

CITY OF LUDLOW, KENTUCKY

FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

<p>CITY OF LUDLOW, KENTUCKY</p> <p>FINANCIAL STATEMENTS</p> <p>For the Year Ended June 30, 2024</p>
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CITY OF LUDLOW, KENTUCKY

CITY OFFICIALS

For the Year Ended June 30, 2024

Council Members

Christopher Wright, Mayor

Steve Chapman

Julie Terry Navarre

Lori Davenport

Samantha Matthews

David Ziegler

Abigail Miller

City Management

Laurie Sparks, City Clerk

Steve Bodde, Treasurer

Todd McMurtry, Attorney

INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and
Members of the Council of the
City of Ludlow, Kentucky**

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Ludlow, Kentucky, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Ludlow, 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, the business-type activities, and each major fund of the City of Ludlow, Kentucky as of June 30, 2024, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Ludlow, 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 Ludlow, 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 schedules, and *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2024, on our consideration of the City of Ludlow, 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 Ludlow, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ludlow, Kentucky's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Erlanger, Kentucky
November 22, 2024

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
UNAUDITED**

Our discussion and analysis of the City of Ludlow's financial performance for the fiscal year ended June 30, 2024, is intended to compliment the formal financial statements that begin on page 10. The formal financial statements, upon which the audit firm renders their opinion, can be fairly complex. The Auditors notes, which are in the last section of the report, must also comply with structured professional standards and can be difficult for a non-accounting professional to understand. This "management's discussion" portion is intended to assist our citizens and other stakeholders in gaining a clearer understanding of the information in the Annual Financial Reports.

OVERVIEW OF THIS ANNUAL REPORT

This Annual Report consists of:

1. The Audit Opinion, pages 2-3.
2. This section, Management's Discussion and Analysis.
3. Formal financial statements and supporting schedules, pages 10 thru 17.
4. Notes and supplementary information.
5. Compliance and other matters.

The City's financial statements are presented in two formats, each with a different perspective of the City's finances. Government-wide statements present the finances of the City as one complete entity, while the Fund financial statements attempt to isolate various departments or activities within the City's structure and provide greater detail. Both approaches are useful in understanding the City's financial structure.

Government – Wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. 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. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

Government-wide financial statements provide us with the total net position of the City and the changes in them from prior periods. One can think of the City's net position—the difference between assets and liabilities—in the same way as one would calculate their personal net worth. The year-end net position of the city, its equity, can be compared to prior years to determine if the City's equity is growing or shrinking. This is an important measurement of how the City is doing financial wise. Of course, the financial results of any entity must be evaluated in conjunction with the local economic environment and a host of non-financial factors such as, population growth, infrastructure asset condition, new or changed government legislation, and the types and levels of services to be provided.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City Council

establishes funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City has three main sets of funds – (1) the General Fund, (2) special revenue funds for the Municipal Aid and (3) a proprietary fund, which consists of the business-type activities of the City’s Revolving Loan Fund.

The City’s basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left 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 modified accrual basis allows certain revenues to be recognized before actually received. 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 relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation of the fund financial statements. The full accrual accounting method is used for reporting on the City’s proprietary fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL HIGHLIGHTS

- The City’s governmental activities net position is 1,977,077.
- During the year the City’s governmental activities net position increased \$1,883,850.
- GASB No. 68 - Accounting and Financial Reporting for Pensions - requires the City to record its proportionate share of the County Employees’ Retirement System (CERS) net pension liability. The City has recorded a net pension liability of \$4,086,729 as well as related deferred outflows and inflows of resources as a result of this standard
- GASB No. 75 - Accounting and Financial Reporting for Other Post-Employment Health Insurance Benefits (OPEB) - requires the City to record its proportionate share of the County Employees’ Retirement System (CERS) net OPEB liability. The City has recorded a net OPEB liability of \$159,175 as well as related deferred outflows and inflows of resources as a result of this standard
- The City recorded a non-cash revenue of \$1,152,617 as a result in the change of their proportionate share in the County Employees’ Retirement System (CERS)

Net Position of Primary Government

	Governmental Activities		Business-type Activities	
	2024	2023	2024	2023
Current assets	\$ 3,651,232	\$ 2,726,798	\$ 14,774	\$ 19,759
Capital assets, net	6,103,101	6,103,718	-	-
Deferred outflows	1,143,997	996,287	-	-
Total assets and deferred outflows	<u>10,898,330</u>	<u>9,826,803</u>	<u>14,774</u>	<u>19,759</u>
Total liabilities	6,476,981	8,545,142	-	-
Deferred inflows	2,444,272	1,188,434	-	-
Total liabilities and deferred inflows	<u>8,921,253</u>	<u>9,733,576</u>	<u>-</u>	<u>-</u>
Invested in capital assets	4,266,774	4,242,676	-	-
Restricted	(63,619)	55,491	-	-
Unrestricted	<u>(2,226,078)</u>	<u>(4,204,940)</u>	<u>14,774</u>	<u>19,759</u>
Total Net Position	<u>\$ 1,977,077</u>	<u>\$ 93,227</u>	<u>\$ 14,774</u>	<u>\$ 19,759</u>

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows leaving the City in a positive net position as of June 30, 2024.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment and infrastructure); less any related debt used to acquire those assets that are still outstanding. These assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Equity in cash increased \$737,231 due to the City's proactive approach to revenue generation and expense reduction. The change in the pension and other post-employment benefits accounted for \$2,260,745 decrease in liabilities. Additionally, the City plans to pay more than \$230,000 of their debt in fiscal year 2025.

Business-type Activities

The City established a proprietary fund during the year ended June 30, 2013 in order to maintain its Revolving Loan Fund. The basis of this fund was the receipt of community development block grant funds that were used to purchase equipment which would be leased from the City under an operating lease by a new business, the Riverside Marketplace. Using the lease proceeds the City provides financing for building façade improvements to properties located in the Elm Street Business District.

Change in Net Position

	Governmental Activities		Business-type Activities	
	2024	2023	2024	2023
Revenues				
Charges for services	\$ 1,457,572	\$ 1,373,599	\$ -	\$ -
Operating grants and contributions	314,507	370,884	-	-
Capital grants and contributions	-	402,500	-	-
General Revenues				
Taxes	2,955,050	2,947,276	-	-
License and permit fees	940,600	731,396	-	-
Code Enforcement Board	4,770	-	-	-
Miscellaneous	169,121	115,177	-	-
Unrestricted investment earnings	31,732	7,285	15	26
Total revenues:	<u>5,873,352</u>	<u>5,948,117</u>	<u>15</u>	<u>26</u>
Expenses				
Legislative and administrative	1,473,986	1,304,341	-	-
Fire and EMS expenses	1,133,563	834,502	-	-
Streets	290,927	76,802	-	-
Park department	41,932	30,948	-	-
Public safety	1,780,380	1,690,115	-	-
Public works	335,400	318,105	-	-
Revolving loan fund	-	-	5,000	7,755
Interest on long-term debt	85,931	78,898	-	-
Unallocated pension/OPEB expense	(1,152,617)	500,954	-	-
Total expenses:	<u>3,989,502</u>	<u>4,834,665</u>	<u>5,000</u>	<u>7,755</u>
Change in Net Position	\$ 1,883,850	\$ 1,113,452	\$ (4,985)	\$ (7,729)
Prior Period Adjustment	-	-	-	-
Total Change in Net Position	<u>\$ 1,883,850</u>	<u>\$ 1,113,452</u>	<u>\$ (4,985)</u>	<u>\$ (7,729)</u>

Taxes are the primary source of income for the City and the total was consistent compared to last year. Charges for services was also consistent with the prior fiscal year. Operating grants and contributions decreased due to receiving funds for the Adela Street project in the prior year. Capital grants and contributions decreased significantly due to ARPA funds recognized during the prior fiscal year. License and permit fee increased significantly due to payroll/gross receipts license fees increasing 32%.

