CITY OF SOUTHGATE, KENTUCKY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2025

With

Independent Auditors' Report

CITY OF SOUTHGATE, KENTUCKY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2025

With

Independent Auditors' Report

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CITY OF SOUTHGATE, KENTUCKY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2025

With

Independent Auditors' Report

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CITY OF SOUTHGATE, KENTUCKY

LIST OF CITY OFFICIALS

Year Ended June 30, 2025

Mayor

Jim Hamberg

Council Members

Jackson Curry
Elizabeth Hartman
Paul Melville
Mark Messmer
Aileen Okura
Mike Lycans

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BRAMEL & ACKLEY, PSC

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council
City of Southgate, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Southgate, 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 Southgate, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Southgate, Kentucky as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Southgate, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Southgate, 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.

Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information of all major governmental funds, and the schedules for pension and other postemployment benefits plans, as listed in the table of contents, 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 or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Southgate, Kentucky's basic financial statements. The combining non-major governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances and the budgetary comparison schedules of the non-major governmental funds on pages 57 - 60 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2026, on our consideration of the City of Southgate, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Southgate, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Southgate, Kentucky's internal control over financial reporting and compliance.

Bramel & Ackley, P.S.C.

February 20, 2026

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of City of Southgate, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the City's basic financial statements.

USING THIS ANNUAL REPORT

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

Financial Highlights

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

Funds	FYE 2024 Amount	FYE 2025 Amount	Percentage Increase/ (Decrease)	Increase / (Decrease) From FYE 2024
General	$ 1,545,587	$ 2,008,599	29.96%	$ 463,012
Municipal Road Aid	130,028	8,762	(93.26%)	(121,266)
Community Center	5,363	14,823	176.39%	9,460
Special Projects	564,017	346,033	(38.65%)	(217,984)
Total Fund Balance	$ 2,244,995	$ 2,378,217	5.93%	$ 133,222

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Statement of Net Position and Activities

One of the most important questions asked about the City's finances is, "Is the City as a whole in a better or worse financial position as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question.

Government-Wide Statement of Net Position and Activities (Continued)

These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position as the difference between assets, what the citizens own, and liabilities, what the citizens owe. This is one way to measure the City's financial health, or *financial position*.

Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health is* improving or deteriorating. You will need to consider other factors also, such as changes in the City's property tax, gross receipts, payroll and insurance premium tax base, and the condition of the City's capital assets (roads, buildings, equipment and sidewalks) to assess the *overall health* of the City.

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

Fund Financial Statements

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

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

Government-Wide Change in Net Position

For the year ended June 30, 2025, net position for all of the governmental activities changed as follows:

	Governmental Activities
Beginning Net Position	$ 2,929,147
Increase in Net Position	166,593
Ending Net Position	$ 3,095,740

Government-Wide Statement of Net Position Summary

	Governmental Activities	
	2024	2025
Current Assets	$2,988,879	$2,729,354
Capital Assets, Net	4,212,481	4,144,886
Total Assets	$7,201,360	$6,874,240
Deferred Outflow of Resources	972,178	1,002,558
Total Assets and Deferred Outflows	$8,173,538	$7,876,798
Current Liabilities	$942,477	$575,031
Long Term Liabilities	3,644,756	3,551,254
Total Liabilities	$4,587,233	$4,126,285
Deferred Inflow of Resources	657,158	654,773
Total Liabilities and Deferred Inflows	$5,244,391	$4,781,058
Net Position	$2,929,147	$3,095,740

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The following schedule presents a summary of general and special revenues for all of the funds for the fiscal year ended June 30, 2025, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	FYE 2024 Amount	FYE 2025 Amount	Percentage Increase (Decrease)	Increase (Decrease) From FYE 2024
Property taxes	$ 1,355,563	$ 1,512,472	11.58%	$ 156,909
Franchise fees	116,255	140,278	20.66%	24,023
Telecommunications tax	49,285	49,303	0.04%	18
Payroll tax	921,532	988,820	7.30%	67,288
Insurance premium tax	585,611	663,645	13.33%	78,034
Licenses and permits	57,900	61,465	6.16%	3,565
Intergovernmental	234,089	201,373	(13.98%)	(32,716)
Fines, forfeitures, penalties	52,230	32,831	(37.14%)	(19,399)
Charges for services	343,309	354,243	3.18%	10,934
Investment income	80,156	82,045	2.36%	1,889
Loan proceeds	618,984	75,541	(87.80%)	(543,443)
Miscellaneous	7,211	19,605	171.88%	12,394
Gain on investments	46,441	48,734	4.94%	2,293
Total Revenue and Other Financing Sources	$ 4,468,566	$ 4,230,355	(5.33%)	$ (238,211)

Property tax revenue increased due to higher collections during the fiscal year. Fines, forfeitures, and penalties income declined as fewer fines were issued by the City. Loan proceeds decreased, reflecting only one new auto loan and no bond issuance during the year.

The following schedule presents a summary of general expenditures for all of the funds for the fiscal year ended June 30, 2025, and the amount and percentage of increases and decreases in relation to the prior year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Expenditures	FYE 2024 Amount	FYE 2025 Amount	Percentage Increase (Decrease)	Increase (Decrease) From FYE 2024
General Government	$ 390,784	$ 426,075	9.03%	$ 35,291
Police	1,247,259	1,492,262	19.64%	245,003
Fire/EMS	579,523	679,393	17.23%	99,870
Waste Collection	263,418	269,377	2.26%	5,959
Streets	281,290	202,210	(28.11%)	(79,080)
Garage	214,984	259,568	20.74%	44,584
Community Center	120,918	122,444	1.26%	1,526
Parks	120,346	109,024	(9.41%)	(11,322)
Capital Outlay	721,896	227,682	(68.46%)	(494,214)
Debt Service	264,104	309,098	17.04%	44,994
Bond Issuance Costs	13,472	-	(100%)	(13,472)
Total Expenditures and Other Financing Uses	$ 4,217,994	$ 4,097,133	(2.87%)	$ (120,861)

Police increased due to higher salaries, benefits, retirement costs, and equipment purchases. Fire/EMS rose as a result of increased contractual services. Streets decreased because fewer street projects were completed. Garage increased following the purchase of new equipment. Capital Outlay decreased due to a reduction in land and building improvement projects and infrastructure projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities	
	2024	2025
Land	$ 453,323	$ 453,323
Buildings	3,349,843	3,357,754
Land Improvements	161,645	161,645
Infrastructure	3,320,756	3,320,756
Equipment	892,404	465,962
Vehicles	637,886	677,971
Construction In Progress	50,792	300,324
Totals	$ 8,866,649	$ 8,737,735

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt

The City has $2,194,610 in outstanding debt at June 30, 2025, a 5.69% decrease from 2024 as detailed below:

	Governmental Activities	
	2024	2025
Firehouse note payable	$ 685,765	$ 631,184
Storm sewer note payable	95,376	64,998
Wesbanco Bank - 2020 vehicle loan	2,220	-
Wesbanco Bank - 2021 vehicle loan	31,349	15,952
Heritage Bank - 2022 vehicle loan	32,408	22,419
Heritage Bank - 2023 vehicle loan	61,406	47,649
Heritage Bank - 2023 vehicle loan	62,320	48,682
Heritage Bank - 2024 vehicle loan	-	65,809
Series 2018B revenue bond	444,583	419,583
Series 2021E revenue bond	366,667	346,667
Series 2024B revenue bond	545,000	531,667
Totals	$ 2,327,094	$ 2,194,610

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the city council revised the General Fund budget once. The budget amendment was made to increase the beginning fund balance to actual, to increase and decrease revenues and expenditures to more closely reflect the anticipated revenues and expenditures for the year.

Actual revenue came in higher than the amended budget by $269,562. Actual expenditures came in over the amended budget by $6,550. The City's General Fund ended the year with revenues exceeding expenditures and transfers by $463,012. $50,000 was transferred to the Municipal Road Aid Fund from the General Fund and $40,000 was transferred from the Community Center Fund to the General Fund.

