

BOOK-ENTRY ONLY**Rating: Moody's: Aa3**
See "Rating" herein**NEW ISSUE – NOT BANK QUALIFIED**

In the opinion of Frost Brown Todd LLP, Bond Counsel, under existing federal statutes, decisions, regulations and rulings and assuming continuing compliance with certain covenants and the accuracy of certain representations, the interest on the Bonds is excluded from gross income for federal income tax purposes, and is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals under the Internal Revenue Code of 1986, as amended (the "Code"); however, such interest may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations under the Code. The City has NOT designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code. Interest on the Bonds is exempt from Kentucky income tax and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. Interest on the Bonds may be subject to certain federal income taxes imposed on certain corporations, and certain taxpayers may have certain other adverse federal income tax consequences as a result of owning the Bonds. See "LEGAL MATTERS – Tax Matters" herein.



\$19,000,000*
CITY OF UNION, KENTUCKY
PUBLIC PROJECT AND REFUNDING BONDS, SERIES 2025

Dated: Date of Initial Delivery**Due:** August 1*, as shown below

The Bonds will be issuable under a book entry system, registered in the name of The Depository Trust Company ("DTC") or its nominee. There will be no distribution of the Bonds to the ultimate purchasers. See "Book Entry" herein. Principal and interest on the Bonds are payable at the designated corporate trust office of U.S. Bank Trust Company, National Association, Louisville, Kentucky. The Bonds are being issued as fully registered bonds in denominations of \$5,000 and integral multiples thereof. Interest payments will be mailed by the Paying Agent to each holder of record as of the fifteenth day of the month preceding the date for such interest payment. See "DESCRIPTION OF THE BONDS – Book-Entry Only System" and APPENDIX F herein.

The Bonds will bear interest at the rates per annum shown on the inside cover, payable semi-annually on February 1 and August 1, commencing February 1, 2026 (the "Interest Payment Dates").

The Bonds are subject to redemption prior to maturity, as described herein.

The City deems this Preliminary Official Statement to be final for purposes of Security and Exchange Commission Rule 15c2-12, except for certain information on the cover page hereof and certain pages herein which has been omitted in accordance with the Rule and will be provided with the final Official Statement.

The Bonds are offered when, as and if issued, subject to the approval of legality and Tax Matters by Frost Brown Todd LLP, Bond Counsel. Certain legal matters have been passed upon for the City by Greg Voss, Esq., City Attorney, who, upon the issuance of the Bonds, will render an opinion regarding the City's authorization to issue the Bonds and enter the agreements contemplated herein. The Bonds are expected to be available for delivery on or about August 26, 2025*.

Electronic bids (received via BiDCOMP™/PARITY™) must be submitted in accordance with the Official Notice of Sale. See **APPENDIX G**. Bids will be received until 11:00 a.m. E.T., on August 12, 2025. This Official Statement is "deemed final" by the City as of its date for purposes of, and except for certain omissions as permitted by, Securities and Exchange Commission Rule 15c2-12(b)(1), and is subject to completion, amendment, or supplementation in the final Official Statement.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

*Preliminary; subject to change.

This Preliminary Official Statement and information contained herein are subject to change, completion or amendment without notice. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE OFFICIAL STATEMENT IS DELIVERED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY OFFICIAL STATEMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY, NOR SHALL THERE BE

MATURITY SCHEDULE FOR THE BONDS*
AUGUST 1*

<u>Maturity</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP⁺</u>
08/01/2026	\$465,000			
08/01/2027	475,000			
08/01/2028	495,000			
08/01/2029	510,000			
08/01/2030	525,000			
08/01/2031	545,000			
08/01/2032	565,000			
08/01/2033	585,000			
08/01/2034	610,000			
08/01/2035	630,000			
08/01/2036	655,000			
08/01/2037	685,000			
08/01/2038	710,000			
08/01/2039	740,000			
08/01/2040	775,000			
08/01/2041	810,000			
08/01/2042	845,000			
08/01/2043	885,000			
08/01/2044	925,000			
08/01/2045	970,000			
08/01/2046	1,015,000			
08/01/2047	1,065,000			
08/01/2048	1,115,000			
08/01/2049	1,170,000			
08/01/2050	1,230,000			

⁺ The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the City or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the City nor the Underwriter has agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

* Preliminary, subject to change; see the Official Notice of Sale attached as **APPENDIX G**.

CITY OF UNION, KENTUCKY

Mayor

Larry K. Solomon

City Commission

John Mefford

George Eldridge

Douglas Bine

Kimberly Tuyn

City Administrator

Amy Safran

City Treasurer

Christy Everman

City Clerk

Tammy Wilhoite

City Attorney

Greg Voss, Esq.

BOND COUNSEL

Frost Brown Todd LLP

FINANCIAL ADVISOR

RSA Advisors, LLC

Lexington, Kentucky

BOND REGISTRAR AND PAYING AGENT

U.S. Bank Trust Company, National Association

Louisville, Kentucky

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REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds. No dealer, broker, salesman or other person has been authorized by the City or others on behalf of the City to give any information or to make any representations with respect to the City or the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth in this Official Statement has been obtained from sources which are believed to be current and reliable. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions and such summaries are qualified by references to the entire texts of the documents. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date of this Official Statement.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS THAT THE CITY BELIEVES MAY BE “FORWARD-LOOKING STATEMENTS.” WORDS SUCH AS “PLAN,” “ESTIMATE,” “PROJECT,” “BUDGET,” “ANTICIPATE,” “EXPECT,” “INTEND,” “BELIEVE” AND SIMILAR TERMS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THE ACHIEVEMENT OF RESULTS OR OTHER EXPECTATIONS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT ARE DIFFICULT TO PREDICT, MAY BE BEYOND THE CITY’S CONTROL AND COULD CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM ANY RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY UNDERTAKES NO OBLIGATION, AND DOES NOT PLAN, TO ISSUE ANY UPDATES OR REVISIONS TO SUCH FORWARD-LOOKING STATEMENTS.

UPON ISSUANCE, THE BONDS WILL NOT BE REGISTERED BY THE CITY UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY WILL HAVE AT THE REQUEST OF THE CITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED OR DISAPPROVED THE BONDS FOR SALE.

CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright © 2019 CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the City, the Registrar and Paying Agent, or Bond Counsel and are included solely for the convenience of the holders of the Bonds. The City, the Registrar and Paying Agent and Bond Counsel are not responsible for the selection or use of these CUSIP numbers and make no representation as to their correctness on the Bonds or the Cover or as indicated above. The CUSIP number for a specific maturity of a series is subject to being changed after the issuance of the Bonds as a result of various subsequent actions.

The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

Upon issuance, the Bonds will not be registered by the City under any federal or state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency except the City will have, at the request of the City, passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future. Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, no representation is made that any of such statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources prior to the making of investment decisions. Certain information may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the City preliminary to sale of the Bonds should be regarded as part of the City's contract with the successful bidder or the holders from time to time of the Bonds.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes ("KRS") or uncodified, or to the provisions of the Kentucky Constitution or the City's ordinances or resolutions, are references to such provisions as they presently exist. Any of these provisions may from time to time be amended, repealed or supplemented.

As used in this Official Statement, "debt service" means principal of, interest and any premium on, the obligations referred to; "City" means the City of Union, Kentucky; and "State" or "Kentucky" means the Commonwealth of Kentucky.

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the issuance of \$19,000,000* aggregate principal amount of Public Project and Refunding Bonds, Series 2025 (the "Bonds") of the City of Union, Kentucky as specified on the cover hereof.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

The Issuer

The Bonds are being issued by the City of Union, Kentucky (the "City"), a municipal corporation of the Home Rule Class and political subdivision of the Commonwealth of Kentucky. The City is located in Boone County in Northern Kentucky.

Authority for Issuance

Authority for the issuance of the Bonds is provided by Sections 66.011, *et. seq.*, as amended, of the KRS and an ordinance adopted by the City Commission of the City on August 4, 2025.

Sources of Payment for the Bonds

The Bonds are a general obligation debt of the City. The basic security for the Bonds is the City's ability to levy annual ad valorem real and personal property taxes on real and personal property located in the City to pay the interest on and principal of the Bonds as and when the same become due and payable. (See "Security and Source of Payment for the Bonds," herein).

Purpose of the Bonds

The Bonds are being issued for the purposes of (i) refunding, paying and discharging the City of Union, Kentucky General Obligation Bond Anticipation Notes, Series 2022 (the "Series 2022 Notes") the proceeds of which were used to purchase certain real property located within the City, (ii) pay or reimburse the costs of acquiring, constructing, and equipping a new City building, and (iii) paying the costs of issuing of the Bonds. (See "PLAN OF FINANCE" herein.)

Description of the Bonds

The Bonds mature as indicated on the cover page hereof. The Bonds are being offered in the denominations of \$5,000 or any integral multiple thereof. The Bonds are initially being issued in Book-Entry-Only form registered in the name of DTC or its nominee. There will be no distribution of Bonds to ultimate purchasers (see "Book-Entry", herein).

* Preliminary; subject to change.

Redemption*

The Bonds maturing August 1, 2034 and thereafter are subject to optional redemption prior to maturity, commencing August 1, 2033, see "DESCRIPTION OF THE BONDS – Redemption Provisions – Optional Redemption," herein).

The Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption commencing August 1, 20__ and the Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption commencing August 1, 20__ (see “DESCRIPTION OF THE BONDS - Redemption Provisions - Mandatory Sinking Fund Redemption”, herein).

In the event any Bonds are called for redemption, notice shall be given by mailing a copy of the redemption notice at least thirty (30) days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed (see “DESCRIPTION OF THE BONDS - Redemption Provisions”, herein).

Book Entry

The Bonds are issuable only as fully registered Bonds, without coupons. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. Principal of, redemption premium, if any, and interest on the Bonds will be paid directly to DTC by U.S. Bank Trust Company, National Association, Louisville, Kentucky, as Registrar and Paying Agent (the “Registrar and Paying Agent”). See “DESCRIPTION OF THE BONDS – Book-Entry Only System” and APPENDIX F herein.

Payment of Bonds and Registrar and Paying Agent

Principal of the Bonds will be paid in lawful money of the United States of America at the designated corporate trust office of the Registrar and Paying Agent, and interest shall be mailed by the Registrar and Paying Agent to the record date registered holders at the address of such holder maintained on the registration book of the Registrar and Paying Agent. The record dates for February 1 and August 1 interest payment dates on the Bonds shall be the preceding January 15 and July 15, respectively.