The majority of the City's expenses are dedicated to Public Safety (56.7%), Maintenance and Public Works (12.2%), and Administration (29.5%). General fund expenses, not including pension/OPEB expense, increased by \$808,408 (18.7%) for the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2024, the City had \$6,103,101 invested in capital assets (net of depreciation), all in governmental activities.

Capital Assets (Net of Depreciation)

	<u>2024</u>	<u>2023</u>
Land	\$ 986,328	\$ 986,328
Construction in progress	199,665	122,518
Buildings/Equipment	4,934,296	4,920,089
Infrastructure	25,807,520	25,807,520
Vehicles	2,351,230	2,054,817
Subtotal	<u>34,279,039</u>	<u>33,891,272</u>
Accumulated depreciation	<u>(28,175,938)</u>	<u>(27,787,554)</u>
Total assets, net	<u>\$ 6,103,101</u>	<u>\$ 6,103,718</u>

This year's net decrease of \$617 in capital assets included:

Ventilation fan	\$ 5,911
Gear locker	5,698
Gas detector	2,598
Riverfront Commons	77,147
Vehicles	219,794
Ambulance	82,619
Depreciation	(394,384)
	<u>\$ (617)</u>

Debt

The long-term debt for the City at June 30, 2024 and 2023 is as follows:

	Governmental Activities			
	<u>June 30, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2024</u>
KLC funding trust	\$ 361,610	\$ -	\$ (30,050)	\$ 331,560
Leases	580,713	173,395	(106,809)	647,299
Ambulance loan	-	82,619	(17,414)	65,205
NKADD loan	116,219	-	(21,456)	94,763
Tax Anticipation Notes	75,000	-	(75,000)	-
2014B revenue bonds	727,500	-	(30,000)	697,500
Totals	<u>\$ 1,861,042</u>	<u>\$ 256,014</u>	<u>\$ (280,729)</u>	<u>\$ 1,836,327</u>

GASB 68 PENSION AND GASB 75 OPEB LIABILITY RECOGNITION

As of June 30, 2024, 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 Retirement System'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, \$4,245,904 the deferred outflow of resources, \$1,143,997 and the deferred inflow of resources, \$2,444,272 on the Statement of Net Position at June 30, 2024 are a function of this required reporting. Detailed information on this pension and OPEB recognition can be found in Note I in the Notes to the Financial Statements.

Economic Factors and Next Year's Budget

Management developed a multi-pronged action plan for improving both revenue and expense streams to ensure the City is able to meet its obligations. The fiscal year 2025 budget provides adequate resources for the continuation of services and care will be taken that all expenditures are prudent, and the City will strengthen its financial position.

Contacting the City's Financial Management

This financial report is designed to provide the citizens, taxpayers 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 any questions about this report or need additional information, contact the City Treasurer at, the City of Ludlow, P.O. Box 16188, 51 Elm Street, Ludlow, Kentucky 41016.

CITY OF LUDLOW, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2024

	Primary Government		
	Governmental	Business-type	Total
Assets	Activities	Activities	Total
Cash and cash equivalents	\$ 3,057,404	\$ 14,774	\$ 3,072,178
Accounts receivable	593,828	-	593,828
Capital assets			
Land and construction in progress (not depreciated)	1,185,993	-	1,185,993
Property, plant and equipment, net of accumulated depreciation	4,917,108	-	4,917,108
Total Assets	9,754,333	14,774	9,769,107
Deferred Outflows of Resources			
Deferred outflows related to pensions and OPEB	1,143,997	-	1,143,997
Total Deferred Outflows of Resources	1,143,997	-	1,143,997
Total Assets and Deferred Outflows of Resources	10,898,330	14,774	10,913,104
Liabilities			
Accounts payable	234,021	-	234,021
Accrued payroll and payroll taxes	63,128	-	63,128
Long-term liabilities			
Compensated absences	97,601	-	97,601
Due within one year	236,281	-	236,281
Due in more than one year	1,600,046	-	1,600,046
Net pension liability and OPEB liability	4,245,904	-	4,245,904
Total Liabilities	6,476,981	-	6,476,981
Deferred Inflows of Resources			
Deferred inflows of related to pensions and OPEB	2,444,272	-	2,444,272
Total Liabilities and Deferred Inflows of Resources	8,921,253	-	8,921,253
Net Position			
Invested in capital assets	4,266,774	-	4,266,774
Restricted	(63,619)	14,774	(48,845)
Unrestricted	(2,226,078)	-	(2,226,078)
Total Net Position	\$ 1,977,077	\$ 14,774	\$ 1,991,851

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

CITY OF LUDLOW, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
Legislative and administrative	\$ 1,515,918	\$ 650,412	\$ -	\$ -	\$ (865,506)	\$ -	\$ (865,506)
Public safety	1,780,380	18,021	110,275	-	(1,652,084)	-	(1,652,084)
Public works	335,400	-	-	-	(335,400)	-	(335,400)
Streets	290,927	-	105,445	-	(185,482)	-	(185,482)
Fire and EMS	1,133,563	789,139	98,787	-	(245,637)	-	(245,637)
Interest on long-term debt	85,931	-	-	-	(85,931)	-	(85,931)
Unallocated pension/OPEB expense	(1,152,617)	-	-	-	1,152,617	-	1,152,617
Total governmental activities	<u>3,989,502</u>	<u>1,457,572</u>	<u>314,507</u>	<u>-</u>	<u>(2,217,423)</u>	<u>-</u>	<u>(2,217,423)</u>
Business-type activities							
Revolving loan fund	5,000	-	-	-	-	(5,000)	(5,000)
Total Primary Government	<u>\$ 3,994,502</u>	<u>\$ 1,457,572</u>	<u>\$ 314,507</u>	<u>\$ -</u>	<u>(2,217,423)</u>	<u>(5,000)</u>	<u>(2,222,423)</u>
General revenues							
Taxes							
Property taxes, levied for general purposes					1,627,576	-	1,627,576
Insurance premium taxes					975,809	-	975,809
Other taxes					351,665	-	351,665
Licenses and permit fees							
Payroll/gross receipts license fees					832,020	-	832,020
Other licenses, fees & permits					108,580	-	108,580
Code enforcement/blight abatement					4,770	-	4,770
Investment earnings					31,732	15	31,747
Miscellaneous					169,121	-	169,121
Total general revenues					<u>4,101,273</u>	<u>15</u>	<u>4,101,288</u>
Change in net position					1,883,850	(4,985)	1,878,865
Net position, beginning					93,227	19,759	112,986
					<u>\$ 1,977,077</u>	<u>\$ 14,774</u>	<u>\$ 1,991,851</u>