GASB 68 PENSION AND GASB 75 OPEB LIABILITY RECOGNITION

The City is required, by Governmental Accounting Standards Board Statements No. 68 and 75, to display its proportionate share of the unfunded liability of the Kentucky Public Pensions Authority's County Employee Retirement System (CERS), a cost sharing multiple employer plan, in which the City is a participant. The net pension and OPEB liability ($1,580,538), the deferred outflow related to pension and OPEB plans ($1,002,558) and the deferred inflow related to pension and OPEB plans ($654,773) on the Statement of Net Position at June 30, 2025 are a function of this required reporting. Detailed information on this pension and OPEB recognition can be found in Notes G and H in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected officials consider many factors when setting the fiscal year 2026 budget. Some of the factors are the local economy, expected grant monies and anticipated tax revenues.

The City is allowed by law to set an ad valorem rate that will generate 4% more revenue than last year. The rate was set at 0.520 for fiscal year ended June 30, 2023, 0.525 for fiscal year ended June 30, 2024, and 0.524 for fiscal year ended June 30, 2025. The rate was set at 0.529 for the next fiscal year.

The rate for the firehouse loan was set at 0.5387 per hundred for the fiscal year ended June 30, 2016, and remained the same for fiscal years 2017 through 2025.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Director, Patty Edgley at (859) 441-0075 or at the city building at 122 Electric Avenue, Southgate, KY 41017.

CITY OF SOUTHGATE, KENTUCKY

STATEMENT OF NET POSITION

June 30, 2025

	Primary Government	
	Governmental Activities	
- ASSETS -		
Cash and cash equivalents		$ 1,737,208
Investments		624,676
Receivable:		
Property taxes		28,528
Other		337,926
Prepaid		1,016
Total current assets		2,729,354
Capital assets not being depreciated	$ 753,647	
Capital assets being depreciated	7,984,088	
Less: accumulated depreciation	(4,592,849)	
Net capital assets		4,144,886
Total assets		6,874,240
- DEFERRED OUTFLOWS OF RESOURCES -		
Deferred outflows related to pension and OPEB plans		1,002,558
Total deferred outflows of resources		1,002,558
- LIABILITIES -		
Accounts payable		36,951
Accrued liabilities		114,937
Deferred revenue		199,249
Notes payable due within one year		158,894
Bond payable due within one year		65,000
Notes payable due in more than one year		737,799
Bond payable due in more than one year		1,232,917
Net pension and OPEB liability		1,580,538
Total liabilities		4,126,285
- DEFERRED INFLOWS OF RESOURCES -		
Deferred inflows related to pension and OPEB plans		654,773
Total deferred inflows of resources		654,773
- NET POSITION -		
Net investment in capital assets		1,950,276
Restricted		125,312
Unrestricted		1,020,152
Total net position		$ 3,095,740

The accompanying notes are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary Government					
Governmental Activities					
Administration	$ 393,043	$ 28,672	$ 2,925	$ -	$ (361,446)
Police	1,487,481	1,200	64,090	-	(1,422,191)
Fire and EMS	714,351	-	-	-	(714,351)
Waste collection	269,377	276,266	-	-	6,889
Streets	539,855	-	80,670	1,888	(457,297)
Garage	224,589	-	-	-	(224,589)
Community Center	154,668	48,105	-	-	(106,563)
Parks	103,785	-	-	51,800	(51,985)
Interest on long-term debt	101,072	-	-	-	(101,072)
Total governmental activities	3,988,221	354,243	147,685	53,688	(3,432,605)
GENERAL REVENUES:					
Taxes:					
Property taxes					1,512,472
Franchise fees					140,278
Telecommunications taxes					49,303
Payroll license					988,820
Insurance premium taxes					663,645
Licenses and permits					61,465
Investment income					82,045
Fines, forefeitures, penalties					32,831
Gain on investments					48,734
Miscellaneous					10,595
Gain on disposal of capital assets					9,010
Total general revenues					3,599,198
Change in net position					166,593
NET POSITION, BEGINNING					2,929,147
NET POSITION, ENDING					$ 3,095,740

The accompanying notes are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2025

	General Fund	Special Revenue Funds: Special Projects Fund	Special Revenue Funds: Other Governmental Funds	Total Governmental Funds
- ASSETS -				
Cash and cash equivalents	$ 1,672,861	$ -	$ 64,347	$ 1,737,208
Investments	-	624,676	-	624,676
Receivables:				
Property taxes	28,528	-	-	28,528
Other	337,926	-	-	337,926
Prepaid	1,016	-	-	1,016
Due from other funds	307,228	-	-	307,228
Total assets	$ 2,347,559	$ 624,676	$ 64,347	$ 3,036,582
- LIABILITIES AND FUND BALANCES -				
LIABILITIES:				
Accounts payable	$ 36,390	$ -	$ 561	$ 36,951
Accrued liabilities	103,321	-	11,616	114,937
Deferred revenue	199,249	-	-	199,249
Due to other funds	-	278,643	28,585	307,228
Total liabilities	338,960	278,643	40,762	658,365
FUND BALANCES:				
Nonspendable	1,016	-	-	1,016
Restricted	125,312	-	-	125,312
Committed	180	-	-	180
Assigned	-	-	23,585	23,585
Unassigned	1,882,091	346,033	-	2,228,124
Total fund balances	2,008,599	346,033	23,585	2,378,217
Total liabilities and fund balances	$ 2,347,559	$ 624,676	$ 64,347	$ 3,036,582

The accompanying notes are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2025

Total fund balances - governmental funds		**$ 2,378,217**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:		
Cost of capital assets	8,737,735	
Accumulated depreciation	(4,592,849)	
		4,144,886
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension and OPEB liability	(1,580,538)	
Notes payable	(896,693)	
Bond payable	(1,297,917)	
		(3,775,148)
Deferred outflows and inflows of resources related to pension and OPEB plans are applicable to future periods and, therefore, are not reportable in the funds		
Deferred outflows of resources	1,002,558	
Deferred inflows of resources	(654,773)	
		347,785
Total net position - governmental activities		**$ 3,095,740**

The accompanying notes are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2025

		Special Revenue Funds		
	General Fund	Special Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	$ 1,512,472	$ -	$ -	$ 1,512,472
Franchise fees	140,278	-	-	140,278
Telecommunication tax	49,303	-	-	49,303
Payroll license	988,820	-	-	988,820
Insurance premium tax	663,645	-	-	663,645
Licenses and permits	61,465	-	-	61,465
Intergovernmental	73,234	-	82,558	155,792
Fines, forfeitures, penalties	32,831	-	-	32,831
KLEFPF income	45,581	-	-	45,581
Charges for services	306,138	-	48,105	354,243
Investment income	62,564	11,925	7,556	82,045
Miscellaneous	19,600	5	-	19,605
Total revenues	3,955,931	11,930	138,219	4,106,080
EXPENDITURES:				
Administration	416,075	10,000	-	426,075
Police	1,275,808	216,454	-	1,492,262
Fire and EMS	667,942	11,451	-	679,393
Waste collection	269,377	-	-	269,377
Streets	202,210	-	-	202,210
Garage	219,824	39,744	-	259,568
Community Center	122,338	-	106	122,444
Parks	108,025	999	-	109,024
Capital outlay	75,541	-	152,141	227,682
Debt service				
Principal	149,693	-	58,333	208,026
Interest	51,627	-	49,445	101,072
Total expenditures	3,558,460	278,648	260,025	4,097,133
OTHER FINANCING SOURCES (USES):				
Proceeds from loan	75,541	-	-	75,541
Gain on investments	-	48,734	-	48,734
Transfers in	40,000	-	50,000	90,000
Transfers out	(50,000)	-	(40,000)	(90,000)
Total other financing sources and uses	65,541	48,734	10,000	124,275
Net change in fund balances	463,012	(217,984)	(111,806)	133,222
FUND BALANCES, BEGINNING	1,545,587	564,017	135,391	2,244,995
FUND BALANCES, ENDING	$ 2,008,599	$ 346,033	$ 23,585	$ 2,378,217

The accompanying notes are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

Net change in fund balances - total governmental funds		**$**	**133,222**
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful remaining lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation exceeded capital outlay in the period:			
Capital outlays	332,985		
Depreciation expense	(400,579)		
			(67,594)
Proceeds from loan payable are reported as other financing sources in the governmental funds, but as a long-term liability in the Statetment of Net Position.			(75,541)
Repayment of loans payable principal are reported as expenditures in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.			208,026
City pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.			
City pension contributions	179,732		
Cost of benefits earned	(268,693)		
			(88,961)
City OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net OPEB liability is measured a year before the City's report date. OPEB expense, which is the change in the net OPEB liability adjusted for changes in deferred outflows and inflows of resources related to OPEB, is reported in the Statement of Activities.			
City OPEB contributions	6,970		
Cost of benefits earned	50,471		
			57,441
Change in net position - governmental activities		**$**	**166,593**

The accompanying notes are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2025

NOTE A – OVERVIEW OF ENTITY

The City of Southgate, Kentucky, was incorporated in 1907. The City operates under a Council-Mayor form of government as a home rule city under the Kentucky Revised Statutes. The City provides the following services: police, streets, and general administrative services. Fire protection, building permits/inspections, and waste collection are services contracted to other agencies.