Interest

The Bonds shall be dated their date of initial issuance and delivery and bear interest at the rates set forth on the cover hereof, payable semi-annually on February 1 and August 1, beginning February 1, 2026.

Tax Matters; Not Bank Qualified

In the opinion of Frost Brown Todd LLP, Bond Counsel to the City, under existing federal statutes, decisions, regulations and rulings, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Code, and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals under the Code; however, such interest may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations under the Code (as defined for federal income tax purposes). Bond Counsel expresses no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds.

Interest on the Bonds is exempt from Kentucky income tax and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications made by the representatives of the City and others, and the compliance with certain covenants of the City, to be contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel has not and will not independently verify the accuracy of such certifications and representations.

The City has not designated the Bonds as “qualified tax-exempt obligations” as defined in Section 265(b)(3) of the Code.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations in order for the interest to be and continue to be so excluded from the date of issuance. Noncompliance with these requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to regular federal income tax retroactively to the date of their issuance. The City has covenanted to take such actions that may be required of it for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes, and not to take any actions which would adversely affect that exclusion.

Under the Code, interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States of America and a tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes can have certain adverse federal income tax consequences on items of income or deductions for certain taxpayers, including among them financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, and those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations and individuals otherwise eligible for the earned income credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other items of income and expenses of the holders of the Bonds. Bond Counsel will express no opinion and make no representation regarding such consequences.

From time to time, legislation affecting tax-exempt obligations is regularly considered by the United States Congress, and may also be considered by the State legislature, that would, if enacted, alter or amend one or more of the tax treatments of the Bonds referred to above in certain respects or would adversely affect the market value or marketability of the Bonds. It cannot be predicted whether or in what form any of such proposals, either pending or that may be introduced, may be enacted, and there can be no assurance that such proposals will not apply to the Bonds.

See “LEGAL MATTERS – Tax Matters” herein and Appendix E for the form of the opinion Bond Counsel proposes to deliver in connection with the Bonds.

Parties to the Issuance of the Bonds

The Registrar and Paying Agent is U.S. Bank Trust Company, National Association. Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereon are subject to the approving legal opinion of Frost Brown Todd LLP, Bond Counsel. The Financial Advisor to the City is RSA Advisors, LLC, Lexington, Kentucky.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued by the City. The Bonds will be delivered on or about August 26, 2025 in New York, New York through the Depository Trust Company (DTC).

Disclosure Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and continuing disclosure documents of the City are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Bonds, including the authorizing ordinances and the note forms, are available from the City.

The City deems this Preliminary Official Statement to be final for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof and certain pages herein which has been omitted in accordance with the Rule and will be provided with the final Official Statement.

Additional Information

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Bonds, is available from RSA Advisors, LLC, Financial Advisor to the City of Union, 147 E Third Street, Lexington, Kentucky 40508, Telephone: (859) 977-6600.

DESCRIPTION OF THE BONDS

The Bonds are dated their date of initial issuance and delivery and bear interest from such date at the rates set forth on the cover page of this Official Statement. The Bonds are being issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

Interest on the Bonds is payable semi-annually on February 1 and August 1, commencing February 1, 2026. **Error! Bookmark not defined.** Interest on all Bonds is payable by check or draft mailed to the registered holder by U.S. Bank Trust Company, National Association, the Registrar and Paying Agent. Principal is payable when due to the registered holder upon surrender of the Bonds at the corporate trust office of the Registrar and Paying Agent in Louisville, Kentucky.

Redemption Provisions

Optional Redemption*

The Bonds maturing on and after August 1, 2034 shall be subject to optional redemption prior to their maturity on any date on or after August 1, 2033, in whole or in part, in such order of maturity as may be selected by the City and by lot within a maturity at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the date of redemption.

* Preliminary; subject to change.

In case part but not all of an outstanding Bond shall be selected for redemption, the registered owner thereof or his attorney or legal representative shall present and surrender such Bond to the Registrar and Paying Agent for payment of the principal amount hereof so called for redemption, and the City shall execute and the Registrar and Paying Agent shall authenticate and deliver to or upon the order of such registered owner or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered a Bond of the same series and maturity and bearing interest at the same rate.

Security and Source of Payment for Bonds

The Bonds are general obligations of the City and the full faith, credit and taxing power of the City is irrevocably pledged to the payment of principal of and interest on the Bonds when due. The basic security for the general obligation debt of the City, including the Bonds, is the City's ability to levy, and its pledge to levy, annual ad valorem real and personal property taxes to pay the interest on and principal of the Bonds as and when the same become due and payable. The tax must be levied in sufficient amount to pay, as the same become due, the principal of and interest on the Bonds as well as the principal of and interest on all outstanding general obligation bonds and bond anticipation notes of the City. The Constitution of the State mandates the collection of a tax sufficient to pay the interest on an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. The Ordinance levies such annual tax which shall be collected to the extent other lawfully available monies of the City are not provided. The Ordinance also maintains a sinking fund into which the proceeds of such tax or other lawfully available monies of the City are to be deposited for payment of the interest on and principal of the Bonds and which shall not be used for any other purpose.

Chapter 9 of the Federal Bankruptcy Code contains provisions relating to the adjustment of debts of a State's political subdivisions, public agencies and instrumentalities ("eligible entity"), such as the City. Under the Bankruptcy Code and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without prior notice to or consent of its creditors, which proceedings may result in material and adverse modification or alteration of the rights of its secured and unsecured creditors, including holders of its bonds and notes.

Section 66.400 of the KRS permits a political subdivision, such as the City, for the purpose of enabling such subdivision to take advantage of the provisions of the Bankruptcy Code, and for that purpose only, to file a petition stating that the subdivision is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan for the composition or readjustment of its debts, and to take such further proceedings as are set forth in the Bankruptcy Code as they relate to such subdivision. No taxing subdivision is permitted, in availing itself of the provisions of the Bankruptcy Code, to scale down, cut down or reduce the principal sum of its securities except that interest thereon may be reduced in whole or in part.

The Federal Bankruptcy Code and Section 66.400 of the Kentucky Revised Statutes also permit Boone County, Kentucky (the "County") to initiate Chapter 9 proceedings, which, because the County collects certain revenues on behalf of the City (particularly ad valorem real and personal property taxes), may adversely affect the financial condition of the City if the proper transfer of revenues is delayed.

Book-Entry Only System

The Bonds initially will be issued solely in book entry form to be held in the book-entry only system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Ordinance. For additional information about DTC and the book-entry-only system see "APPENDIX F – Book-Entry Only System."

THE INFORMATION IN THIS SECTION AND IN APPENDIX F CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY BELIEVES TO BE RELIABLE, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF

PLAN OF FINANCE

The Bonds are being issued for the purpose of (i) refunding, paying and discharging the Series 2022 Notes the proceeds of which were used to purchase certain real property located within the City, (ii) paying the costs of acquiring, constructing, and equipping a new City building, and (iii) paying or reimbursing the costs of issuing of the Bonds.

A portion of the proceeds of the Bonds in an amount equal to the redemption price of 100% of the principal amount of the outstanding Series 2022 Notes, plus accrued interest to the date of redemption, will be deposited in the bond fund for the Series 2022 Notes and used to refund the Series 2022 Notes on the Closing Date. The remaining proceeds of the Bonds will be used to (i) pay a portion of the costs of constructing and equipping the new City building, and (ii) paying costs of issuance of the Bonds.

SOURCES AND USES OF FUNDS *

Sources:

Bond Proceeds	\$19,000,000.00
Planned Growth Fund Contribution	<u>2,200,000.00</u>
Total Sources	\$21,200,000.00

Uses:

Underwriter's Discount	\$380,000.00
Refunding Series 2022 Notes	4,165,080.60
Construction Project	13,901,900.00
Soft Costs	2,504,306.53
Cost of Issuance	244,000.00
Rounding Amount	<u>4,712.87</u>
Total Uses	\$21,200,000.00

INVESTMENT CONSIDERATIONS

The Bonds, like all obligations of state and local government, are subject to changes in value due to changes in the condition of the tax-exempt bond market and/or changes in the financial condition of the City.

Prospective purchasers of the Bonds may need to consult their own tax advisors prior to any purchase of the Bonds as to the impact of the Internal Revenue Code of 1986, as amended, upon their acquisition, holding or disposition of the Bonds.

It is possible under certain market conditions, or if the financial condition of the City should change, that the market price of the Bonds could be adversely affected.

* Preliminary; subject to change.

With regard to the risk involved in a lowering of the City's bond rating, see "RATING" herein. With regard to creditors' rights, see "SECURITY AND SOURCE OF PAYMENT FOR BONDS" herein.

PROFILE OF THE CITY AND SURROUNDING AREA

Economic and financial information with respect to the City is set forth in Appendix B hereto.

CITY GOVERNMENT

Elected and Appointed Officials

The City of Union, Kentucky is a municipal corporation of the Home Rule Class organized under the Commission form of city government, comprised of a Mayor, elected to a four-year term, and four (4) commissioners who are elected to two-year terms. The members of the City Commission are as follows:

<u>Member</u>	<u>Original Term Began</u>	<u>Current Term Ends</u>
Larry K. Solomon, Mayor	January 1, 2023	December 31, 2026
John Mefford	February 3, 2025	December 31, 2026
George Eldridge	February 3, 2025	December 31, 2026
Douglas Bine	February 3, 2025	December 31, 2026
Kimberly Tuyn	January 25, 2025	December 31, 2026

The current appointed City officials who serve at the pleasure of City Commission are:

City Administrator	Amy Safran
City Treasurer	Christy Everman
City Clerk	Tammy Wilhoite
City Attorney	Greg Voss, Esq.

Financial Matters

The City Treasurer is the fiscal officer of the City, and is appointed by and serves at the pleasure of the City Commission. The City Treasurer is responsible for the accounting, collection, custody and disbursement of the funds of the City. The City Treasurer serves the City Commission and the City Administrator as financial advisor in connection with City affairs, and performs such other duties as the City Commission or City Administrator request.

The City's fiscal year commences July 1 and ends the following June 30.

The administrative functions of the City are performed by or under the supervision of the following:

1. Establishment of overall financial policy, the City Commission.
2. Planning and development, the City Administrator.
3. Assessment of real and personal property, the Boone County Property Valuation Administrator.
4. Financial control functions, the City Treasurer.
5. Inspection and supervision of the accounts and reports of the City as required by law, by independent certified public accountants.

