	3,221,987	1,818,232
<b>Prior period adjustment</b>	-	-	-	5,993
<b>Fund balances, end of year</b>	<u>\$ 3,746,485</u>	<u>\$ 423,559</u>	<u>\$ 4,170,044</u>	<u>\$ 3,221,987</u>

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

<p><b>CITY OF UNION, KENTUCKY</b>  <b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES</b>  <b>AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS</b>  <b>TO THE STATEMENT OF ACTIVITIES</b>  <b>For the Year Ended June 30, 2025</b></p>
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Amounts reported for governmental activities in the statement of activities are different because:

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 948,057</b>
<p>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.</p>	
Capital asset purchases capitalized	1,447,248
Depreciation expense	(70,865)
<p>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.</p>	
	(9,736)
<p>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.</p>	
Cost of benefits earned - pension	(52,269)
Cost of benefits earned -OPEB	19,262
<p>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.</p>	
	<u>13,584</u>
<b>Change in net position of governmental activities</b>	<b><u><u>\$ 2,295,281</u></u></b>

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

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2025</b>
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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.

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2025</b>
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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.

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2025</b>
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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><b>CITY OF UNION, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>June 30, 2025</b></p>
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**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.

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2025</b>
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#### **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.

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2025</b>
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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.

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2025</b>
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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, 2025, \$3,041 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	\$	3,041
Payroll taxes		<u>529,893</u>
Total taxes receivable	\$	<u><u>532,934</u></u>

**NOTE 4 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2025:

Asset type	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025
Land	\$ 4,089,972	\$ -	\$ -	\$ 4,089,972
Construction in progress	437,665	1,318,852	-	1,756,517
Non-depreciable assets	<u>4,527,637</u>	<u>1,318,852</u>	<u>-</u>	<u>5,846,489</u>
Land improvements	61,556	126,753	-	188,309
Buildings	266,814	-	-	266,814
Furniture and equipment	38,697	1,643	-	40,340
Vehicles	36,346	-	-	36,346
Infrastructure	610,301	-	-	610,301
Depreciable assets	<u>1,013,714</u>	<u>128,396</u>	<u>-</u>	<u>1,142,110</u>
Total capital assets	<u>5,541,351</u>	<u>1,447,248</u>	<u>-</u>	<u>6,988,599</u>
Less: accumulated depreciation				
Land improvements	(3,047)	(6,670)	-	(9,717)
Buildings	(142,329)	(4,249)	-	(146,578)
Furniture and equipment	(11,976)	(7,753)	-	(19,729)
Vehicles	(2,423)	(3,635)	-	(6,058)
Infrastructure	(305,293)	(48,558)	-	(353,851)
Total accumulated depreciation	<u>(465,068)</u>	<u>(70,865)</u>	<u>-</u>	<u>(535,933)</u>
Capital assets, net	<u>\$ 5,076,283</u>	<u>\$ 1,376,383</u>	<u>\$ -</u>	<u>\$ 6,452,666</u>

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2025</b>
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In fiscal year 2025, depreciation expense of \$70,865 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, 2025, accrued vacation pay is \$41,470.

**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, 2024	Additions	Deletions	Balance at June 30, 2025	Current Portion
General obligations:					
KIA sewer loan	\$ 104,215	\$ -	\$ (13,584)	\$ 90,631	\$ 13,997
2022 Bond anticipation note	4,120,772	-	-	4,120,772	-
Total general obligations	4,224,987	-	(13,584)	4,211,403	13,997
Compensated absences	31,734	9,736	-	41,470	-
Total obligations	<u>\$ 4,256,721</u>	<u>\$ 9,736</u>	<u>\$ (13,584)</u>	<u>\$ 4,252,873</u>	<u>\$ 13,997</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
2026	\$ 13,997	\$ 2,528
2027	14,422	2,102
2028	14,861	1,663
2029	15,313	1,211
2030-2031	32,038	1,010
Total	<u>\$ 90,631</u>	<u>\$ 8,514</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%.

Fiscal Year	2022 Bond Anticipation Note	
	Principal	Interest
2026	-	186,749
2027	4,120,772	186,749
Totals	<u>\$ 4,120,772</u>	<u>\$ 373,498</u>

<p><b>CITY OF UNION, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>June 30, 2025</b></p>
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**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 Statute (“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, 2023:

	<u>Non-Hazardous</u>	
	<u>Pension</u>	<u>OPEB</u>
Active Plan Members	78,810	78,418
Inactive Plan Members	111,086	27,097
Retired Members	<u>70,932</u>	<u>38,679</u>
	<u>260,828</u>	<u>144,194</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><b>CITY OF UNION, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>June 30, 2025</b></p>
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Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate 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 employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. The employee contribution rate is also set by state statute.