Kentucky Revised Statutes and Ordinances of the City Council of the City of Southgate, Kentucky (City) designate the purpose, function and restrictions of the various funds. The financial statements included herein consist of the General, Municipal Road Aid, Community Center and Special Projects Funds.

Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Southgate, Kentucky.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. The City has no component units. The Southgate Public Property and Projects Corporation is included in the accompanying financial statements in the general fund.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Position and Activities) report information on all activities of the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The City has no business-type activities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Material revenues susceptible to accrual are generally payroll license fees, insurance premium taxes and grant revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Governmental Fund Types

The City reports the following governmental funds:

A. The General Fund is the main operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the City.
B. The Special Projects Fund is a major special revenue fund of the City.
C. The Municipal Road Aid Fund and Community Center Fund are nonmajor special revenue funds of the City.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City. The City is authorized by state statute to invest in:

- Obligations of the United States and of its agencies and instrumentalities
- Certificates of Deposit
- Banker's Acceptances
- Commercial Paper
- Bonds of Other State or Local Governments
- Mutual Funds

Investments

In accordance with GASB, investments held at year end are recorded at fair value based on quoted market prices.

Property Taxes and Tax Calendar

Property taxes are levied as of January 1 on property values assessed as of the same date. The taxes are billed on approximately October 1 and are due and payable on November 30. On December 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on December 1.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2025 are recorded as prepaid items.

Capital Assets

General capital assets are assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the governmental activities. Infrastructure, such as streets, sidewalks and storm sewers, including infrastructure acquired prior to the implementation of GASB 34 are capitalized. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at their acquisition value rather than fair value. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. The City maintains a capitalization threshold of five thousand dollars.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet.

The range of useful lives used for depreciation purposes for each capital asset class is as follows:

Buildings	50 years
Building Improvements	Remaining life of building
Public Domain infrastructure	15 years
Light vehicles	5 years
Heavy vehicles	10 years
Equipment	5 -15 years

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All annual appropriations continue in effect until a new budget is adopted.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest reported as expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kentucky Public Pensions Authority's (KPPA) 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits

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 Kentucky Public Pensions Authority Insurance Fund and additions to/deductions from KPPA's fiduciary net position have been determined on the same basis as they are reported by KPPA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it. At June 30, 2025 the liability for compensated absences is $35,911.

Unearned/Deferred Revenue

In the government-wide financial statements, unearned/deferred revenue represents the amount for which revenue recognition criteria have not been met. In subsequent periods, when the incurrence of qualifying expenditures has been made, the liability for the unearned revenues is removed and the revenue is recognized. In the governmental fund financial statements, revenues are deferred for amounts that are unearned or unavailable with 60 days of the fiscal year end.

Deferred Outflows of Resources

The City reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. Deferred outflows of resources reported in this year's financial statements relate to the City's pension plan and OPEB plan and include (1) differences between the expected and actual experience to the pension fund and OPEB fund, (2) changes in assumptions to the OPEB fund, (3) changes in the proportionate share of the City's contributions to the pension fund and OPEB fund and, (4) contributions made to the City's pension plan and OPEB plan between the measurement date of the net pension and OPEB liabilities and the end of the City's fiscal year. The deferred amount related to the differences between the expected and actual experience, changes of assumptions, and changes in the proportionate share of the City's contributions will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. Deferred outflows for pension and OPEB contributions will be recognized in the subsequent fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows of Resources

The City's statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources reported in this year's financial statements relate to the City's pension plan and OPEB plan and include (1) differences between the expected and actual experience to the OPEB fund, (2) changes in assumptions to the pension fund and OPEB fund, (3) changes to the net differences between projected and actual earnings on plan investments to the pension fund and OPEB fund and, (4) changes in the proportionate share of the City's contributions to the pension fund and OPEB fund. The deferred amount related to the differences between the expected and actual experience, changes of assumptions, and changes in the proportionate share of the City's contributions will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources (Continued)

The deferred amount related to the differences between projected and actual earnings on plan investments will be recognized over a closed five-year period beginning in the current reporting period. No deferred inflows of resources affect the governmental funds financial statements in the current year.

Net Position

Net position is the difference between assets and liabilities. Net investment in capital assets are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Unrestricted net position represents the net position available for future operations.

Fund Balance Policies

Fund balance of the governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

In the fund financial statements, government funds report components of fund balance as follows:

Nonspendable fund balances arise when resources cannot be spent because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by sources; such as federal or state government restrictions or the funds restricted by the will of the City's voters. These include residual balances from the Kentucky Municipal Road Aid Fund and the balance of cash and receivables from the Special Fire Tax.

Committed fund balances are amounts that can only be used for specific purposes as stipulated internally by the City Council. These items can only be changed or lifted by the Council taking the same formal action that imposed the restraint. These include residual balances from the balances of postage stamps held for sale to the public.

Assigned fund balances consist of funds that are set aside with the intent to be used for a specific purpose by the City's highest level of decision making authority or a body or official that has been given the authority to assign funds. These include balances from the Community Center Fund.

Unassigned fund balances consist of all residual funds not included in nonspendable, restricted, committed, or assigned fund balances.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenditures

Operating revenues and expenditures are reported by fund. It also includes all revenue and expenditures related to capital and related financing or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities. In the fund financial statements, governmental funds report expenditures of financial resources by function/department.

Interfund Transactions

Interfund services provided/used are accounted for as revenue, 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.

Use of Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, 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.

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1) In accordance with City ordinance, prior to May 31, the Mayor submits to the City Council a proposed operating budget on the modified accrual basis of accounting for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.

2) A public meeting is conducted to obtain citizen comment.

3) By July 1, the budget is legally enacted through passage of an ordinance.

4) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council explaining any variance from the approved budget.

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

5) Appropriations continue in effect until a new budget is adopted.

6) The City Council may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Council. The Council adopted one supplementary appropriation ordinance during the year. All appropriations lapse at fiscal year end.

NOTE D - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

The City's deposits and investments at June 30, 2025, consist of cash and cash equivalents. The City's deposits were partially secured by Federal Depository Insurance. Deposits in excess of the Federal Depository Insurance limit are to be collateralized with securities held by the bank, its trust department or by its agent, but not in the City's name. The carrying amount of the City's deposits with financial institutions at June 30, 2025 was $1,736,893 and the bank balance was $1,831,171. Federal Depository Insurance Corporation covered $250,000 of bank balances at each financial institution with the remainder having specific pledged collateral. At June 30, 2025, the City's cash balance was fully insured.

Custodial Credit Risk and Investment Policy

It is the policy of the City to invest public funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the City and conforming to all state statutes and City regulations governing the investments of public funds.

For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will be able to recover the value of its cash, investments or collateral securities that are in the possession of an outside party. All deposits and investments are made in accordance with state statutes.