Financial Management

The City Commission is responsible for appropriating the funds used to support the various City activities. The City Commission exercises its legislative powers by budgeting, appropriating, levying taxes issuing bonds and notes, and letting contracts for public works and services to provide this financial management.

Financial Reports and Examinations of Accounts

Each city in the State is required to keep its accounting records and render financial reports in such a way as to: (a) determine compliance with statutory provisions; (b) determine fairly and with full disclosure the financial operations of consistent funds and account groups of the city in conformity with generally accepted governmental accounting principles; and (c) readily provide such financial data as may be required by the federal revenue sharing program. Municipal accounting systems are required to be organized and operated on a fund basis. The City maintains its accounts and other fiscal records on an appropriation and modified accrual basis in accordance with the procedures established and prescribed by the Kentucky Department for Local Government.

As required by law, financial reports are prepared annually by the City and filed with the Kentucky Department for Local Government. Audits are required to be completed by the February 1st immediately following the fiscal year being audited.

The accounting procedures prescribed by the Kentucky Department for Local Government are generally applicable to all cities in Kentucky and may be different from generally accepted government accounting principles as presented and recommended in the National Council on Governmental Accounting publication "Governmental Accounting Auditing and Financial Reporting," and the Industry Audit Guide of the American Institute of Certified Public Accountants, entitled "Audits of State and Local Governmental Units." Those publications, among other things, provide for a modified accrual basis of accounting for the general fund, all special revenue funds and the debt service fund, and for a full accrual basis of accounting for all other funds, and further provide for the preparation for each fund of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances.

The Audited Financial Statements of the City for its Fiscal Year ended June 30, 2024 are attached hereto as Appendix C

Budgeting and Appropriations Procedures

Detailed provisions for City budgeting, tax levies and appropriations are made in the Kentucky Revised Statutes. Cities are required to operate under an annual budget ordinance and no City may expend any moneys from a governmental or proprietary fund except in accordance with such budget. A budget proposal must be submitted to the City's legislative body no later than 30 days prior to the beginning of the fiscal year covered by the budget. No budget ordinance may be adopted which provides for appropriations to exceed revenues and the available fund balance in a fiscal year. The full amount estimated to be required for debt service during the budget year must be appropriated.

Pension Obligations

All full-time employees of the City belong to the County Employees Retirement System ("CERS"), a state-operated, cost-sharing, multiple-employer pension plan. CERS is a defined benefit plan created by the Kentucky General Assembly that provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan participants and their beneficiaries. Chapter 78 of the Kentucky Revised Statutes and the administrative regulations set forth in Chapter 105 of the Kentucky Administrative Regulations govern the operation of CERS, including the standards regarding participant eligibility, vesting, and benefits. The authority to establish and amend the CERS eligibility, vesting, and benefit

provisions rests with the Kentucky General Assembly. Additional information regarding CERS is available online at www.kyret.ky.gov and in the footnotes to the audited financial statements of the City for the fiscal year ended June 30, 2024 attached hereto as Appendix C.

Benefits available to CERS participants depend on their individual dates of participation. Benefits are calculated by multiplying a participant’s average salary (as determined in accordance with plan rules) by a benefit factor and the participant’s years of service. The benefit factors applicable to the participants entering CERS on or after January 1, 2014 are determined using less favorable benefit factors than earlier participants. However, individuals who became participants of CERS on or after January 1, 2014 receive benefits from a cash balance plan, which has characteristics of both a defined benefit plan and a defined contribution plan. Additional information regarding the benefits that are available to CERS participants is available online at www.kyret.ky.gov and in the footnotes to the audited financial statements of the City for the fiscal year ended June 30, 2024 attached hereto as Appendix C.

CERS is funded through employee and employer contributions. Different mandatory contribution rates apply depending on whether an employee is classified as hazardous or nonhazardous. The City only has employees who are characterized as nonhazardous. All nonhazardous employees who became eligible to participate in CERS before September 1, 2008 are required to contribute 5% of their creditable compensation to CERS, and all nonhazardous employees who became eligible on or after September 1, 2008 are required to contribute 6% of their creditable compensation to CERS. CERS also provides post-retirement healthcare coverage and contributions towards the costs of such coverage to the City’s employees who satisfy certain eligibility requirements. A portion of each employer and employee’s contribution to CERS is set aside to fund this post-retirement healthcare. Statutory authority requiring public employees and employers to fund post-retirement healthcare through their contributions to CERS is set forth in the Kentucky Revised Statutes.

Employer contributions made by the City for pension benefits change annually, as determined by the Board of Trustees of the Kentucky Retirement System. The City’s employer contribution rates for its employees for the plan fiscal years ended on June 30 of the following years were as follows:

<u>Plan Year Ended June 30</u>	<u>Employer Contribution Rate As Percentage of Credible Compensation (Nonhazardous)</u>
2024	23.34%
2023	26.79%
2022	26.95%
2021	24.06%
2020	24.06%

Effective as of April 14, 2018, the Kentucky Legislature has capped CERS employer contribution rate increases to a maximum of 12% per year over the prior fiscal year for the period beginning on and including July 1, 2018 and ending on and including June 30, 2028.

The City has made all of its required payments of employer contributions to CERS that are due and payable as of the date of this Official Statement. The amount of employer contributions paid by the City to CERS for nonhazardous pension benefits during the City’s five most recent fiscal years were:

<u>Plan Year Ended June 30</u>	<u>Employer Contribution (Rounded)</u>
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2023	\$54,443
2022	\$46,503
2021	\$32,264
2020	\$21,432

Future contribution rates may change given changes in benefits or the value of investments held by CERS. The City can make no representation regarding the potential for any future changes or reforms to CERS by the Kentucky General Assembly. Moreover, the City can make no representation with respect to the impact that any such changes or reforms would have on the City's operation, finances, or employees.

Investment Policies

Section 66.480 of the Kentucky Revised Statutes sets forth the requirements and limitations for investments of the State's political subdivisions, including the City. Under that Section, the City must adopt an investment policy and may invest its funds only in the classifications of obligations; which are eligible for investment, which are as follows:

- (a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky;
- (b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including but not limited to:
 - 1. United States Treasury;
 - 2. Export-Import Bank of the United States;
 - 3. Farmers Home Administration;
 - 4. Governmental National Mortgage corporation; and
 - 5. Merchant Marine bonds;
- (c) Obligations of any corporation of the United States government, including but not limited to:
 - 1. Federal Home Loan Mortgage Corporation;
 - 2. Federal Farm Credit Banks;
 - 3. Bank for Cooperatives;
 - 4. Federal Intermediate Credit Banks;
 - 5. Federal Land Banks;
 - 6. Federal Home Loan Banks;
 - 7. Federal National Mortgage Association; and
 - 8. Tennessee Valley Authority;
- (d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(4);
- (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institutions rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- (f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

- (g) Commercial paper rated in the highest category by a nationally recognized rating agency;
- (h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- (i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three highest categories by a nationally recognized rating agency;
- (j) Shares of mutual funds, each of which shall have the following characteristics;
 - 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - 2. The management company of the investment company shall have been in operation for at least five (5) years; and
 - 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.
- (k) Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Stand and Poor's 500 Index, and a single sector shall not exceed twenty-five percent (25%) of the equity allocation; and
- (l) Individual high-quality corporate bonds that are managed by a professional investment manager that:
 - 1. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
 - 2. The management company of the investment company shall have been in operation for at least five (5) years; and
 - 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

The City's current investment policy is more restrictive than is permitted by State law.

The City values safety, liquidity and return, in that order.

Debt Limitation

Kentucky Constitution Section 158 provides that cities shall not incur indebtedness to an amount exceeding the following maximum percentages on the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness:

- (a) Cities having a population of fifteen thousand (15,000) or more, ten percent (10%);
- (b) Cities having a population of less than fifteen thousand (15,000) but not less than three thousand, five percent (5%); and
- (c) Cities having a population of less than three thousand (3,000), three percent (3%).

For purposes of the preceding descriptions of determining the debt limitation of cities, the City is a city described under (b) above

Nothing shall prevent the issue of renewal bonds, or bonds to fund the floating indebtedness of any city, county, or taxing district. Subject to the limits and conditions set forth in that section and elsewhere

in the Constitution, the General Assembly has the power to establish additional limits on indebtedness and conditions under which debt may be incurred by cities.

KRS 66.041 provides the same limitations as are set forth in the Constitution except that the limitations apply to “net indebtedness”. In calculating “net indebtedness,” KRS 66.031 provides that certain obligations of a municipality are not to be considered in the calculation, including self-supporting obligations, revenue bonds, and special assessment debt. (For a complete list of exempt debt see the Statement of Indebtedness attached as Appendix D.)

Other infrequently-issued types of obligations are also excluded from the calculation of net indebtedness. The City has no such obligations outstanding. Notes issued in anticipation of bonds excluded from the calculation of net indebtedness are also excluded from such calculation. Appendix D of this Official Statement is a Statement of Indebtedness for the City, certified by the City Treasurer, calculating the amount of the outstanding obligations of the City (including the Bonds) which are subject to the total direct debt limit (5% limit) based upon the City’s population. The total principal amount of general obligation debt that could be issued by the City, subject to the 5% total direct debt limitation is \$44,049,816 and the City's net debt subject to such limitation presently outstanding (including the Bonds and excluding the 2022 Notes) is \$19,000,000* leaving a balance of approximately \$25,049,816* borrowing capacity issuable within such limitation.

However, as described below, the City's ability to incur debt in these amounts is restricted by tax limitations. In the case of general obligation debt, both the debt limitations and tax limitations must be met.

Tax Limitation

The Kentucky Constitution Section 157 also indirectly imposes a debt limitation on general obligation indebtedness of Cities by limiting the tax rates cities may impose upon the value of taxable property, as follows:

- (a) cities having a population of fifteen thousand or more, one dollar and fifty cents on each hundred dollars of assessed value;
- (b) cities having a population of less than fifteen thousand and not less than ten thousand, one dollar on each hundred dollars of assessed value; and
- (c) cities having a population of less than ten thousand, seventy-five cents on hundred dollars of assessed value.

Section 159 of the Kentucky Constitution requires the collection of an annual tax sufficient to pay the interest on contracted indebtedness and to retire indebtedness over a period not exceeding forty years. The two constitutional provisions operate as a limit on general obligation debt. Because the indirect debt limit results from tax limitations and the requirement to levy taxes to pay debt charges, it has application only to debts which are payable from taxes either initially or in the event other pledged non-tax revenues prove to be insufficient. It does not have any application where the type of debt being issued does not pledge the credit of the municipality or when the debt is payable solely out of the revenues of non-tax sources, such as utility income.