For non-hazardous duty employees, the City contributed 19.71% of covered-employee's compensation, of which 19.71% 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 \$48,943, of which \$48,943 was for the pension fund and \$0 was for the health insurance fund.

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2025</b>
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**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

At June 30, 2025, the City reported a liability of \$444,345 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2024 measurement year, the City's non-hazardous employer allocation proportion was 0.00743% of the total CERS non-hazardous duty employees. For the year ended June 30, 2025, the City recognized pension expense of \$52,269 in addition to its \$48,943 pension contribution.

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Non-Hazardous</u>	
	<u>Deferred Outflow</u>	<u>Deferred Inflow</u>
Differences between expected and actual experience	\$ 21,507	\$ -
Net difference between projected actual earnings on plan investments	-	(28,569)
Changes of assumptions	-	(20,076)
Changes in proportion and differences between contributions and proportionate share of contributions	51,268	-
Contributions subsequent to the measurement date	<u>48,943</u>	<u>-</u>
	<u>\$ 121,718</u>	<u>\$ (48,645)</u>

The City's contributions subsequent to the measurement date of \$48,943 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:

<u>Measurement Year Ending June 30,</u>	<u>Net Deferral</u>
2025	\$ 15,093
2026	26,387
2027	(10,982)
2028	(6,368)
2029	-
Thereafter	-
	<u>\$ 24,130</u>

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2025</b>
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### **Basis of Calculations**

The System Actuary, Gabriel, Roeder, Smith & Co. (GRS), completed reports by plan in compliance with GASB Statement No. 67 Financial Reporting for Pension Plans. The TPL, NPL, and sensitivity information are based on an actuarial valuation date of June 30, 2023. The TPL was rolled forward from the valuation date to the Plans' fiscal year ended June 30, 2024, using generally accepted actuarial principles. Information disclosed for years prior to June 30, 2017, were prepared by the prior actuary. GRS will provide separate reports at a later date with additional accounting information determined in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

### **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.

### **Assumptions**

Below is a summary of the principal assumptions used for the June 30, 2023, actuarial valuation:

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
Investment Rate of Return	6.50% for CERS Non-hazardous
Mortality	System specific mortality table based on experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.

### **Changes of Assumptions**

There have been no assumption, method or plan provision changes that would materially impact the total pension liability since June 30, 2023. It is our opinion that these procedures for determining the information contained in these reports are reasonable, appropriate, and comply with applicable requirements under GASB No. 67.

### **Discount Rate**

A single discount rate of 6.50% for the nonhazardous and hazardous plans was used to measure the total pension liability for the fiscal year ended June 30, 2024. This single discount rate was based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for

<p><b>CITY OF UNION, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>June 30, 2025</b></p>
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each plan. The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy. The provisions of House Bill 362 (passed during the 2018 legislative session) are still in effect and limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. However, contribution rates are not currently projected to increase by more than 12% in any given future year. Therefore, for the purposes of this calculation, the provisions of House Bill 362 do not impact the projected employer contributions.

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions for Fiscal Year 2025**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2025:

Actuarial Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
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%
Investment Rate of Return	6.25%
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous
Mortality	System specific mortality table based on experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

**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:

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2025</b>
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Asset Class	CERS Pensions Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.15%
Private equity	10.00%	9.10%
Core bonds	10.00%	2.85%
Specialty credit / high yield	10.00%	3.82%
Cash	0.00%	1.70%
Real estate	7.00%	4.90%
Real return	13.00%	5.35%
Expected Real Return	100.00%	4.69%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		7.19%

**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	Current Rate	1% Increase
	5.50%	6.50%	7.50%
Non-hazardous	\$ 572,834	\$ 444,345	\$ 337,734
Total	\$ 572,834	\$ 444,345	\$ 337,734

**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><b>CITY OF UNION, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>June 30, 2025</b></p>
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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**

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. The employee contribution rate is set by state statute.

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

The City was not required to contribute for the non-hazardous plan OPEB obligation for the fiscal year.

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. For the year ended June 30, 2025, the City recognized an OPEB benefit of \$19,262 in addition to its \$0 OPEB contribution.

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2025</b>
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**OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2024, the City reported an asset of \$12,865 as its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2024, and the total OPEB liability (asset) used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB 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, 2024 measurement year, the City's proportion of the total non-hazardous plan was 0.00744%.