NOTE E - CAPITAL ASSETS AND LEASES

Capital asset activity for the fiscal year ended June 30, 2025 was as follows:

	Balance at June 30, 2024	Additions	Deductions	Balance at June 30, 2025
Capital Assets Not Depreciated				
Land	$ 453,323	$ -	$ -	$ 453,323
Construction in Progress	50,792	249,532	-	300,324
Total Capital Assets Not Being Depreciated	504,115	249,532	-	753,647
Depreciable Capital Assets				
Infrastructure	3,320,756	-	-	3,320,756
Buildings	3,349,843	7,912	-	3,357,755
Land Improvements	161,645	-	-	161,645
Equipment	892,404	-	(426,442)	465,962
Vehicles	637,886	75,541	(35,457)	677,970
Total Depreciable Capital Assets	8,362,534	83,453	(461,899)	7,984,088
Total Capital Assets at Historical Cost	8,866,649	332,985	(461,899)	8,737,735
Less Accumulated Depreciation				
Infrastructure	1,720,275	207,008	-	1,927,283
Buildings	1,770,679	74,111	-	1,844,790
Land Improvements	33,062	12,645	-	45,707
Equipment	738,479	39,228	(426,442)	351,265
Vehicles	391,673	67,588	(35,457)	423,804
Total Accumulated Depreciation	4,654,168	400,580	(461,899)	4,592,849
Depreciable Capital Assets, Net	3,708,366	(317,127)	-	3,391,239
Total Capital Assets, Net	$ 4,212,481	$ (67,595)	$ -	$ 4,144,886

Depreciation was charged to functions as follows.

Governmental Activities	Amount
Administration	$ 15,298
Fire and EMS	34,958
Police	59,276
Streets	207,008
Garage	35,690
Park	14,701
Community Center	33,649
Total Depreciation	$ 400,580

NOTE E - CAPITAL ASSETS AND LEASES (CONTINUED)

In August 2020, the City entered into an operating lease agreement for two copiers for sixty months at $186 per month. The lease expires July 2025. Future minimum lease payments are as follows:

Year Ending June 30,	
2026	$ 186
	$ 186

NOTE F – LONG-TERM DEBT

Storm Sewer Loan

On April 2, 2007, the City entered into a loan agreement with the Kentucky League of Cities for replacement of a collapsed storm sewer. The debt proceeds are held in an acquisition trust account at U.S. Bank in Louisville, Kentucky. The City began making monthly payments in May 2007. The debt has a variable interest rate and matures in May of 2027. City assets act as collateral for the loan. The balance outstanding at June 30, 2025 is $64,998. The remaining maturities on the loan are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	$ 31,772	$ 1,830	$ 33,602
2027	33,226	790	34,016
Total	$ 64,998	$ 2,620	$ 67,618

Firehouse Loan

On June 11, 2009, the City entered into a loan agreement with the Kentucky League of Cities to construct, equip, and maintain a firehouse and related facilities in the City of Southgate. All rights, title, and interest of the City has been assigned to U.S. Bank in Louisville, Kentucky, as trustee under a Trust Indenture dated as of December 1, 2008. The City began making monthly payments in July 2009. The debt has an interest rate of 3.98% and matures on June 1, 2034. The building acts as collateral for the loan. The balance outstanding at June 30, 2025 is $631,184. The remaining maturities on the loan are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	$ 57,298	$ 31,805	$ 89,103
2027	60,152	27,135	87,287
2028	63,140	24,157	87,297
2029	66,284	21,018	87,302
2030	69,583	17,727	87,310
Thereafter	314,727	34,583	349,310
Total	$ 631,184	$ 156,425	$ 787,609

NOTE F – LONG-TERM DEBT (CONTINUED)

2021 WesBanco Bank Loan

On July 28, 2021, the City entered into a loan agreement with WesBanco Bank in the amount of $73,616 to purchase two police cruisers. The term of the loan is 60 months with monthly payments of $1,377. The debt has an interest rate of 4.580% and matures in July of 2026. The vehicles act as collateral for the loan. The balance outstanding at June 30, 2025 is $15,952. The remaining maturities on the loan are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	$ 15,952	$ 471	$ 16,423
Total	$ 15,952	$ 471	$ 16,423

2022 Heritage Bank Loan

On July 11, 2022, the City entered into a loan agreement with Heritage Bank in the amount of $50,257 to purchase a public works truck. The term of the loan is 60 months with monthly payments of $944. The debt has an interest rate of 4.750% and matures in July of 2027. The vehicle acts as collateral for the loan. The balance outstanding at June 30, 2025 is $22,419. The remaining maturities on the loan are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	$ 10,529	$ 854	$ 11,383
2027	11,008	325	11,333
2028	882	3	885
Total	$ 22,419	$ 1,182	$ 23,601

2023 Heritage Bank Loan

On June 21, 2023, the City entered into a loan agreement with Heritage Bank in the amount of $74,228 to purchase a public works truck. The term of the loan is 60 months with monthly payments of $1,475. The debt has an interest rate of 7.050% and matures in June of 2028. The vehicle acts as collateral for the loan. The balance outstanding at June 30, 2025 is $47,649. The remaining maturities on the loan are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	$ 14,826	$ 2,878	$ 17,704
2027	15,906	1,798	17,704
2028	16,917	740	17,657
Total	$ 47,649	$ 5,416	$ 53,065

NOTE F – LONG-TERM DEBT (CONTINUED)

2023 Heritage Bank Loan

On July 19, 2023, the City entered into a loan agreement with Heritage Bank in the amount of $73,984 to purchase a public works truck. The term of the loan is 60 months with monthly payments of $1,469. The debt has an interest rate of 7.000% and matures in July of 2028. The vehicle acts as collateral for the loan. The balance outstanding at June 30, 2025 is $48,682. The remaining maturities on the loan are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	$ 14,694	$ 2,932	$ 17,626
2027	15,756	1,870	17,626
2028	16,896	730	17,626
2029	1,336	7	1,343
Total	$ 48,682	$ 5,539	$ 54,221

2024 Heritage Bank Loan

On September 19, 2024, the City entered into a loan agreement with Heritage Bank in the amount of $75,541 to purchase a truck. The term of the loan is 60 months with monthly payments of $1,499. The debt has an interest rate of 7.000% and matures in September of 2029. The vehicle acts as collateral for the loan. The balance outstanding at June 30, 2025 is $65,809. The remaining maturities on the loan are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	$ 13,823	$ 4,168	$ 17,991
2027	14,823	3,168	17,991
2028	15,894	2,097	17,991
2029	17,043	948	17,991
2030	4,226	47	4,273
Total	$ 65,809	$ 10,428	$ 76,237

NOTE F – LONG-TERM DEBT (CONTINUED)

2018 Kentucky Bond Corporation - Lease Agreement

On August 2, 2018, the City entered into a lease agreement with the Kentucky Bond Corporation (KBC) in the amount of $575,000 to finance various road improvement projects. The lease agreement with the Kentucky Bond Corporation specifies monthly principal, interest and expense requirement payments in the amount in effect on the first day of each fiscal year as stated in the agreement.

The debt service is as follows:

Fiscal Year Ending June 30,	Interest Rate	Principal	Interest	Total Debt Service
2026	4.400%	$ 25,000	$ 15,329	$ 40,329
2027	4.400%	27,083	14,454	41,537
2028	4.400%	30,000	13,506	43,506
2029	4.400%	30,000	12,456	42,456
2030	4.400%	30,000	11,406	41,406
2031-2035	4.400%	174,166	39,816	213,982
2036-2038	4.400%	103,334	8,050	111,384
Total		$ 419,583	$ 115,017	$ 534,600

2021 Kentucky Bond Corporation – Lease Agreement

On October 20, 2021, the City entered into a lease agreement with the Kentucky Bond Corporation (KBC) in the amount of $410,000 to finance the acquisition of improvements to the City's municipal streetscapes. The lease agreement with the Kentucky Bond Corporation specifies monthly principal, interest and expense requirement payments in the amount in effect on the first day of each fiscal year as stated in the agreement.