Appendix D of this Official Statement contains a Statement of Indebtedness of the City, certified by the City Treasurer, setting forth the property tax rates currently levied by the City of \$0.1950 per \$100

* Preliminary, subject to change.

for real property and \$0.2000 per \$100 for personal property, and certifying that the issuance of the Bonds will not cause such rates to increase to amounts which would exceed the maximum permissible rates.

Bond Anticipation Notes

Under Kentucky law, notes, including renewal notes, issued in anticipation of general obligation bonds may be issued from time to time upon the same terms and conditions as bonds except that notes may be sold by private negotiated sale in a manner determined or authorized by the legislative authority.

The ability of the City to retire bond anticipation notes from the proceeds of the sale of either renewal notes or bonds will be dependent upon the marketability of such renewal notes or bonds under market conditions then prevailing.

Future Borrowings of the City

The City does not presently anticipate any additional borrowings for the foreseeable future.

LEGAL MATTERS

General Information

Legal matters incident to the issuance of the Bonds is subject to the approving legal opinion of Frost Brown Todd LLP, as Bond Counsel. Upon delivery of the Bonds of the City to the successful bidder therefor, the Bonds will be accompanied by an approving opinion dated the date of such delivery, rendered by Frost Brown Todd LLP. A draft of such legal opinion for the Bonds is attached as Appendix E.

Said firm as Bond Counsel has performed certain functions to assist the City in the preparation by the City of its Official Statement. However, said firm assumes no responsibility for, and will express no opinion regarding the accuracy or completeness of this Official Statement or any other information relating to the City or the Bonds that may be made available by the City or others to the bidders or holders of the Bonds or others.

The engagement of said firm as Bond Counsel is limited to the preparation of certain of the documents contained in the transcript of proceedings with regard to the Bonds, and an examination of such transcript proceedings incident to rendering its legal opinion. In its capacity as Bond Counsel, said firm has reviewed the information in this Official Statement under Sections entitled "General Information" as to legal matters, "Authority for Issuance", "Security and Source of Payment for Bonds", "Debt Limitation", "Tax Limitation" and "Tax Matters", which review did not include any independent verification of financial statements and statistical data included therein, if any.

Transcript and Closing Certificates

A complete transcript of proceedings, a no-litigation certificate and other appropriate closing documents will be delivered by the City when the Bonds are delivered to the original purchaser. The City will also provide to the original purchaser, at the time of such delivery, a certificate from the City's Mayor addressed to such purchaser relating to the accuracy and completeness of this Official Statement.

Litigation

To the knowledge of the City, no litigation or administrative action or proceeding is pending or threatened directly affecting the Bonds, the security for the Bonds or the improvements being financed from the proceeds of the Bonds. A No-Litigation Certificate to that effect will be delivered to the purchaser at the time of the delivery of the Bonds.

Tax Matters

In the opinion of Frost Brown Todd LLP, Bond Counsel for the Bonds, under existing law the interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Code, and is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals under the Code; however, such interest may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations under the Code. Furthermore, Bond Counsel for the Bonds is of the opinion that interest on the Bonds is exempt from Kentucky income tax and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications by the City and continuing compliance with certain covenants of the City contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the City's certifications and representations or the continuing compliance with the City's covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to the exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (the "IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS or a reviewing court.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements may cause the loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The City has covenanted to take all actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect such exclusion. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market prices of the Bonds.

Interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the holder of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a holder of the Bonds is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding.

Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest or other income on the Bonds or the market value of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance should also consult their own tax advisors regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the beneficial owners regarding the tax status of interest on the Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the Bonds.

The City has **NOT** designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of a Bond over the stated redemption price of such bond. Certain of the Bonds that are sold at issue prices greater than the principal amount payable at maturity or earlier call date (the "Premium Bonds"), are being initially offered and sold to the public with Acquisition Premium. For federal income tax purposes, the amount of Acquisition Premium on the Premium Bonds must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on the Premium Bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds that must be amortized during any period will be computed on the basis of the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond) with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth at Section 171(b) of the Code.

Holders of any Premium Bonds, both original purchasers and any subsequent purchasers, should consult their own tax advisors as to the actual effect of any Acquisition Premium with respect to their own federal income tax situation and as to the treatment of the Acquisition Premium for state tax purposes.

Original Issue Discount

Certain of the Bonds may be sold to the public at a price of less than 100% of their face amount (the "Discount Bonds"). The following information, which has not been included in the opinion of Bond Counsel, may be helpful to prospective purchasers of the Discount Bonds.

Under present federal income tax law, original issue discount (i.e., the difference between the issue price, as hereinafter defined, of a Discount Bond and the stated redemption price at maturity of such Discount Bond), is treated as accruing (accreted) over the term of such Discount Bond. The issue price is the price at which a substantial amount of the Discount Bonds are sold to the public (excluding bond house, brokers or similar persons acting in the capacity of underwriters or wholesalers). In general, the amount of original issue discount which is to be accreted in each "accretion period" will equal (i) the issue price of that Discount Bond, increased by the amount of original issue discount which has been accreted in all prior accretion periods, multiplied by (ii) the initial offering yield of that Discount Bond reflected on the inside cover page of this Official Statement (determined on the basis of compounding at the close of each accretion period and properly adjusted for the length of the accretion period), minus, with respect to the Bonds, interest actually paid during such accretion period. For these purposes, "accretion period" means a six-month period (or shorter period from the date the Discount Bond was issued) which ends on a day in the calendar year corresponding to the maturity date of that Discount Bond or the date six months before such maturity date.

The amount of original issue discount so accreted in a particular accretion period will be considered to accrete ratably on each day of the accretion period. Such accreted amount is used for purposes of determining the adjusted basis for federal income tax purposes of the holder of such Discount Bond but is not included in such holder's gross income for federal income tax purposes. Consequently, a purchaser who buys a Discount Bond in the initial offering at the issue price and holds such Discount Bond to its maturity would not realize any gain or loss for federal income tax purposes upon payment of the stated redemption price of that Discount Bond at maturity.

Owners of Discount Bonds and Premium Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount Bonds or Premium Bonds and as to other federal tax consequences upon the purchase, sale, transfer, redemption, payment or other disposition of the Discount Bonds and Premium Bonds and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

RATING

Moody's Investors Service ("Moody's") has assigned its municipal bond rating of Aa3. Such rating reflects only the view of Moody's. There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Bonds.

The City presently expects to furnish such rating agency with information and material that it may request on future general obligation bond issues. However, the City assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of the rating agency's ratings on outstanding general obligation bonds.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule") and so long as the Bonds are outstanding the City (the "Obligated Person") will agree pursuant to an Undertaking to be dated as of the date of issuance and delivery of the Bonds (the "Disclosure Undertaking"), to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission, certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained in "Appendix B" and "Appendix C" of the Official Statement ("Financial Data"). The annual financial information shall be provided within 270 days after the end of the fiscal year ending June 30, commencing with the fiscal year ending June 30, 2020; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the Obligated Person; and;
- (ii) to the MSRB through EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:
 - (a) Principal and interest payment delinquencies;
 - (b) Non-payment-related defaults, if material;
 - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) Substitution of credit or liquidity providers, or their failure to perform;
 - (f) Adverse tax opinions, the issuance by the Internal Revenue Service of a proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - (g) Modifications to rights of holders or beneficial owners of the Bonds, if material;
 - (h) Bond calls, if material, and tender offers;
 - (i) Defeasances;
 - (j) Release, substitution, or sale of property securing repayment of the Bonds, if material;
 - (k) Bankruptcy, insolvency, receivership, or similar event of the City;
 - (l) Consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (m) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (n) Rating changes;
 - (o) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material;
 - (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.
- (iii) in a timely manner, to the MSRB through EMMA, notice of a failure (of which the Obligated Persons have knowledge) of the Obligated Person to provide the required Annual Financial Information on or before the date specified in the continuing disclosure agreements.

“Financial Obligations” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Disclosure Undertaking provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds;
- (c) there are no liquidity providers applicable to the Bonds; and
- (d) there is no property securing the repayment of the Bonds.

Pursuant to outstanding continuing disclosure agreements, the City is required to file certain annual financial information with the MSRB. All such Annual Information has subsequently been filed. The City intends to meet its continuing disclosure obligations with respect to the Annual Financial Information for all future periods, to the extent the City can control the preparation process.

UNDERWRITING

The Bonds are being purchased for reoffering by _____ (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$_____ (reflecting the par amount of the Bonds, [plus net premium/less original issue discount] of \$_____, and less underwriter's discount of \$_____). The initial public offering prices which produce the yields set forth on the cover page of this Official Statement may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page.

FINANCIAL ADVISOR

RSA Advisors, LLC (the “Financial Advisor”), Lexington, Kentucky has been employed as Financial Advisor in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

MISCELLANEOUS

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

This Official Statement has been duly executed and delivered for and on behalf of the City of Union, Kentucky, by its Mayor.

CITY OF UNION, KENTUCKY

By: _____
Larry K. Solomon, Mayor

Dated: _____, 2025

APPENDIX A
CITY OF UNION, KENTUCKY
PUBLIC PROJECT AND REFUNDING BONDS, SERIES 2025

ESTIMATED DEBT SERVICE REQUIREMENTS FOR THE BONDS

ESTIMATED DEBT SERVICE SCHEDULE

Fiscal Year Ended June 30	Principal	Interest	Total P+I
6/30/2026		345,729	345,729
6/30/2027	465,000	795,775	1,260,775
6/30/2028	475,000	780,968	1,255,968
6/30/2029	495,000	765,200	1,260,200
6/30/2030	510,000	748,490	1,258,490
6/30/2031	525,000	731,023	1,256,023
6/30/2032	545,000	712,560	1,257,560
6/30/2033	565,000	692,994	1,257,994
6/30/2034	585,000	672,435	1,257,435
6/30/2035	610,000	650,620	1,260,620
6/30/2036	630,000	627,365	1,257,365
6/30/2037	655,000	602,623	1,257,623
6/30/2038	685,000	576,150	1,261,150
6/30/2039	710,000	547,895	1,257,895
6/30/2040	740,000	517,800	1,257,800
6/30/2041	775,000	485,598	1,260,598
6/30/2042	810,000	451,115	1,261,115
6/30/2043	845,000	414,494	1,259,494
6/30/2044	885,000	375,780	1,260,780
6/30/2045	925,000	334,593	1,259,593
6/30/2046	970,000	290,765	1,260,765
6/30/2047	1,015,000	244,360	1,259,360
6/30/2048	1,065,000	195,214	1,260,214
6/30/2049	1,115,000	143,160	1,258,160
6/30/2050	1,170,000	88,028	1,258,028
6/30/2051	1,230,000	29,828	1,259,828
Total	19,000,000	12,820,557	31,820,557

APPENDIX B

**CITY OF UNION, KENTUCKY
PUBLIC PROJECT AND REFUNDING BONDS, SERIES 2025**

ECONOMIC AND FINANCIAL DATA ON THE CITY OF UNION, KENTUCKY

CITY OF UNION, KENTUCKY

The City of Union is located in Northern Kentucky and is located approximately 15 mile southwest of Cincinnati, Ohio, approximately 80 miles northeast of Louisville; and 70 miles north of Lexington, Kentucky. The City of Union had a population of 8,370 in 2024. Boone County had a population of 141,245 in 2024.