In addition, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Non-Hazardous</u>	
	<u>Deferred Outflow</u>	<u>Deferred Inflow</u>
Differences between expected and actual experience	\$ 7,137	\$(101,219)
Net difference between projected actual earnings on plan investments	-	(11,740)
Changes of assumptions	11,657	(9,077)
Changes in proportion and differences between contributions and proportionate share of contributions	31,946	(1,387)
Contributions subsequent to the measurement date	-	-
	<u>\$ 50,740</u>	<u>\$(123,423)</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:

<u>Measurement Year Ending June 30,</u>	<u>Net Deferral</u>
2025	\$ (29,620)
2026	(20,866)
2027	(23,496)
2028	1,298
2029	-
Thereafter	-
	<u>\$ (72,684)</u>

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2025</b>
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**Basis of Calculations**

The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2024, using generally accepted actuarial principles

**Assumptions**

Below is a summary of the principal assumptions used for the June 30, 2023 actuarial valuation:

Investment Rate of Return	6.50% for CERS Non-hazardous
Inflation	2.50%
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous
Payroll Growth Rate	2.0% for CERS Non-hazardous
Mortality	System specific mortality table based on experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
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. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.
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 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.

**Change in Assumptions - Plan**

There have been no other plan provision changes that would materially impact the total OPEB liability (asset) since June 30, 2023. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

**Discount Rate**

The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan. 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 the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

<p><b>CITY OF UNION, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>June 30, 2025</b></p>
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Single discount rates of 5.99% for the nonhazardous plan and 6.02% for the hazardous plan were used to measure the total OPEB liability for the fiscal year ended June 30, 2024. They are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan’s actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan’s trust. 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 actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy.

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2025**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2025:

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
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%
Investment Rate of Return	6.25%
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous
Mortality	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.
Healthcare Trend Rates	

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2025</b>
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Pre - 65 Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were included into the liability measurement.

Post - 65 Initial trend starting at 9.00% at January 1, 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were included into the liability measurement.

**Changes of Assumptions - Contributions**

The discount rates used to calculate the total OPEB liability (asset) increased from 5.93% to 5.99%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2024 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.

**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%	4.15%
Private equity	10.00%	9.10%
Core bonds	10.00%	2.85%
Specialty credit /high yield	10.00%	3.82%
Cash	0.00%	1.70%
Real estate	7.00%	4.90%
Real return	13.00%	5.35%
Expected Real Return	100.00%	4.69%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		7.19%

**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 calculated using the discount rates of 5.99% for the Non-hazardous plan and the 6.02% for the hazardous plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Discount Rate, Non-Hazardous	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, Non-Haz	\$ 17,394	\$ (12,865)	\$ (38,306)
Total	\$ 17,394	\$ (12,865)	\$ (38,306)

<p><b>CITY OF UNION, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>June 30, 2025</b></p>
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**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:

Healthcare cost trend rate	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, non-hazardous	\$ (30,951)	\$ (12,865)	\$ 8,204
Total	\$ (30,951)	\$ (12,865)	\$ 8,204

**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, 2025 will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

**NOTE 10 –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 recognized as income during the fiscal year ended June 30, 2025.

<b>CITY OF UNION, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>June 30, 2025</b>
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**NOTE 11 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

Statement No. 102 – *Certain Risk Disclosures* – Establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. This implementation of this statement should have no direct material impact on the City.

**NOTE 12 – FUTURE ACCOUNTING STANDARDS**

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

Statement No. 104 – *Disclosure of Certain Capital Assets* – Implementation in FY 2026

**NOTE 13 – CONDUIT DEBT**

In July 2022, the City entered into an agreement with a developer to issue Special Obligation Revenue Bonds, Series 2022B in the amount of \$9,745,000, Special Obligation Revenue Bonds, Series 2022C in the amount of \$1,930,000 and Special Obligation Revenue Bonds, Series 2022D in the amount of \$2,400,000 to provide financial assistance to a private-sector developer for the acquisition and construction of the Union Promenade Project. The bonds are secured by the properties financed and are payable solely from the developer. Neither the City nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. As of June 30, 2025, all three Special Obligation Revenue Bonds were outstanding with principal amounts payable totaling \$9,745,000, \$1,930,000, and \$2,400,000, respectively.

**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 have one event subsequent to June 30, 2025 to disclose.

In August 2025 the City paid off the \$4,120,772 Series 2022 Bond Anticipation Note and rolled it into a new \$18,900,000 Series 2025 Bond Anticipation Note. The proceeds from this note will be used for the design and implementation of the new city administration building that will be located at the new Union Town Square.

