



Combined Financial Statements  
and Supplementary Information

for

**ANCHORAGE MIDDLETOWN  
FIRE AND EMS**

Year Ended June 30, 2025  
with Independent Auditor's Report

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## Independent Auditor's Report

Board of Trustees  
Anchorage Middletown Fire and EMS  
Louisville, Kentucky

### Report on the Audit of the Combined Financial Statements

#### ***Opinions***

We have audited the combined financial statements of the governmental activities and each major fund of the Anchorage Middletown Fire and EMS (the District), as of and for the year ended June 30, 2025, and the related notes to the combined financial statements, which collectively comprise the District's basic combined financial statements as listed in the table of contents (collectively, the financial statements).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2025, the respective changes in financial position and the budgetary comparison for each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

As discussed in Note 2 of the financial statements, effective July 1, 2024, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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.

***Responsibilities of Management for the Financial Statements, continued***

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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 District'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**

GAAP requires that the Management's Discussion and Analysis on pages 4 through 8 and Supplementary Pension and OPEB Information on pages 38 through 44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary Schedule of Expenditures on pages 45 through 47 is 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2026 on our consideration of the District'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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Dean Dotson Allen Ford, PLLC*

Louisville, Kentucky  
January 6, 2026

# ANCHORAGE MIDDLETOWN FIRE AND EMS

## Management's Discussion and Analysis

Year Ended June 30, 2025

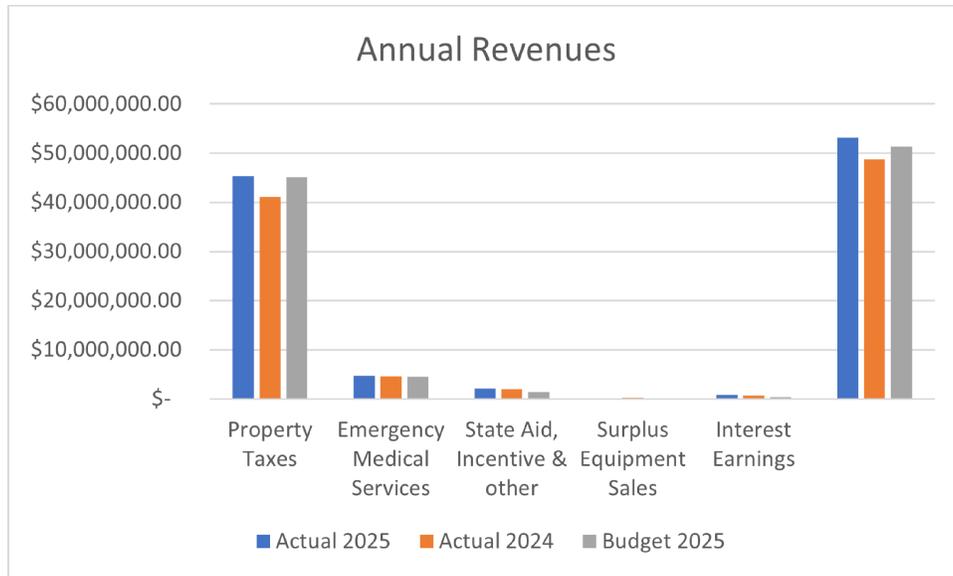
The purpose of the management's discussion and analysis is to provide an overview of the financial activities of Anchorage Middletown Fire and EMS (the District) based on currently known facts, decisions, or conditions and should be read in conjunction with the District's combined financial statements, which begin on page 9.

### Leadership Transition

Anchorage Middletown Fire and EMS experienced a leadership transition during this fiscal year. Fire Chief Kevin Groody retired on August 31, 2024 after 3 years and 9 months of dedicated service. Following his retirement, Deputy Chief Kevin Tyler was appointed as Interim Fire Chief and served from September 1, 2024 through March 19, 2025 while the Board conducted its search for a permanent successor. On March 20, 2025, Patrick Walsh officially assumed the role of Fire Chief, as appointed by the Board.

### Financial Highlights

The June 30, 2025 balance of cash, cash equivalents and investments for the District was \$25,392,096. Total revenues for the year ended June 30, 2025 were \$53,187,525.



# **ANCHORAGE MIDDLETOWN FIRE AND EMS**

## **Management Discussion and Analysis, (continued)**

Year Ended June 30, 2025

### **Using This Annual Report**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The combined basic financial statements comprise three components: 1) combined government-wide financial statements, 2) combined fund financial statements, and 3) notes to the combined financial statements. The combined financial statements included in this report provide insight into the financial status of the District as of the year ended June 30, 2025.

### **Combined Government-Wide Financial Statements**

The combined government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. These statements report financial information for the District and provide both short-term and long-term information about the District's financial position and assist in the assessment of the District's economic condition at the end of the fiscal year. The statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. All of the 2025 fiscal year's revenues and expenses are taken into account when revenue is earned or an expense is incurred.

The combined government-wide financial statements include two statements: the Combined Statement of Net Position and the Combined Statement of Activities.

The Combined Statement of Net Position reflects the financial position of the District at fiscal year ended June 30, 2025. Accordingly, the District's net position, the difference between assets (what the District owns) and the liabilities (what the District owes) net of the deferred inflows and outflows of resources related to the pension plan, other postemployment benefits (OPEB) and refunding debt, is one way to determine the financial condition of the District. Over time, increases or decreases in net position are one indicator of whether the financial health of the District is improving or deteriorating. However, additional factors such as changes in the District's revenue structure, its tax base, its level of assets held, and the recognition of the District's allocated portion of the long-term obligation for pension benefits and OPEB, should be considered in order to assess thoroughly the overall financial condition of the District.

Since the District currently has no restricted funds, its current net position is presented in two components:

1. Investment in capital assets, net of related debt
2. Unrestricted

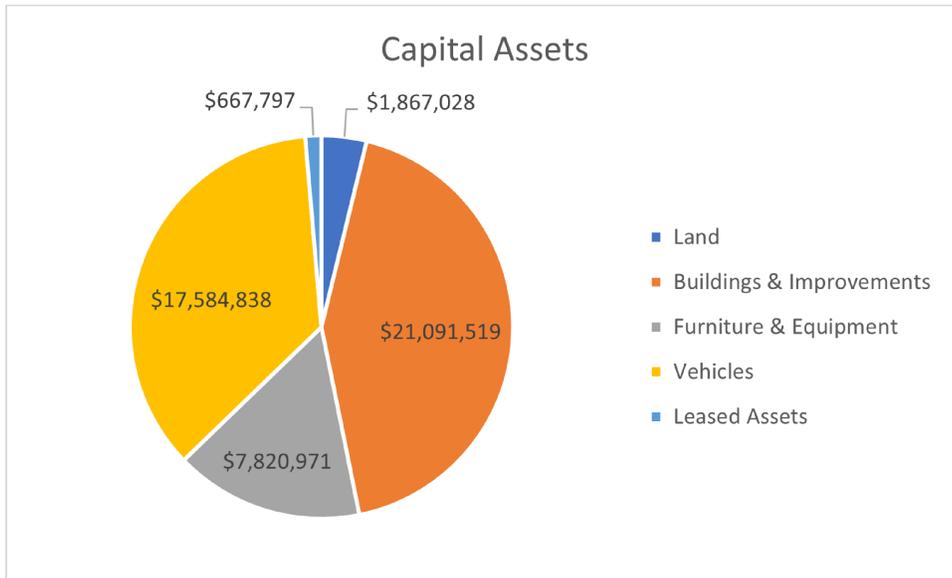
The Statement of Activities reflects the District's revenues and expenses, as well as other transactions that increase or decrease net position. The District's operations for the year ended June 30, 2025 increased the District's net position by \$7,903,838 and resulted in a net position of \$(44,772,078) as of June 30, 2025.