The debt service is as follows:

Fiscal Year Ending June 30,	Interest Rate	Principal	Interest	Total
2026	2.000%	$ 20,000	$ 8,656	$ 28,656
2027	2.000%	20,000	8,206	28,206
2028	2.000%	20,000	7,756	27,756
2029	2.000%	20,000	7,306	27,306
2030	2.000%	20,000	6,856	26,856
2031-2035	2.000% - 2.075%	107,083	27,484	134,567
2036-2040	2.075% - 2.313%	125,000	13,732	138,732
2041	2.313%	14,584	646	15,230
Total		$ 346,667	$ 80,642	$ 427,309

NOTE F – LONG-TERM DEBT (CONTINUED)

2024 Kentucky Bond Corporation – Lease Agreement

On June 26, 2024, the City entered into a lease agreement with the Kentucky Bond Corporation (KBC) in the amount of $545,000 to finance the acquisition of improvements to the City's municipal streetscapes. The lease agreement with the Kentucky Bond Corporation specifies monthly principal, interest and expense requirement payments in the amount in effect on the first day of each fiscal year as stated in the agreement.

The debt service is as follows:

Fiscal Year Ending June 30,	Interest Rate	Principal	Interest	Total
2026	4.250%	$ 20,000	$ 23,146	$ 43,146
2027	4.250%	20,000	22,296	42,296
2028	4.250%	20,000	21,446	41,446
2029	4.250%	20,000	20,596	40,596
2030	4.250%	22,083	19,746	41,829
2031-2035	4.250%	132,083	83,323	215,406
2036-2040	4.250%	162,083	52,829	214,912
2041-2044	4.250%	135,418	15,627	151,045
Total		$ 531,667	$ 259,009	$ 790,676

Summary of General Long-Term Debt

The following is a summary of the City's long-term debt transactions for the year ended June 30, 2025:

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Amounts Due Within One Year
Firehouse	$ 685,765	$ -	$ (54,581)	$ 631,184	$ 57,298
Storm Sewer	95,376	-	(30,378)	64,998	31,772
WesBanco Bank loan - 2020	2,220	-	(2,220)	-	-
WesBanco Bank loan - 2021	31,349	-	(15,397)	15,952	15,952
Heritage Bank loan - 2022	32,408	-	(9,989)	22,419	10,529
Heritage Bank loan - 2023	61,406	-	(13,757)	47,649	14,826
Heritage Bank loan - 2023	62,320	-	(13,638)	48,682	14,694
Heritage Bank loan - 2024	-	75,541	(9,732)	65,809	13,823
Series 2018B Revenue bond	444,583	-	(25,000)	419,583	25,000
Series 2021E Revenue bond	366,667	-	(20,000)	346,667	20,000
Series 2024B Revenue bond	545,000	-	(13,333)	531,667	20,000
Total Debt	$ 2,327,094	$ 75,541	$ (208,025)	$ 2,194,610	$ 223,894

NOTE G – EMPLOYEE'S PENSION PLAN

General Information about the Pension Plan

Plan description. Employees of the City are provided with pensions through the County Employees Retirement System (CERS)—a cost-sharing multiple-employer defined benefit pension plan. Per Kentucky Revised Statute Section 78.782 and 61.505, the Kentucky Public Pensions Authority (KPPA) oversees the administration and operation of the personnel and accounting systems for the CERS. KPPA issues a publicly available financial report that can be obtained at https://kyret.ky.gov

Benefits provided. CERS provides retirement, disability, and death benefits. Retirement benefits are calculated based on a formula (final compensation times a benefit factor times years of service) and may be extended to beneficiaries of plan members under certain circumstances. Disability benefits are determined in a similar manner as retirement benefits, but vary based upon hire date, age and years of service. Death benefits vary based upon whether the employee was retired or working at the date of death and whether or not it was a duty-related death.

For retirement purposes, non-hazardous duty employees are grouped into three tiers, based on their hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced Retirement	27 years service or 65 years old
	Reduced Retirement	At least 5 years service and 55 years old, or At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced Retirement	At least 5 years service and 65 years old, or Age 57+ and sum of service years plus age equal 87
	Reduced Retirement	At least 10 years service and 60 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced Retirement	At least 5 years service and 65 years old, or Age 57+ and sum of service years plus age equal 87
	Reduced Retirement	Not available

For retirement purposes, hazardous duty employees are grouped into three tiers, based on their hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced Retirement	A least one month service and 55 years old, or At least 20 years service and any age
	Reduced Retirement	At least 15 years service and 50 years old
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced Retirement	At least 5 years service and 60 years old, or At least 25 years service and any age
	Reduced Retirement	At least 15 years service and 50 years old

NOTE G – EMPLOYEE'S PENSION PLAN (CONTINUED)

Tier 3	Participation date	On or after January 1, 2014
	Unreduced Retirement	At least 5 years service and 60 years old, or At least 25 years service and any age
	Reduced Retirement	Not available

Employees are vested in the plan after five years of service. Cost of living adjustments are provided at the discretion of the Kentucky General Assembly. No COLA has been granted since July 1, 2011.

Contributions. Kentucky Revised Statute Section 78.635 grants the authority to establish and amend the benefit terms to the CERS Board of Trustees (the Board). Tier 1 non-hazardous employees are required to contribute 5% of their annual creditable compensation and Tier 1 hazardous employees are required to contribute 8% of their annual creditable compensation. Tier 2 and 3 non-hazardous employees are required to contribute 5% of their annual creditable compensation plus an additional 1% of creditable compensation which is credited to the Insurance Fund. Tier 2 and 3 hazardous employees are required to contribute 8% of their annual creditable compensation plus an additional 1% of creditable compensation which is credited to the Insurance Fund. Employers contribute at the rate determined by the Board. The actuarially determined rates set by the Board for the year ended June 30, 2025 for non-hazardous employees was 19.71%, all of which was for the pension fund. The actuarially determined rates set by the Board for the year ended June 30, 2025 for hazardous employees was 38.61%, of which 36.49% was for the pension fund and 2.12% was for the insurance fund. Contributions to the pension plan from the City were $179,913 for the year ended June 30, 2025. The non-hazardous contribution was $59,928 and the hazardous contribution was $119,985.

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

At June 30, 2025, the City reported a liability of $1,546,679 for its proportionate share of the net pension liability. The non-hazardous portion of the net pension liability was $513,659 and the hazardous portion was $1,033,020. The net pension liability was based on an actuarial valuation performed on June 30, 2023. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2024, using generally accepted actuarial principles. There have been no actuarial assumption or method changes since June 30, 2023. The City's proportionate share of the net pension liability was determined using the City's actual contributions for the fiscal year ending June 30, 2024. This method was expected to be reflective of the City's long-term contribution effort. At June 30, 2024, the City's proportion was 0.008589% for non-hazardous and 0.040164% for hazardous, a decrease of 0.001359 % and increase of 0.008686% from its proportion measured, respectively, as of June 30, 2023.

For the year ended June 30, 2025, the City recognized pension expense of $268,693. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE G – EMPLOYEE'S PENSION PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 91,985	$ -
Changes of assumptions	-	81,509
Net difference between projected and actual earnings on plan investments	-	88,160
Changes in proportion and differences between City contributions and proportionate share of contributions	473,025	58,787
City contributions subsequent to the measurement date	179,913	-
	$ 744,923	$ 228,456

The $179,913 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	$ 147,939
2027	149,754
2028	52,316
2029	(13,454)
	$ 336,555

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.30% to 10.30%, varies by service for Non-Hazardous 3.55% to 19.05%, varies by service for Hazardous
Payroll growth rate	2.00%
Investment rate of return	6.50%

NOTE G – EMPLOYEE'S PENSION PLAN (CONTINUED)

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

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period ending June 30, 2023.

Changes of assumptions. Since the prior measurement date, there were no changes in assumptions.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed 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). The discount rate determination does not use a municipal bond rate.

Long-Term Expected Rate of Return. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Expected Real return	100%	4.69%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		7.19%

NOTE G – EMPLOYEE'S PENSION PLAN (CONTINUED)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability, calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Non-hazardous	$ 662,190	$ 513,659	$ 390,417
Hazardous	$ 1,329,906	$ 1,033,020	$ 790,630

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued KPPA financial report.

Payables to the pension plan

The City makes legally required contributions to the pension plan on a monthly basis. The monthly payment is due by the 10th of the following month. As of June 30, 2025, $17,173 was payable to the pension plan, of which $16,230 was for the pension fund and $943 was for the insurance fund.

