

***CITY OF NORTONVILLE,
KENTUCKY***

AUDIT REPORT

JUNE 30, 2025

CITY OF NORTONVILLE, KENTUCKY

AUDIT REPORT

JUNE 30, 2025

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**CITY OF NORTONVILLE, KENTUCKY
PRINCIPAL OFFICIALS
JUNE 30, 2025**

MAYOR AND COUNCIL MEMBERS

Scott Harvey	Mayor
James Braden	Council Member
Danny Gunn	Council Member
James Harrison	Council Member
Paul McPeck	Council Member
Greg Rodgers	Council Member
Kristal Stanley	Council Member

PERSONNEL

Erica Jessup	City Clerk
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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the City Council
City of Nortonville, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Nortonville, 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 Nortonville, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Nortonville, Kentucky as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Nortonville, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Nortonville, 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 GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, 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 City of Nortonville, 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 City of Nortonville, 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 required that the budgetary comparison information on pages 45 and 46 as well as the Schedule of Proportionate Share of Net Pension Liability, Schedule of Required Contributions – Pension, Schedule of Proportionate Share of the Net Other Post-Employment Benefits, Schedule of Required Contributions – Other Post-Employment Benefits, and the Notes to the Required Supplementary Information on pages 47 through 57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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

The Mayor and Members of the City Council
City of Nortonville, Kentucky
February 24, 2026

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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2026, on our consideration of the City of Nortonville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Nortonville, Kentucky's internal control over financial reporting and compliance.

Calhoun & Company

Hopkinsville, Kentucky
February 24, 2026

CITY OF NORTONVILLE, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 373,376	\$ 381,485	\$ 754,861
Accounts Receivable, Net of Allowance for Doubtful Accounts	78,000	111,245	189,245
Grant Receivable - Restricted	1,774	-	1,774
Unbilled Revenue	-	9,061	9,061
Inventories	401	14,268	14,669
Other Current Assets	3,109	233	3,342
Current Portion of Lease Receivable	681	-	681
Due To (From) Other Funds	23,071	(23,071)	-
Non-Current Assets			
Cash and Cash Equivalents - Restricted	236,409	439,173	675,582
Lease Receivable	6,631	-	6,631
Aggregate Net OPEB Asset	5,014	8,181	13,195
Depreciable Capital Assets, Net	1,298,519	5,243,518	6,542,037
Non-Depreciable Capital Assets	45,000	-	45,000
Total Assets	2,071,985	6,184,093	8,256,078
Deferred Outflows of Resources			
Deferred Outflows of Resources Related to Pension	30,346	49,510	79,856
Deferred Outflows of Resources Related to OPEB	14,892	24,297	39,189
Total Deferred Outflows of Resources	45,238	73,807	119,045
Liabilities			
Accounts Payable	2,941	20,303	23,244
Accrued Payroll and Related Expenses	9,277	2,696	11,973
Accrued Interest Payable	-	21,007	21,007
Customers Deposits	-	39,325	39,325
Current Portion of Long-Term Debt	-	157,303	157,303
Non-Current Liabilities			
Accrued Annual Leave	3,225	7,437	10,662
Due in More Than One Year	-	3,101,512	3,101,512
Aggregate Net Pension Liability	173,169	282,539	455,708
Total Liabilities	188,612	3,632,122	3,820,734
Deferred Inflows of Resources			
Deferred Revenue	-	760	760
Deferred Revenue Related to Leases	7,544	-	7,544
Deferred Inflows of Resources Related to Pension	25,964	42,363	68,327
Deferred Inflows of Resources Related to OPEB	50,038	81,640	131,678
Total Deferred Inflows of Resources	83,546	124,763	208,309

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Position			
Net Investment in Capital Assets	1,343,519	1,984,703	3,328,222
Restricted			
Grant Restriction	1,593	760	2,353
Debt Retirement	-	413,842	413,842
Municipal Aid and Cemetery	220,500	-	220,500
Customer Deposits	-	24,571	24,571
Perpetual Cemetery	14,116	-	14,116
Unrestricted	<u>265,337</u>	<u>77,139</u>	<u>342,476</u>
Total Net Position	<u>\$ 1,845,065</u>	<u>\$ 2,501,015</u>	<u>\$ 4,346,080</u>

**CITY OF NORTONVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Functions / Programs	Direct Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 287,302	\$ -	\$ -	\$ 122,304	\$ (164,998)	\$ -	\$ (164,998)
Public Safety	66,365	-	69,525	-	3,160	-	3,160
Parks	10,346	-	-	-	(10,346)	-	(10,346)
Public Streets	37,963	-	34,553	-	(3,410)	-	(3,410)
Library	4,057	-	-	-	(4,057)	-	(4,057)
Cemetery Maintenance	4,558	4,000	-	-	(558)	-	(558)
Total Governmental Activities	410,591	4,000	104,078	122,304	(180,209)	-	(180,209)
Business-Type Activities							
Sewer	540,612	747,568	-	-	-	206,956	206,956
Water	388,167	406,596	11,223	-	-	29,652	29,652
Interest on Long-Term Debt	125,706	-	-	-	-	(125,706)	(125,706)
Total Business-Type Activities	1,054,485	1,154,164	11,223	-	-	110,902	110,902
Total Primary Government	\$ 1,465,076	\$ 1,158,164	\$ 115,301	\$ 122,304	(180,209)	110,902	(69,307)
General Revenues							
Taxes							
					86,306	-	86,306
					90,293	-	90,293
					38,179	-	38,179
					173,712	-	173,712
					3,359	-	3,359
					18,192	23,015	41,207
					686	-	686
					6,981	479	7,460
					417,708	23,494	441,202
					237,499	134,396	371,895
					1,607,566	2,366,619	3,974,185
					\$ 1,845,065	\$ 2,501,015	\$ 4,346,080

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

**CITY OF NORTONVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 373,376	\$ -	\$ 373,376
Cash and Cash Equivalents - Restricted	1,593	234,816	236,409
Accounts Receivable	67,949	-	67,949
Grant Receivable	1,774	-	1,774
Taxpayer Assessed Revenues Receivable	10,051	-	10,051
Lease Receivable	7,312	-	7,312
Inventory	401	-	401
Prepaid Insurance	3,109	-	3,109
Due From Other Funds	23,071	-	23,071
	<u>488,636</u>	<u>234,816</u>	<u>723,452</u>
Total Assets	\$ 488,636	\$ 234,816	\$ 723,452
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts Payable	\$ 2,741	\$ 200	\$ 2,941
Accrued Payroll and Related Expenses	9,277	-	9,277
Total Liabilities	<u>12,018</u>	<u>200</u>	<u>12,218</u>
Deferred Inflows of Resources			
Deferred Revenue - Property Taxes	10,051	-	10,051
Deferred Revenue - Leases	7,544	-	7,544
Total Deferred Inflows of Resources	<u>17,595</u>	<u>-</u>	<u>17,595</u>
Fund Balances			
Non-Spendable			
Prepaid Insurance	3,109	-	3,109
Cemetery Perpetual Care	-	14,116	14,116
Restricted			
Municipal Aid	-	174,245	174,245
Cemetery	-	46,255	46,255
Debt Service	1,593	-	1,593
Assigned			
Accrued Annual Leave	3,225	-	3,225
Unassigned	451,096	-	451,096
Total Fund Balances	<u>459,023</u>	<u>234,616</u>	<u>693,639</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 488,636	\$ 234,816	\$ 723,452

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

**CITY OF NORTONVILLE, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2025**

Fund Balances - Total Governmental Funds	\$	693,639
<p>Amounts reported for governmental activities in the Statement of Net Position are different because (See Note 1):</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. More specifically, non-depreciable and depreciable assets are reported on the Statement of Net Position.		1,343,519
Some deferred outflows are not due and receivable in the current period and therefore are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions		30,346
Deferred Outflows of Resources Related to OPEB		14,892
<p>Some liabilities, including net pension obligations are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.</p>		
Accrued Annual Leave		(3,225)
Net Pension (Liability)		(173,169)
Net OPEB (Liability) / Asset		5,014
<p>Some deferred inflows are not due and payable in the current period and therefore are not reported in the funds.</p>		
Deferred Inflows of Resources Related to Pensions		(25,964)
Deferred Inflows of Resources Related to OPEB		(50,038)
Property Taxes Receivable recorded on the Net Position but not received within 60 days of year end are recorded as deferred revenue on the Balance Sheet but not on the Statement of Net Position.		10,051
		10,051
Net Position of Government Activities	\$	1,845,065