## ANCHORAGE MIDDLETOWN FIRE AND EMS

### Management Discussion and Analysis, (continued)

Year Ended June 30, 2025

The District depreciates its capital assets and amortizes its leased assets resulting in a calculation of total accumulated depreciation and amortization in the amount of \$30,639,107 as of June 30, 2025. Depreciation and amortization expense for the year ended June 30, 2025 was \$2,587,296. The District's capital assets and land at cost on June 30, 2025 are summarized as follows:



Capital assets purchased in 2025 include \$173,038 for fire station updates for HVAC, kitchen remodel, office remodels, wall panel replacements, and partial roof replacement, purchase of 2 new ambulances in August 2024 totaled \$691,600 along with purchase of 2 command vehicles in July 2024 totaling \$107,074, and new equipment purchases including SCBA Decon Washer, extrication tools, generator and 360-degree spherical camera system used in technical rescue operations totaled \$129,646.

The District participates in cost-sharing plans with numerous other governmental agencies that are administered by the Kentucky Public Pensions Authority (KPPA) formerly the Kentucky Retirement System and covers the pension and OPEB of all participating employees. The cost-sharing plan is significantly under-funded resulting in a net liability for the plan. The District records a liability for its proportionate share of the net pension liability of the cost-sharing plan. The net pension and OPEB liabilities and assets and the District's allocation were determined by KPPA. The District's net pension liability was \$67,710,682 at June 30, 2025. The District's net OPEB liability for the hazardous plan was \$3,099,773 and net OPEB asset for the non-hazardous plan was \$57,751 at June 30, 2025. The change in the pension and OPEB liabilities is a result of changes in certain actuarial assumptions, difference between expected and actual experience, and changes in the District's proportionate share. The ongoing costs of funding these pension and OPEB plans are a significant concern for the District.

## **ANCHORAGE MIDDLETOWN FIRE AND EMS**

Management Discussion and Analysis, (continued)

Year Ended June 30, 2025

### **Combined Fund Financial Statements**

The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The combined fund financial statements, which begin on page 11, provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental funds are used to account for essentially the same functions reported as governmental activity in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year.

These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with the governmental activity in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term funding decisions. Along with the Combined Balance Sheet-Governmental Funds and the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds, the combined fund financial statements include a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District's governmental funds are split between debt service fund and general fund. The only additional activity in the debt service fund is the allocation of funds necessary to cover the accrued interest payable on the bonds of \$39,419 at year-end.

Total expenditures for all governmental funds were \$46,764,589 which was \$6,422,936 less than total revenues of \$53,187,525 for the year ended June 30, 2025.

Revenues for the fiscal year were more than the budget by \$1,554,367 due to receiving more revenue than budgeted for property taxes, medical billing, state incentive, capital sales and interest income. Total expenditures were \$4,868,569 less than the amount budgeted mainly due to payroll and benefits which generated a net change in fund balances of \$6,422,936.

### **Notes to the Combined Financial Statements**

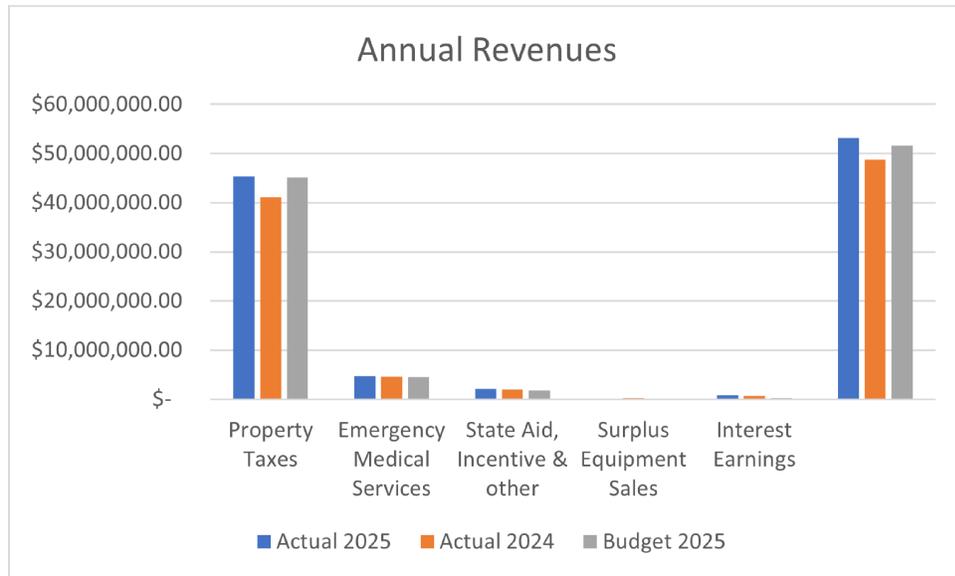
The notes to the combined financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the combined financial statements and focus on the primary activities of the District.

# ANCHORAGE MIDDLETOWN FIRE AND EMS

## Management Discussion and Analysis, (continued)

Year Ended June 30, 2025

### Operations



During the year ended June 30, 2025 the District responded to 24,730 requests for assistance of which 15,541 or 63% were EMS runs and 9,189 or 37% were fire runs. This is an 11% decrease in EMS runs from prior fiscal year and a 5% increase in fire runs from prior fiscal year.

The District had a Drill School in fiscal year end June 30, 2025 with all cadets graduating in January 2025. The Drill School was held to recruit and train new firefighters/EMTs. The District has several upcoming retirements and wanted to be proactive for future staffing needs. The District is planning to hold additional drill schools in the future.

The District continues to face the challenges of increasing costs of providing health care, retirement and other benefits for its employees and their families. Nationally, health care costs continue to rise at a rate of more than 8% each year.

The District continues to have commercial and residential growth.

### Contacting the District's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's financial position and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the District's Chief, Patrick Walsh, Anchorage Middletown Fire and EMS, 108 Urton Lane, Louisville, KY 40223.

**COMBINED GOVERNMENT-WIDE FINANCIAL STATEMENTS**

# ANCHORAGE MIDDLETOWN FIRE AND EMS

## Combined Statement of Net Position

June 30, 2025

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,906,775
Accounts receivable, net	676,893
Property taxes and other receivables	541,065
Prepaid expenses	1,424
Investments	21,485,321
Net OPEB asset	57,751
Capital assets, net	16,526,018
Land	<u>1,867,028</u>
Total assets	<u>\$ 45,062,275</u>
<b>Deferred Outflows of Resources</b>	
Deferred amount related to pension plan	\$ 15,225,906
Deferred amount related to OPEB	6,426,299
Deferred amount related to refunding debt	<u>184,319</u>
Total deferred outflows of resources	<u>\$ 21,836,524</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 610,738
Accrued wages and benefits	1,766,077
Accrued interest payable	39,419
Compensated absences	3,397,363
Net pension liability	67,710,682
Net OPEB liability	3,099,773
Lease liability	46,750
Long-term debt	<u>7,509,688</u>
Total liabilities	<u>\$ 84,180,490</u>
<b>Deferred Inflows of Resources</b>	
Deferred amount related to pension plan	\$ 9,490,275
Deferred amount related to OPEB	<u>18,000,112</u>
Total deferred inflows of resources	<u>\$ 27,490,387</u>
<b>Net Position</b>	
Investment in capital assets, net of related debt	\$ 10,836,608
Unrestricted	<u>(55,608,686)</u>
Total net position	<u>\$ (44,772,078)</u>

*See accompanying notes.*

# ANCHORAGE MIDDLETOWN FIRE AND EMS

## Combined Statement of Activities

Year Ended June 30, 2025

	<u>Governmental Activities</u>
Expenses:	
Salaries, wages, and benefits	\$ 35,880,911
Operating expense	6,692,898
Interest expense	272,294
Depreciation	<u>2,437,584</u>
Total expenses	45,283,687
General revenues:	
Property taxes	45,374,556
Emergency medical services	4,750,091
State aid, incentives, and other	2,169,846
Gain on sale of assets	32,552
Interest earnings	<u>860,480</u>
Total general revenues	<u>53,187,525</u>
Change in net position	7,903,838
Net position, beginning of year, as previously report	(51,388,105)
Adjustment to net position (see Note 2)	<u>(1,287,811)</u>
Net position, beginning of year, adjusted	<u>(52,675,916)</u>
Net position, end of year	<u>\$ (44,772,078)</u>

See accompanying notes.