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

CITY OF LUDLOW, KENTUCKY BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2024
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	<u>General Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 2,887,498	\$ 169,906	\$ 3,057,404
Accounts receivable	593,828	-	593,828
Due from other funds	232,550	-	232,550
Total Assets	<u>\$ 3,713,876</u>	<u>\$ 169,906</u>	<u>\$ 3,883,782</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 233,046	\$ 975	\$ 234,021
Accrued payroll and payroll taxes	63,128	-	63,128
Due to other funds	-	232,550	232,550
Total Liabilities	<u>296,174</u>	<u>233,525</u>	<u>529,699</u>
Fund Balances			
Reported in:			
Restricted - Municipal Road Aid Fund	-	(63,619)	(63,619)
Unassigned - General Fund	3,417,702	-	3,417,702
Total Fund Balances	<u>3,417,702</u>	<u>(63,619)</u>	<u>3,354,083</u>
Total Liabilities and Fund Balances	<u>\$ 3,713,876</u>	<u>\$ 169,906</u>	<u>\$ 3,883,782</u>

Reconciliation of Fund Balances to the Statement of Net Position

Total Fund Balance for Governmental Funds	\$ 3,354,083
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$34,279,039, net of accumulated depreciation of (\$28,175,938), used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,103,101
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore are not reportable in the funds:	
Deferred outflow of resources	1,143,997
Deferred inflow of resources	(2,444,272)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(97,601)
Notes payable	(1,836,327)
Net pension and OPEB liability	(4,245,904)
Net position of governmental activities	<u>\$ 1,977,077</u>

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

CITY OF LUDLOW, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2024

	Governmental Funds		Totals	
	General	Municipal Road Aid Fund	2024	Memo Only 2023
Revenues				
General fund revenue	\$ 4,879,981	\$ -	\$ 4,879,981	\$ 4,521,825
Municipal road aid fund revenue	-	105,445	105,445	301,487
Fire and EMS revenue	789,139	-	789,139	722,303
Capital fund grant	98,787	-	98,787	402,500
Total Revenues	5,767,907	105,445	5,873,352	5,948,115
Expenditures				
Current				
Administrative expenditures	1,374,966	-	1,374,966	1,228,519
Police department expenditures	1,677,843	-	1,677,843	1,599,387
Public works expenditures	304,454	-	304,454	292,576
Park department expenditures	41,932	-	41,932	16,597
Municipal aid expenditures	-	224,555	224,555	18,778
Fire and EMS expenditures	1,034,029	-	1,034,029	799,556
Capital outlay	393,766	-	393,766	644,729
Debt service				
Principal	280,729	-	280,729	255,114
Interest	85,931	-	85,931	78,898
Total Expenditures	5,193,650	224,555	5,418,205	4,934,154
Excess (Deficit) of Revenues Over (Under) Expenditures	574,257	(119,110)	455,147	1,013,961
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Loan proceeds	256,013	-	256,013	41,200
Total Other Financing Sources (Uses)	256,013	-	256,013	41,200
Excess (Deficit) of Revenues and Other Sources Over (Under) Expenditures	830,270	(119,110)	711,160	1,055,161
Fund Balance, Beginning of Year	2,587,432	55,491	2,642,923	1,587,762
Fund Balance, End of Year	\$ 3,417,702	\$ (63,619)	\$ 3,354,083	\$ 2,642,923

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

<p>CITY OF LUDLOW, KENTUCKY RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2024</p>
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Net change in fund balances - total governmental funds \$ 711,160

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Capital asset purchases capitalized	393,766
Depreciation expense	(394,384)

Governmental funds report pension contributions as expenditures, however, in the statement of activities, the cost of the pension benefits earned, net of employer contributions, is reported as pension expense:

Costs of benefits earned	1,152,617
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Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

280,729

The proceeds of loans and leases increase revenue in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position

(256,013)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:

Compensated absences	(4,025)
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Change in net position of governmental activities \$ 1,883,850

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

CITY OF LUDLOW, KENTUCKY STATEMENT OF NET POSITION - REVOLVING LOAN FUND June 30, 2024

Assets

Current Assets

Cash and cash equivalents	\$ 14,774
Accounts receivable - Elm Street Business District Facade Program	<u>-</u>
Total Current Assets	<u>14,774</u>

Total Assets

14,774

Net Position

Restricted	<u>14,774</u>
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Total Net Position

\$ 14,774

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

<p>CITY OF LUDLOW, KENTUCKY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - REVOLVING LOAN FUND For the Year Ended June 30, 2024</p>
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Operating Revenues

Interest income	\$ 15
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Total Operating Revenues

15

Operating Expenses

Administrative fees	-
Façade grant	5,000

Total Operating Expenses

5,000

Change in Net Position

(4,985)

Net Position, July 1

19,759

Net Position, June 30

\$ 14,774

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

CITY OF LUDLOW, KENTUCKY STATEMENT OF CASH FLOWS - REVOLVING LOAN FUND For the Year Ended June 30, 2024
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Cash Flows from Operating Activities	
Received from customers	\$ 15
Paid to suppliers for goods and services	<u>(5,000)</u>
Net Change in Cash from Operating Activities	<u>(4,985)</u>
Cash Flows from Non-Capital Financing Activities	
Transfers in	<u>-</u>
Net Change in Cash from Non-Capital Financing Activities	<u>-</u>
Net Change in Cash and Cash Equivalents	(4,985)
Cash and Cash Equivalents, Beginning of Year	<u>19,759</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 14,774</u></u>
Reconciliation of Operating Income to Net Cash Used by Operating Activities	
Operating loss	\$ (4,985)
Adjustments to reconcile net income to net cash used by operating activities	
Decrease in accounts receivable	<u>-</u>
Net Change in Cash from Operating Activities	<u><u>\$ (4,985)</u></u>

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

CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting City

The City of Ludlow operates under a Mayor and Council form of government. The City is governed by an elected mayor and six council members. As required by generally accepted accounting principles, these financial statements present the primary government.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for all of the non-fiduciary activities of the primary government. Generally, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are generally supported by taxes and City general revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expense and program revenues associated with a distinct functional activity. Program revenues include charges for services, which report fees, fines and forfeitures, and other charges to users of the City's services; operating grants and contributions, which finance annual operating activities including restricted investment income; and capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions for use on these programs. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

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 reductions of the related liability, rather than as expenditures.