CITY OF NORTONVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes			
Insurance Premium Taxes	\$ 173,712	\$ -	\$ 173,712
Property Taxes	90,845	-	90,845
Occupational Taxes	86,306	-	86,306
Franchise Taxes	38,179	-	38,179
Other Taxes	3,359	-	3,359
Intergovernmental Revenues	6,309	28,244	34,553
Capital Grants	122,304	-	122,304
Public Safety	69,525	-	69,525
Cemetery	-	4,000	4,000
Lease Income	686	-	686
Other Revenues	6,981	-	6,981
Interest	10,854	7,338	18,192
	<u>609,060</u>	<u>39,582</u>	<u>648,642</u>
Total Revenues			
Expenditures			
General Government	242,653	-	242,653
Public Safety	32,187	-	32,187
Public Streets	24,727	-	24,727
Library	4,057	-	4,057
Cemetery	-	4,558	4,558
Parks and Recreation	10,346	-	10,346
Capital Outlay	255,453	26,810	282,263
	<u>569,423</u>	<u>31,368</u>	<u>600,791</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>39,637</u>	<u>8,214</u>	<u>47,851</u>
Net Change in Fund Balances	39,637	8,214	47,851
Fund Balances - Beginning	<u>419,386</u>	<u>226,402</u>	<u>645,788</u>
Fund Balances - Ending	<u><u>\$ 459,023</u></u>	<u><u>\$ 234,616</u></u>	<u><u>\$ 693,639</u></u>

**CITY OF NORTONVILLE, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Net Change in Fund Balances - Total Governmental Funds \$ 47,851

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. More specifically, this is the amount by which capital outlays exceeded depreciation in the current period.

Fixed Assets Purchased	\$ 282,263	
Less: Depreciation	<u>103,679</u>	
	<u>\$ 178,584</u>	178,584

The net pension and other post employment benefit liabilities and related deferred outflows and inflows of resources are an obligation of the City not payable from current year resources and not reported as an expenditure of the current year. In the Statement of Activities, these costs represent (expenses) / recovery in the current year. 10,912

In the Statement of Activities, the accrued annual leave earned during the current fiscal year is expensed. However, the governmental funds will show only the amount actually taken during the year. Thus, the change in net position differs from the change in fund balance by the net of the amount taken and the amount earned. 705

Property Taxes Revenue recorded related to outstanding Property Taxes Receivable are reflected in revenue on the statement of Activities. Receivables for which no payment is received within 60 days of year end are not considered revenue on the Statement of Revenues, Expenditures and Changes in Fund Balance. (553)

Change in Net Position of Governmental Activities \$ 237,499

CITY OF NORTONVILLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 87,878	\$ 293,607	\$ 381,485
Accounts Receivables	34,292	76,953	111,245
Unbilled Revenue	4,507	4,554	9,061
Inventory	14,268	-	14,268
Due From Other Funds	-	17,598	17,598
Prepaid Expenses	116	117	233
Total Current Assets	<u>141,061</u>	<u>392,829</u>	<u>533,890</u>
Non-Current Assets			
Cash and Cash Equivalents - Restricted	159,984	279,189	439,173
Aggregate Net OPEB Asset	4,354	3,827	8,181
Depreciable Capital Assets, Net	2,174,862	3,068,656	5,243,518
Total Non-Current Assets	<u>2,339,200</u>	<u>3,351,672</u>	<u>5,690,872</u>
Total Assets	<u>2,480,261</u>	<u>3,744,501</u>	<u>6,224,762</u>
Deferred Outflows of Resources			
Deferred Outflows of Resources Related to Pension	26,352	23,158	49,510
Deferred Outflows of Resources Related to OPEB	12,932	11,365	24,297
Total Deferred Outflows of Resources	<u>39,284</u>	<u>34,523</u>	<u>73,807</u>
Liabilities			
Current Liabilities			
Accounts Payable	6,356	13,947	20,303
Accrued Interest Payable	13,130	7,877	21,007
Accrued Payroll and Related Expenses	1,328	1,368	2,696
Due to Other Funds	40,669	-	40,669
Customers' Deposits	39,325	-	39,325
Current Portion of Long-Term Debt	40,000	117,303	157,303
Total Current Liabilities	<u>140,808</u>	<u>140,495</u>	<u>281,303</u>
Non-Current Liabilities			
Accrued Annual Leave	3,822	3,615	7,437
Long-Term Debt	1,221,500	1,880,012	3,101,512
Aggregate Net Pension Liability	150,384	132,155	282,539
Total Non-Current Liabilities	<u>1,375,706</u>	<u>2,015,782</u>	<u>3,391,488</u>
Total Liabilities	<u>1,516,514</u>	<u>2,156,277</u>	<u>3,672,791</u>

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Deferred Inflows of Resources			
Deferred Revenues - ARPA	760	-	760
Deferred Inflows of Resources Related to Pension	22,548	19,815	42,363
Deferred Inflows of Resources Related to OPEB	43,454	38,186	81,640
	<u>66,762</u>	<u>58,001</u>	<u>124,763</u>
Total Deferred Inflows of Resources			
	<u>66,762</u>	<u>58,001</u>	<u>124,763</u>
Net Position			
Net Investment in Capital Assets	913,362	1,071,341	1,984,703
Restricted - Grant Restrictions	760	-	760
Restricted - Debt Retirement - Expendable	134,653	279,189	413,842
Restricted - Customer Deposits	24,571	-	24,571
Unrestricted	(137,077)	214,216	77,139
	<u>(137,077)</u>	<u>214,216</u>	<u>77,139</u>
Total Net Position	<u>\$ 936,269</u>	<u>\$ 1,564,746</u>	<u>\$ 2,501,015</u>

CITY OF NORTONVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Operating Revenues			
Sales	\$ 366,436	\$ 747,579	\$ 1,114,015
Fees	40,160	(11)	40,149
Operating Grant Revenue	11,223	-	11,223
Miscellaneous	50	429	479
	<u>417,869</u>	<u>747,997</u>	<u>1,165,866</u>
Total Operating Revenues			
Operating Expenses			
Salaries and Wages	99,635	92,627	192,262
Payroll Taxes	8,852	8,220	17,072
Retirement and Other Post Employment Benefits	6,049	5,610	11,659
Health Benefits	10,129	10,205	20,334
Utilities	60,652	45,757	106,409
Contract Services	28,800	41,400	70,200
Repairs and Maintenance	24,533	42,643	67,176
Insurance	17,111	25,278	42,389
Testing	4,816	14,446	19,262
Professional Services	12,196	12,194	24,390
Chemicals	6,862	44,742	51,604
Office Supplies	4,549	3,590	8,139
Postage	3,051	3,092	6,143
Fuel and Oil	1,980	2,208	4,188
Telephone	1,811	1,964	3,775
Advertising	1,452	1,453	2,905
Vehicle Maintenance	6,199	6,198	12,397
Dues & Subscriptions	897	298	1,195
Uniforms	310	333	643
Training, Travel and Certification	1,202	826	2,028
Miscellaneous	4,219	13,779	17,998
Bad Debt Expense	66	229	295
Depreciation	82,796	163,520	246,316
	<u>388,167</u>	<u>540,612</u>	<u>928,779</u>
Total Operating Expenses			
Operating Income (Loss)	<u>29,702</u>	<u>207,385</u>	<u>237,087</u>
Non-Operating Revenues (Expenses)			
Interest Income	6,567	16,448	23,015
Interest Expense	(26,519)	(99,187)	(125,706)
	<u>(19,952)</u>	<u>(82,739)</u>	<u>(102,691)</u>
Total Non-Operating Revenues (Expenses)			
Change in Net Position	9,750	124,646	134,396
Total Net Position - Beginning	<u>926,519</u>	<u>1,440,100</u>	<u>2,366,619</u>
Total Net Position - Ending	<u>\$ 936,269</u>	<u>\$ 1,564,746</u>	<u>\$ 2,501,015</u>