**COMBINED FUND FINANCIAL STATEMENTS**

**ANCHORAGE MIDDLETOWN FIRE AND EMS**

Combined Balance Sheet - Governmental Funds

June 30, 2025

	General Fund	Debt Service Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,906,775	\$ -	\$ 3,906,775
Accounts receivable, net	676,893	-	676,893
Property taxes and other receivables	541,065	-	541,065
Prepaid expenses	1,424	-	1,424
Investments	21,485,321	-	21,485,321
Due from General Fund	<u>-</u>	<u>39,419</u>	<u>39,419</u>
 Total assets	 <u>\$ 26,611,478</u>	 <u>\$ 39,419</u>	 <u>\$ 26,650,897</u>
<b>Liabilities and Fund Balance</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 610,738	\$ -	\$ 610,738
Accrued wages and benefits	1,766,077	-	1,766,077
Accrued interest payable	-	39,419	39,419
Due to Debt Service Fund	<u>39,419</u>	<u>-</u>	<u>39,419</u>
 Total liabilities	 2,416,234	 39,419	 2,455,653
Fund balance:			
Nonspendable	1,424	-	1,424
Unassigned	<u>24,193,820</u>	<u>-</u>	<u>24,193,820</u>
 Total fund balance	 <u>24,195,244</u>	 <u>-</u>	 <u>24,195,244</u>
 Total liabilities and fund balance	 <u>\$ 26,611,478</u>	 <u>\$ 39,419</u>	 <u>\$ 26,650,897</u>

See accompanying notes.

## ANCHORAGE MIDDLETOWN FIRE AND EMS

### Reconciliation of the Combined Balance Sheet - Governmental Funds to the Combined Statement of Net Position

June 30, 2025

Total fund balance for governmental funds	\$ 24,195,244
Total net position reported for the governmental activities in the combined statement of net position is different because:	
Land and capital assets, net of depreciation, used in governmental activities are not financial resources, and therefore, not reported in the general fund.	18,393,046
Long-term liabilities and deferred inflows and outflows of resources are not financial resources or current liabilities, and therefore, the net impact of the pension-related liabilities and deferred inflows and outflows of resources are not reported in the general fund.	(61,975,051)
Long-term liabilities and deferred inflows and outflows of resources are not financial resources or current liabilities, and therefore, the net impact of the OPEB-related liabilities and deferred inflows and outflows of resources are not reported in the general fund.	(14,615,835)
Long-term liabilities applicable to the District's governmental activities are not reported as fund liabilities. All liabilities including long-term debt are reported in the combined statement of net position.	(7,556,438)
Loss on refunding debt is recorded as a deferred outflow of resources on the combined statement of net position.	184,319
Compensated absences are not due and payable in the current period, and therefore, are not reported in the governmental funds.	<u>(3,397,363)</u>
Total net position of governmental activities	\$ <u>(44,772,078)</u>

*See accompanying notes.*

## ANCHORAGE MIDDLETOWN FIRE AND EMS

### Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

Year Ended June 30, 2025

	Actual				
	Total Budget	General Fund	Debt Service Fund	Total Governmental Funds	Over (Under) Budget
Revenues:					
Property taxes	\$ 45,137,761	\$ 45,374,556	\$ -	\$ 45,374,556	\$ 236,795
Emergency medical services	4,515,000	4,750,091	-	4,750,091	235,091
State aid, incentives and other	1,780,397	2,169,846	-	2,169,846	389,449
Proceeds from sale of capital assets	-	32,552	-	32,552	32,552
Interest earnings	<u>200,000</u>	<u>860,480</u>	<u>-</u>	<u>860,480</u>	<u>660,480</u>
Total revenues	51,633,158	53,187,525	-	53,187,525	1,554,367
Expenditures:					
Personnel	41,042,125	37,764,749	-	37,764,749	(3,277,376)
Operations	6,392,502	5,795,405	-	5,795,405	(597,097)
Administration	1,161,755	902,133	-	902,133	(259,622)
Debt service:					
Principal payments	933,817	-	942,826	942,826	9,009
Interest payments	291,428	-	258,118	258,118	(33,310)
Capital outlays	<u>1,811,531</u>	<u>1,101,358</u>	<u>-</u>	<u>1,101,358</u>	<u>(710,173)</u>
Total expenditures	<u>51,633,158</u>	<u>45,563,645</u>	<u>1,200,944</u>	<u>46,764,589</u>	<u>(4,868,569)</u>
Excess (deficiency) of revenues over expenditures	-	7,623,880	(1,200,944)	6,422,936	6,422,936
Other financing sources (uses):					
Transfers to (from) other funds	<u>-</u>	<u>(1,200,944)</u>	<u>1,200,944</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	6,422,936	-	6,422,936	<u>\$ 6,422,936</u>
Fund balances, beginning of the year		<u>17,772,308</u>	<u>-</u>	<u>17,772,308</u>	
Fund balances, end of year		<u>\$ 24,195,244</u>	<u>\$ -</u>	<u>\$ 24,195,244</u>	

See accompanying notes.

**ANCHORAGE MIDDLETOWN FIRE AND EMS**

Reconciliation of the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Governmental Funds to the Combined Statement of Activities

Year Ended June 30, 2025

Net change in fund balance - total governmental funds	\$ 6,422,936
The change in net position reported for the governmental activities in the combined statement of activities is different because:	
Governmental funds report capital outlays as expenditures; however, in the combined statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$1,101,358 were less than depreciation of \$2,437,584 in the current period.	(1,336,226)
Net difference between pension and OPEB plan contributions of \$8,395,860 reported as expense in the governmental funds and the pension and OPEB expense of \$5,490,482 recorded in the combined statement of activities.	2,905,378
Changes in the accrual for compensated absences are reported in the combined statement of activities but do not require the use of current financial resources, and therefore, are not reported as expenses in governmental funds.	(1,016,898)
In governmental funds debt borrowings and repayments are considered sources and uses of financing, but in the combined statement of net position, this activity is reported in liabilities. Therefore, the proceeds and repayments of long-term debt principal is not considered income or expense in the combined statement of activities.	
Repayment of long-term debt principal	938,846
Amortization of loss on refunding debt	(14,178)
Amortization of bond premium	3,980
Change in net position of the governmental activities	\$ <u>7,903,838</u>

See accompanying notes.

# **ANCHORAGE MIDDLETOWN FIRE AND EMS**

## **Notes to the Combined Financial Statements**

### **1. Nature of the Organization**

Anchorage Middletown Fire and EMS (the District) is a Special Taxing District under Commonwealth of Kentucky law and was established for the purpose of providing fire protection and fire prevention services to the citizens and property owners within its geographic coverage area. The District has a Certificate of Need through the Commonwealth of Kentucky for providing emergency medical services (EMS) in order to provide its citizens with emergency medical care. The District also works with Louisville Metro EMS to augment the EMS system during busier times.

Worthington Community Association is a Kentucky non-profit corporation that was previously established primarily to acquire and finance certain property or equipment for a fire district that was merged into the District previously. Although legally separate from the District, this entity is governed by the Board of Trustees of the District and had no significant activity during the year ended June 30, 2025. The financial information for this entity is included in the combined financial statements for the District.

The District is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the District. The District is exempt from income taxes. The District is governed by a seven-member Board of Trustees. Two of the trustees are property owners who reside in the District service area and are elected by voting property owners. Three trustees are appointed by the Louisville Metro Mayor. Two trustees are elected by members of the firefighters of the District.

### **2. Summary of Significant Accounting Policies**

#### **Management's Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts in the combined financial statements and accompanying notes. Actual results could differ from those estimates.