The Northern Kentucky Area, covering a total land area of 559 square miles, is composed of Boone, Campbell, and Kenton Counties; and is ideally situated along and adjacent to the south bank of the Ohio River, immediately south of Cincinnati, Ohio. These three counties are a part of the Cincinnati Metropolitan Statistical Area.

The Northern Kentucky Area forms the northern apex of an industrial triangle anchored by Louisville on the southwest and Lexington on the southeast. Within the triangle is more than one-third of the State's population and nearly one-half of its manufacturing jobs. The interstate highway system places these three metropolitan areas within less than two hours driving from each other.

The Economic Framework

In 2024, the City of Union had a labor force of 4,640 people while Boone County had an unemployment rate of 4.30%. The top 5 jobs by occupation in Union, Kentucky, were as follows: Executive, Managers, and Administrators – 88 (13.19%); Office and Administrative Support – 85 (12.74%); Education, Training/Library – 69 (10.34%); Sales – 59 (8.85%); and Food Preparation, Serving – 56 (8.40%).

Transportation

Major highways serving Boone, Campbell, and Kenton Counties include Interstates 71, 75, 275, and 471; U.S. Highways 42/127, 25, and 27. The Greater Cincinnati-Northern Kentucky International Airport, located in Boone County, Kentucky, provides commercial airline service. The airport is a major hub for Delta Airlines. The Southern Railway System and CSX Transportation provide main line rail service to the area. Several barge and towing companies provide barge transportation on the Ohio River. The Port of Cincinnati extends 30 miles along both banks of the Ohio River.

Power and Fuel

Electric power is provided to Boone, Campbell and Kenton Counties by Duke Energy Kentucky, Kentucky Utilities, the East Kentucky Power Cooperative and Owen Electric Cooperative Inc. Natural gas services are provided by Duke Energy Kentucky.

Education

Primary and secondary education is provided by the Boone, Campbell, and Kenton County Public School Systems; eleven independent school systems; and 38 nonpublic schools within the three-county area. Three universities and six senior colleges are located in the Northern Kentucky-Cincinnati Area. Northern Kentucky University and Thomas More Colleges are located in Northern Kentucky. Vocational-technical training is available at two state vocational-technical schools, three area vocational education centers, and a health occupations center; all located in Boone, Campbell, and Kenton Counties.

LABOR MARKET STATISTICS

Population

Description	-----Estimate Year-----				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Northern Kentucky	5,895	8,389	7,485	8,126	8,370
Boone County	133,687	137,299	137,827	139,850	141,245

Source: U.S. Department of Commerce, Bureau of the Census, Annual Estimates

Population Projections

Description	-----Estimate Year-----			
	2020	2025	2030	2035
Boone County	152,190	160,163	167,998	175,189

Unemployment Statistics

Description	-----Year Ending December 31-----				
	2020	2021	2022	2023	2024
County of Boone					
Civilian Labor Force	68,455	69,812	71,569	72,155	72,694
Employment	64,755	67,239	69,184	69,438	69,436
Unemployment	3,700	2,573	2,385	2,717	3,258
Unemployment Rate	5.4%	3.7%	3.3%	3.8%	4.5%
State of Kentucky:					
Civilian Labor Force	2,010,262	2,020,232	2,044,975	2,056,509	2,093,848
Employment	1,879,778	1,930,318	1,962,220	1,968,245	1,987,643
Unemployment	130,484	89,914	82,755	88,264	106,205
Unemployment Rate	6.5%	4.5%	4.0%	4.3%	5.1%
US Comparable Rate:					
Unemployment Rate	8.1%	5.3%	3.6%	3.6%	4.0%

Source: The Kentucky Department for Employment Services

LOCAL GOVERNMENT

Structure

Union's Government structure consists of a Mayor and four Commission Members. The Mayor serves a four-year term while the Commission Members serve two-year terms. Boone County is served by a Judge/Executive and three Commissioners. The Judge Executive and Commissioners are elected to serve a four-year term.

Planning and Zoning

Mandatory state codes include the Kentucky Plumbing Code, the National Electric Code, the Kentucky Boiler Regulations and the Standards, Kentucky Building Code (modeled after BOCA code).

Sales and Use Tax

A state sale and use tax is levied at the rate of 6.0% on the purchase or lease price of taxable goods and on utility services. Local sales taxes are not levied in Kentucky.

State and Local Property Taxes

The Kentucky Constitution requires the state to tax all classes of taxable property, and State statutes allow local jurisdictions to tax only a few of those classes. All locally taxed property is subject to county taxes and school district taxes (either a county school district or an independent school district). Property located inside the city limits may also be subject to city property taxes. Property assessments in Kentucky are at 100% fair cash value. Accounts receivable are taxed at 85% of face value. Special local taxing jurisdictions (fire protection districts, watershed districts and sanitation districts) levy taxes within their operating areas (usually a small portion of community or county).

The table below lists the assessed property valuation of the city as reported by the Department of Revenue, Frankfort, Kentucky.

Description	-----Tax Year-----				
	2020	2021	2022	2023	2024
Residential	\$567,033,860	\$611,890,060	\$650,989,530	\$726,319,260	\$777,740,320
Farm	\$1,865,950	\$1,860,810	\$2,138,250	\$19,336,090	\$2,205,990
Commercial	\$88,787,610	\$96,838,810	\$105,932,710	\$100,281,330	\$101,050,000
Total	\$657,687,420	\$710,589,680	\$759,060,490	\$828,536,680	\$880,996,310

Ten Largest Taxpayers

The following tables list the ten largest real property taxpayers of the City as reported by the Boone County Property Valuation Administrator for 2024.

<u>Rank</u>	<u>Tax Payer</u>	<u>Real Property</u>
1	Affinity of Union	\$47,736
2	Welltower, Inc.	\$35,997
3	Kroger Limited Partnership	\$34,986
4	Kroger Limited Partnership	\$11,220
5	Affinity of Union	\$9,384
6	BW&R Investments Union LLC	\$5,712
7	Union Commercial LLC	\$5,195
8	James Grammas Family LLC	\$3,876
9	Union Connection Investors	\$3,672
10	Commonwealth Investment Venture	\$3,590

The table below lists the tax collection history of the City as reported by Boone County.

Tax Collection History

	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>	<u>Fiscal Year</u> <u>2022</u>	<u>Fiscal Year</u> <u>2023</u>	<u>Fiscal Year</u> <u>2024</u>
% Collected Real Estate					
Total Taxes Due	\$1,504,643	\$1,525,389	\$1,654,932	\$1,790,699	\$1,874,346
Total Taxes Collected	\$1,504,643	\$1,525,389	\$1,654,932	\$1,789,741	\$1,8723,761
% Collected	100%	100%	100%	99.9%	99.9%*

**Total Taxes Collected as of 6/27/2025*

EDUCATION

Public Schools

	<u>Boone County</u> <u>Schools</u>
Total Enrollment (2023-2024)	20,019
School Count	28

Vocational Training

Vocational training is available at both the State vocational-technical schools and the area vocational education centers. The State vocational-technical schools are post-secondary institutions. The area vocational education centers are designed to supplement the curriculum of high school students. Both the State vocational-technical

schools and the area vocational education centers offer evening courses to enable working adults to upgrade current job skills.

Arrangements can be made to provide training in the specific production skills required by an industrial plant. Instruction may be conducted either in the vocational school or in the industrial plant, depending upon the desired arrangement and the availability of special equipment.

Bluegrass State Skills Corporation

The Bluegrass State Skills Corporation, an independent public corporation created and funded by the Kentucky General Assembly, provides programs of skills training to meet the needs of business and industry from entry level to advanced training, and from upgrading present employees to retraining experienced workers. The Bluegrass State Skills Corporation is the primary source for skills training assistance for a new or existing company. The Corporation works in partnership with other employment and job training resources and programs, as well as Kentucky's economic development activities, to package a program customized to meet the specific needs of a company.

Technology Centers

<u>Institution</u>	<u>Location</u>
Campbell County ATC	Alexandria
Boone County ATC	Hebron
Carroll County ATC	Carrollton
Harrison County ATC	Cynthiana
Mason County ATC	Maysville

Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment Fall 2024</u>
Miami University	Oxford, OH	16,478
Mount Saint Joseph University	Cincinnati, OH	1,460
Northern Kentucky University	Highland Heights, KY	9,927
Thomas More College	Crestview Hills, KY	1,829
University of Cincinnati	Cincinnati, OH	31,803
Xavier University	Cincinnati, OH	4,758

Source: US News & World Report.

EXISTING INDUSTRY

Union has a total of 162 businesses. In 2024, the leading industries in Union were Health Care and Social Services, Education, Accommodation and Food Services, and Administrative and Support Services.