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

CITY OF NORTONVILLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Water	Sewer	Total
Cash Flows Provided (Used) By Operating Activities			
Receipts from Customers	\$ 433,364	\$ 747,411	\$ 1,180,775
Payment to Suppliers	(190,893)	(265,093)	(455,986)
Payments to Employees	(126,227)	(116,521)	(242,748)
Net Cash Provided (Used) By Operating Activities	<u>116,244</u>	<u>365,797</u>	<u>482,041</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities			
Deferred Revenue Received from ARPA Grant	(5,522)	-	(5,522)
Due To (From) Other Funds	(1,579)	(467)	(2,046)
Payments on Long-Term Debt	(38,500)	(112,496)	(150,996)
Interest Expense	(26,001)	(98,801)	(124,802)
Purchases of Capital Assets	(13,921)	(10,613)	(24,534)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(85,523)</u>	<u>(222,377)</u>	<u>(307,900)</u>
Cash Flows Provided (Used) by Investing Activities			
Interest Income	6,567	16,448	23,015
Net Cash Provided (Used) by Investing Activities	<u>6,567</u>	<u>16,448</u>	<u>23,015</u>
Net Increase (Decrease) in Cash and Cash Equivalents	37,288	159,868	197,156
Cash and Cash Equivalents - Beginning of the Year	<u>210,574</u>	<u>412,928</u>	<u>623,502</u>
Cash and Cash Equivalents - End of Year	<u>\$ 247,862</u>	<u>\$ 572,796</u>	<u>\$ 820,658</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 29,702	\$ 207,385	\$ 237,087
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	82,796	163,520	246,316
Bad Debts	66	229	295
Pension Contribution (Adjustments for GASB 68 / 75)	(10,570)	(9,512)	(20,082)
(Increase) Decrease in:			
Receivables, Operating	14,245	(586)	13,659
Inventories	1,107	-	1,107
Prepaid Insurance	789	844	1,633
Increase (Decrease) in:			
Accounts Payable	(2,020)	4,469	2,449
Accrued Liabilities	(1,121)	(552)	(1,673)
Customer Deposits	1,250	-	1,250
Net Cash Provided (Used) by Operating Activities	<u>\$ 116,244</u>	<u>\$ 365,797</u>	<u>\$ 482,041</u>
Reconciliation of Total Cash			
Current Assets - Cash Equivalents	\$ 87,878	\$ 293,607	\$ 381,485
Restricted Assets - Cash Equivalents	<u>159,984</u>	<u>279,189</u>	<u>439,173</u>
Total Cash and Cash Equivalents	<u>\$ 247,862</u>	<u>\$ 572,796</u>	<u>\$ 820,658</u>

There are no noncash investing or capital and related financing activities for the year ended June 30, 2025.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Nortonville, Kentucky operates under a Mayor/Council form of government and provides the following services as authorized: public safety (fire), highway and streets, water and sewer utilities, cultural and recreation, public improvements, cemetery and general and administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The City follows GASB pronouncements as codified under GASB 62. The more significant accounting policies of the City are described below:

A. The Financial Reporting Entity

The City of Nortonville, Kentucky is a municipal corporation governed by an elected six member council and mayor. The City has adhered to the standards set forth in GASB Statement No. 14 as amended by GASB Statement No. 61 of the Governmental Accounting Standards Board in reporting the primary government (including blended component units), discretely presented component units, the reporting entity and related relationships with the City.

B. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Basis of Presentation, Continued

GOVERNMENTAL FUNDS

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on sources, uses and balances of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in the other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Fund

The Special Revenue Fund is used to account for proceeds of specific revenue sources that are legally restricted to disbursements for specific purposes.

PROPRIETARY FUNDS

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Water Fund

The Water Fund is used to account for the provision of water services to the residents of the City and some county residents. Activities of the fund include administration, water treatment, and distribution infrastructure additions and maintenance. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Sewer Fund

The Sewer Fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, wastewater collection, infrastructure additions and maintenance, and wastewater treatment activities. The fund accounts for the accumulation of resources for, and payment of, long-term debt principal and interest for sewer system debt. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the costs of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (usually 45 days). The City considers property taxes as available if they are collected within 60 days after year end. Franchise and insurance premium taxes are considered available and are, therefore, recognized as revenues even though a portion of taxes may be collected in the subsequent year. Intergovernmental revenues received as reimbursements for specific purposes or projects are recognized based upon expenditures recorded. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and all liabilities (whether current or non-current) are included on the statement of net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, (2) matching requirements, in which the City must provide local resources to be used for a specified purpose, and (3) expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and proprietary funds. Any revisions that alter the total expenditures of any fund must be approved by a majority vote of the City Council.

Budgets and budgeting procedures require that prior to June 1 of each year, the Mayor submits a proposed budget to the Council for the year commencing the following July 1. The budget is

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Budgets, Continued

prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. The City Council holds public hearings to obtain taxpayer comments. Prior to June 30 of each year, the City Council approves the budget by majority vote.

As required by Kentucky Revised Statutes (K.R.S.) 91A.030 (1), formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Enterprise Funds. Total expenditures for a fund legally may not exceed the total appropriations as required by K.R.S. 91A.030 (13). All appropriations lapse at year-end.

Budget amendments, as allowed by ordinance, require majority approval by the City Council. The Mayor is authorized to transfer budgeted amounts between accounts within any fund. However, any revisions that alter the total expenditures of any fund must be approved by a majority vote of the City Council.

E. Cash and Investments

Money market instruments and certificates of deposits are stated at cost or amortized cost, which approximates fair value. All other investment securities are stated at fair value.

City ordinances authorize the City to invest in obligations of the U.S. Government and its instrumentalities, mutual funds, and demand deposits. All investments must be purchased through local brokers/dealers or deposited with local financial institutions. In accordance with GASB Statement 31, quoted market price was used to determine the fair value of investments.

For the purpose of the statement of cash flows, the City considers all cash in banks with stated maturities of three months or less or available for withdrawal by City management to be cash and cash equivalents.

F. Short-Term Interfund Receivables/Payables

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

G. Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivables are recorded in the Governmental and Business-type funds net of appropriate allowance for uncollectible accounts. An allowance for uncollectible accounts has been provided based on prior years' loss experiences as percentage of revenues billed. Based on past experience, management considers the allowance adequate to provide for any losses on collection of the June 30, 2025 accounts receivable.

H. Inventory

Inventory consists of materials and supplies. Inventory is valued at average cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2025 are recorded as prepaid items. Prepaid items recorded in the governmental funds are reflected as nonspendable fund balance.

J. Restricted Assets

The restricted funds have been handled in accordance with the provisions of the various enterprise fund revenue bond resolutions, loan agreements, or by state or federal laws and regulations. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

K. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category.

Deferred outflows related to pensions and other post-employment benefits (OPEB) are reported in the government-wide and proprietary statement of net position. A deferred outflow from pensions and other post-employment benefits results from City contributions made subsequent to the measurement date and various changes resulting from actuarial pension/OPEB measurements. The contribution amount is deferred and will be recognized as a reduction of net pension and other post-employment benefits liabilities in the year ending June 30, 2025. The various changes resulting from actuarial pension/OPEB measurements are deferred and amortized in future periods as a component of pension/OPEB expense.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category.

Deferred inflows related to property taxes are reported in the governmental fund balance sheet. A deferred inflow from property taxes results from property taxes receivable that are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows related to pensions and other post-employment benefits are reported in the government-wide statement and proprietary statement of net position. A deferred inflow from pensions and other post-employment benefits results from net differences between expected and actual earnings on pension and other post-employment benefit plan investments and various changes resulting from actuarial pension/OPEB measurements. These amounts are deferred and will be recognized as a reduction of pension and other post-employment benefit expense over future periods.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

K. Deferred Outflows of Resources and Deferred Inflows of Resources, Continued

Deferred inflows related to leases are amortized over the term of the lease agreement.

Deferred inflows related to ARPA grant funding are reported in the government-wide statement of net position and proprietary statement of net position. A deferred inflow from ARPA grant funding results from funds received that are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

L. Leases

City as a Lessor

The City is a lessor for a non-cancellable lease. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide statements and governmental fund financial statements. The City recognizes lease receivables and deferred inflows of resources for leases that have a term exceeding one year and that meet the definition of an other than short-term lease. Short-term lease receipts and variable lease receipts not included in the measurement of the lease receivable are recognized as income when earned.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease at the commencement date. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the commencement date. The deferred inflow is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines the discount rate and lease term it uses to discount the expected lease receipts / payments to present value. The City uses the market rate of interest at lease inception as the discount rate for leases. The lease term includes the non-cancellable period of the lease. Lease receipts / payments included in the measurement of the lease receivable / payable are composed of fixed payments as outlined in the lease agreement.

M. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (excluding those acquired prior to June 30, 2003), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has been capitalized during the construction period on property, plant and equipment.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

M. Capital Assets, Continued

Assets capitalized, including infrastructure assets, have an original cost of \$500 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives are as follows:

<u>Description</u>	<u>Estimated Life</u>
Buildings and Infrastructure	10-40 years
Utility Plant, Mains, and Lines	40-50 years
Vehicles	5-10 years
Furniture, Fixtures, and Equipment	5-10 years

N. Pensions and Postemployment Benefits Other Than Pensions (OPEB)

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 Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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 Employees Retirement System (CERS) OPEB Plan and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

O. Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on these criteria, leave arising from unpaid sick time qualifies for liability recognition for compensated absences in accordance with Governmental Accounting Standards Board (GASB) Statement 101. The liability for compensated absences includes salary-related benefits, where applicable.