#### **Combined Government-Wide Financial Statements**

The District has presented a combined statement of net position and a combined statement of activities for the District as a whole. These statements include the primary government and its component units, if applicable. Government-wide accounting is designed to provide a more comprehensive view of the District's operations and financial position as a single economic entity.

Government-wide financial statements distinguish between governmental-type and business-type activities. Governmental-type activities are those financed through taxes, intergovernmental revenues, and other non-exchange revenues and are usually reported in governmental and internal service funds. The District has no business-type activities.

## ANCHORAGE MIDDLETOWN FIRE AND EMS

Notes to the Combined Financial Statements, continued

### 2. Summary of Significant Accounting Policies, continued

#### Combined Government-Wide Financial Statements, continued

Policies specific to the government-wide financial statements are as follows:

**Capital Assets** – Tangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the combined statement of net position.

**Pensions and Other Post-Employment Benefits (OPEB)** – The District participates in the County Employees Retirement System (CERS) administered by the Board of Trustees of CERS. This is a cost-sharing, multiple employer defined benefit pension and OPEB plan, which covers all eligible full-time employees and provides for retirement, disability, health insurance and death benefits to plan members.

Cost-sharing governmental employers, such as the District, are required to report a net pension and OPEB liability, pension and OPEB expense, and pension and OPEB related deferred inflows of resources and deferred outflows of resources based on their proportionate share of the collective amounts for all governments in the plan. For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of CERS and additions to or deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. The CERS financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

All governments participating in the defined benefit pension and OPEB plan also are required to disclose various information in the footnotes to the combined financial statements – see Note 7.

#### Combined Fund Financial Statements

The District uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate entity with a self-balancing set of accounts. Funds of the District are classified as Governmental. This category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

**Governmental Funds** – Governmental funds account for all or most of the District's general activities, including the collection of legally restricted monies, administrative expenses, and the acquisition or construction of capital assets. Governmental funds include:

## ANCHORAGE MIDDLETOWN FIRE AND EMS

Notes to the Combined Financial Statements, continued

### 2. Summary of Significant Accounting Policies, continued

#### **Combined Fund Financial Statements, continued**

General Fund – The general operating fund of the District accounts for all financial resources, except those required to be accounted for in other funds.

Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on general long-term debt associated with capital assets of the District.

#### **Measurement Focus and Basis of Accounting**

The combined government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows in the combined statement of activities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the combined balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except pension and OPEB liabilities are accounted for as expenditures in the period when contributions are made and debt service expenditures are recorded only when payment is due. Expenditures for capital assets are reported as current expenses, and such assets are not depreciated.

#### **Budgetary Accounting**

The budget information reflected in the combined financial statements is the annual budget adopted by the District in accordance with the provisions of Commonwealth of Kentucky law. The budget is prepared on a basis consistent with GAAP.

#### **Adoption of New Accounting Standard**

Effective July 1, 2024, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* (GASB 101). The statement requires the District to recognize liabilities for compensated absences for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through non-cash means. A liability is recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through non-cash means.

## **ANCHORAGE MIDDLETOWN FIRE AND EMS**

Notes to the Combined Financial Statements, continued

### **2. Summary of Significant Accounting Policies, continued**

#### **Adoption of New Accounting Standard, continued**

The adoption of this new standard resulted in an increase in the accrual for compensated absences and an adjustment to the opening balance of net position of \$1,287,811 as a result of the implementation of GASB 101.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on-hand and highly liquid investments with an original maturity of three months or less from the date of acquisition.

#### **Investments**

Investments are stated at fair value based, generally, on quoted market prices. Realized and unrealized gains and losses are reflected in the combined statement of activities and the combined statement of revenues, expenditures, and changes in fund balances - governmental funds.

#### **Receivables**

Receivables consist of all revenues earned at year end and not yet received. Major receivable balances for the governmental activities include property taxes and billings for emergency medical services. Significant receivable balances include property taxes of \$538,011 and EMS receivables of \$1,611,980, respectively, as of June 30, 2025.

As of June 30, 2025, the District has an additional receivable of \$251,550 related to inter-district EMS runs billed to Louisville Metro EMS (Louisville Metro) from July 15, 2024 to June 30, 2025 under Kentucky Revised Statute (KRS) 67C.147. As of the date of this report, Louisville Metro has indicated that they will not pay this amount. Due to the uncertainty surrounding the interpretation and timing of the law's effective date, management has recorded an additional allowance pursuant to GAAP for the full amount of this receivable.

The District estimates and records an allowance for doubtful accounts based on their best estimate of what will ultimately be collected. The District's allowance for emergency medical services receivables was \$1,186,638 as of June 30, 2025.

#### **Capital Assets**

Capital assets and land are reported in the governmental activities column in the combined government-wide financial statements. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

## ANCHORAGE MIDDLETOWN FIRE AND EMS

Notes to the Combined Financial Statements, continued

### 2. Summary of Significant Accounting Policies, continued

#### Capital Assets, continued

All capital assets are depreciated using the straight-line depreciation method over the following estimated useful lives:

Buildings	40 years
Building improvements	10 to 30 years
Fire trucks	15 to 20 years
Vehicles	5 to 7 years
Furniture and equipment	5 to 10 years
Fire fighting gear	7 to 10 years

#### Leases

Leases are contracts that convey control of a right to use another entity's non-financial asset (the underlying asset) for a period of time in an exchange or exchange-like transaction.

For leases with a maximum term of 12-months or less at the commencement date of the lease, the District recognizes lease expense as amounts become due under the lease agreement.

Lease liabilities on the combined statement of net position represent the present value of payments expected to be made during the lease term. Lease payments are discounted to present value using the rate implicit in the lease, when it can be readily determined, or the District's incremental borrowing rate at the commencement of the lease. In subsequent years, amortization of the discount is included in interest expense in the combined statement of activities.

Variable payments based on future performance of the District, usage of the underlying asset or criteria other than an index or rate are not included in the measurement of the lease liability. Those variable payments are recognized as lease expense in the period in which the obligation for those payments is incurred.

At commencement of the lease, a right to use asset is recorded on the statement of net position in an amount equal to the corresponding lease liability plus lease payments paid by the District at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term. The right to use asset also includes any initial direct costs that are necessary to place the leased asset into service. The right to use asset is amortized over the shorter of the lease term or the useful life of the right to use asset.

Subsequent to the commencement of the lease, the lease liability and right to use asset are remeasured if certain criteria are met. Subsequent lease payments are recognized as expenditures when they become due under the lease agreement.

#### Bond Issue Discounts and Premiums

Original bond issue discounts and premiums are being accreted through interest expense over the term of the applicable bonds.

## ANCHORAGE MIDDLETOWN FIRE AND EMS

Notes to the Combined Financial Statements, continued

### 2. Summary of Significant Accounting Policies, continued

#### Net Position/Fund Balances

In the combined statement of net position, the three components of net position are as follows:

***Investment in Capital Assets, Net of Related Debt*** – This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowing attributable to the acquisition, construction, or improvement of capital assets.

***Restricted*** – Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or law or regulation of other governments. The District has no restricted amounts.

***Unrestricted*** – This category represents net position not appropriated for expenditures or legally segregated for a specific future use.

In the combined balance sheet of governmental funds, fund balance is divided into the following classifications, as applicable:

***Nonspendable*** – These resources include amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The District's nonspendable funds as of June 30, 2025 consisted of prepaid expenses.

***Restricted*** – Amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation. The District had no restricted funds as of June 30, 2025.

***Committed*** – Amounts constrained for a specific purpose by the District using its highest level of decision-making authority. For resources considered committed the Board of Trustees issues a resolution that can only be changed with another corresponding resolution. The District had no committed funds as of June 30, 2025.

***Assigned*** – Amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Board of Trustees or the member from the Board of Trustees given authority to assign amounts. The District had no assigned funds as of June 30, 2025.

***Unassigned*** – Amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

It is the policy of the District to spend restricted funds first when both restricted and unrestricted are available. Once restricted funds are spent then committed, assigned and unassigned funds are spent in that order.