NOTE H – POSTEMPLOYMENT BENEFITS

Plan description. Employees of the City are provided with health care benefits through the Kentucky Retirement System Insurance Fund (Insurance Fund)—a cost-sharing multiple-employer health insurance plan. The Insurance Fund is part of CERS. Per Kentucky Revised Statute Section 61.701, the Board of Trustees (the Board) of Kentucky Public Pension Authority (KPPA) administers the health insurance benefit. KPPA issues a publicly available financial report that can be obtained at https://kyret.ky.gov.

Benefits provided. The Insurance Fund provides hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The eligible Medicare retirees receive benefits through a Medicare Advantage Plan. The amount of plan premium (contribution) paid by the Insurance Fund is based on years of service and participation date. For members participating prior to July 1, 2003, members completing 20 or more years of service received 100% contribution. Members completing 15 – 19 years, 10-14 years, and 4-9 years received 75%, 50%, and 25% respectively. Members completing less than 4 years of service receive no insurance benefit. As a result of House Bill 290, medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service.

NOTE H – POSTEMPLOYMENT BENEFITS (CONTINUED)

Hazardous employees whose participation began on or after July 1, 2003, earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The monthly dollar contribution for 2024 is $14.41 for CERS non-hazardous employees and $21.62 for CERS hazardous employees. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth of Kentucky so demands.

Contributions. Kentucky Revised Statute Section 78.635 grants the authority to establish and amend the benefit terms to the Board of KRS. Tier 1 employees are not required to contribute to the insurance fund. Tier 2 and 3 employees are required to contribute 1% of their creditable compensation to the insurance fund. Employers contribute at the rate determined by the Board. As stated in Note G Employee's Pension Plan, the actuarially determined rates set by the Board for the year ended June 30, 2025 for non-hazardous employees was 19.71%, all of which was for the pension fund. The actuarially determined rates set by the Board for the year ended June 30, 2025 for hazardous employees was 38.61%, of which 36.49% was for the pension fund and 2.12% was for the insurance fund. Contributions to the insurance fund from the City were $6,971 for the year ended June 30, 2025. The City was not required to make non-hazardous contributions and the hazardous contribution was $6,971.

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

At June 30, 2025, the City reported a liability of $33,859 for its proportionate share of the net OPEB liability. The non-hazardous portion of the net OPEB liability (asset) was $(14,873) and the hazardous portion was $48,732. The net OPEB liability was based on an actuarial valuation performed on June 30, 2023. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2024, using generally accepted actuarial principles. The single discount rate used to calculate the total OPEB within each plan changed since the prior year. The City's proportionate share of the net OPEB liability was determined using the City's actual contributions for the fiscal year ending 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 0.008598% for non-hazardous and 0.040174% for hazardous, a decrease of 0.001349% and an increase of 0.008717% from its proportion measured, respectively, as of June 30, 2023.

For the year ended June 30, 2024, the City recognized OPEB expense of $(50,471). At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE H – POSTEMPLOYMENT BENEFITS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,447	$ 295,391
Changes of assumptions	46,532	53,381
Net difference between projected and actual earnings on plan investments	-	44,195
Changes in proportion and differences between City contributions and proportionate share of contributions	179,323	33,350
City contributions subsequent to the measurement date	10,333	-
	$ 257,635	$ 426,317

The $10,333 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. 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:	
2026	$ (69,510)
2027	(43,742)
2028	(57,871)
2029	(18,859)
2030	10,967
	$ (179,015)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service for Non-Hazardous 3.55% to 19.05%, varies by service for Hazardous
Investment rate of return	6.50%

NOTE H – POSTEMPLOYMENT BENEFITS (CONTINUED)

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, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. For non-disabled retired members and beneficiaries, the mortality table used 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. For disabled retired members, the mortality table used 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.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period ending June 30, 2023.

Discount rate. The single discount rate used to measure the total OPEB liability was 5.99% for non-hazardous and 6.02% for hazardous. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97%, 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 periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans' actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate assumed that each participating employer contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

The long-term expected rate of return on plan assets is the same as disclosed in Note G Employee's Pension Plan. Additionally, the target allocation and best estimates of arithmetic nominal rates of return for each major asset class are the same as disclosed in Note G.

NOTE H – POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the City's proportionate share of the net OPEB liability (asset) to changes in the discount rate. The following presents the City's proportionate share of the net OPEB liability (asset), calculated using the discount rate of 5.99% for non-hazardous and 6.02% for hazardous, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99% for non-hazardous and 5.02% for hazardous) or 1-percentage-point higher (6.99% for non-hazardous and 7.02% for hazardous) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Non-hazardous	$ 20,110	$ (14,873)	$ (44,286)
Hazardous	$ 134,673	$ 48,732	$ (23,088)

Sensitivity of the City's proportionate share of the net OPEB liability (asset) to changes in the healthcare trend rate. The following presents the City's proportionate share of the net OPEB liability (asset), calculated using the healthcare trend rate of noted above, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Non-hazardous	$ (35,782)	$ (14,873)	$ 9,485
Hazardous	$ (7,554)	$ 48,732	$ 114,519

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KPPA financial report.

Payables to the OPEB plan

The City makes legally required contributions to the OPEB plan on a monthly basis. The monthly payment is due by the 10th of the following month. See Note G Employee's Pension Plan for payable as of June 30, 2025.

NOTE I - RISK MANAGEMENT

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

Management estimates that the amount of actual or potential claims against the City as of June 30, 2025 will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE J - CLAIMS AND JUDGMENTS

Amounts received or receivable from granter agencies are subject to audit and adjustment by granter agencies, principally the federal and state governments. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the granter cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE K - FIRE AND LIFE SQUAD PROTECTION

The City contracts with the Southgate Volunteer Fire Department for fire protection and with the Southgate Wilder EMS for life squad service. These annual contracts totaled $615,000 for fire protection and $15,000 for life squad service during the fiscal year ended June 30, 2025.

NOTE L - INTERFUND ACTIVITY

Transfers are typically used to move unrestricted revenues collected in one fund to finance various programs accounted for in another fund in accordance with budgetary authorizations and to fund debt service payments when they become due.

Transfer From	Transfer To	Amount
Community Center Fund	General Fund	$ 40,000
General Fund	Municpal Road Aid Fund	50,000
		$ 90,000

NOTE M – TAX ABATEMENT PROJECTS

Memorial Pointe Apartments

On August 17, 2022, the City adopted City Order No. 2022-05 authorizing the issuance of up to $34,000,000 in City of Southgate Industrial Building Revenue Bonds, Series 2022, to provide financial assistance to a private-sector developer for the acquisition, construction, and equipping of a multi-family residential project within the City. The bonds are secured by the properties financed and are payable solely from the developer. Neither the City nor any political subdivision thereof, will be obligated in any manner for repayment of the bonds.

As part of the same agreement, the City allows the developer to pay the annual bond payment in lieu of ad valorem taxes to the City. The developer has also agreed to make a payment in lieu of taxes to the City each October 31st beginning the first year after the bonds are issued, for the term of the bond, in accordance with the following schedule:

- Year 1 – 5 an amount equal to 10% of the amount that the City would have received, but for the issuance of the Bonds.
- Year 6 – 10 an amount equal to 20% of the amount that the City would have received, but for the issuance of the Bonds.
- Year 11 – 20 an amount equal to 25% of the amount that the City would have received, but for the issuance of the Bonds.
- Year 21 – 30 an amount equal to 30% of the amount that the City would have received, but for the issuance of the Bonds.

The developer will also pay all other applicable city taxes. The bonds mature February 1, 2053. Construction was completed in August 2024. The City received $14,267 payment in lieu of taxes during fiscal year ending June 30, 2025. The outstanding balance of the bonds was $31,008,000 at June 30, 2025.

NOTE N – CONDUIT DEBT OBLIGATIONS

On October 18, 2023, the City executed a Memorandum of Agreement authorizing the issuance of up to $120,000,000 in City of Southgate Industrial Building Revenue Bonds, to provide financial assistance to a private-sector developer for the acquisition, construction, and equipping of an upscale multi-family residential project within the City. The bonds will be secured by the properties financed and are payable solely from the developer. Neither the City nor any political subdivision thereof, will be obligated in any manner for repayment of the bonds. The bonds have not been issued as of the date of the audit report.