Qualifying Leave

Each month, full employees accrue 6.67 hours of paid sick leave. Sick days are not carried forward into the next year if not used. Employees can accrue up to 80 hours of sick leave per year.

Non-qualifying leave

Each month, full time employees accrue 6.67 hours of vacation leave. Employees receive vacation leave at a rate of 10 days for 1 year of service to 5 years of service and 15 days for 6 or more years of service. Employee may carryover a maximum of 40 hours of unused vacation leave to the next year.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

P. Unearned Revenue

In the governmental funds, certain revenue transactions have been reported as unearned revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current fiscal period. Revenue that is earned but not available is reported as a deferred inflow of resources until such time as the revenue becomes available. In the proprietary funds (and for the governmental activities in the government-wide statements), unearned revenue is reported regardless of its availability.

Q. Bond Premiums, Discounts, and Issuance Costs

In the government-wide financial statements and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest method and are reported as deferred amounts from refunding debt. Issuance costs are reported as expenses.

R. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements and the proprietary fund financial statements as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

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 fund. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

S. Revenues, Expenditures and Expenses

Substantially all governmental fund revenues (including occupational and insurance premium taxes, franchise fees, and licenses) are accrued. Property taxes are generally billed and collected within the same period in which the taxes are levied. In addition, revenue from Federal and State reimbursement type grants for which eligibility requirements have been met have been accrued and recognized as revenues of the period. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures are recognized when the related fund liability is incurred except for the following, which are permitted by generally accepted accounting principles. General obligation long-term debt principal and interest, compensated absences, pension and other benefits, and other long-term liabilities are reported only when due.

Operating revenues for proprietary funds are those that result from providing services and producing and delivering goods and/or services. The principal operating revenue of the proprietary funds is receipts from customers. Operating expenses for these operations include all costs related to providing the service. These costs include salaries, contractual services, supplies, maintenance, depreciation, and administrative expenses. All other revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

T. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as interfund transfers and are included in the results of operations of both governmental and proprietary funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

U. Estimates

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

V. Net Position

In the government-wide statements, equity is classified as net position and displayed in three components.

- **Net investment in capital assets** - Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any borrowings that are attributable to the acquisition, construction, or improvement of those assets net of unspent financing proceeds.
- **Restricted net position** - Net position with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

In governmental fund financial statements, equity is classified as fund balance and is displayed in up to five components based primarily on the extent to which the City is bound to observe constraints imposed on the use of fund resources. These components are as follows:

- **Nonspendable fund balance** - amounts that are not in spendable form (such as inventory or prepaid expenses) or are required to be maintained intact.
- **Restricted fund balance** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

V. Net Position, Continued

- **Committed fund balance** - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned fund balance** - amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City delegates the authority.
- **Unassigned fund balance** - amounts that are available for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

W. Subsequent Events

The City has evaluated subsequent events through February 24, 2026, the date which the financial statements were available to be issued.

2. LEGAL COMPLIANCE – BUDGETS

Prior to June 1 of each year, the Mayor submits a proposed budget to the City Council for the year commencing the following July 1. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. The City Council holds public hearings to obtain taxpayer comments. Prior to June 30 of each year, the City Council approves the budget by majority vote.

As required by Kentucky Revised Statutes (K.R.S.) 91A.030(1), formal budgetary integration is employed as a management control device during the year for the General Fund, certain Special Revenue Funds as legally required, and Proprietary Funds. Total expenditures for a fund legally may not exceed the total appropriations as required by K.R.S. 91A.030(13). All appropriations lapse at year-end.

Budget amendments, as allowed by ordinance, require majority approval by the City Council. There were no amendments to the originally adopted budget.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

2. LEGAL COMPLIANCE – BUDGETS

Excess of Expenditures Over Appropriations in Individual Funds

The following funds had an excess of actual expenditures and other financing uses over budget for the year ended June 30, 2025:

General Fund	\$ 119,957
Water Fund	\$ 4,985

The expenditures were due mainly to budgeting practices. Fund equity and other financial sources were sufficient to offset the over expenditures. Annual budgets are adopted for the General Fund, Special Revenue Funds, and all Proprietary Funds.

3. DEPOSITS AND INVESTMENTS

Statement of Net Position Cash Presentation

The captions on the statement of net position for cash, investments, and restricted assets enumerated as to deposits and investments and the amounts in total are as follows:

	Deposits	Primary Government Total
Cash Equivalents	\$ 754,861	\$ 754,861
Restricted Assets:		
Cash Equivalents	675,582	675,582
Total	\$ 1,430,443	\$ 1,430,443

A. Deposits

At year-end, the carrying amount of the City's cash equivalents was \$1,430,446 including cash on hand of \$800. As of the high cash day during the year ended June 30, 2025, the City's deposit at its financial institution was as high as \$1,217,244. This balance was fully collateralized by a combination of FDIC insured limits and securities pledged by the financial institution on behalf of the City.

B. Investments

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

3. DEPOSITS AND INVESTMENTS, CONTINUED

B. Investments, Continued

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The custodial credit risk for investments is the risk that a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not place any limits on the amount that may be invested with one issuer.

Identification

At June 30, 2025, the City had no investments.

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1st each year. Taxes are levied on January 1st of each year and are payable any time before October 31, of that year. Uncollected taxes as June 30th of each year are recorded as a receivable and the portion not collected within 60 days are recorded as unavailable revenue/deferred inflows of resources. Uncollected delinquent taxes are written off after one year. The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Hopkins County as its base to apply the property tax rate.

The City is permitted by Section 157 of the Constitution of Kentucky to levy taxes of up to \$0.75 per \$100 of assessed valuation for general government services other than school purposes. The tax rate on real property to finance general government services other than school purposes for the year ended June 30, 2025 was \$0.233 per \$100, which means that the City has a tax margin of \$0.517 per \$100. Although this tax margin would indicate significantly higher potential tax revenues, the City is subject to an absolute maximum tax rate in that House Bill 44 prohibits levying a tax rate that will produce more revenue, exclusive of revenue from net assessment growth, than would be produced by application of the tax rate that was levied in the preceding year to the preceding year's assessment. The effect of this legislation has been to Limit increases in property tax revenues to minimal levels.

According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Hopkins County, and the annual increase in the property tax levy cannot exceed 4%. For the year ending June 30, 2025, taxes were levied on October 1, 2024 and payable on December 31, 2024. The tax rate was 23.3 cents per \$100 of assessed valuation of real property; 22.9 cents per \$100 of assessed valuation of vehicles and watercraft, and 32.64 cents per \$100 of assessed valuation of tangible property. Enforceable liens on delinquent property tax bills attach to the property when filed by the City by August 31 of each year. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with GASB Statement 1, "Revenue Recognition – Property Taxes".

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

5. CAPITAL ASSETS

Governmental Activities

A summary of capital assets for governmental activities as of June 30, 2025 follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2025</u>
Capital Assets Not Depreciated				
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Total Capital Assets Not Depreciated	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
Capital Assets Being Depreciated				
Buildings	227,061	198,264	-	425,325
Improvements	661,658	2,613	-	664,271
Machinery and Equipment	334,459	32,384	-	366,843
Vehicles	219,443	8,000	-	227,443
Police and Fire Equipment	723,433	14,192	-	737,625
Infrastructure	420,018	26,810	-	446,828
Total Capital Assets Being Depreciated	<u>2,586,072</u>	<u>282,263</u>	<u>-</u>	<u>2,868,335</u>
Less Accumulated Depreciation				
Buildings	78,949	20,273	-	99,222
Improvements	328,261	23,262	-	351,523
Machinery and Equipment	308,999	9,190	-	318,189
Vehicles	204,410	14,514	-	218,924
Police and Fire Equipment	471,478	23,778	-	495,256
Infrastructure	74,040	12,662	-	86,702
Total Accumulated Depreciation	<u>1,466,137</u>	<u>103,679</u>	<u>-</u>	<u>1,569,816</u>
Total Capital Assets Being Depreciated, Net	<u>1,119,935</u>	<u>178,584</u>	<u>-</u>	<u>1,298,519</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,164,935</u>	<u>\$ 178,584</u>	<u>\$ -</u>	<u>\$ 1,343,519</u>

Depreciation expense was charged to functions / programs as follows:

General Government	\$ 56,265
Public Safety	34,178
Streets	13,236
	<u>\$ 103,679</u>

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

5. CAPITAL ASSETS, CONTINUED

Business-type Activities

A summary of capital assets for business-type activities at June 30, 2025 follows:

<u>Business-Type Activities</u>	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Sewer				
Capital Assets Being Depreciated				
Sewer Plant	\$ 3,396,495	\$ -	\$ -	\$ 3,396,495
Sewer Equipment	370,266	10,613	-	380,879
Regional Sewer Project	5,200,366	-	-	5,200,366
Total Capital Assets Being Depreciated	<u>8,967,127</u>	<u>10,613</u>	<u>-</u>	<u>8,977,740</u>
Less Accumulated Depreciation				
Sewer Plant	3,134,926	26,192	-	3,161,118
Sewer Equipment	283,354	7,331	-	290,685
Regional Sewer Project	2,327,284	129,997	-	2,457,281
Total Accumulated Depreciation	<u>5,745,564</u>	<u>163,520</u>	<u>-</u>	<u>5,909,084</u>
Total Sewer Capital Assets Being Depreciated, Net	<u>3,221,563</u>	<u>(152,907)</u>	<u>-</u>	<u>3,068,656</u>
Water				
Capital Assets Not Depreciated				
Construction in Progress	\$ 162,787	\$ -	\$ -	162,787
Total Capital Assets Not Depreciated	<u>162,787</u>	<u>-</u>	<u>-</u>	<u>162,787</u>
Capital Assets Being Depreciated				
Water Plant	3,059,108	-	-	3,059,108
Buildings, Tanks, Etc.	165,957	-	-	165,957
Water Equipment	74,121	13,921	-	88,042
Total Capital Assets Being Depreciated	<u>3,299,186</u>	<u>13,921</u>	<u>-</u>	<u>3,313,107</u>
Less Accumulated Depreciation				
Water Plant	1,004,500	80,205	-	1,084,705
Buildings, Tanks, Etc.	153,775	1,040	-	154,815
Water Equipment	59,961	1,551	-	61,512
Total Accumulated Depreciation	<u>1,218,236</u>	<u>82,796</u>	<u>-</u>	<u>1,301,032</u>
Total Water Capital Assets Being Depreciated, Net	<u>2,080,950</u>	<u>(68,875)</u>	<u>-</u>	<u>2,012,075</u>
Total Water Capital Assets, Net	<u>2,243,737</u>	<u>(68,875)</u>	<u>-</u>	<u>2,174,862</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,465,300</u>	<u>\$ (221,782)</u>	<u>\$ -</u>	<u>\$ 5,243,518</u>

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

5. CAPITAL ASSETS, CONTINUED

Depreciation expense charged to functions / programs as follows:

Water Enterprise Fund	\$ 82,796
Sewer Enterprise Fund	<u>163,520</u>
	<u>\$ 246,316</u>

6. LEASES

The City entered into an agreement to lease land to Noel Properties, LLC for a billboard advertisement. The agreement is dated September 9, 2024, and calls for annual lease payments on December 1 of \$1,000 per year for 10 years. The following is a schedule of the future minimum rentals under the lease agreement at June 30, 2025:

Year Ended	Principal	Interest	Total
<u>June 30,</u>	<u></u>	<u></u>	<u></u>
2026	\$ 680	\$ 320	\$ 1,000
2027	710	290	1,000
2028	741	259	1,000
2029	774	226	1,000
2030	807	193	1,000
2031-2035	<u>3,600</u>	<u>400</u>	<u>4,000</u>
	<u>\$ 7,312</u>	<u>\$ 1,688</u>	<u>\$ 9,000</u>

7. RESTRICTED NET POSITION

Restricted for Customer Deposits

Customer deposits for utility services are segregated into a separate bank account. At June 30, 2025, the balance in this account was \$24,571 in an effort to fund the customer deposit liability of \$39,325.

Restricted for Grants

A portion of the net position of the Water Fund is reserved for unexpended ARPA funds. The reserved portion at June 30, 2025 is \$760.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

7. RESTRICTED NET POSITION, CONTINUED

Restricted for Debt Retirement

Certain assets relating to long term debt, which are restricted as described in Note 9 are as follows at June 30, 2025:

<i>Debt Requirement Restricted Assets</i>	<u>Water</u>	<u>Sewer</u>
Bond Sinking Reserve	\$ 134,653	\$ 131,504
Ky Bond Debt Service Fund	-	147,685
Total	<u>134,653</u>	<u>279,189</u>
<i>Current Portion of Debt Requirements</i>		
Revenue Bonds and Debt Payable	40,000	117,303
Accrued Interest Payable	13,130	7,877
Total	<u>53,130</u>	<u>125,180</u>
<i>Net Position Restricted for Debt Service</i>	<u>\$ 81,523</u>	<u>\$ 154,009</u>

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2025, the City contracted with commercial insurance carriers for coverage of all the risks mentioned above. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 years. There were no significant reductions in coverages during the past 3 years.

9. GOVERNMENT WIDE ACTIVITIES DEBT

Business-Type Funds Revenue Bonds Payable and Notes Payable

1995 Revenue Bond Payable

On February 29, 1996, the City authorized and provided for the issuance and sale of \$427,000 principal amount of City of Nortonville, Kentucky Waterworks and Sewer Revenue Bonds, Series 1995. The purpose of the issuance was for financing the cost of the construction of extensions, additions, and improvements to the existing combined and consolidated waterworks and sewer system. The bonds bear interest at 4.5% per annum. Annual principal payments are due on January 1 and semi-annual interest payments on January 1 and July 1. Amounts representing interest paid totaled \$9,045.

2013 Revenue Bond Payable

On July 30, 2013, the City authorized and provided for the issuance and sale of \$2,990,000 principal amount of City of Nortonville, Kentucky Sewer Revenue Bonds, Series 2013. The purpose of the issuance was for refinancing the Kentucky Infrastructure Authority Note Payable issued for prior sewer system improvements. The bonds bear interest at 3.0% - 4.625% per annum. Annual principal payments are due on February 1 and semi-annual interest payments on February 1 and August 1. Amounts representing interest paid totaled \$90,233.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

9. GOVERNMENT WIDE ACTIVITIES DEBT, CONTINUED

2016 Revenue Bond Payable

On November 17, 2015, the City authorized and provided for the issuance and sale of \$1,250,000 principal amount of City of Nortonville, Kentucky Water System Revenue Bonds, Series 2016. The purpose of the issuance was for financing the cost of the construction of extensions, additions and improvements to the existing combined and consolidated waterworks and sewer system. The bonds bear interest at a rate not to exceed 2.50% per annum. Annual principal payments are due on January 1 and semi-annual interest payments on January 1 and July 1. Amounts representing interest paid totaled \$18,249.

First United Bank and Trust Company

In December 2020, the City obligated itself for a loan in the amount of \$107,995 with First United Bank and Trust Company to refinance a loan at Independence Bank of Kentucky to repair the sewer system. The note bears interest at 2.50% and calls for 88 monthly principal and interest payments of \$1,347. Interest paid during the year ended June 30, 2025 was \$1,324.

Maturities of the loan obligation as of June 30, 2025 are:

Notes from Direct Borrowings			
<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2026	\$ 15,220	\$ 943	\$ 16,163
2027	15,610	553	16,163
2028	13,316	156	13,472
2029	-	-	-
2030	-	-	-
Total	<u>\$ 44,146</u>	<u>\$ 1,652</u>	<u>\$ 45,798</u>

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

9. GOVERNMENT WIDE ACTIVITIES DEBT, CONTINUED

The following is a summary of the changes in long-term debt for the year ended June 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities					
Net Pension Liability	\$ 195,622	\$ (22,453)	\$ -	\$ 173,169	\$ -
Accrued Vacation and Sick Pay	3,929	5,223	5,927	3,225	-
Total Governmental Activities	\$ 199,551	\$ (17,230)	\$ 5,927	\$ 176,394	\$ -
Business-Type Activities					
1995 Revenue Bonds Payable	\$ 201,000	\$ -	\$ 14,500	\$ 186,500	\$ 15,500
2013 Revenue Bonds Payable	2,088,334	-	100,000	1,988,334	102,083
2016 Revenue Bonds Payable	1,099,000	-	24,000	1,075,000	24,500
Less Unamortized Bond Discount	(37,509)	-	(2,344)	(35,165)	-
Notes from Direct Borrowings	58,986	-	14,840	44,146	15,220
Net Pension Liability	319,174	-	36,635	282,539	-
Accrued Vacation and Sick Pay	8,867	12,309	13,739	7,437	-
Total Business-Type Activities	\$ 3,737,852	\$ 12,309	\$ 201,370	\$ 3,548,791	\$ 157,303

Annual principal and interest requirements of the revenue bonds payable as of June 30, 2025 are:

Bonds Payable				
Year Ended June 30,	Principal	Interest	Fees	Total Debt Service
2026	\$ 142,083	\$ 112,493	\$ 5,671	\$ 260,247
2027	148,083	107,322	5,421	260,826
2028	154,083	101,920	5,166	261,170
2029	161,083	96,228	4,898	262,210
2030	167,083	90,197	4,618	261,898
2031 - 2035	953,084	348,454	18,425	1,319,964
2036 - 2040	887,833	151,955	9,173	1,048,961
2041 - 2045	186,000	48,799	423	235,222
2046 - 2050	210,000	33,313	-	243,313
2051 - 2055	240,500	15,795	-	256,295
Total	\$ 3,249,834	\$ 1,106,476	\$ 53,795	\$ 4,410,105

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

9. GOVERNMENT WIDE ACTIVITIES DEBT, CONTINUED

Kentucky statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the value of the taxable property therein, to be estimated by the last assessment before the incurring of the indebtedness, unless in case of emergency, the public health, or safety should so require. The current debt limit for the City of Nortonville is approximately \$3,290,614, which is significantly more than the current outstanding general obligation debt of zero.