## ANCHORAGE MIDDLETOWN FIRE AND EMS

Notes to the Combined Financial Statements, continued

### 2. Summary of Significant Accounting Policies, continued

#### Compensated Absences

Compensated absences include accumulated unpaid leave benefits. District employees are granted leave benefits in varying amounts in accordance with District policy.

The District awards 24 hours of personal leave upon each employee's date of hire and each calendar year on January 1. The personal leave expires at the end of each calendar year and any unused time is transferred to the employee's banked time.

The District awards vacation leave based on employee type and years of employment, ranging from 24 to 288 hours each year. The vacation leave expires on each employee's anniversary date. Each employee can choose to bank up to 100% of their unused vacation per year or buy out up to 1/2 of an employee's total vacation granted per year and roll the remaining (if any) in to their banked time. When an employee is terminated, they will be paid for unused vacation leave up to 240 hours.

The District awards sick leave based on employee type, ranging from 4 to 6 hours each pay period for 40-hour employees and 56-hour employees, respectively. Upon termination, employees may either credit unused sick leave time towards the employee's retirement or receive the actuarial value of their sick time in a paycheck based on the type of employee. Unused sick leave may be carried forward from one year to the next.

Banked time will not be available for buyout until the employee's retirement or separation from the District. Upon separation, banked time will be distributed two ways, 1) up to 240 hours of banked time can be moved back to vacation for payout and 2) Any remaining banked time will roll to the employee's sick balance and may be eligible for payout under the sick leave policy.

A summary of the District's accrual for compensated absences activity is as follows:

	June 30, 2024 <u>(as adjusted)</u>	<u>Net Increases</u>	<u>June 30, 2025</u>	<u>Due within one year</u>
Compensated absences	\$ 2,380,465	\$ 1,016,898	\$ 3,397,363	\$ 1,791,000

#### Revenue Recognition

##### *Property Taxes*

The District determines the property tax rate by September 1 of each year. The Jefferson County and Oldham County Sheriffs collect substantially all real estate property tax revenues and remit monthly to the District its portion, less applicable discounts and collection fees, beginning in November of each fiscal year. The Jefferson County and Oldham County Clerks collect personal property taxes and remit monthly. The tax rate set for the year ended June 30, 2025 was \$0.173 per \$100 assessed valuation for real estate and personal property.

The Jefferson County and Oldham County Clerks collect substantially all motor vehicle and delinquent real estate taxes and remit them monthly to the District.

# ANCHORAGE MIDDLETOWN FIRE AND EMS

Notes to the Combined Financial Statements, continued

## 2. Summary of Significant Accounting Policies, continued

### Revenue Recognition, continued

#### *Emergency Medical Services*

Revenue related to EMS and ambulance services are recorded in the period in which the service is provided. All revenues are billed and collected through a third party EMS and ambulance billing company, and submitted to the District on a monthly basis.

During the year ended June 30, 2025, the District began recording additional revenue related to inter-district EMS runs under KRS 67C.147 billed to Louisville Metro.

### Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through January 6, 2026, the date that the combined financial statements were available to be issued.

## 3. Deposits and Investments

### Deposits

The District maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a written deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2025, all deposits were covered by FDIC insurance or a properly executed security agreement.

### Investments

At June 30, 2025, the District's investment balance consists of money market funds, government securities and certificates of deposit reported at fair value. Investment activity for the year ended June 30, 2025 was as follows:

	<u>Cost</u>	<u>Fair Value</u>
Stock Yards Bank Investments:		
Money Market Funds	\$ 9,036,974	\$ 9,036,974
US Treasury Bills	<u>12,398,435</u>	<u>12,448,347</u>
Total	<u>\$ 21,435,409</u>	<u>\$ 21,485,321</u>

## ANCHORAGE MIDDLETOWN FIRE AND EMS

Notes to the Combined Financial Statements, continued

### 3. Deposits and Investments, continued

#### Investments, continued

*Fair Value* - Investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quotes prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the District's investments are actively traded and categorized as Level 1 investments in the fair value hierarchy.

*Interest Rate Risk* – While the District has adopted an investment policy, the District's policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates.

*Credit Risk* – In accordance with the District's investment policy and KRS 66.480, investments are limited to obligations of the United States Government, obligations backed by the full faith and credit of the United States Government, obligations of any corporation or agency of the United States Government, certificates of deposits, commercial paper, bonds or securities issued by a state or local government, and shares of mutual funds. The District's written investment policy does not further limit its investment choices as they are defined in KRS 66.480.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that in the event of failure of the counterparty or bank, the District will not be able to recover the value of its investments held in the possession of an outside party. Consistent with the District's investment policy, as of June 30, 2025, all investments were covered by FDIC insurance or a properly executed collateral security agreement.

## ANCHORAGE MIDDLETOWN FIRE AND EMS

Notes to the Combined Financial Statements, continued

### 4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,867,028	\$ -	\$ -	\$ 1,867,028
Capital assets being depreciated:				
Buildings and improvements	20,918,481	173,038	-	21,091,519
Furniture and equipment	7,691,325	129,646	-	7,820,971
Vehicles	<u>16,903,711</u>	<u>798,674</u>	<u>(117,547)</u>	<u>17,584,838</u>
Total cost	47,380,545	1,101,358	(117,547)	48,364,356
Less: accumulated depreciation	<u>(27,695,997)</u>	<u>(2,437,584)</u>	<u>117,547</u>	<u>(30,016,034)</u>
Net capital assets being depreciated	19,684,548	(1,336,226)	-	18,348,322
Leased assets being amortized:				
Right of use assets	667,797	-	-	667,797
Less: accumulated amortization	<u>(473,361)</u>	<u>(149,712)</u>	<u>-</u>	<u>(623,073)</u>
Net leased assets being amortized	<u>194,436</u>	<u>(149,712)</u>	<u>-</u>	<u>44,724</u>
Capital assets, net	<u>\$ 19,878,984</u>	<u>\$ (1,485,938)</u>	<u>\$ -</u>	<u>\$ 18,393,046</u>

### 5. Long-Term Debt

The District has a \$5,000,000 line of credit agreement with a bank, that matures on September 21, 2026. Interest is variable at the prime rate (7.50% at June 30, 2025). The line of credit is secured by essentially all of the District's assets. As of June 30, 2025, there were no amounts outstanding on this line of credit.

## ANCHORAGE MIDDLETOWN FIRE AND EMS

Notes to the Combined Financial Statements, continued

### 5. Long-Term Debt, continued

On April 20, 2016, \$4,745,000 in General Obligation Refunding Bonds, Series 2016, were issued with an average interest rate of 2.75% to advance refund \$4,360,000 of the outstanding General Obligation Bonds, Series 2008. The proceeds of \$4,671,921, including a premium of \$85,904 and net of issuance cost of \$158,983, were used to purchase State and Local Government securities. Those securities were deposited in an irrevocable trust with an escrow agent for future debt service payments on the General Obligation Bonds, Series 2008. As a result \$4,360,000 of the General Obligation Bonds, Series 2008 bonds were considered to be defeased and the liability for those bonds has been removed from the combined financial statements. This refunding decreased debt service payments over the life of the bond by approximately \$697,000 resulting in net present value savings of \$445,000. During 2016, the difference of \$311,921 between the \$4,671,921 of net proceeds and the \$4,360,000 of defeased liability was recorded as a deferred outflow of resources on the combined statement of net position, which is being amortized by \$14,178 annually over the remaining life of the debt.

Interest is payable semi-annually on August 1 and February 1 at rates ranging from 1.0% to 3.0% and principal payments are due annually on February 1 of each year. Bonds outstanding relating to the Series 2016 on June 30, 2025 were \$3,365,000.

On January 16, 2020, the District entered into a \$2,544,314 promissory note agreement with a commercial bank in order to consolidate three long-term loans. Interest on the outstanding principal balance is being paid on a monthly basis at a rate of 3.16%. Payments on the outstanding balance are due monthly at \$24,810, including interest, through January 2030. The principal outstanding was \$1,266,184 as of June 30, 2025.