<u>Top Industries by Jobs</u>	<u>Number of Jobs</u>
Health Care and Social Services	88
Education	73
Accommodation and Food Services	68
Administrative and Support Services	56

PROPERTY TAX RATES

County and State	Tax Year 2020			Tax Year 2021			Tax Year 2022			Tax Year 2023			Tax Year 2024		
	Real Estate	Tangible	Motor Vehicle												
Extension	0.0175	0.0388	0.0180	0.0170	0.0378	0.0180	0.0167	0.0320	0.0180	0.0160	0.0280	0.0180	0.0155	0.0250	0.0180
General Fiscal	0.1010	0.1100	0.1420	0.0980	0.1100	0.1420	0.0980	0.1260	0.1420	0.0960	0.1010	0.1420	0.0920	0.0890	0.1420
Health	0.0213	0.0213	0.0213	0.0210	0.0210	0.0213	0.0200	0.0200	0.0213	0.0200	0.0200	0.0200	0.0200	0.0200	0.0200
Library	0.0490	0.0490	0.0300	0.0460	0.0482	0.0300	0.0450	0.0539	0.0300	0.0440	0.0440	0.0300	0.0410	0.0410	0.0300
TOTAL	0.1888	0.2191	0.2113	0.1820	0.2170	0.2113	0.1797	0.2319	0.2113	0.1760	0.1930	0.2100	0.1685	0.1750	0.2100
School															
Boone Co. Schools	0.6590	0.6590	0.4970	0.6490	0.6640	0.4970	0.6530	0.6710	0.4970	0.6530	0.6590	0.4970	0.6260	0.6260	0.4970
City															
Union	0.2160	0.1880	0.0000	0.2060	0.1590	0.0000	0.2050	0.1820	0.0000	0.2050	0.1820	0.0000	0.2040	0.2000	0.0000

APPENDIX C

**CITY OF UNION, KENTUCKY
PUBLIC PROJECT AND REFUNDING BONDS, SERIES 2025**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE CITY OF
UNION, KENTUCKY FOR FISCAL YEAR ENDING JUNE 30, 2024

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

CITY OF UNION, KENTUCKY

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended June 30, 2024

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CITY OF UNION, KENTUCKY

LIST OF CITY OFFICIALS

For the Year Ended June 30, 2024

Mayor

Larry K. Solomon

Commissioners

Brian Garner

Jeremy Ramage

John Mefford

Doug Bine

INDEPENDENT AUDITOR'S REPORT

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

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

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

and cemetery fund budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and cemetery fund budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2024, on our consideration of the City of Union, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Union, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Union, Kentucky's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

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

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

Our discussion and analysis of City of Union, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the City's basic financial statements.

USING THIS ANNUAL REPORT

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

Financial Highlights

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Statement of Net Position and Activities

One of the most important questions asked about the City's finances is, "Is the City as a whole in a better or worse financial position as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position as the difference between assets, what the citizens own, and liabilities, what the citizens owe. This is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other factors also, such as changes in the City's property tax,

gross receipts, payroll and insurance premium tax base, and the condition of the City's capital assets (roads, buildings, equipment and sidewalks) to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we have listed the governmental activities. Most of the City's basic services are reported here, including general government, public works, waste disposal, and cemetery. Property taxes, franchise fees, and telecommunication taxes, as well as government grants finance most of these activities.

Fund Financial Statements

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

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

Government-Wide Change in Net Position

For the year ended June 30, 2024, net position changed as follows:

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

Government-Wide Statement of Net Position Summary

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

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The following schedules presents a summary of general and special revenues and expenditures for all of the funds for the fiscal year ended June 30, 2024, and the amount and percentage of increases and decreases in relation to the prior year.

Revenue Summary

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

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

Expenditure Summary

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

Debt

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

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

BUDGETARY HIGHLIGHTS

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

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

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

GASB 68 AND GASB 75 RECOGNITION

The City is required, by Governmental Accounting Standards Board Statements No. 68, to display its proportionate share of the unfunded liability of the Kentucky Public Pension Authority's County Employee Retirement System (CERS), a cost sharing multiple employer plan, in which the City is a participant. The net pension liability, \$402,636, the deferred outflow of resources, \$127,689, and the deferred inflow of resources, \$44,056, on the Statement of Net Position at June 30, 2024 are a function of this required reporting. Detailed information on this pension recognition can be found in Note 7 in the Notes to the Financial Statements.

The City is required, by Governmental Accounting Standards Board Statement No. 75, to display its proportionate share of the unfunded liability of the Kentucky Retirement System's County Employee Retirement System (CERS), a cost sharing multiple employer other post-employment benefit plan (OPEB), in which the City is a participant. The net OPEB asset, \$8,662 the deferred outflow of resources, \$52,666, and the deferred inflow of resources, \$140,408, on the Statement of Net Position at June 30, 2024 are a function of this required reporting. Detailed information on this OPEB recognition can be found in Note 7 in the Notes to the Financial Statements

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected officials consider many factors when setting the fiscal year 2025 budget. Some of the factors are the local economy, expected grant monies and anticipated tax revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Administrator, Amy Safran at (859) 384-1511 or at the city building at 1843 Bristow Dr., Union, KY 41091.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net position of governmental activities	<u><u>\$ 3,643,465</u></u>
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The accompanying notes are an integral part of the financial statements.

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

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

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

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

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

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

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

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

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

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

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

Repayment of notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 13,183

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

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

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

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

A. The Reporting Entity

The City is a municipality governed by an elected Mayor and four Commissioner members. The financial statements of the City include all of the funds for which the Mayor and Commissioners are financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards was determined on the basis of the City's ability to significantly influence operations, select the governing authority, participate in fiscal management, and the scope of public services. The City has no component units or entities for which the government is considered to be financially accountable.

B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to determine legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds, if any, are presented in a single column.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows, liabilities, and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

- General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky.
- Municipal Road Aid Fund - The municipal road aid fund accounts for the allocation of funds from the Commonwealth of Kentucky as provided in KRS 174 for design, right-of-way acquisitions, utilities, construction, and other municipal road aid expenditures.
- Cemetery Fund - This fund accounts for the operations of maintain the Union Rice cemetery.

D. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (e.g. revenues and other financing sources) and uses (e.g. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government - wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the financial statements for governmental funds.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and deferred outflows, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty days of year end.

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, and grants. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, for which the City must provide local resources to be used for a specified purpose, and expenditure requirements, for which the resources are provided to the City on a reimbursement basis.

On the modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: state-levied locally shared taxes.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future operating period.

Taxes and assessments not received within the available period are recorded as deferred inflows in the governmental fund financial statements.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on the decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

F. Budgetary Data

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

- 1) In accordance with City code, prior to June 1, the Mayor submits to the Commissioners a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- 2) Public hearings are conducted to obtain taxpayer comment.
- 3) Prior to June 30, the budget is legally enacted through passage of an ordinance.
- 4) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the Commissioners explaining any variance from the approved budget.
- 5) Appropriations continue in effect until a new budget is adopted.
- 6) The Commissioners may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Commissioners.

G. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

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

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. The City's infrastructure consists of sidewalks, streets, and traffic signals. Infrastructure acquired prior to the implementation of GASB Statement No. 34 has been reported.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000 with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value to the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 years
Infrastructure	25 years
General equipment	5-10 years

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and retirement incentives that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

J. Restricted Assets

Certain cash accounts have been classified as restricted assets to indicate that they have been earmarked for a specific use.

K. Interfund Balances

On the fund financial statements, unpaid amounts for inter-fund services are reported as "due from/to other funds". These amounts are eliminated in the statement of net position.

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

N. Other Post-Employment Benefits (OPEB) Health Insurance

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable - The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of the Commissioners (the highest level of decision-making authority). Those committed amounts cannot be used for any other purpose unless the Commissioners remove or change the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Commissioners.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used.

P. Use of Estimates

The preparation of financial statements in conformity GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

Q. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of programs to enhance the security of persons and property.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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NOTE 2 – PROPERTY TAXES

The City levies property taxes on qualifying property. Property taxes are the City's primary source of revenue. Property taxes attached as an enforceable lien of property as of October 15 and are payable December 31. Property tax revenues are recognized when they become levied. No allowance for uncollectible receivable is considered necessary. On January 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on January 1. As of June 30, 2024, \$3,378 was recorded as property taxes receivable.

NOTE 3 – RECEIVABLES

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

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

NOTE 4 – CAPITAL ASSETS

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

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

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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In fiscal year 2024, depreciation expense of \$39,701 was charged to general government.

NOTE 5 – COMPENSATED ABSENCES

City employees earn vacation time based on length of service. Employees cannot opt for cash in lieu of time off. Employees also accrue sick days based on length of service. Sick days are not paid out at retirement. At June 30, 2024, accrued vacation pay is \$31,733.

NOTE 6 – LONG-TERM OBLIGATIONS

A schedule of changes in long-term obligations of the City during the current year is summarized below:

	Balance at June 30, 2023	Additions	Deletions	Balance at June 30, 2024	Current Portion
General obligations:					
KIA sewer loan	\$ 117,398	\$ -	\$ (13,183)	\$ 104,215	\$ 13,584
2022 Bond anticipation note	4,120,772	-	-	4,120,772	-
Total general obligations	4,238,170	-	(13,183)	4,224,987	13,584
Compensated absences	22,518	9,216	-	31,734	-
Total obligations	<u>\$ 4,260,688</u>	<u>\$ 9,216</u>	<u>\$ (13,183)</u>	<u>\$ 4,256,721</u>	<u>\$ 13,584</u>

KIA Sewer Loan – In March 2010, the City borrowed \$248,294 through the Kentucky Infrastructure Authority to be repaid over 20 years at a fixed rate of 3.00%. The proceeds were used to fund the sewer tap fees and assessments of the City's taxpayers. Principal and interest requirements to retire the City's long-term obligations outstanding at year end are as follows:

Year Ending June 30:	KIA Sewer Loan	
	Principal	Interest
2025	\$ 13,584	\$ 2,941
2026	13,997	2,528
2027	14,422	2,102
2028	14,861	1,663
2029-2031	47,351	2,221
Total	<u>\$ 104,215</u>	<u>\$ 11,455</u>

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

CITY OF UNION, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS June 30, 2024
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Fiscal Year	2022 Bond Anticipation Note	
	Principal	Interest
2025	\$ -	\$ 186,749
2026	-	186,749
2027	4,120,772	186,749
Totals	<u>\$ 4,120,772</u>	<u>\$ 560,247</u>

NOTE 7 – COUNTY EMPLOYEES’ RETIREMENT SYSTEM

The City’s eligible employees are covered by the County Employees Retirement System (Plan)

General information about the County Employees Retirement System (“CERS”)

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

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

Membership in CERS consisted of the following at June 30, 2022:

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

PENSION PLAN

Non-Hazardous Pension Plan Description

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

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation rate	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

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

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

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

Contributions

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

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$54,443 of which \$54,443 was for the pension fund and \$0 was for the health insurance fund.