Fund Financial Statements

Fund financial statements, as applicable, are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting City applies all relevant Governmental

CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024

Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting City does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide financial statements reflect the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. If applicable, the proprietary and fiduciary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and similar items are recognized as revenues when grantor eligibility requirements are 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. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related 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 in the year when payment is due.

Major revenue sources where accrual is most likely to occur include property taxes, insurance premium taxes and payroll/gross receipts license fees.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Fund Types

The City reports the following governmental funds:

General Fund

This fund is the government's primary operating fund. This fund accounts for all financial resources of the general government not accounted for in another fund.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. Currently, the City maintains special revenue funds for its Municipal Road Aid Fund.

CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024

Proprietary Fund

The proprietary fund accounts for the activities of the City's Revolving Loan Fund program.

Cash and Cash Equivalents and Investments

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:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Certificates of deposit.
3. Banker's acceptances.
4. Commercial paper.
5. Bonds of other state or local governments.
6. Mutual funds.

Interest Rate Risk – In accordance with City policy, interest rate risk is limited by investing only in certificates of deposit with the highest rate of return and with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure the preservation of capital in its portfolio. As of June 30, 2024, the City has no investments.

Credit Risk – The City limits its investments to certificates of deposit issued by banks within the Commonwealth of Kentucky; these certificates have no credit rating applied.

Custodial Credit Risk – For deposits, this is the risk that, in the event of a bank failure, the City's deposits will not be returned. See Note C for further information on the City's deposits.

Capital Assets

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and are comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. General capital assets are those assets not specifically related to activities reported in proprietary funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position. If applicable, capital assets used by the proprietary fund are reported in the business type activities column of the government-wide statement of net position.

All fixed assets are valued at historical cost or historical estimated cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The City has elected to capitalize assets with a cost of \$500 or more. Capital assets are depreciated 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 statement of net position. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss recorded in operations.

CITY OF LUDLOW, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Estimated useful lives for depreciable assets are as follows:

Buildings	40 years
Building improvements	10-20 years
Public domain infrastructure	25-40 years
Vehicles	5-10 years
Furniture and equipment	3-5 years

Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused vacation, which caps at 240 hours per employee.

Long-Term Debt

In the government-wide financial statements, outstanding debt is reported as a liability. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Payments of principal and interest are reported as expenditures. The proprietary fund financial statements recognize a deferred revenue balance as a long-term liability. This deferral is reduced annually as payments are received (and recognized as revenue) on the City's outstanding loans receivable from its Revolving Loan Fund program.

Fund Equity

Net position is the difference between assets and liabilities. Net position invested in capital assets, net of related debt, are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. In the governmental fund financial statements, fund balances have different classifications based upon their purposes, under GASB 54. The fund balance of the general fund is classified as *unassigned*, which represents funds not classified as non-spendable, committed, restricted, or assigned. The fund balances of the municipal road aid fund, which is a special revenue funds, is classified as *restricted*, as funds are externally restricted by the agency providing funding. The fund balances of the acquisition fund and other special revenue funds, when applicable, are classified as *committed*, as these funds have a specific purpose that has been designated internally.

Inter-Fund Receivables/Payables

During the course of operations, it is possible for transactions to occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Inventories and Prepaid Items

If applicable, inventories in the governmental funds consist of expendable supplies held for consumption stated on a first in, first out basis. They are reported at cost and as expenditures at the time individual inventory items are used.

Prepaid items record payments to vendors that benefit future reporting periods. Both inventories and prepaid items are similarly reported in government-wide and fund financial statements.

CITY OF LUDLOW, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County 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, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The General Fund and Water and Sewer Fund resources are used to liquidate these liabilities.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The General Fund and Water and Sewer Fund resources are used to liquidate these liabilities.

Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data has not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- 1) In accordance with City code, prior to June 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- 2) Public hearings are conducted to obtain taxpayer comment.
- 3) Prior to June 30, the budget is legally enacted through passage of an ordinance.

<p>CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024</p>
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- 4) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council explaining any variance from the approved budget.
- 5) Appropriations continue in effect until a new budget is adopted.
- 6) The City Council may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the council. The following functions had expenditures in excess of legally adopted appropriations for the year ended June 30, 2024:

Budget Line	Budget	Actual	Variance
General Fund			
Legislative and administrative	\$ 1,224,877	\$ 1,719,759	\$ (494,882)
Police	1,512,121	1,878,459	(366,338)
Public works	287,694	312,604	(24,910)
Parks	27,377	41,932	(14,555)
Fire/EMS	999,258	1,240,896	(241,638)
General fund total	<u>4,051,327</u>	<u>5,193,650</u>	<u>\$ (1,142,323)</u>
Municipal Road Aid Fund			
Street repair	\$ 218,767	\$ 224,555	<u>\$ (5,788)</u>

NOTE C – DEPOSITS

The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2024, the City had cash and cash equivalents of \$3,72,178. Cash balances are covered by FDIC insurance.

NOTE D – RECEIVABLES

Property taxes are assessed as of January 1. Taxes are levied on October 1 and are due and payable on or before October 31. The City bills and collects its own property taxes. An adjustment is made at June 30 to recognize property taxes levied during the year which are still receivable at year end.

CITY OF LUDLOW, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE E – CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the City's governmental activities for the year ended June 30, 2024:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Land (not depreciated)	\$ 986,328	\$ -	\$ -	\$ 986,328
Construction in progress	122,518	77,147	-	199,665
Infrastructure	25,807,521	-	-	25,807,521
Buildings and equipment	4,920,088	14,207	-	4,934,295
Vehicles	2,054,817	302,413	(6,000)	2,351,230
Fixed Assets	33,891,272	393,767	(6,000)	34,279,039
Accumulated Depreciation	(27,787,554)	(394,384)	6,000	(28,175,938)
Net Fixed Assets	<u>\$ 6,103,718</u>	<u>\$ (617)</u>	<u>\$ -</u>	<u>\$ 6,103,101</u>

NOTE F – LONG-TERM DEBT

The City's long-term debt consists of the following:

Capital Lease – KLC Funding Trust

The City executed a 3.00% interest, 25-year \$700,000 capital lease payable effective July 18, 2008 with the Kentucky League of Cities Funding Trust in order to fund its new Municipal Center. The termination date of this secured lease is July 1, 2033. The City is to make monthly payments to the lease's trustee, the Bank of New York Mellon. The remaining annual debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Payment
2025	\$ 31,236	\$ 12,552	\$ 43,788
2026	32,412	11,376	43,788
2027	33,651	10,137	43,788
2028	34,923	8,865	43,788
2029	36,280	7,508	43,788
2030-2034	163,058	12,094	175,152
Total	<u>\$ 331,560</u>	<u>\$ 62,532</u>	<u>\$ 394,092</u>

Promissory Note – Northern Kentucky Area Development

On October 30, 2017, the City executed a promissory note agreement with Northern Kentucky Area Development District, a regional planning council, to provide additional construction monies for the Municipal Lot/Train Viewing Station. Draws on the note were \$214,557, it is secured by the project, carries a 0% interest rate and will require monthly payments of \$1,788 for ten years. Annual payments are as follows:

<p>CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024</p>
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Fiscal Year Ending June 30,	Principal	Payment
2025	\$ 21,456	\$ 21,456
2026	21,456	21,456
2027	21,456	21,456
2028	21,456	21,456
2029	8,938	8,938
Total	<u>\$ 94,762</u>	<u>\$ 94,762</u>

Kentucky Bond Corporation – Lease Agreement

On May 2, 2014, The City entered into a lease agreement with the Kentucky Bond Corporation (KBC) in the amount of \$965,000. Concurrent with this lease agreement, KBC issued Financing Program Revenue Bonds, 2014 Series B which repaid the City's BB&T line of credit. 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
2025	4.300%	\$ 30,000	\$ 27,019	\$ 57,019
2026	4.300%	32,083	26,044	58,127
2027	4.300%	35,000	25,001	60,001
2028	4.300%	35,000	25,001	60,001
2029	4.300%	35,000	25,001	57,645
2030-2034	4.300%	209,166	92,210	301,376
2035-2039	4.800%	261,249	48,228	309,477
2040-2041	4.800%	60,002	3,881	63,883
Total		<u>\$ 697,500</u>	<u>\$ 272,385</u>	<u>\$ 967,529</u>

Truist Bank – Lease Agreement

The City executed a 2.88% interest, 15-year \$500,000 lease payable with Truist Bank effective July 27, 2017 to finance the acquisition, construction, installation and equipping of the municipal lot and rail viewing station. The termination date of this secured lease is July 21, 2032. The City makes monthly payments of \$3,424. The remaining annual debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Payment
2025	\$ 32,919	\$ 8,169	\$ 41,088
2026	33,880	7,208	41,088
2027	34,952	6,136	41,088
2028	35,972	5,116	41,088
2029	37,022	4,066	41,088
2030-2033	121,252	46,524	167,776
Total	<u>\$ 295,997</u>	<u>\$ 77,219</u>	<u>\$ 373,216</u>

CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024

Capital Lease – Citizens Bank of Kansas

The City executed a lease with Citizens Bank of Kansas for the purchase of a truck at a cost of \$100,449 on August 27, 2020. The lease is secured by the truck and requires an annual payment of \$22,028 each December. Final payment will be December 2024. Annual lease payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Payment
2025	\$ 20,759	\$ 844	\$ 21,603
Total	<u>\$ 20,759</u>	<u>\$ 844</u>	<u>\$ 21,603</u>

The City executed a lease with First Government Lease Co. for the purchase of two Chevrolet Tahoes on June 17, 2022. The lease is secured by the vehicles and requires an annual payment of \$26,879 each December. Final payment will be December 2026. Annual lease payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Payment
2025	\$ 20,195	\$ 6,684	\$ 26,879
2026	22,214	4,665	26,879
2027	24,436	2,443	26,879
Total	<u>\$ 66,845</u>	<u>\$ 13,792</u>	<u>\$ 80,637</u>

The City executed a lease with First Government Lease Co. for the purchase of a Dodge Charger on February 24, 2022. The lease is secured by the vehicle and requires an annual payment of \$6,304 each December. Final payment will be December 2026. Annual lease payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Payment
2025	\$ 4,868	\$ 1,436	\$ 6,304
2026	5,306	998	6,304
2027	5,782	521	6,303
Total	<u>\$ 15,956</u>	<u>\$ 2,955</u>	<u>\$ 18,911</u>

The City executed a lease with First Government Lease Co. for the purchase of two Chevrolet Tahoes on August 23, 2021. The lease is secured by the vehicles and requires an annual payment of \$22,907 each December. Final payment will be in December 2025. Annual lease payments are as follows:

<p>CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024</p>
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Fiscal Year Ending June 30,	Principal	Interest	Payment
2025	\$ 19,281	\$ 3,626	\$ 22,907
2026	21,016	1,891	22,907
Total	<u>\$ 40,297</u>	<u>\$ 5,517</u>	<u>\$ 45,814</u>

The City executed a lease with Kubota Leasing for the purchase of some equipment on July 1, 2020. The lease is secured by the equipment and requires an annual payment of \$7,282 each July. Final payment was made in July 2023.

The City executed a lease with First Government Lease Co. for the purchase of a 2023 Chevrolet Silverado on February 24, 2023. The lease is secured by the vehicles and requires an annual payment of \$10,991 each December. Final payment will be in December 2027. Annual lease payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Payment
2025	\$ 7,223	\$ 3,768	\$ 10,991
2026	8,023	2,968	10,991
2027	8,910	2,081	10,991
2028	9,896	1,095	10,991
Total	<u>\$ 34,052</u>	<u>\$ 9,912</u>	<u>\$ 43,964</u>

The City executed a lease with First Government Lease Co. for the purchase of a 2024 Dodge Durango on March 8, 2024. The lease is secured by the vehicle and requires an annual payment of \$14,056 each March. Final payment will be in March 2029. Annual lease payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Payment
2025	\$ 9,016	\$ 5,040	\$ 14,056
2026	9,778	4,278	14,056
2027	10,707	3,349	14,056
2028	11,723	2,333	14,056
2029	12,837	1,219	14,056
Total	<u>\$ 54,061</u>	<u>\$ 16,219</u>	<u>\$ 70,280</u>

The City executed a lease with First Government Lease Co. for the purchase of two 2024 Dodge Durangos on May 7, 2024. The lease is secured by the vehicles and requires an annual payment of \$32,220 each December. Final payment will be in December 2028. Annual lease payments are as follows:

CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024

Fiscal Year Ending June 30,	Principal	Interest	Payment
2025	\$ 24,863	\$ 7,357	\$ 32,220
2026	19,283	12,937	32,220
2027	21,923	10,297	32,220
2028	24,926	7,294	32,220
2029	28,339	3,881	32,220
Total	<u>\$ 119,334</u>	<u>\$ 41,766</u>	<u>\$ 161,100</u>

The City executed a lease with Republic First National Bank Corporation for the purchase of an ambulance on August 28, 2023. The lease is secured by the vehicle and requires an annual payment of \$19,048 each December. Final payment will be in December 2027. Annual lease payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Payment
2025	\$ 14,788	\$ 4,260	\$ 19,048
2026	15,754	3,294	19,048
2027	16,783	2,265	19,048
2028	17,880	1,168	19,048
Total	<u>\$ 65,205</u>	<u>\$ 10,987</u>	<u>\$ 76,192</u>

NOTE G – INDEBTEDNESS SUMMARY

The changes in long-term indebtedness for 2024 are as follows:

	Balance June 30, 2023	Additions	Retirements	Balance June 30, 2023
Citizens Bank of Kansas	\$ 41,119	\$ -	\$ (20,361)	\$ 20,758
KLC Funding Trust Lease	361,610	-	(30,050)	331,560
Northern Kentucky Area Development	116,219	-	(21,456)	94,763
2014B Revenue Bonds	727,500	-	(30,000)	697,500
BB&T Lease	328,058	-	(32,062)	295,996
Tax Anticipation Note	75,000	-	(75,000)	-
First Government Lease Co	85,204	-	(18,359)	66,845
First Government Lease Co	20,422	-	(4,466)	15,956
First Government Lease Co	57,986	-	(17,689)	40,297
Kubato Leasing	6,724	-	(6,724)	-
First Government Lease Co	41,200	-	(7,148)	34,052
First Government Lease Co	-	54,061	-	54,061
First Government Lease Co	-	119,334	-	119,334
Republic First National Corporation	-	82,619	(17,414)	65,205
Total Debt	<u>1,861,042</u>	<u>\$ 256,014</u>	<u>\$ (280,729)</u>	<u>1,836,327</u>
Less: current portion of long-term debt	<u>(263,315)</u>			<u>(236,281)</u>
Total Long-Term Debt	<u>\$ 1,597,727</u>			<u>\$ 1,600,046</u>

<p>CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024</p>
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NOTE H – CONTINGENT LIABILITIES

The City is at risk for possible litigation due to the nature of the City officials’ enforcement of various codes and regulations, such as zoning and building codes.

NOTE I – COUNTY EMPLOYEES’ RETIREMENT SYSTEMS

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

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

Membership in CERS consisted of the following at June 30, 2023:

	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	77,367	76,946	9,173	9,109
Inactive Plan Members	100,738	28,719	2,895	883
Retired Members	67,206	37,584	10,858	7,655
	<u>245,311</u>	<u>143,249</u>	<u>22,926</u>	<u>17,647</u>
Number of participating employers		<u>1,141</u>		<u>260</u>

PENSION PLAN

Non-Hazardous Pension Plan Description

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

<p>CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024</p>
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Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

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

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

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

Hazardous Pension Plan Description

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

<p>CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024</p>
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Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	At least one month of hazardous duty service credit and 55 years old, or any age with 20 years of service.
	Reduced retirement	15 years service and 50 years old
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years of hazardous duty service credit and 60 years old or any age with 25 years of service.
	Reduced retirement	15 years service and 50 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced retirement	At least 5 years of hazardous duty service credit and 60 years old or 25 or more years of service, with no age requirement
	Reduced retirement	Not available

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

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

	<u>Required Contribution</u>
Tier 1	8%
Tier 2	8%
Tier 3	8%

Contributions

For non-hazardous duty employees, the City contributed 23.34% of covered-employee's compensation, of which 23.4% was for the pension fund and 0.00% was for the health insurance fund.

For hazardous duty employees, the City contributed 43.69% of covered-employee's compensation, of which 41.11% was for the pension fund and 2.58% was for the health insurance fund.

The City made all required contributions for the non-hazardous Plan obligation for the fiscal year in the amount of \$101,871, of which \$101,871 was for the pension fund and \$0 was for the health insurance fund.

CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024

The City made all required contributions for the hazardous Plan obligation for the fiscal year in the amount of \$520,789 of which \$490,035 was for the pension fund and \$30,754 was for the health insurance fund

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

At June 30, 2024, the City reported a liability of \$4,086,729 as its proportionate share of the net pension liability (\$665,777 for the non-hazardous plan and \$3,420,952 for the hazardous duty plan) The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2023, the City's non-hazardous employer allocation proportion was 0.01038% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.126892% of the total CERS hazardous duty employees. For the year ended June 30, 2024, the City recognized pension revenue of \$1,225,617 in addition to its \$591,906 pension contribution.

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

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 34,466	\$ 1,809	\$ 156,392	\$ -	\$ 190,858	\$ 1,809
Net difference between projected and actual earnings on plan investments	-	9,081	-	34,318	-	43,399
Changes of assumptions	-	61,019	-	267,167	-	328,186
Changes in proportion and differences between contributions and proportionate share of contributions	80,451	14,953	20,087	648,305	100,538	663,258
Contributions subsequent to the measurement date	101,871	-	490,035	-	591,906	-
	<u>\$ 216,788</u>	<u>\$ 86,862</u>	<u>\$ 666,514</u>	<u>\$ 949,790</u>	<u>\$ 883,302</u>	<u>\$ 1,036,652</u>

The City's contributions subsequent to the measurement date of \$591,906 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<p>CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024</p>
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Measurement Year Ending June 30,	Net Deferral
2024	\$ (236,249)
2025	(301,637)
2026	(131,662)
2027	(75,708)
2028	-
Thereafter	-
	\$ (745,256)

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

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

Changes of Assumptions

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

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

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

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

<p>CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024</p>
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There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022. It is GRS's opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under *GASB No. 68*.

The actuarial assumptions are:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous and Hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous 3.55% to 19.05%, varies by service for CERS Hazardous
Investment Rate of Return	6.50% for CERS Non-hazardous and Hazardous

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

Discount Rate

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

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

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

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%

CITY OF LUDLOW, KENTUCKY
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June 30, 2024

Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous 3.55% to 19.05%, varies by service for Hazardous
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Plan Target Allocation

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

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

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

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.50%	Current Rate 6.50%	1% Increase 7.50%
Non-hazardous	\$ 840,584	\$ 665,777	\$ 520,506
Hazardous	4,319,768	3,420,952	2,686,823
Total	\$ 5,160,352	\$ 4,086,729	\$ 3,207,329

<p>CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024</p>
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HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

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

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.

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

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

Hazardous OPEB Plan Description

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

<p>CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024</p>
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Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.

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

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

Contributions

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

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

For hazardous duty employees, the City contributed 2.58% of covered employees' compensation for the health insurance fund.

The City made all required contributions for the non-hazardous Plan OPEB obligation for the fiscal year in the amount \$0.00.

The City made all required contributions for the hazardous Plan OPEB obligation for the fiscal year in the amount of \$30,754.

CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024

These contributions are actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2024, the City recognized OPEB expense of \$73,001 in addition to its \$0 OPEB contribution.

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

At June 30, 2024, the City reported a liability of \$159,175 as its proportionate share of the net OPEB liability (\$-14,326 for the non-hazardous plan and \$173,501 for the hazardous duty plan) The net pension liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2023 measurement date, the City's proportion of the non-hazardous plan was 0.01038% of the hazardous plan was 0.126807%.

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

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 9,987	\$ 203,412	\$ 15,693	\$ 715,293	\$ 25,680	\$ 918,705
Net difference between projected actual earnings on plan investments	-	3,325	-	23,894		(75,367)
Change of assumption	28,192	19,647	118,467	180,867	146,659	200,514
Changes in proportion and differences between contributions and proportionate share of contributions	38,386	35,951	16,148	225,231	54,534	261,182
Contributions subsequent to the measurement date	4,679	-	29,142	-	33,821	-
	<u>\$ 81,244</u>	<u>\$ 262,335</u>	<u>\$ 179,450</u>	<u>\$ 1,145,285</u>	<u>\$ 260,694</u>	<u>\$ 1,305,034</u>

The City's contributions subsequent to the measurement date, \$33,821 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<p>CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024</p>
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Measurement Year Ending June 30,	Net Deferral
2024	\$ (261,335)
2025	(271,289)
2026	(225,746)
2027	(274,268)
2028	(148,109)
Thereafter	-
	<u>\$ (1,180,747)</u>

Actuarial Methods and Assumptions to Determine the Net OPEB Liability

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

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

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous and Hazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS Non-hazardous 3.55% to 19.05%, varies by service for CERS Hazardous
Investment Rate of Return	6.50%
Health Care Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 8.50% in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (nondisabled)	System-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010.