On February 1, 2022, the District entered into a \$2,320,580 financed purchase agreement with a commercial bank in order to fund the purchases of several new apparatus. Interest on the outstanding principal balance is being paid on a monthly basis at a rate of 2.30%. Payments of \$262,467 are due annually through February 2032. The principal outstanding was \$1,679,013 as of June 30, 2025.

On September 9, 2023, the District entered into a financed purchase agreement with a commercial bank in order to fund the purchases of radio equipment. Interest on the outstanding principal balance is being paid on an annual basis at a rate of 5.26%. Payments of \$326,105 are due annually through November 2027. The principal outstanding was \$1,149,405 as of June 30, 2025.

## ANCHORAGE MIDDLETOWN FIRE AND EMS

Notes to the Combined Financial Statements, continued

### 5. Long-Term Debt, continued

A summary of the District's long-term debt activity is as follows:

	June 30, 2024	Increases	Decreases	June 30, 2025	Due within one year
General Obligation Refunding Bonds, Series 2016, including a premium of \$50,086	\$ 3,634,066	\$ -	\$ (218,980)	\$ 3,415,086	\$ 223,980
Promissory Note, 3.16%	1,518,913	-	(252,729)	1,266,184	260,917
Financed Purchase Agreement, 2.30%	1,897,758	-	(218,745)	1,679,013	223,784
Financed Purchase agreement, 5.26%	<u>1,401,777</u>	<u>-</u>	<u>(252,372)</u>	<u>1,149,405</u>	<u>265,646</u>
	<u>\$ 8,452,514</u>	<u>\$ -</u>	<u>\$ (942,826)</u>	<u>\$ 7,509,688</u>	<u>\$ 974,327</u>

Future minimum principal and interest cash requirements for long-term debt for each of the years ending June 30 are as follows:

	Principal	Interest	Total
2026	\$ 974,327	\$ 247,702	\$ 1,222,029
2027	1,006,940	216,174	1,223,114
2028	1,040,633	183,427	1,224,060
2029	1,070,601	149,461	1,220,062
2030	659,665	114,077	773,742
Thereafter	<u>2,757,522</u>	<u>421,362</u>	<u>3,178,884</u>
Total	<u>\$ 7,509,688</u>	<u>\$ 1,332,203</u>	<u>\$ 8,841,891</u>

### 6. Leases

The District, as a lessee, has entered various lease agreements involving vehicles. The terms of each of these leases range between three to five years.

A summary of the District's lease activity is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Lease Liability	\$ 200,722	\$ -	\$ (153,972)	\$ 46,750	\$ 29,752

## ANCHORAGE MIDDLETOWN FIRE AND EMS

Notes to the Combined Financial Statements, continued

### 6. Leases, continued

The future lease payments under these lease agreements are as follows:

	Principal	Interest	Total
2026	\$ 29,752	\$ 863	\$ 30,615
2027	15,993	265	16,258
2028	1,005	3	1,008
Total	\$ 46,750	\$ 1,131	\$ 47,881

### 7. Retirement Plans

#### General

CERS is governed by a 9-member board of trustees. Another 9-member board of trustees called the Kentucky Retirement Systems oversees the Kentucky Employees Retirement Systems (KERS) and the State Police Retirement System (SPRS). The administrative entity comprising the office of counselors and professional staff is the Kentucky Public Pensions Authority (KPPA). It is governed by a third 8-member board composed of trustees from CERS and the Kentucky Retirement Systems. CERS is a cost-sharing, multiple employer defined benefit pension plan. The District has elected to participate in CERS pursuant to KRS Section 78.530. The boards of trustees of the Kentucky Retirement Systems and CERS administer the Kentucky Retirement Systems Insurance Trust Fund (the Insurance Fund), an OPEB plan. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds: (1) KERS; (2) CERS; and (3) SPRS.

*Plan description and benefits provided* – The CERS pension fund and the Insurance Fund cover all eligible full-time employees and provide retirement, disability and death benefits, and health insurance benefits. Benefit contributions and provisions are actuarially determined, per KRS Section 78.454(33), each year. CERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the KPPA, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, by visiting the website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or by calling (502) 696-8800.

The CERS Plan has separate plans for employees in hazardous positions and employees in non-hazardous positions. The District participates in both plans.

Non-hazardous employees can retire with full retirement benefits after 27 years of service or age 65. Non-hazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit. Retirement benefits are determined based upon a maximum of 2.2 percent of the employee's years of service multiplied by their Final Compensation. Final Compensation is calculated based upon the average of the five highest fiscal years (or last five fiscal years for employees who begin participation on or after September 1, 2008) of salary prior to attainment of the CERS specified age (or age and service combinations).

## ANCHORAGE MIDDLETOWN FIRE AND EMS

Notes to the Combined Financial Statements, continued

### 7. Retirement Plans, continued

#### CERS Plan, continued

Hazardous employees can retire with full retirement benefits after 20 years of service or age 55. Hazardous employees who begin participation on or after September 1, 2008 must have 25 years of service or the member is age 60, with a minimum of 60 months of service credit. Retirement benefits are determined based upon a maximum of 2.5 percent of the employee's years of service multiplied by their Final Compensation. Final Compensation is calculated based upon the average of the three highest fiscal years of salary prior to attainment of the CERS specified age (or age and service combinations).

CERS allows non-hazardous and hazardous employees to retire prior to meeting the requirements above and receive partial benefits, providing they meet certain age and service related criteria.

Employees are eligible for service-related disability benefits regardless of length of service. Five years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. Death benefits equal the employee's final full-year salary.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member
20 or more	100%	0%
15 - 19	75%	25%
14 - 10	50%	50%
4 - 9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

## ANCHORAGE MIDDLETOWN FIRE AND EMS

Notes to the Combined Financial Statements, continued

### 7. Retirement Plans, continued

#### CERS Plan, continued

*Contributions* – Benefit and contribution rates are established by state statute. Non-hazardous covered employees are required to contribute 5.00% of their salary to the plan. Non-hazardous covered employees who began participation on or after September 1, 2008, are required to contribute 6.00% of their salary to be allocated as follows: 5.00% to the member's account and 1.00% to the Insurance Fund. The District's contribution rate for non-hazardous employees was 19.71%, 23.34% and 26.79% for the years ended June 30, 2025, 2024 and 2023, respectively.

Hazardous covered employees are required to contribute 8.00% of their salary to the plan. Hazardous covered employees who began participation on or after September 1, 2008 are required to contribute 9.00% of their salary to be allocated as follows: 8.00% to the member's account and 1.00% to the Insurance Fund. The District's contribution rate for hazardous employees was 38.61%, 43.69% and 49.59% for the years ended June 30, 2025, 2024 and 2023, respectively.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute 5% (non-hazardous) and 8% (hazardous) of their creditable compensation each month to their own account, and 1% to the Insurance Fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the board of trustees of the Kentucky Retirement Systems and CERS based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (non-hazardous) and 7.5% (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

#### Pension Plan

*Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions* – At June 30, 2025, the District reported a liability of \$67,710,682 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's actual contributions to the pension plan relative to the actual contributions of all participating organizations.

The complete actuarial valuation report including all actuarial assumptions and methods is publicly available on the website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or can be obtained as described previously.

**ANCHORAGE MIDDLETOWN FIRE AND EMS**

Notes to the Combined Financial Statements, continued

**7. Retirement Plans, continued**

**Pension Plan, continued**

For the year ended June 30, 2025, the District recognized pension expense of \$7,601,474. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments:		
Hazardous	\$ -	\$ 3,507,427
Non-hazardous	-	128,245
Difference between expected and actual experience:		
Hazardous	4,270,055	-
Non-hazardous	96,545	-
Change of assumptions:		
Hazardous	-	3,708,894
Non-hazardous	-	90,119
Change in proportion and differences between employer contributions and proportionate share of contributions:		
Hazardous	2,687,100	2,055,590
Non-hazardous	425,820	-
District's contributions subsequent to the measurement date:		
Hazardous	7,489,091	-
Non-hazardous	257,295	-
Total	<u>\$ 15,225,906</u>	<u>\$ 9,490,275</u>

The deferred outflows of resources related to the District's contributions to the pension plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. The deferred inflows of resources related to the net difference between projected and actual earnings on pension plan investments are amortized and recognized in pension expense over five years. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized and recognized in pension expense over the average expected remaining service life of the entire plan membership, which is 2.63 years for non-hazardous employees and 4.09 years for hazardous employees.