NOTE O - SUBSEQUENT EVENTS

Management has evaluated events through February 20, 2026, the date on which the financial statements were available for issue.

Required Supplementary Information

CITY OF SOUTHGATE, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2025

	Original Budget	Amended and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Budgetary fund balance, July 1, 2024	$ 999,941	$ 1,545,587	$ 1,545,587	$ -
RESOURCES (INFLOWS)				
Property taxes	1,445,768	1,500,768	1,512,472	11,704
Franchise fees	114,000	114,000	140,278	26,278
Telecommunications tax	48,000	48,000	49,303	1,303
Payroll license	805,000	873,457	988,820	115,363
Insurance premium taxes	525,000	635,000	663,645	28,645
Licenses and permits	48,100	48,100	61,465	13,365
Intergovernmental	9,500	61,300	73,234	11,934
Fines, forfeitures, penalties	17,610	17,610	32,831	15,221
KLEFPF income	38,000	38,000	45,581	7,581
Charges for services	296,525	296,525	306,138	9,613
Investment income	50,000	50,000	62,564	12,564
Miscellaneous	4,150	4,150	19,600	15,450
Total resources	3,401,653	3,686,910	3,955,931	269,021
APPROPRIATIONS (OUTFLOWS)				
Administration	416,654	416,654	416,075	579
Police	1,273,033	1,273,033	1,275,808	(2,775)
Fire and EMS	670,260	670,260	667,942	2,318
Waste collection	267,900	267,900	269,377	(1,477)
Streets	172,348	192,148	202,210	(10,062)
Garage	189,411	213,411	219,824	(6,413)
Community center	166,047	142,047	122,338	19,709
Parks	102,078	102,078	108,025	(5,947)
Capital outlay	75,000	75,000	75,541	(541)
Debt service				
Principal	139,101	150,601	149,693	908
Interest	48,778	48,778	51,627	(2,849)
Total appropriations	3,520,610	3,551,910	3,558,460	(6,550)
OTHER FINANCING SOURCES (USES)				
Proceeds from loan	75,000	75,000	75,541	541
Transfers in	40,000	40,000	40,000	-
Transfers out	(50,000)	(50,000)	(50,000)	-
Total other financing sources	65,000	65,000	65,541	541
Excess resources over appropriations	(53,957)	200,000	463,012	263,012
Budgetary fund balance, June 30, 2025	$ 945,984	$ 1,745,587	$ 2,008,599	$ 263,012

The accompanying notes to required supplementary information are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND - SPECIAL PROJECTS FUND

Year Ended June 30, 2025

	Original Budget	Amended and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Budgetary fund balance, July 1, 2024	$ 504,310	$ 564,017	$ 564,017	$ -
RESOURCES (INFLOWS)				
Investment income	-	-	11,925	11,925
Miscellaneous	-	-	5	5
Total resources	-	-	11,930	11,930
APPROPRIATIONS (OUTFLOWS)				
Administration	15,000	15,000	10,000	5,000
Police	187,000	162,000	216,454	(54,454)
Fire and EMS	-	25,000	11,451	13,549
Streets	35,000	-	-	-
Garage	72,842	72,842	39,744	33,098
Community Center	12,788	12,788	-	12,788
Parks	22,660	9,469	999	8,470
Total appropriations	345,290	297,099	278,648	18,451
OTHER FINANCING SOURCES				
Gain on investments	-	-	48,734	48,734
Total other financing sources	-	-	48,734	48,734
Excess resources (appropriations) over appropriations (resources)	(345,290)	(297,099)	(217,984)	79,115
Budgetary fund balance, June 30, 2025	$ 159,020	$ 266,918	$ 346,033	$ 79,115

The accompanying notes to required supplementary information are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

County Employees Retirement System

Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability (asset) - Non-Hazardous	0.0086%	0.0099%	0.0085%	0.0100%	0.0092%	0.0093%	0.0128%	0.0138%	0.0142%	0.0139%
City's proportion of the net pension liability (asset) - Hazardous	0.0402%	0.0315%	0.0187%	0.0111%	0.0093%	0.0098%	0.0036%	0.0002%	0.0008%	0.0035%
City's proportionate share of the net pension liability (asset) - Non-Hazardous	$ 513,659	$ 638,314	$ 613,960	$ 640,001	$ 702,720	$ 655,831	$ 781,447	$ 808,869	$ 699,771	$ 596,683
City's proportionate share of the net pension liability (asset) - Hazardous	$ 1,033,020	$ 848,633	$ 570,531	$ 294,330	$ 280,398	$ 271,727	$ 88,177	$ 4,564	$ 14,294	$ 53,057
Total City's proportionate share of the net pension liability (asset)	$ 1,546,679	$ 1,486,947	$ 1,184,491	$ 934,331	$ 983,118	$ 927,558	$ 869,624	$ 813,433	$ 714,065	$ 649,740
City's covered-employee payroll	$ 528,017	$ 509,415	$ 353,680	$ 324,845	$ 425,110	$ 419,773	$ 444,579	$ 535,199	$ 443,816	$ 444,842
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	292.92%	291.89%	334.90%	287.62%	231.26%	220.97%	195.61%	151.99%	160.89%	146.06%
Plan fiduciary net position as a percentage of the total pension liability										
Non-Hazardous	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.31%	55.50%	59.97%
Hazardous	57.05%	52.96%	47.11%	52.26%	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.

The accompanying notes to required supplementary information are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

SCHEDULE OF CITY PENSION CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 179,913	$ 173,006	$ 162,069	$ 90,325	$ 69,808	$ 87,893	$ 72,917	$ 64,539	$ 61,721	$ 64,743
Contributions in relation to the contractually required contribution	$ (179,913)	$ (173,006)	$ (162,069)	$ (90,325)	$ (69,808)	$ (87,893)	$ (72,917)	$ (64,539)	$ (61,721)	$ (64,743)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 632,863	$ 528,017	$ 509,415	$ 353,680	$ 324,845	$ 425,110	$ 419,773	$ 444,579	$ 535,199	$ 443,816
Contributions as a percentage of covered-employee payroll	28.43%	32.77%	31.81%	25.54%	21.49%	20.68%	17.37%	14.52%	11.53%	14.59%

The accompanying notes to required supplementary information are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

County Employees Retirement System

Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net OPEB liability (asset) - Non-Hazardous	0.0086%	0.0099%	0.0100%	0.0092%	0.0093%	0.0128%	0.0128%	0.0138%		
City's proportion of the net OPEB liability (asset) - Hazardous	0.0402%	0.0315%	0.0187%	0.0111%	0.0093%	0.0098%	0.0036%	0.0002%		
City's proportionate share of the net OPEB liability (asset) - Non-Hazardous	$ (14,873)	$ (13,733)	$ 167,887	$ 192,134	$ 221,162	$ 156,809	$ 227,812	$ 277,809		
City's proportionate share of the net OPEB liability (asset) - Hazardous	$ 48,732	$ 43,040	$ 159,182	$ 89,394	$ 85,914	$ 72,765	$ 25,994	$ 1,686		
Total City's proportionate share of the net OPEB liability (asset)	$ 33,859	$ 29,307	$ 327,069	$ 281,528	$ 307,076	$ 229,574	$ 253,806	$ 279,495		
City's covered-employee payroll	$ 528,017	$ 509,415	$ 353,680	$ 324,845	$ 425,110	$ 419,773	$ 444,579	$ 535,199		
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	6.41%	5.75%	92.48%	86.67%	72.23%	54.69%	57.09%	52.22%		
Plan fiduciary net position as a percentage of the total pension liability										
Non-Hazardous	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%		
Hazardous	93.53%	92.27%	64.13%	66.81%	58.84%	64.44%	64.24%	59.00%		

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.