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

At June 30, 2024, the City reported a liability of \$402,636 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City 's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities,

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

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

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

The City's contributions subsequent to the measurement date of \$54,443 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2024	\$ 34,958
2025	(10,860)
2026	8,988
2027	(3,897)
2028	-
Thereafter	-
	<u>\$ 29,189</u>

Actuarial Methods and Assumptions for Determining the Net Pension Liability

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

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

Changes of Assumptions

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

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

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

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

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

The actuarial assumptions are:

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

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

Investment Rate of Return 6.50% for CERS Non-hazardous

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

Discount Rate

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

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

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

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

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

Plan Target Allocation

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

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

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

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

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

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

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

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

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

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

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

Contributions

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

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

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

These contributions are actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (asset). For the year ended June 30, 2024, the City recognized OPEB gain (expense) of \$-10,160 in addition to its \$0 OPEB contribution.

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

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

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

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

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

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

Measurement Year Ending June 30,	Net Deferral
2024	\$ (17,945)
2025	(27,035)
2026	(19,759)
2027	(23,004)
2028	-
Thereafter	-
	<u>\$ (87,743)</u>

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

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

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

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

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

Mortality

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

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

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

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

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

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

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

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

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

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

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

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

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

Post - 65

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

Mortality

Pre-retirement

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

Post-retirement (non- disabled)

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

Post-retirement (disabled)

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

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

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

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

Changes of Assumptions

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

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

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

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

Plan Target Allocation

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

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

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

The following presents the proportionate share of the net OPEB liability (asset) calculated using the discount rates of 5.93% for the Non-hazardous plan, as well as what the proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

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

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.93%	5.93%	6.93%
Net OPEB liability, Non-Haz	\$ 16,256	\$ (8,662)	\$ (29,528)
Total	\$ 16,256	\$ (8,662)	\$ (29,528)

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

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

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ (27,764)	\$ (8,662)	\$ 14,803
Total	\$ (27,764)	\$ (8,662)	\$ 14,803

Plan Fiduciary Net Position

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

NOTE 8 – CONTINGENCIES

The City is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor possible to estimate the effects adverse decisions may have on the future expenditures or revenue sources of the City. In the opinion of City management, these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of this, and similar cases have been made in the accompanying financial statements.

NOTE 9 – RISK MANAGEMENT

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

Management estimates that the amount of actual or potential claims against the City as of June 30, 2024 will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

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

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

NOTE 11 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

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

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

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

NOTE 12 – FUTURE ACCOUNTING STANDARDS

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

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

NOTE 13 – PRIOR PERIOD ADJUSTMENT

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

NOTE 14 – SUBSEQUENT EVENTS

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

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

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

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

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

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

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

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability	0.0063%	0.0061%	0.0041%	0.0045%	0.0041%	0.0032%	0.0040%	0.0142%	0.0139%	0.0134%
Proportionate share of the net pension liability (asset)	\$ 402,636	\$ 438,006	\$ 263,065	\$ 344,763	\$ 290,816	\$ 196,778	\$ 234,249	\$ 699,711	\$ 596,683	\$ 435,622
Covered payroll in year of measurement	198,731	152,402	111,048	121,248	108,000	46,685	118,015	224,408	222,875	209,804
Share of the net pension liability (asset) as a percentage of its covered payroll	202.60%	287.40%	236.89%	284.35%	269.27%	421.50%	198.49%	311.80%	267.72%	207.63%
Plan fiduciary net position as a percentage of total pension liability	57.48%	52.42%	57.33%	47.81%	50.54%	53.54%	53.30%	55.50%	59.97%	66.80%

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

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

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

The net pension liability as of June 30, 2024 is based on the June 30, 2023, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE 7 in the Notes to the Financial Statements.

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

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

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

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

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

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

The net OPEB liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE 7 in the Notes to the Financial Statements.

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

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

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

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

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

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

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

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Union, Kentucky as of June 30, 2024 and the related notes to the financial statements which collectively comprise the City of Union, Kentucky's financial statements, and have issued our report thereon dated December 13, 2024.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

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

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

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

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

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

Purpose of this Report

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

Chamberlin Owen & Co., Inc.

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

APPENDIX D
CITY OF UNION, KENTUCKY
PUBLIC PROJECT AND REFUNDING BONDS, SERIES 2025

STATEMENT OF INDEBTEDNESS OF CITY TREASURER

(e)	Obligations issued to pay costs of public projects to the extent they are issued in anticipation of the receipt of, and are payable as to principal from, federal or state grants within that fiscal year.....	\$0
(f)	Leases entered into under KRS 65.940 to 65.956 after July 15, 1996 which are not tax-supported leases.....	\$0
(g)	Bonds issued in the case of an emergency, when the public health or safety should so require	\$0
(h)	Bonds issued to fund a floating indebtedness	\$0
	TOTAL EXEMPT OBLIGATIONS.....	\$0

5. The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 (3 minus 4) is \$19,000,000

6. The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 as computed in 5 above, does not exceed 5%* of the assessed valuation of all the taxable property in the Issuer.

7. The current tax rate of the Issuer, for other than school purposes, upon the value of its taxable property is \$0.204 per \$100 of assessed valuation for real property and \$0.200, per \$100 of assessed valuation for tangible property, which does not exceed the maximum permissible tax rates for the Issuer as set forth in Section 157 of the Kentucky Constitution.

8. The issuance of the bonds, notes or other obligations set forth in 3 hereof will not cause the tax rate set forth in 7 hereof to increase in an amount which would exceed the maximum permissible tax rate for the Issuer as set forth in Section 157 of the Kentucky Constitution.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of _____, 2025.

By: _____
City Treasurer

10% for cities having a population of fifteen thousand or more;
*5% for cities having a population of less than fifteen thousand but not less than three thousand; and
3% for cities having a population of less than three thousand.

APPENDIX E
CITY OF UNION, KENTUCKY
PUBLIC PROJECT AND REFUNDING BONDS, SERIES 2025

FORM OF LEGAL APPROVING OPINION OF BOND COUNSEL

The form of the legal approving opinion of Frost Brown Todd LLP (“Bond Counsel”) is set forth below. The actual opinion will be delivered on the date of delivery of the bonds referred to therein and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of the Final Official Statement shall create no implication that Bond Counsel has reviewed any of the matters set forth in such opinion subsequent to the date of such opinion.

Ladies and Gentlemen:

We have acted as bond counsel to the City of Union, Kentucky (the “City”), and in such capacity have examined the transcript of proceedings relating to the issuance and sale of \$19,000,000 General Obligation Public Project and Refunding Bonds, Series 2025 (the “Bonds”) of the City, dated [August 26], 2025. In addition, we have relied on the legal opinions of Greg D. Voss, Esq. as counsel to the City, as to the matters stated therein. Further, we have examined the law under authority of which the Bonds are issued and such other materials as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

On the basis of these examinations, we are of the opinion that, under existing law, the Bonds constitute valid and binding general obligations of the City, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by the application of bankruptcy, insolvency, reorganization, moratorium and other similar laws with respect to creditors’ rights generally, and by the application of general principles of equity. We are also of the opinion that the principal of and interest on the Bonds, unless paid from other sources, are to be paid from the proceeds of the levy of ad valorem taxes by the City on all taxable property in the City, within the limitations prescribed by law.

We are further of the opinion that, under existing federal statutes, decisions, regulations and rulings, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the “Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. Interest on the Bonds is exempt from Kentucky income tax and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. We express no opinion regarding other tax consequences caused by the receipt or accrual of interest on the Bonds.

In giving the foregoing opinion with respect to the treatment of the interest on the Bonds and the status of the Bonds under the federal tax laws, we have assumed and relied upon compliance with the City’s covenants and the accuracy of the City’s representations and certifications contained in the transcript. The accuracy of those representations and certifications, which we have not independently verified, and the City’s compliance with those covenants, may be necessary for the interest on the Bonds to be and remain excluded from gross income and for the other tax effects stated above. Failure to comply with certain requirements after issuance of the Bonds could cause interest thereon to be included in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

FROST BROWN TODD LLP

APPENDIX F

**CITY OF UNION, KENTUCKY
PUBLIC PROJECT AND REFUNDING BONDS, SERIES 2025**

BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity date of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to

augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX G
CITY OF UNION, KENTUCKY
PUBLIC PROJCT AND REFUNDING BONDS, SERIES 2025

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

OFFICIAL TERMS AND CONDITIONS OF BOND SALE
\$19,000,000* City of Union, Kentucky
Public Project and Refunding Bonds, Series 2025

Notice is hereby given that electronic bids will be received by the City of Union, Kentucky (the "City"), until 11:00 a.m., E.T. on August 12, 2025 (or at such later time and date announced at least forty-eight hours in advance via the BiDCOMP™/PARITY™ system) for the purchase of the bonds herein described (the "Bonds"). Alternatively, written sealed bids for the Bonds by the designated time will be received by the City Administrator, 1843 Bristow Dr., Union, Kentucky 41091. Electronic bids must be submitted through BiDCOMP™/PARITY™ described herein and no other provider of electronic bidding services will be accepted. Bids will be opened and acted upon later that same day.

STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

These Bonds are authorized pursuant to Section 66.011 to 66.181, inclusive, Chapter 58.010, *et. seq.* of the Kentucky Revised Statutes and a Bond Ordinance adopted by the City of Union, Kentucky (the "City") on August 4, 2025 (the "Bond Ordinance"). The Bonds are general obligations and constitute a direct indebtedness of the City.

The Bonds are secured by the City's ability to levy and its pledge to levy ad valorem tax on all real and personal property within the City in an amount sufficient to pay the principal and interest on the Bonds when due.

The Bonds are being issued for the purpose of (i) refunding, paying and discharging the City of Union, Kentucky General Obligation Bond Anticipation Notes, Series 2022 (the "2022 Notes") the proceeds of which were used to purchase certain real property located within the City (the "Refunding Project"), (ii) pay or reimburse the costs of acquiring, constructing, and equipping a new City building, and (iii) paying the costs of issuing of the Bonds.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT*

The Bonds will be dated their date of initial delivery, bearing interest from such date, payable on the first day of each February and August, commencing, February 1, 2026, and are scheduled to mature on August 1 of each year as follows:

Year	Principal Amount
2026	465,000
2027	475,000
2028	495,000
2029	510,000
2030	525,000
2031	545,000
2032	565,000
2033	585,000
2034	610,000
2035	630,000
2036	655,000

* Preliminary; subject to adjustment of maximum principal amount.