## ANCHORAGE MIDDLETOWN FIRE AND EMS

Notes to the Combined Financial Statements, continued

### 7. Retirement Plans, continued

#### Pension Plan, continued

The net (decrease) increase in pension expense related to the amortization of these deferred inflows and outflows of resources is as follows:

Year ending June 30:	
2026	\$ (1,016,142)
2027	838,158
2028	(1,043,922)
2029	<u>(788,849)</u>
Total	\$ <u>(2,010,755)</u>

*Actuarial assumptions* – For financial reporting, the actuarial valuation as of June 30, 2024 was performed by Gabriel, Roeder, Smith & Company (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2024 were based on an actuarial valuation date of June 30, 2023. The total pension liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ended June 30, 2024, using generally accepted actuarial principles.

The actuarial assumptions are:

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

The mortality table used for active members was the PUB-2010 General Mortality table for the non-hazardous plan participants, and the PUB-2010 Public Safety Mortality table for the hazardous plan participants, 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.

**ANCHORAGE MIDDLETOWN FIRE AND EMS**

Notes to the Combined Financial Statements, continued

**7. Retirement Plans, continued**

**Pension Plan, continued**

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

	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class:		
Equity:		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected:		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	

*Discount rate* – The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumes that contributions from plan members and employers will be made at the required contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payment of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate* – The following presents the District’s proportionate share of the net pension liability, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District’s share of the net pension liability	\$ 87,173,956	\$ 67,710,682	\$ 51,812,318

**ANCHORAGE MIDDLETOWN FIRE AND EMS**

Notes to the Combined Financial Statements, continued

**7. Retirement Plans, continued**

**OPEB Plan**

*OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB* – At June 30, 2025, the District reported a liability of \$3,099,773 for its proportionate share of the net OPEB liability for the hazardous plan and reported an asset of \$57,751 for its proportionate share of the net OPEB asset for the non-hazardous plan. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability or asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability or asset was based on the District's actual contributions to the OPEB plan relative to the actual contributions of all participating organizations.

The complete actuarial valuation report including all actuarial assumptions and methods is publicly available on the website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or can be obtained as described previously.

For the year ended June 30, 2025, the District recognized an OPEB benefit of \$2,347,702. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments:		
Hazardous	\$ -	\$ 52,701
Non-hazardous	-	1,947,858
Difference between expected and actual experience:		
Hazardous	32,040	454,388
Non-hazardous	839,400	11,345,874
Change of assumptions:		
Hazardous	52,330	40,750
Non-hazardous	2,102,547	2,727,999
Change in proportion and differences between employer contributions and proportionate share of contributions:		
Hazardous	198,945	5,096
Non-hazardous	2,792,915	1,425,446
District's contributions subsequent to the measurement date:		
Hazardous	450,757	-
Non-hazardous	(42,635)	-
<b>Total</b>	<b>\$ 6,426,299</b>	<b>\$ 18,000,112</b>

## ANCHORAGE MIDDLETOWN FIRE AND EMS

Notes to the Combined Financial Statements, continued

### 7. Retirement Plans, continued

#### OPEB Plan, continued

The deferred outflows of resources related to the District's contributions to the OPEB plan subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. The deferred inflows of resources related to the net difference between projected and actual earnings on OPEB plan investments are amortized and recognized in OPEB expense over five years. All other amounts reported as deferred outflows of resources and deferred inflows of resources are amortized and recognized in OPEB expense over the average of the expected remaining service life of all employees that are provided OPEB through the OPEB plan which is 5.70 years for hazardous employees and 4.60 years for non-hazardous employees.

The net (decrease) increase in OPEB expense related to the amortization of these deferred inflows and outflows of resources is as follows:

Year ending June 30:	
2026	\$ (2,705,709)
2027	(2,770,204)
2028	(4,120,600)
2029	(2,524,122)
2030	<u>138,700</u>
Total	<u>\$ (11,981,935)</u>

*Actuarial assumptions* – For financial reporting, the actuarial valuation as of June 30, 2024 was performed by GRS. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2024 were based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024, using generally accepted actuarial principles.

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023 valuation process and was updated to better reflect the plans' anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in healthcare costs. There were no other material assumption changes.

The actuarial assumptions are:

Inflation	2.50%
Payroll growth rate	2.00%
Salary increase	3.30% to 10.30%, varies by service for CERS non-hazardous
	3.55% to 19.05%, varies by service for CERS hazardous
Investment rate of return	6.50%

## ANCHORAGE MIDDLETOWN FIRE AND EMS

Notes to the Combined Financial Statements, continued

### 7. Retirement Plans, continued

#### OPEB Plan, continued

Healthcare trend rates:

Pre – 65	Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Post – 65	Initial trend starting at 8.00% in 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years.

Mortality:

Pre-retirement	PUB-2010 General Mortality table, for the non-hazardous plan participants, and the PUB-2010 Public Safety Mortality table for the hazardous plan participants, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement	System-specific mortality table based on mortality experience (non-disabled) from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement	PUB-2010 Disabled Mortality table, with rates multiplied by 150% (disabled) 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 discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the non-hazardous and from 5.97% to 6.02% for the hazardous plan. The projection of cash flows used to determine the discount rate of 5.99% for the non-hazardous plan and 6.02% for the hazardous plan assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2024. However, the cost associated with the implicit employer subsidy was not included in the calculation of KPPA’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of KPPA’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the pension section above.

**ANCHORAGE MIDDLETOWN FIRE AND EMS**

Notes to the Combined Financial Statements, continued

**7. Retirement Plans, continued**

**OPEB Plan, continued**

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate* – The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
District's share of the net OPEB liability (asset)	\$ 8,644,407	\$ 3,042,022	\$ (1,640,553)

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates* – The following presents the District's proportionate share of the net OPEB liability, as well as what the District's 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:

	1% Decrease	Current Trend Rate	1% Increase
District's share of the net OPEB liability (asset)	\$ (619,470)	\$ 3,042,022	\$ 7,321,193

**Deferred Compensation Plans**

The District's employees may elect to participate in two deferred compensation plans offered by the Kentucky Public Employees Deferred Compensation Authority under sections 401(k) and 457 of the Internal Revenue Code. Under the plans, employees may defer up to 100% of their compensation after deducting required contributions to the CERS plan. The District does not make matching contributions to these plans.

**8. Recent Accounting Pronouncements**

In April 2024, the GASB issued Statement No. 103 *Financial Reporting Model Improvements* which focuses on improving key components of the financial reporting model to enhance its effectiveness in providing information and assessing the government's accountability. This statement addresses requirements relating to Management's Discussion and Analysis, unusual or infrequent items, major component unit information, and the presentation of proprietary fund statement of revenues, expenses, and changes in fund net position. In addition, the statement requires that budgetary comparison information be presented as Required Supplementary Information. This statement becomes effective for the fiscal year ending June 30, 2026. The District is evaluating the impact of this statement on the combined financial statements.

## **ANCHORAGE MIDDLETOWN FIRE AND EMS**

Notes to the Combined Financial Statements, continued

### **9. Contingent Liability**

The District from time to time, in the ordinary course of business, is named as a defendant in various lawsuits. In management's opinion, the gross liability from such lawsuits with insurance coverage is not considered to be material to the District's financial condition or results of operations.

### **10 Subsequent Events**

During December 2025, the District closed on the purchase of two parcels of land for a total of approximately \$4.3 million. This land is intended to be used for the future development of a new fire station.