The accompanying notes to required supplementary information are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

SCHEDULE OF CITY OPEB FUND CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 6,971	$ 7,224	$ 24,754	$ 26,154	$ 18,609	$ 22,822	$ 24,989	$ 20,994	$ 20,950	
Contributions in relation to the contractually required contribution	$ (6,971)	$ (7,224)	$ (24,754)	$ (26,154)	$ (18,609)	$ (22,822)	$ (24,989)	$ (20,994)	$ (20,950)	
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
City's covered-employee payroll	$ 632,863	$ 528,017	$ 509,415	$ 353,680	$ 324,845	$ 425,110	$ 419,773	$ 444,579	$ 535,199	
Contributions as a percentage of covered-employee payroll	1.10%	1.37%	4.86%	7.39%	5.73%	5.37%	5.95%	4.72%	3.91%	

The accompanying notes to required supplementary information are an integral part of this statement.

CITY OF SOUTHGATE, KENTUCKY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2025

NOTE 1 – NOTES TO PENSION SCHEDULES

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

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. Difference 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 the benefit provisions for active members who die in the line of duty.

Changes of assumptions. The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

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

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed payroll growth was reduced from 4.00% to 2.00%.
- The assumed salary increase was reduced from 4.00% to 3.05%.

NOTE 1 – NOTES TO PENSION SCHEDULES (CONTINUED)

2019

- The assumed salary increase for CERS Nonhazardous was adjusted from 3.05% to between 3.30% and 10.30%, depending on service.
- The assumed salary increase for CERS Hazardous was adjusted from 3.05% to between 3.55% and 19.05%, depending on service.
- For active members, the mortality table used is a Pub-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members, the mortality table used is a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the mortality table used is a PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

2024

- The assumed investment rate of return was increased from 6.25% to 6.50%.

NOTE 2 – NOTES TO OPEB SCHEDULES

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2003: Medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003.

Changes of assumptions. The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed payroll growth was reduced from 4.00% to 2.00%.
- The assumed salary increase was reduced from 4.00% to 3.05%.
- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years to an initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
- The assumed healthcare trend rates for post – 65 members reduced from an initial trend starting at 5.5% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years to an initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

NOTE 2 – NOTES TO OPEB SCHEDULES (CONTINUED)

2018

- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years to an initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
- The assumed healthcare trend rates for post – 65 members reduced from an initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years to an initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

2019

- The assumed salary increase for CERS Nonhazardous was adjusted from 3.05% to between 3.30% and 10.30%, depending on service.
- The assumed salary increase for CERS Hazardous was adjusted from between 3.05% to 18.55%, depending on service to between 3.55% and 19.05%, depending on service.
- For active members, the mortality table used is PUB-2010 General Mortality table, for the Non-hazardous Plans, and PUB-2010 Public Safety Mortality table for the Hazardous Plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disabled retired members, the mortality table used is the system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled retired members, the mortality table used is a PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

2020

- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years to an initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
- The assumed healthcare trend rates for post – 65 members reduced from an initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years to an initial trend starting at 2.90%, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

2021

- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years to an initial trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
- The assumed healthcare trend rates for post – 65 members increased from an initial trend starting at 2.90% and increasing to a 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years to an initial trend starting at 5.50%, and gradually decreasing to an ultimate rate of 4.05% over a period of 14 years.

NOTE 2 – NOTES TO OPEB SCHEDULES (CONTINUED)

2022

- The assumed healthcare trend rates for pre – 65 members increased from an initial trend starting 6.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years to an initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
- The assumed healthcare trend rates for post – 65 members increased from an initial trend starting 5.50% and gradually decreasing to an ultimate rate of 4.05% over a period of 14 years to an initial trend starting at 6.30% and gradually decreasing to an ultimate rate of 4.05% over a period of 13 years.

2023

- The assumed healthcare trend rates for pre – 65 members decreased from an initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years to an initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

2024

- The assumed healthcare trend rates for pre – 65 members decreased from an initial trend starting 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years to an initial trend starting at 6.20% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
- The assumed healthcare trend rates for post – 65 members increased from an initial trend starting 6.30% and gradually decreasing to an ultimate rate of 4.05% over a period of 13 years to an initial trend starting at 9.00% and gradually decreasing to an ultimate rate of 4.05% over a period of 12 years.

Other Supplementary Information

CITY OF SOUTHGATE, KENTUCKY

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2025

	Municipal Road Aid Fund	Community Center Fund	Total Non-Major Funds
- ASSETS -			
Cash and cash equivalents	$ 37,347	$ 27,000	$ 64,347
Total assets	$ 37,347	$ 27,000	$ 64,347
- LIABILITIES AND FUND BALANCES -			
LIABILITIES:			
Accounts payable	$ -	$ 561	$ 561
Accrued liabilities	-	11,616	11,616
Due to other funds	28,585	-	28,585
Total liabilities	28,585	12,177	40,762
FUND BALANCES:			
Assigned	8,762	14,823	23,585
Total fund balances	8,762	14,823	23,585
Total liabilities and fund balances	$ 37,347	$ 27,000	$ 64,347

CITY OF SOUTHGATE, KENTUCKY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2025

	Municipal Road Aid Fund	Community Center Fund	Total Non-Major Funds
REVENUES:			
Intergovernmental	$ 82,558	$ -	$ 82,558
Charges for services	-	48,105	48,105
Investment income	6,095	1,461	7,556
Total revenues	88,653	49,566	138,219
EXPENDITURES:			
Community Center	-	106	106
Capital outlay	152,141	-	152,141
Debt service			
Principal	58,333	-	58,333
Interest	49,445	-	49,445
Total expenditures	259,919	106	260,025
OTHER FINANCING SOURCES (USES):			
Transfers in	50,000	-	50,000
Transfers out	-	(40,000)	(40,000)
Total other financing sources and uses	50,000	(40,000)	10,000
Net change in fund balances	(121,266)	9,460	(111,806)
FUND BALANCES, BEGINNING	130,028	5,363	135,391
FUND BALANCES, ENDING	$ 8,762	$ 14,823	$ 23,585

CITY OF SOUTHGATE, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND - MUNICIPAL ROAD AID FUND

Year Ended June 30, 2025

	Original Budget	Amended and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Budgetary fund balance, July 1, 2024	$ 282	$ 130,028	$ 130,028	$ -
RESOURCES (INFLOWS)				
Intergovernmental	83,033	83,033	82,558	(475)
Investment income	-	-	6,095	6,095
Total resources	83,033	83,033	88,653	5,620
APPROPRIATIONS (OUTFLOWS)				
Capital outlay	275,000	136,477	152,141	(15,664)
Debt service principal	67,718	58,333	58,333	-
Debt service interest	40,597	49,445	49,445	-
Total appropriations	383,315	244,255	259,919	(15,664)
OTHER FINANCING SOURCES (USES)				
Proceeds from loan	250,000	129,776	-	(129,776)
Transfers in	50,000	50,000	50,000	-
Total other financing sources (uses)	300,000	179,776	50,000	(129,776)
Excess resources (appropriations) over appropriations (resources)	(282)	18,554	(121,266)	(139,820)
Budgetary fund balance, June 30, 2025	$ -	$ 148,582	$ 8,762	$ (139,820)

CITY OF SOUTHGATE, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND - COMMUNITY CENTER FUND

Year Ended June 30, 2025

	Original Budget	Amended and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Budgetary fund balance, July 1, 2024	$ 7,140	$ 5,363	$ 5,363	$ -
RESOURCES (INFLOWS)				
Charges for services	40,880	40,880	48,105	7,225
Investment income	20	20	1,461	1,441
Total resources	40,900	40,900	49,566	8,666
APPROPRIATIONS (OUTFLOWS)				
Community Center	50	50	106	(56)
Total appropriations	50	50	106	(56)
OTHER FINANCING SOURCES (USES)				
Transfers out	(40,000)	(40,000)	(40,000)	-
Total other financing (uses)	(40,000)	(40,000)	(40,000)	-
Excess resources over appropriations	850	850	9,460	8,610
Budgetary fund balance, June 30, 2025	$ 7,990	$ 6,213	$ 14,823	$ 8,610

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INDEPENDENT AUDITORS' 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 & Council
City of Southgate, 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, each major fund and the aggregate remaining fund information of the City of Southgate, Kentucky (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 20, 2026.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bramel & Ackley, P.S.C.

February 20, 2026