2037	685,000
2038	710,000
2039	740,000
2040	775,000
2041	810,000
2042	845,000
2043	885,000
2044	925,000
2045	970,000
2046	1,015,000
2047	1,065,000
2048	1,115,000
2049	1,170,000
2050	1,230,000

The Bonds maturing on and after August 1, 2034 shall be subject to optional redemption prior to their maturity on any date on or after August 1, 2033, in whole or in part, in such order of maturity as may be selected by the City and by lot within a maturity at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

U.S. Bank Trust Company, National Association, Kentucky, has been appointed Registrar and Paying Agent for the Bonds.

BIDDING CONDITIONS AND RESTRICTIONS

The terms and conditions of the sale of the Bonds are as follows:

- (A) Electronic bids for the Bonds must be submitted through the BiDCOMP™/PARITY™ system and no other provider of electronic bidding services will be accepted. Subscription to the BiDCOMP™/PARITY™ BiDCOMP™/PARITY™ Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by BiDCOMP™/PARITY™ shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in BiDCOMP™/PARITY™ conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Bond Sale shall prevail. Electronic bids made through the facilities of BiDCOMP™/PARITY™ shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by BiDCOMP™/PARITY™. The use of BiDCOMP™/PARITY™ facilities are at the sole risk of the prospective bidders. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form. Written sealed bids (in a sealed envelope marked "Official Bid for Bonds") by the designated time will be received by the City Administrator, 1843 Bristow Drive, Union, Kentucky 41091 BiDCOMP™/PARITY™.
- (B) Bidders are required to bid for the entire issue of Bonds as a minimum price of not less than [\$18,620,000] (98% of par), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.

- (C) Interest rates for the Bonds must be in multiples of one-eighth of one percent (0.125%) and/or one-twentieth of one percent (0.05%), which rates must be on an ascending scale, in that the rate on the applicable series of Bonds in any maturity is not less than the rate on the applicable series of Bonds for any preceding maturity and all Bonds of the same maturity and all Bonds of the same maturity and series shall bear the same and a single interest rate from the date thereof to maturity.
- (D) The determination of the best purchase bid for the Bonds shall be made on the basis of all bids submitted for exactly \$19,000,000* principal amount of Bonds offered for sale hereunder; but the City may adjust the principal amount of Bonds which may be awarded to such best bidder upward to a maximum of \$[19,000,000]*. In the event of such adjustment of the principal amount, no rebidding or recalculation of a submitted bid will be required or permitted. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$1,000 of Bonds as the price per \$1,000 for the \$19,00,000* of Bonds bid.
- (E) Bidders have the option of specifying that Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise one or more maturities of Bonds scheduled to mature in the latest of such year and be subject to mandatory sinking fund redemption at part in each of the years and in the principal amounts of such term Bonds scheduled in the year of maturity of the term Bonds, which principal amount shall mature in that year.
- (F) The successful bidder will be required to pay the cost for obtaining CUSIP identification numbers for the Bonds. CUSIP identification numbers will be printed on the Bonds at the expense of the City. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Bonds in accordance with the terms of any accepted proposal for the purchase of the Bonds.
- (G) The City will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of the Final Official Statement.
- (H) Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder will be required to wire transfer to the order of the City an amount equal to \$62,000 by the close of business on the day following the award. Said good faith amount will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good-faith amount will be applied (without interest) to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take delivery and pay for the Bonds unless delivery is made within 45 days from the date the bid is accepted.
- (I) The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. They will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds of each series, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks,

* Preliminary; subject to adjustment of maximum principal amount.

and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. The successful bidder may also elect to notify the Financial Advisor within twenty-four (24) hours of the award that standard bond certificates be issued. In the event that certificated Bonds are to be issued at the election of a successful bidder, the costs of printing such Bond Certificates shall be borne by such bidder.

- (J) The City reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest on the Bonds not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, all in accordance with the final approving legal opinions of Frost Brown Todd LLP, which opinions will be qualified in accordance with the section hereof on TAX MATTERS.
- (K) Bidders are advised that RSA Advisors, LLC, Lexington, Kentucky has been employed as Financial Advisor in connection with the issuance of the Bonds. Their fee for services rendered in connection with the sale of the Bonds is contingent upon the issuance and delivery thereof.
- (L) As required by the Code, the purchaser(s) of the Bonds will be required to certify to the City as to certain of their activities regarding any reoffering to the public of the Bonds, including any reoffering prices. This information from the purchasers of the Bonds shall also be made available to the Financial Advisor immediately after the sale of the Bonds.
- (M) Unless bids for the Bonds are rejected, the Bonds will be awarded on an all or none basis on the sale date to the bidder whose bid result in the lowest net interest cost for each of the Bonds to be calculated as that rate (or yield) that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds, produces an amount equal to the purchase price of the Bonds, exclusive of accrued interest. For purposes of calculating the net interest cost, the principal amount of any Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year for the respective series of Bonds. In the event that two or more bidders offer to purchase the Bonds at the same lowest net interest cost, the Mayor, upon the advice of the City Administrator shall determine (in his sole discretion) which of the bidders shall be awarded the Bonds.
- (N) Additional information, including the Preliminary Official Statement, the Official Terms and Conditions of Bond Sale and the Official Bid Form, may be obtained from the City's Financial Advisor, RSA, LLC; 147 E. Third Street; Lexington, Kentucky 40508 Telephone: (800) 255-0795 or at <http://www.rsamuni.com>. Further information regarding BiDCOMP™/PARITY™ Y may be obtained from BiDCOMP™/PARITY™, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") the City (the "Obligated Person") will agree will agree pursuant to an Undertaking to be dated as of the date of

issuance and delivery of the Bonds (the "Disclosure Undertaking"), to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission, certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained in "Appendix B" and "Appendix C" of the Official Statement ("Financial Data"). The annual financial information shall be provided within 270 days after the end of the fiscal year ending June 30, commencing with the fiscal year ending June 30, 2014; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the Obligated Person; and;
- (ii) to the MSRB through EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:
 - (a) Principal and interest payment delinquencies;
 - (b) Non-payment-related defaults, if material;
 - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) Substitution of credit or liquidity providers, or their failure to perform;
 - (f) Adverse tax opinions, the issuance by the Internal Revenue Service of a proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - (g) Modifications to rights of holders or beneficial owners of the Bonds, if material;
 - (h) Bond calls, if material, and tender offers;
 - (i) Defeasances;
 - (j) Release, substitution, or sale of property securing repayment of the Bonds, if material;
 - (k) Bankruptcy, insolvency, receivership, or similar event of the City;
 - (l) Consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (m) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (n) Rating changes;
 - (o) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material;

- (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.
- (iii) In a timely manner, to the MSRB through EMMA, notice of a failure (of which the Obligated Persons have knowledge) of the Obligated Person to provide the required Annual Financial Information on or before the date specified in the continuing disclosure agreements.

The Disclosure Undertaking provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to the events as set forth in the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds;
- (c) there are no liquidity providers applicable to the Bonds; and
- (d) there is no property securing the repayment of the Bonds.

TAX MATTERS

In the opinion of Frost Brown Todd LLP, Bond Counsel, under existing law the interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the “Code”), and is not treated as an item of tax preference for purposes of calculating the alternative minimum tax imposed by Section 55 of the Code. Further, the Bonds are not “private activity bonds” as defined in Section 141(a) of the Code. Interest on the Bonds is exempt from Kentucky income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications and continuing compliance with certain covenants of the City contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the City’s certifications and representations or the continuing compliance with the City’s covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel’s legal judgment as to the exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (the “IRS”) or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS or a reviewing court.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the City may cause the loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The City has covenanted to take all actions required of it for the interest on the Bonds to be and to

remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect such exclusion. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market prices of the Bonds.

Interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the holder of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a holder of Bonds is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the state legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest or other income on the Bonds or the market value of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the beneficial owners regarding the tax status of interest on the Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the Bonds.

Mayor, City of Union, Kentucky

Dated: _____, 2025

APPENDIX H
CITY OF UNION, KENTUCKY
PUBLIC PROJECT AND REFUNDING BONDS, SERIES 2025

OFFICIAL BID FORM

**OFFICIAL BID FORM
SERIES 2025 BONDS**

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$19,000,000* of Public Project and Refunding Bonds, Series 2025, dated their date of initial issuance and delivery (the "Bonds") offered for sale by the City of Union, Kentucky (the "City") in accordance with the Preliminary Official Statement dated August 5, 2025 and the Notice of Bond Sale, as advertised in The Cincinnati Enquirer and LINK NKY to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase said Bonds.

We hereby bid for said \$19,000,000* principal amount of the Bonds, the total sum of \$_____ (not less than [\$_____]) at the following annual rate(s), payable semiannually (rates on ascending scale, number of interest rates unlimited):

Maturity (August 1)*	Principal Amount	Interest Rate
2026	\$465,000	____%
2027	475,000	____
2028	495,000	____
2029	510,000	____
2030	525,000	____
2031	545,000	____
2032	565,000	____
2033	585,000	____
2034	610,000	____
2035	630,000	____
2036	655,000	____
2037	685,000	____
2038	710,000	____
2039	740,000	____
2040	775,000	____
2041	810,000	____
2042	845,000	____
2043	885,000	____
2044	925,000	____
2045	970,000	____
2046	1,015,000	____
2047	1,065,000	____
2048	1,115,000	____
2049	1,170,000	____
2050	1,230,000	____

*Subject to permitted principal adjustment.

* Preliminary; Subject to change.

The Bonds maturing in the following years: _____ are sinking fund redemption amounts for term bonds due _____. The Bonds maturing in the following years _____ are sinking fund redemption amounts for term bonds due _____.

Bids may be submitted electronically via BiDCOMP™/PARITY™ pursuant to this Notice until the appointed date and time, but no bid will be received after such time. Notwithstanding the foregoing, completed bid forms may be submitted until the appointed date and time in a sealed envelope marked "Official Bid for Bonds" delivered to the office of the City Administrator of the City of Union, 1843 Bristow Drive, Union, Kentucky 41091. Neither the City nor the Financial Advisor assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/or equipment are available to accept all facsimile transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone.

We understand this bid may be accepted with variations in maturing amounts at the same price per \$1,000 Bond, with the variation in such amount occurring in any maturity of all maturities, such variations to be determined by the City at the time of acceptance of the best bid.

It is understood that the City will furnish the final approving legal opinion of Frost Brown Todd LLP, Bond Counsel.