10. LITIGATION, CONTINGENCIES AND COMMITMENTS

Litigation

The City is unaware of any pending or threatened litigation or claims in which it is involved which would have a material effect on these primary government financial statements.

Contingencies

The City participates in a number of federal and state assisted grant programs, principal of which are the Municipal Road Aid and the Local Government Economic Aid. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2025, may not yet have been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City anticipates that any disallowed expenditures would be immaterial.

Commitments

At June 30, 2025, the City did not have any committed funds.

11. MAJOR CUSTOMER

Sewer Treatment Services

In November 1994, the City entered into a long-term contract to provide sewer treatment services to the City of Mortons Gap. The term of the agreement is for 45 years, with amendments possible upon the consent of both parties. The City bills the City of Mortons Gap monthly for the sewer treatment. Total sales to the City of Mortons Gap for the year ended June 30, 2025, were \$277,466. This amount constitutes 37% of the total revenue.

In January 2020, the City entered into a long-term contract to provide sewer treatment services to the City of White Plains. The term of the agreement is for 10 years, with amendments possible upon the consent of both parties. The City bills the City of White Plains monthly for the sewer treatment. Total sales to the City of White Plains for the year ended June 30, 2025, were \$143,084. This amount constitutes 19% of the total revenue.

12. EMPLOYEE'S RETIREMENT PLAN County Employees' Retirement System

Plan Description

The City of Nortonville, Kentucky is a participant in the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement Systems Board of Trustees (KRS Board) established pursuant to Kentucky Revised Statutes (KRS) Section 78.630. KRS Section 61.645 grants the authority to establish and amend the benefit terms to the KRS Board. All City employees participating in the CERS are classified as having either a hazardous or nonhazardous position for the purpose of KRS 61.592. Kentucky Public Pensions Authority issues a publicly available comprehensive annual financial report containing CERS information that can be obtained at <https://kyret.ky.gov>.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

12. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

Benefits Provided

CERS provides retirement, health insurance, death and disability benefits to plan employees and beneficiaries. Employers are vested in the plan after five years' service. For retirement purposes, non-hazardous and hazardous employees are grouped into three tiers, based on hire date.

Non-hazardous members:

Tier 1	Participation Date	Prior to September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	Minimum 5 years of service and 55 years old Minimum 25 years of service and any age
Tier 2	Participation Date	September 1, 2008 and December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Minimum 10 years of service and 60 years old
Tier 3	Participation Date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Not available

Contributions

State statute required active members to contribute a percentage of creditable compensation based on the tier:

Required Contributions	
Tier 1	5%
Tier 2	5% plus 1% for insurance
Tier 3	5% plus 1% for insurance

Employers are required by state statute (KRS 78.545) to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the KRS Board annually based upon actuarial valuations. For the year ended June 30, 2025, the employer contribution rate was 19.71% of members' nonhazardous salaries. The employer contribution when combined with employee contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City's employer contribution requirements and amounts contributed to CERS for the year ended June 30, 2025 were \$42,991. Of this amount, \$42,991 is considered contributed to the pension requirement and zero is considered contributed to the health insurance requirement.

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

At June 30, 2025, the City reported a net pension liability of \$455,708 for its proportionate share of the CERS 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, using generally accepted actuarial principles. The City's proportion of the net pension liability was determined using the City's actual contributions for the year ended June 30, 2024. This method is expected to be reflective of the City's long-term contribution effort. For the year ended June 30, 2024, the City's proportion was 0.007620% for nonhazardous classified employees. The City's proportionate share decreased 0.000403% from the prior year.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

12. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

For the year ended June 30, 2025, the City recognized pension expense of \$33,586. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 22,058	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	29,300
Changes of assumptions	-	20,589
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,807	18,438
Contributions subsequent to the measurement date	<u>42,991</u>	<u>-</u>
Total	<u>\$ 79,856</u>	<u>\$ 68,327</u>

Deferred Outflows of Resources

The \$42,991 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following measurement year.

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>Year Ended June 30,</u>	<u>Amortization/(Accretion) Deferred Outflows (Inflows)</u>
2026	\$ (14,959)
2027	1,289
2028	(11,263)
2029	(6,529)
2026	<u>-</u>
Total	<u>\$ (31,462)</u>

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

12. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2024 actuarial valuation was based on an actuarial valuation date of June 30, 2023. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2024, using generally accepted actuarial principles.

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Payroll growth rate	2.00% for CERS nonhazardous
Salary increases	3.30% to 10.30%, for nonhazardous members, varies by service
Investment rate of return	6.50% for CERS nonhazardous

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

Long-Term Rate of Return

The long-term expected rate of return on plan assets is reviewed as part of the regular experience studies prepared every five years. The long-term (10-year) expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return are developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

12. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate</u>
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
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%

Discount Rate

The projection of cash flows used to determine the discount rate of 6.50% for the total pension liability for CERS non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018) over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

12. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

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

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

Non-Hazardous	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
City's Proportionate Share of Net Pension Liability	\$ 587,482	\$ 455,708	\$ 346,370

Payables to the Pension Plan

At June 30, 2025, the City had paid its contractually required employee and employer contributions primarily for the month ended June 30, 2025 within prescribed time limits.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement System Comprehensive Annual Financial Report.

Other Post Employment Benefit Plan (OPEB)

Plan Description

The City is a participant in the Commonwealth of Kentucky's County Employees' Retirement System (CERS), a cost-sharing multiple-employer defined benefit other postemployment benefit plan (OPEB) administered by the Kentucky Public Pensions Authority (KPPA). The KPPA is the successor to the Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute Section 61.645 as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the CERS to a separate nine member board of trustees. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available annual comprehensive financial report containing CERS information that can be obtained at <https://kyret.ky.gov>.

The CERS Non-hazardous Insurance Funds is a cost-sharing multiple-employer defined benefit OPEB plan that covers substantially all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the System. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

12. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

Contributions

Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. As of June 30, 2025, the employer contribution rate was 0% of members' nonhazardous salaries. The City contributed zero to nonhazardous or 100% of the required contribution to the insurance fund for the year ended June 30, 2025.

Employees hired after September 1, 2008 are required to contribute an additional 1% of their covered payroll to the insurance fund. Contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h). These members are classified in the Tier 2/Tier 3 structure of benefits and the 1% contribution to 401(h) account is non-refundable.

OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2025, the City reported a net OPEB liability (asset) of (\$13,195) for its proportionate share of the CERS net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2023, rolled-forward to June 30, 2024, using generally accepted actuarial principles. The City's proportion of the net OPEB liability (asset) was determined using the City's actual contributions for the plan year ended June 30, 2024. This method is expected to be reflective of the City's long-term contribution effort. At June 30, 2024, the City's proportion was 0.007628% for nonhazardous classified employees. The City's proportionate share decreased 0.000395% from the prior year.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

12. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

For the year ended June 30, 2025, the City recognized OPEB revenue of \$19,359. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,321	\$ 103,818
Net difference between projected and actual investment earnings on pension plan investments	-	12,042
Changes of assumptions	11,955	9,310
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,337	6,508
Contributions subsequent to the measurement date	3,576	-
Total	\$ 39,189	\$ 131,678

The \$3,576 deferred outflows of resources resulting from the City's contributions subsequent to the measurement date and the June 30, 2025 implicit subsidy will be recognized as a reduction (increase) of the net OPEB liability in the following measurement year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amortization/(Accretion) Deferred Outflows (Inflows)
2026	\$ (33,941)
2027	(31,929)
2028	(28,055)
2029	(2,140)
2026	-
Total	\$ (96,065)

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

12. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

Actuarial assumptions

The total OPEB liability, net OPEB liability, and sensitivity information in the June 30, 2024 actuarial valuation was 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 ending June 30, 2024, using generally accepted actuarial principles. The single discount rates used to calculate the total OPEB liability within each fund changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2022 valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Inflation	2.50%
Salary increases	3.30% to 10.30%, CERS non-hazardous, varies by service
Payroll growth rate	2.00%, CERS non-hazardous
Investment rate of return	6.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Post-65	Initial trend starting at 8.00% in 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the non-hazardous plans projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 disabled mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using base year of 2010.