**CITY OF UNION, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2025**

	Budgeted Amounts			Actual Amounts	Variance Favorable (Unfavorable)
	Original	Amendments	Final		
<b>Budgetary fund balance, July 1</b>	\$ 2,450,959	\$ (253,264)	\$ 2,197,695	\$ 2,934,037	736,342
<b>Resources (inflows)</b>					
Estimated revenues	3,699,889	300,911	4,000,800	4,566,275	565,475
Transfer of funds	-	-	-	-	-
<b>Amounts available for appropriation</b>	<u>6,150,848</u>	<u>47,647</u>	<u>6,198,495</u>	<u>7,500,312</u>	<u>1,301,817</u>
<b>Charges to appropriations (outflows)</b>					
General government	1,020,434	17,190	1,037,624	956,097	81,527
Public works	821,455	197,000	1,018,455	717,397	301,058
Waste disposal	433,000	-	433,000	431,276	1,724
ARPA expenses	-	-	-	-	-
Capital outlay	1,221,250	-	1,221,250	1,447,248	(225,998)
Debt service	203,750	-	203,750	201,809	1,941
<b>Total charges to appropriations</b>	<u>3,699,889</u>	<u>214,190</u>	<u>3,914,079</u>	<u>3,753,827</u>	<u>160,252</u>
Transfers in (out)	-	-	-	-	-
<b>Budgetary fund balance, June 30</b>	<u>\$ 2,450,959</u>	<u>\$ (166,543)</u>	<u>\$ 2,284,416</u>	<u>\$ 3,746,485</u>	<u>\$ 1,462,069</u>

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

<b>CITY OF UNION, KENTUCKY</b> <b>BUDGETARY COMPARISON SCHEDULE</b> <b>BUDGET AND ACTUAL - MUNICIPAL ROAD AID FUND</b> <b>For the Year Ended June 30, 2025</b>
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	Budgeted Amounts			Actual Amounts	Variance Favorable (Unfavorable)
	Original	Amendments	Final		
<b>Budgetary fund balance, July 1</b>	\$ 282,997	\$ 105,538	\$ 388,535	\$ 238,535	\$ (150,000)
<b>Resources (inflows):</b>					
Estimated revenues	108,000	-	108,000	114,100	6,100
Interest	10,800	-	10,800	13,751	2,951
<b>Amounts available for appropriation</b>	<u>401,797</u>	<u>105,538</u>	<u>507,335</u>	<u>366,386</u>	<u>(140,949)</u>
<b>Charges to appropriations (outflows):</b>					
Streets	<u>130,000</u>	<u>20,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
<b>Total charges to appropriations</b>	<u>130,000</u>	<u>20,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Transfers to (from) fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ 271,797</u>	<u>\$ 85,538</u>	<u>\$ 357,335</u>	<u>\$ 366,386</u>	<u>\$ 9,051</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)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net pension liability	0.0074%	0.0063%	0.0061%	0.0041%	0.0045%	0.0041%	0.0032%	0.0040%	0.0142%	0.0139%
Proportionate share of the net pension liability (asset)	\$ 444,345	\$ 402,636	\$ 438,006	\$ 263,065	\$ 344,763	\$ 290,816	\$ 196,778	\$ 234,249	\$ 699,711	\$ 596,683
Covered payroll in year of measurement	233,260	198,731	152,402	111,048	121,248	108,000	46,685	118,015	224,408	#REF!
Share of the net pension liability (asset) as a percentage of its covered payroll	190.49%	202.60%	287.40%	236.89%	284.35%	269.27%	421.50%	198.49%	311.80%	#REF!
Plan fiduciary net position as a percentage of total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.54%	53.54%	53.30%	55.50%	59.97%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 48,943	\$ 54,443	\$ 46,503	\$ 32,264	\$ 21,432	\$ 23,401	\$ 17,518	\$ 6,760	\$ 16,408	\$ 27,871
Actual contribution	48,943	54,443	46,503	32,264	21,432	23,401	17,518	6,760	16,408	27,871
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 248,315	\$ 233,260	\$ 198,731	\$ 152,402	\$ 111,048	\$ 121,248	\$ 108,000	\$ 46,685	\$ 118,015	\$ 224,408
Contributions as a percentage of covered payroll	19.71%	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.90%	12.42%

**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2025**

The net pension liability as of June 30, 2025 is based on the June 30, 2024, 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)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net pension liability	0.0074%	0.0063%	0.0061%	0.0041%	0.0045%	0.0041%	0.0032%	0.0040%		
Proportionate share of the net pension liability (asset)	\$ (12,865)	\$ (8,662)	\$ 119,634	\$ 78,971	\$ 108,516	\$ 69,532	\$ 57,366	\$ 80,454		
Covered payroll in year of measurement	233,260	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	-5.52%	-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	104.89%	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)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
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	\$ 248,315	\$ 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%	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, 2025**

The net OPEB liability as of June 30, 2025, is based on the June 30, 2024, actuarial valuation. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE 7 in the Notes to the Financial Statements.