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

<p>CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024</p>
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discount rates is provided below. The Total OPEB Liability as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024 and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

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

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

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

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

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

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous 3.55% to 19.05%, varies by service for Hazardous
Investment Rate of Return	6.25%

<p>CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024</p>
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Healthcare Trend Rates

Pre - 65

Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.

Post - 65

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

Mortality

Pre-retirement

PUB-2010 General Mortality table, for the Non-hazardous Systems, and the PUB2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

Post-retirement (non- disabled)

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

Post-retirement (disabled)

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

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

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

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

Changes of Assumptions

The discount rates used to calculate the total OPEB liability increased from 5.70% to 5.93%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023 valuation process and was updated to better reflect more current expectations relating

CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024

to anticipated future increases in the medical costs. There were no other material assumption changes.

Discount Rate

Single discount rates of 5.93% for CERS non-hazardous and 5.97% for CERS hazardous were used to measure the total OPEB liability as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

Plan Target Allocation

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

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

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

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.93% for the non-hazardous Plan and 5.97% for the hazardous Plan, as well

CITY OF LUDLOW, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.93%	5.93%	6.93%
Net OPEB liability, Non-Haz	\$ 26,884	\$ (14,326)	\$ (48,834)
Discount Rate, Hazardous	4.97%	5.97%	6.97%
Net OPEB liability, Haz	\$ 438,787	\$ 173,501	\$ (47,553)
Total	\$ 465,671	\$ 159,175	\$ (96,387)

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

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

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ (45,917)	\$ (14,326)	\$ 24,481
Net OPEB liability, hazardous	1,977	173,501	380,652
Total	\$ (43,940)	\$ 159,175	\$ 405,133

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan’s fiduciary net position. These reports may be obtained, in writing, from the Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or online at www.kyret.ky.gov.

NOTE J – CLAIMS AND JUDGMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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 grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE K – 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. To obtain insurance for workers’ compensation and general liability coverage, the City participates in the Kentucky Municipal Risk Management Association. This public City operates as a common risk management and insurance program for all municipalities. The City has effectively managed risk through various employee education and prevention programs.

CITY OF LUDLOW, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2024

NOTE L – ECONOMIC DEPENDENCY

The City's general fund receives 17% of its revenues from insurance premium taxation. This tax is not regulated on a city level, but rather on the state level. If legislation were imposed to delete this tax, the City would be negatively impacted.

NOTE M – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

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

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

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

NOTE N – FUTURE ACCOUNTING STANDARDS

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

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

NOTE O – CONDUIT DEBT

On September 28, 2023 the City issued four series of bonds in the amounts of \$99,500,000, \$5,197,925, \$4,500,000 and \$9,500,000 in order to assist with the acquisition, construction and equipping of an industrial building facility and related infrastructure improvements in the City of Ludlow, Kentucky. The bonds are the responsibility of the developer and are conduit debt to the City of Ludlow, Kentucky. The cannot determine the amount of conduit debt outstanding as of the dates of these financial statements.

NOTE P – SUBSEQUENT EVENTS

The City's management has evaluated and considered the need to recognize or disclose additional subsequent events through November 22, 2024, which represents the date that these financial statements were available to be issued. The City did not have any additional events subsequent to June 30, 2024 to disclose.

CITY OF LUDLOW, KENTUCKY BUDGETARY COMPARISON SCHEDULE- BUDGET TO ACTUAL- GENERAL FUND For the Year Ended June 30, 2024
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	Budgeted Amounts			Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Revisions	Final		
Budgetary fund balance, July 1	\$ 2,587,432	\$ -	\$ 2,587,432	\$ 2,587,432	\$ -
Resources (inflows)					
General government revenue	3,352,895	(21,305)	3,331,590	4,043,983	712,393
Fire property assessment tax/misc.	708,700	46,334	755,034	789,139	34,105
Other	714,950	8,555	723,505	835,998	112,493
Grant revenue	61,000	(10,737)	50,263	98,787	48,524
Proceeds from loans	-	-	-	256,013	256,013
Amounts available for appropriation	<u>7,424,977</u>	<u>22,847</u>	<u>7,447,824</u>	<u>8,611,352</u>	<u>1,163,528</u>
Charges to appropriations (outflows)					
Legislative and administrative	1,134,500	90,377	1,224,877	1,719,759	(494,882)
Police	1,418,740	93,381	1,512,121	1,878,459	(366,338)
Public works	315,550	(27,856)	287,694	312,604	(24,910)
Parks	12,500	14,877	27,377	41,932	(14,555)
Fire/EMS fund	818,700	180,558	999,258	1,240,896	(241,638)
Total charges to appropriations	<u>3,699,990</u>	<u>351,337</u>	<u>4,051,327</u>	<u>5,193,650</u>	<u>(1,142,323)</u>
Budgetary fund balance, June 30	<u>\$ 3,724,987</u>	<u>\$ (328,490)</u>	<u>\$ 3,396,497</u>	<u>\$ 3,417,702</u>	<u>\$ 21,205</u>

CITY OF LUDLOW, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL (WITH VARIANCES) - MUNICIPAL ROAD AID FUND
For the Year Ended June 30, 2024

	Original Budget	Revisions	Final Budget	Actual	Variance Favorable (Unfavorable)
Budgetary fund balance, July 1	\$ 55,491	\$ -	\$ 55,491	\$ 55,491	\$ -
Resources (inflows):					
Intergovernmental	150,000	(54,000)	96,000	105,445	9,445
Interest	-	-	-	-	-
Total resources (inflows)	<u>150,000</u>	<u>(54,000)</u>	<u>96,000</u>	<u>105,445</u>	<u>9,445</u>
Amounts available for appropriation	<u>205,491</u>	<u>(54,000)</u>	<u>151,491</u>	<u>160,936</u>	<u>9,445</u>
Charges to appropriations (outflows):					
Street repair	150,000	68,767	218,767	224,555	(5,788)
	<u>150,000</u>	<u>68,767</u>	<u>218,767</u>	<u>224,555</u>	<u>(5,788)</u>
Budgetary fund balance, June 30	<u>\$ 55,491</u>	<u>\$ (122,767)</u>	<u>\$ (67,276)</u>	<u>\$ (63,619)</u>	<u>\$ 3,657</u>