The total other post-employment benefits liability in the June 30, 2024 actuarial valuation was determined using the above actuarial assumptions, applied to all periods included in the measurement.

Long-Term Expected Rate of Return

The long-term (10-year) expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The current long-term inflation assumption is 2.50% per annum.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

12. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

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

Asset Class	Target Allocation	Long-Term Expected Nominal Rate
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
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%

Single Discount Rate

The single discount rates of 5.99% (5.93% in the prior plan year) for CERS Non-hazardous based on the long-term expected rate of return on OPEB plan investments of 6.50% and a long-term 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 ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all period of the projected benefit payments paid from the plan. However, the cost associated with the implicit subsidy was not included in the calculation of the plan's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the 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 for each plan must include an assumption regarding actual employer contributions made each year. Except where noted below, future contributions are projected assuming that each participating employer in each pension plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employee contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

12. EMPLOYEE'S RETIREMENT PLAN, CONTINUED

Implicit Subsidy

The fully-insured premiums KPPA pays for the KERS, CERS, and SPRS Health Insurance Plans are blended rates based on the combined experience of active and retired members. Since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. Participating employers should adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes. This adjustment is needed for contributions made during the measurement period and for the purpose of deferred outflows related to contributions made after the measurement date. The City's implicit subsidy for the year ended June 30, 2024 was \$3,589 and is expected to be \$3,577 for the year ending June 30, 2025.

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate of percent, as well as what the plan's net position liability would be if it were calculated using a discount rate that is one percentage point lower (4.99%) or one percentage point higher (6.99%) than the current rate (5.99%):

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Non-Hazardous	(4.99%)	(5.99%)	(6.99%)
City's Net Other Post-Employment Benefits Liability	\$ 17,841	\$ (13,195)	\$ (39,290)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the City's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates (see details in Actuarial Assumptions above), as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
City's Net Other Post-Employment Benefits Liability	\$ (31,745)	\$ (13,195)	\$ 8,415

Payables to the OPEB Plan

At June 30, 2025, the City had paid its contractually required employee and employer contributions primarily for the month ended June 30, 2025, within prescribed time limits.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2025

13. TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE BALANCES

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Similar activities in which a component unit is a party are captioned as “receivables/payables” for both the current and non-current portions between a component unit and the primary government. Balances to which a fiduciary fund is a party are treated as “external” receivables and payables.

Primary government interfund receivable / payable balances for operating expenses at June 30, 2025 were:

	Interfund Receivable	Interfund Payable	Net
General Fund	\$ 41,640	\$ 18,569	\$ 23,071
Sewer Enterprise Fund	59,238	41,640	17,598
Water Enterprise Fund	10,822	51,491	(40,669)
	\$ 111,700	\$ 111,700	\$ -

14. IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 101, Compensated Absences

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022 and is effective for fiscal years beginning after December 15, 2023. This statement’s objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The City’s compensated absences have been accrued according to the guidelines.

GASB Statement No. 102, Certain Risk Disclosures

GASB Statement No. 102, *Certain Risk Disclosures*, was issued in December 2023, and is effective for fiscal years beginning after June 15, 2024. This statement’s objective is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The City’s management has evaluated the criteria for disclosure included in GASB Statement 102 and made disclosures as necessary.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTONVILLE, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budget		Actual Amounts - Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
Insurance Premium Taxes	\$ 177,551	\$ 177,551	\$ 173,712	\$ (3,839)
Property Taxes	88,581	88,581	90,845	2,264
Occupational Taxes	71,500	71,500	86,306	14,806
Franchise Taxes	30,980	30,980	38,179	7,199
Other Taxes	26,305	26,305	3,359	(22,946)
Intergovernmental Revenue	5,836	5,836	6,309	473
Capital Grants	-	-	122,304	122,304
Public Safety	28,473	28,473	69,525	41,052
Other Revenues	7,615	7,615	6,981	(634)
Interest	7,571	7,571	10,854	3,283
Total Revenues	<u>444,412</u>	<u>444,412</u>	<u>608,374</u>	<u>163,962</u>
Expenditures				
General Government	348,783	348,783	242,653	106,130
Public Safety	44,230	44,230	32,187	12,043
Public Streets	26,850	26,850	24,727	2,123
Parks and Recreation	16,546	16,546	10,346	6,200
Library	3,054	3,054	4,057	(1,003)
Capital Outlay	10,000	10,000	255,453	(245,453)
Total Expenditures	<u>449,463</u>	<u>449,463</u>	<u>569,423</u>	<u>(119,960)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(5,051)</u>	<u>(5,051)</u>	<u>38,951</u>	<u>44,002</u>
Net Change in Fund Balance	<u>\$ (5,051)</u>	<u>\$ (5,051)</u>	<u>\$ 38,951</u>	<u>\$ 44,002</u>

CITY OF NORTONVILLE, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budget		Actual Amounts - Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental Revenue	\$ 34,175	\$ 34,175	\$ 28,244	\$ (5,931)
Other Revenues	15,392	15,392	11,338	(4,054)
Total Revenues	<u>49,567</u>	<u>49,567</u>	<u>39,582</u>	<u>(9,985)</u>
Expenditures				
Public Streets	39,000	39,000	-	39,000
Cemetery	5,516	5,516	4,558	958
Capital Outlay	-	-	26,810	(26,810)
Total Expenditures	<u>44,516</u>	<u>44,516</u>	<u>31,368</u>	<u>13,148</u>
Excess (Deficiency) of Revenues over Expenditures	<u>5,051</u>	<u>5,051</u>	<u>8,214</u>	<u>3,163</u>
Net Change in Fund Balance	<u>\$ 5,051</u>	<u>\$ 5,051</u>	<u>\$ 8,214</u>	<u>\$ 3,163</u>

**CITY OF NORTONVILLE, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEARS ENDED JUNE 30**

Non-Hazardous	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Net Pension Liability (Asset) for County Employee Retirement System	\$5,980,423,768	\$6,416,508,407	\$7,229,013,496	\$6,375,784,388	\$7,669,917,211	\$7,033,044,552	\$6,090,304,793	\$5,853,307,463	\$4,923,618,237	\$4,299,525,565
City's Proportion of the Net Pension Liability (Asset)	0.007620%	0.008023%	0.007303%	0.007358%	0.005146%	0.003795%	0.003879%	0.002310%	0.003788%	0.005113%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 455,708	\$ 514,796	\$ 527,934	\$ 469,258	\$ 394,692	\$ 266,904	\$ 236,243	\$ 135,211	\$ 186,501	\$ 219,858
City's Covered-Employee Payroll	\$ 218,118	\$ 236,388	\$ 232,900	\$ 192,112	\$ 198,541	\$ 135,972	\$ 95,738	\$ 96,746	\$ 56,250	\$ 89,228
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	208.93%	217.78%	226.68%	244.26%	198.80%	196.29%	246.76%	139.76%	331.56%	246.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%

**CITY OF NORTONVILLE, KENTUCKY
SCHEDULE OF REQUIRED CONTRIBUTIONS - PENSION
FOR THE YEARS ENDED JUNE 30**

Non-Hazardous	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 42,991	\$ 55,173	\$ 54,501	\$ 40,672	\$ 38,318	\$ 26,243	\$ 15,529	\$ 14,009	\$ 7,847	\$ 11,082
Contributions in Relation to the Contractually Required Contribution	<u>(42,991)</u>	<u>(55,173)</u>	<u>(54,501)</u>	<u>(40,672)</u>	<u>(38,318)</u>	<u>(26,243)</u>	<u>(15,529)</u>	<u>(14,009)</u>	<u>(7,847)</u>	<u>(11,082)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
City's Covered-Employee Payroll	\$ 218,118	\$ 236,388	\$ 232,900	\$ 192,112	\$ 198,541	\$ 135,972	\$ 95,738	\$ 96,746	\$ 56,250	\$ 89,228
Contributions as a Percentage of Covered-Employee Payroll	19.71%	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%

**CITY OF NORTONVILLE, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET
OTHER POST-EMPLOYMENT BENEFITS LIABILITY
FOR THE YEARS ENDED JUNE 30**