<b>CITY OF UNION, KENTUCKY</b> <b>COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS</b> <b>June 30, 2025</b>
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	Municipal Road Aid Fund	Cemetery Fund	Total Other Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 366,386	\$ 56,173	\$ 422,559
Accounts receivable	-	1,000	1,000
Intergovernmental	-	-	-
<b>Total assets</b>	<u>\$ 366,386</u>	<u>\$ 57,173</u>	<u>\$ 423,559</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>			
Restricted	366,386	57,173	423,559
Assigned	-	-	-
Unassigned	-	-	-
<b>Total fund balances</b>	<u>366,386</u>	<u>57,173</u>	<u>423,559</u>
<b>Total liabilities and fund balances</b>	<u>\$ 366,386</u>	<u>\$ 57,173</u>	<u>\$ 423,559</u>

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

<b>CITY OF UNION, KENTUCKY</b> <b>COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN</b> <b>FUND BALANCE - OTHER GOVERNMENTAL FUNDS</b> <b>For the Year Ended June 30, 2025</b>
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	<b>Municipal Road Aid Fund</b>	<b>Cemetery Fund</b>	<b>Total Other Funds</b>
<b>Revenues</b>			
Intergovernmental revenue	\$ 114,100	\$ -	\$ 114,100
Charges for services	-	11,000	11,000
Grant Income	-	6,750	6,750
Interest	13,751	2,274	16,025
<b>Total revenues</b>	<u>127,851</u>	<u>20,024</u>	<u>147,875</u>
<b>Expenditures</b>			
Streets	-	-	-
Cemetery expenses	-	12,266	12,266
Capital outlay	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>12,266</u>	<u>12,266</u>
<b>Excess (deficit) of revenues over expenditures</b>	127,851	7,758	135,609
<b>Other financing sources (uses)</b>			
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	127,851	7,758	135,609
<b>Fund balances, beginning of year</b>	238,535	49,415	287,950
<b>Fund balances, end of year</b>	<u>\$ 366,386</u>	<u>\$ 57,173</u>	<u>\$ 423,559</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, 2025**

	Budgeted Amounts			Actual Amounts	Variance Favorable (Unfavorable)
	Original	Amendments	Final		
<b>Budgetary fund balance, July 1</b>	\$ 45,301	\$ 4,114	\$ 49,415	\$ 49,415	\$ -
<b>Resources (inflows):</b>					
Plot sales income	6,000	-	6,000	11,000	5,000
Cemetery reimbursement	6,000	-	6,000	6,750	750
Interest income	2,160	-	2,160	2,274	114
Transfer to (from) fund	-	-	-	-	-
<b>Amounts available for appropriation</b>	<u>59,461</u>	<u>4,114</u>	<u>63,575</u>	<u>69,439</u>	<u>5,864</u>
<b>Charges to appropriations (outflows):</b>					
Cemetery expenses	<u>14,350</u>	<u>-</u>	<u>14,350</u>	<u>12,266</u>	<u>2,084</u>
<b>Total charges to appropriations</b>	<u>14,350</u>	<u>-</u>	<u>14,350</u>	<u>12,266</u>	<u>2,084</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ 45,111</u>	<u>\$ 4,114</u>	<u>\$ 49,225</u>	<u>\$ 57,173</u>	<u>\$ 7,948</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, 2025 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 16, 2025.

**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 # 202-1 – The City Is Using Unsupported Software***

***Criteria:*** Standard accounting practices recommend that software being used to record financial transactions be up to date and fully supported.

***Condition:*** We noted the City is currently using Quickbooks 2018 Desktop, which is an outdated and unsupported version of Quickbooks.

***Potential Effect:*** If the City ran into any problems with their Quickbooks software, Intuit (who provides and supports Quickbooks) may not be able to recover the City’s accounting data.

***Recommendation:*** The City Treasurer should look into upgrading the software that is currently being used.

***Management Comment:***

**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 16, 2025