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

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability	0.01038%	0.00865%	0.00936%	0.00793%	0.01359%	0.01549%	0.01705%	0.01900%	0.17676%	0.019326%
Proportionate share of the net pension liability (asset)	\$ 665,777	\$ 625,599	\$ 596,646	\$ 607,994	\$ 956,002	\$ 943,084	\$ 998,106	\$ 935,344	\$ 759,995	\$ 626,994
Covered payroll in year of measurement	\$ 313,571	\$ 299,119	\$ 278,705	\$ 232,021	\$ 338,147	\$ 472,179	\$ 465,103	\$ 316,828	\$ 329,233	\$ 391,929
Share of the net pension liability (asset) as a percentage of its covered payroll	212.32%	209.15%	214.08%	262.04%	282.72%	199.73%	214.60%	295.22%	230.84%	159.98%
Plan fiduciary net position as a percentage of total pension liability	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 101,871	\$ 73,375	\$ 63,323	\$ 53,805	\$ 44,780	\$ 65,367	\$ 68,372	\$ 64,854	\$ 39,350	\$ 41,976
Actual contribution	101,871	73,375	63,323	53,805	44,780	65,367	68,372	64,854	39,350	41,976
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 334,923	\$ 313,571	\$ 299,119	\$ 278,705	\$ 232,021	\$ 403,002	\$ 472,179	\$ 465,103	\$ 316,828	\$ 329,233
Contributions as a percentage of covered payroll	30.42%	23.40%	21.17%	19.31%	19.30%	16.22%	14.48%	13.94%	12.42%	12.75%

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

The net pension liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE I in the Notes to the Financial Statements.

CITY OF LUDLOW, KENTUCKY
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE-HAZARDOUS
Last Ten Fiscal Years

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability	0.126892%	0.146312%	0.160876%	0.161021%	0.153344%	0.147748%	0.136720%	0.110100%	0.091799%	0.100286%
Proportionate share of the net pension liability (asset)	\$ 3,420,952	\$ 4,464,648	\$ 4,282,775	\$ 4,854,829	\$ 4,235,814	\$ 3,573,222	\$ 2,945,869	\$ 1,889,310	\$ 1,409,219	\$ 1,205,257
Covered payroll in year of measurement	\$ 948,948	\$ 925,006	\$ 952,108	\$ 960,939	\$ 873,623	\$ 800,650	\$ 784,672	\$ 703,574	\$ 497,525	\$ 577,923
Share of the net pension liability (asset) as a percentage of its covered payroll	360.50%	482.66%	449.82%	505.22%	484.86%	446.29%	375.43%	268.53%	283.25%	208.55%
Plan fiduciary net position as a percentage of total pension liability	52.96%	47.11%	52.26%	44.11%	46.63%	49.26%	53.95%	53.95%	57.52%	63.46%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 490,035	\$ 406,245	\$ 313,207	\$ 286,204	\$ 288,858	\$ 233,185	\$ 177,744	\$ 170,352	\$ 142,544	\$ 114,182
Actual contribution	490,035	406,245	313,207	286,204	288,858	233,185	177,744	170,352	142,544	114,182
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	1,113,355	948,948	925,006	952,108	960,939	937,616	800,650	784,672	703,574	497,525
Contributions as a percentage of covered payroll	44.01%	42.81%	33.86%	30.06%	30.06%	24.87%	22.20%	21.71%	20.26%	22.95%

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

The net pension liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE I in the Notes to the Financial Statements.

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net OPEB liability	0.01038%	0.00865%	0.00936%	0.00793%	0.01359%	0.01548%	0.01705%	0.01900%		
Proportionate share of the net OPEB liability (asset)	\$ (14,326)	\$ 170,768	\$ 179,097	\$ 191,365	\$ 228,561	\$ 274,915	\$ 342,804	\$ 935,344		
Covered payroll in year of measurement	\$ 313,571	\$ 299,119	\$ 278,705	\$ 232,021	\$ 338,147	\$ 472,179	\$ 465,103	\$ 316,828		
Share of the net OPEB liability (asset) as a percentage of its covered payroll	-4.57%	57.09%	64.26%	82.48%	67.59%	58.22%	73.70%	295.22%		
Plan fiduciary net position as a percentage of total OPEB liability	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%	55.50%		

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ -	\$ 10,630	\$ 17,289	\$ 13,270	\$ 11,044	\$ 21,198	\$ 22,192	\$ 21,990		
Actual contribution	-	10,630	17,289	13,270	11,044	21,198	22,192	21,990		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	334,923	313,571	299,119	278,705	232,021	403,002	472,179	465,103		
Contributions as a percentage of covered payroll	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%		

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

The net pension liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE I in the Notes to the Financial Statements.

CITY OF LUDLOW, KENTUCKY
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE-HAZARDOUS
Last Ten Fiscal Years

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net OPEB liability	0.126807%	0.146312%	0.160875%	0.160970%	0.153314%	0.14775%	0.13167%	0.01900%		
Proportionate share of the net OPEB liability (asset)	\$ 173,501	\$ 1,245,634	\$ 1,300,770	\$ 1,487,533	\$ 1,134,309	\$ 1,053,440	\$ 1,088,495	\$ 935,344		
Covered payroll in year of measurement	\$ 948,948	\$ 925,006	\$ 952,108	\$ 960,309	\$ 873,623	\$ 800,850	\$ 784,672	\$ 703,574		
Share of the net OPEB liability (asset) as a percentage of its covered payroll	18.28%	134.66%	136.62%	154.90%	129.84%	131.54%	138.72%	132.94%		
Plan fiduciary net position as a percentage of total OPEB liability	92.27%	64.13%	66.81%	58.84%	64.44%	64.24%	59.00%	55.50%		

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 30,754	\$ 64,339	\$ 96,849	\$ 90,640	\$ 91,482	\$ 98,169	\$ 74,861	\$ 73,367		
Actual contribution	30,754	64,339	96,849	90,640	91,482	98,169	74,861	73,367		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	\$ 1,113,355	\$ 948,948	\$ 925,006	\$ 952,108	\$ 960,939	\$ 937,616	\$ 800,850	\$ 784,672		
Contributions as a percentage of covered payroll	2.76%	6.78%	10.47%	9.52%	9.52%	10.47%	9.35%	9.35%		

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

The net pension liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE I in the Notes to the Financial Statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**To the Honorable Mayor and
Members of Council of
City of Ludlow, Kentucky**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Ludlow, Kentucky as of June 30, 2024 and the related notes to the financial statements which collectively comprise the City of Ludlow, Kentucky's financial statements, and have issued our report thereon dated November 22, 2024.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ludlow, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion.

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

Finding 2024-01:

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

Condition – The City expended \$1,142,323 more than budgeted in the General Fund and expended \$5,788 more than budgeted in the Municipal Road Aid Fund for the fiscal year ended June 30, 2024. The City did amend its fiscal year budget in June 2024 with an amended budget ordinance, however, the amended budget for appropriations was significantly less than the actual amounts expended.

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

Recommendation – The City should re-evaluate its budget amendment process to ensure all actual expenditures are considered in the amended budget.

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

Purpose of this Report

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Erlanger, Kentucky
November 22, 2024