Non-Hazardous	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total Net Other Post-Employment Benefits Liability (Asset) for County Employee Retirement System	\$ (172,980,142)	\$ (138,066,692)	\$ 1,973,513,617	\$ 1,914,449,967	\$ 2,414,695,884	\$ 1,681,954,950	\$ 1,775,480,122	\$ 2,010,342,058	\$ 852,296,727
City's Proportion of the Net Other Post-Employment Benefits Liability (Asset)	0.007628%	0.008023%	0.007301%	0.007358%	0.005145%	0.003795%	0.003879%	0.002310%	0.003788%
City's Proportionate Share of the Net Other Post-Employment Benefits Liability (Asset)	\$ (13,195)	\$ (11,076)	\$ 144,088	\$ 140,867	\$ 124,238	\$ 63,830	\$ 68,871	\$ 46,439	\$ 32,285
City's Covered-Employee Payroll	\$ 218,118	\$ 236,388	\$ 232,900	\$ 192,112	\$ 198,541	\$ 135,972	\$ 95,738	\$ 96,746	\$ 56,249
City's Proportionate Share of the Net Other Post-Employment Benefits Liability (Asset) as a Percentage of Its Covered-Employee Payroll	-6.05%	-4.69%	61.87%	73.33%	62.58%	46.94%	71.94%	48.00%	57.40%
Plan Fiduciary Net Position as a Percentage of the Total Other Post-Employment Benefits Liability	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%	52.40%

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

CITY OF NORTONVILLE, KENTUCKY
SCHEDULE OF REQUIRED CONTRIBUTIONS - OTHER POST-EMPLOYMENT BENEFITS
FOR THE YEARS ENDED JUNE 30

Non-Hazardous	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution (Implicit Subsidy Omitted)	\$ -	\$ -	\$ 7,895	\$ 11,102	\$ 9,451	\$ 6,472	\$ 5,207	\$ 4,547	\$ 2,661
Contributions in Relation to the Contractually Required Contribution	-	-	(7,895)	(11,102)	(9,451)	(6,472)	(5,207)	(4,547)	(2,661)
Contribution Deficiency (Excess)	<u>\$ -</u>								
City's Covered-Employee Payroll	\$ 218,118	\$ 236,388	\$ 232,900	\$ 192,112	\$ 198,541	\$ 135,972	\$ 95,738	\$ 96,746	\$ 56,259
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%

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

CITY OF NORTONVILLE, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

1. BUDGETARY INFORMATION

The City adopts a budget conforming with the requirements established by KRS 65A.020 annually prior to the start of the fiscal year to which the budget applies. Any amendments made during the year follow the same approval process that was used for the adoption of the original budget.

2. PENSION AND OPEB – CHANGES OF BENEFIT TERMS

Pension:

2009:

A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered structure for benefit accrual rates.
2. New retirement eligibility requirements.
3. Different rules for the computation of final average compensation.

2014:

A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

2018:

House Bill 185 was enacted, which updated benefit provisions for active members who die in the line of duty.

2019:

House Bill 1 passed during the 2019 legislative session and allowed certain agencies in the KERS nonhazardous plan to elect to cease participating in the fund as of June 30, 2020, under different provisions than were previously established. Senate Bill 249, passed during the 2020 legislative session, delayed the effective date of cessation for these provisions to June 30, 2021.

2020:

Senate Bill 249, passed during the 2020 legislative session, changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20 year amortization bases.

2021:

Senate Bill 169, enacted in 2021, increased the disability benefits for certain qualifying members who become totally and permanently disabled in the line of duty or as a result of a duty-related disability. House Bill 8, passed during the 2021 legislative session, changed how employer contributions are allocated and collected from the participating employer in the KERS nonhazardous plan.

2022:

There have been no significant changes since June 2021.

2023:

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member's monthly retirement allowance. Since

CITY OF NORTONVILLE, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

2. PENSION AND OPEB – CHANGES OF BENEFIT TERMS, CONTINUED

this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact to the total pension liability. House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis or in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total pension liability of the hazardous plan.

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

2024:

There have been no significant changes since June 2023.

This schedule is presented to illustrate the requirement to show information for 10 years.

OPEB:

2019:

House Bill 1 passed during the 2019 legislative session and allowed certain agencies in the KERS Nonhazardous plan to elect to cease participating in the fund as of June 30, 2020, under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021.

2020:

Senate Bill 249 passed during 2020 legislative session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20 year amortization bases.

2021:

Senate Bill 169, enacted in 2021, increased the disability benefits for certain qualifying members who become totally and permanently disabled in the line of duty or as a result of a duty-related disability. House Bill 8, passed during the 2021 legislative session, changed how employer contributions are allocated and collected from the participating employer in the KERS nonhazardous plan.

2022:

There have been no significant changes since June 2021.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

2. PENSION AND OPEB – CHANGES OF BENEFIT TERMS, CONTINUED

2023:

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member's monthly retirement allowance. Since this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact to the total pension liability. House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis or in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total pension liability of the hazardous plan.

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

2024:

There have been no changes that would materially impact the total pension liability or total OPEB asset since June 30, 2023.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled for other postemployment benefits, the City will present information for those years for which information is available.

3. PENSION AND OPEB – CHANGES OF ASSUMPTIONS

Pension:

2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table Projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

3. PENSION AND OPEB – CHANGES OF ASSUMPTIONS, CONTINUED

- The assumed rates of retirement, withdrawal and disability were updated to accurately reflect experience.

2016:

There have been no changes in actuarial assumptions since June 30, 2015.

2017:

The actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith Consulting. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017.

Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%, net of pension plan investment expense including inflation

2018:

There have been no changes in actuarial assumptions since June 30, 2017.

2019:

The assumed salary increases were increased to 3.30% to 11.55%, from 3.05% to 18.55%.

2020:

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

2021:

The assumed salary increases were increased to 3.30% to 10.30%, from 3.05% to 11.55%.

2022:

There have been no changes in actuarial assumptions since June 30, 2021.

2023:

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

Inflation	2.30%
Investment Rate of Return	6.50%, net of pension plan investment expense including inflation

2024:

There have been no changes in actuarial assumptions since June 30, 2023.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

3. PENSION AND OPEB – CHANGES OF ASSUMPTIONS, CONTINUED

OPEB:

2017:

The actuarial valuation was performed as of June 30, 2016. Gabriel Roeder Smith Retirement Consulting rolled forward from the valuation date to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total OPEB Liability and Net OPEB Liability as June 30, 2017. Specifically, a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

2018:

There have been no changes in actuarial assumptions since June 30, 2017.

2019:

The payroll growth rate was reduced to 2.0% from 4.0%.

The inflation rate was reduced to 2.30% from 3.25%.

The investment rate of return was reduced to 6.25% from 7.50%.

2020:

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

2021:

Salary increases were reduced to 3.30% to 10.30%, from 3.30% to 11.55%.

2022:

There have been no changes in actuarial assumptions since June 30, 2021.

2023:

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

Inflation 2.30%

Investment Rate of Return 6.50%, net of pension plan investment expense including inflation

2024:

There have been no changes in actuarial assumptions since June 30, 2023.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

4. PENSION AND OPEB – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARILY DETERMINED CONTRIBUTIONS

Pension:

The total pension liability, net pension liability and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date of June 30, 2020 to the plan's fiscal year ending June 30, 2021, using the generally accepted actuarial principles.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ended June 30, 2021:

Valuation Date	June 30, 2023
Experience Study	July 1, 2018 - June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Remaining Amortization Period	30 Year Closed Period at June 30, 2019 <i>Gains / Losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00% for CERS nonhazardous
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Mortality	System specific mortality tables based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023
Investment Rate of Return	6.50% for CERS nonhazardous
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS nonhazardous.

OPEB:

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2024, were based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled forward from the valuation date of June 30, 2022 to the plan's fiscal year ending June 30, 2024, using generally accepted actuarial principles.

CITY OF NORTONVILLE, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

4. PENSION AND OPEB – METHOD AND ASSUMPTIONS USED IN CLCULATIONS OF ACTUARILLY DETERMINED CONTRIBUTIONS, CONTINUED

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

Valuation Date	June 30, 2023
Experience Study	July 1, 2018 - June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Remaining Amortization Period	30 Year Closed Period at June 30, 2019 <i>Gains / Losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00% for CERS nonhazardous
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Mortality	System specific mortality tables based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023
Investment Rate of Return	6.50% for CERS nonhazardous
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS nonhazardous.



**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 Mayor and Members of the City Council
City of Nortonville, 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, the business-type activities, and each major fund of the City of Nortonville, 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 Nortonville, Kentucky's basic financial statements, and have issued our report thereon dated February 24, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Nortonville, Kentucky's internal control over financial reporting (internal control) as a basis for designing 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 Nortonville, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Nortonville, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

To the Mayor and Members of the City Council
City of Nortonville, Kentucky
February 24, 2026

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Calhoun & Company

Hopkinsville, Kentucky
February 24, 2026