**REQUIRED SUPPLEMENTARY INFORMATION**

**ANCHORAGE MIDDLETOWN FIRE AND EMS**

Schedule of the District's Proportionate Share of the Net Pension Liability

County Employees Retirement System

For the Years Ended June 30 for the Last Ten Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportionate percentage of the net pension liability:										
Hazardous	2.56 %	2.45 %	2.45 %	2.54 %	2.39 %	1.91 %	0.76 %	0.71 %	0.71 %	0.69 %
Non-hazardous	0.03 %	0.02 %	0.02 %	0.02 %	0.02 %	0.01 %	- %	0.01 %	0.01 %	0.00 %
District's proportionate share of the net pension liability	\$ 67,710,682	\$ 72,028,769	\$ 75,986,187	\$ 68,915,650	\$ 73,202,270	\$ 53,281,597	\$ 18,618,406	\$ 16,162,673	\$ 12,392,255	\$ 10,760,908
District's covered-employee payroll*	\$ 20,121,296	\$ 17,380,924	\$ 16,379,735	\$ 16,720,000	\$ 14,104,339	\$ 9,114,953	\$ 4,472,680	\$ 4,107,383	\$ 3,797,879	\$ 4,097,918
District's proportionate share of the net pension liability as a percentage of its covered payroll	336.51 %	414.41 %	463.90 %	412.17 %	519.01 %	584.55 %	416.27 %	393.50 %	326.29 %	262.59 %
Plan fiduciary net position as a percentage of the total pension liability										
Hazardous	57.05 %	52.96 %	47.11 %	52.26 %	44.11 %	46.63 %	49.26 %	49.78 %	53.95 %	57.52 %
Non-hazardous	61.61 %	57.48 %	52.45 %	57.33 %	47.81 %	50.45 %	53.54 %	53.32 %	55.50 %	59.97 %

\*The amounts presented for each fiscal year were determined as of the measurement date of the net pension liability, which is as of the District's prior fiscal year end.

*See Independent Auditor's Report and Notes to the Required Supplementary Information.*

**ANCHORAGE MIDDLETOWN FIRE AND EMS**

Schedule of District Pension Contributions

County Employees Retirement System

For the Years Ended June 30 for the Last Ten Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 7,746,386	\$ 8,085,972	\$ 8,453,507	\$ 5,483,551	\$ 4,975,308	\$ 4,195,555	\$ 1,327,879	\$ 954,401	\$ 862,368	\$ 406,461
Contributions in relation to the contractually required contribution	<u>7,746,386</u>	<u>8,085,972</u>	<u>8,453,507</u>	<u>5,483,551</u>	<u>4,975,308</u>	<u>4,195,555</u>	<u>1,327,879</u>	<u>954,401</u>	<u>862,368</u>	<u>406,461</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
District's covered-employee payroll	\$ 21,829,030	\$ 20,121,296	\$ 17,380,924	\$ 16,379,735	\$ 16,720,000	\$ 14,104,339	\$ 9,114,953	\$ 4,472,680	\$ 4,107,383	\$ 3,797,879
Contributions as a percentage of covered employee payroll	35.49 %	40.19 %	48.64 %	33.48 %	29.76 %	29.75 %	14.57 %	21.34 %	21.00 %	10.70 %

*See Independent Auditor's Report and Notes to the Required Supplementary Information.*

**ANCHORAGE MIDDLETOWN FIRE AND EMS**

Schedule of the District's Proportionate Share of the Net OPEB Liability

County Employees Retirement System

For the Years Ended June 30 for the Last Ten Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportionate percentage of the net OPEB liability:								
Hazardous	2.56 %	2.60 %	2.45 %	2.54 %	2.39 %	1.91 %	0.76 %	0.71 %
Non-hazardous	0.03 %	0.02 %	0.02 %	0.02 %	0.02 %	0.01 %	0.00 %	0.01 %
District's proportionate share of the net OPEB liability	\$ 3,042,022	\$ 3,522,775	\$ 21,193,563	\$ 20,927,079	\$ 22,443,375	\$ 14,259,287	\$ 5,488,377	\$ 5,964,362
District's covered-employee payroll*	\$ 20,121,296	\$ 17,380,924	\$ 16,379,735	\$ 16,720,000	\$ 14,104,339	\$ 9,114,953	\$ 4,472,680	\$ 4,107,383
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.12 %	20.27 %	129.39 %	125.16 %	159.12 %	156.44 %	122.71 %	145.21 %
Plan fiduciary net position as a percentage of the total OPEB liability								
Hazardous	93.53 %	92.27 %	64.13 %	66.81 %	58.84 %	64.44 %	64.24 %	58.99 %
Non-hazardous	104.89 %	104.23 %	60.95 %	62.91 %	51.67 %	60.44 %	57.62 %	52.39 %

\*The amounts presented for each fiscal year were determined as of the measurement date of the net OPEB liability, which is as of the District's prior fiscal year end.

*See Independent Auditor's Report and Notes to the Required Supplementary Information.*

**ANCHORAGE MIDDLETOWN FIRE AND EMS**

Schedule of District OPEB Contributions

County Employees Retirement System

For the Years Ended June 30 for the Last Ten Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 435,102	\$ 471,721	\$ 1,336,107	\$ 1,691,812	\$ 1,569,305	\$ 1,323,176	\$ 576,474	\$ 409,651
Contributions in relation to the contractually required contribution	<u>435,102</u>	<u>471,721</u>	<u>1,336,107</u>	<u>1,691,812</u>	<u>1,569,305</u>	<u>1,323,176</u>	<u>576,474</u>	<u>409,651</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 21,829,030	\$ 20,121,296	\$ 17,380,924	\$ 16,379,735	\$ 16,720,000	\$ 14,104,339	\$ 5,568,656	\$ 4,472,680
Contributions as a percentage of covered employee payroll	1.99 %	2.34 %	7.69 %	10.33 %	9.39 %	9.38 %	10.35 %	9.16 %

*See Independent Auditor's Report and Notes to the Required Supplementary Information.*

## ANCHORAGE MIDDLETOWN FIRE AND EMS

### Notes to the Required Supplementary Information

1. Each of the supplemental schedules is intended to show information for ten years. Additional years will be displayed as they become available.
2. The following summarizes key changes in assumptions and benefit terms from year to year.

2025 (CERS plan year ended June 30, 2024): The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan and from 5.97% to 6.02% for the hazardous plan. The healthcare trend rates changed for pre-65 retirees to an initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years and for the post-65 retirees to an initial trend starting at 8.00% in 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years.

2024 (CERS plan year ended June 30, 2023): Since the prior measurement date, the Board of Trustees adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 30, 2022", and include a change in the investment return assumption from 6.25% to 6.50%; an increase in the inflation rate from 2.3% to 2.5%; a change in the healthcare trend rates at January 1, 2025 used to from an initial trend starting at 6.3% to 6.8% for Pre-65 retirees and from an initial trend starting at 6.3% to 8.5% for Post-65 retirees; and an increase in the discount rate from 5.70% to 5.93% (non-hazardous plan) and 5.61% to 5.97% (hazardous plan). House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Option Form of payment for members who retire on and after January 1, 2024, and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

2023 (CERS plan year ended June 30, 2022): Since the prior measurement date, the discount rate used to calculate the total OPEB liability increased from 5.20% to 5.70% (non-hazardous plan) and 5.05% to 5.61% (hazardous plan). Senate Bill 209, passed during the 2022 Legislative Session, increased the insurance dollar contribution for members hired on or after July 1, 2003 and is first payable January 1, 2023.

2022 (CERS plan year ended June 30, 2021): Senate Bill 169, passed during the 2021 Legislative Session, increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty related disability. The discount rate used to calculate the total OPEB liability changed from 5.34% to 5.20% (non-hazardous plan) and 5.30% to 5.05% (hazardous plan).

2021 (CERS plan year ended June 30, 2020): Senate Bill 249, passed during the 2020 Legislative Session, changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurred in future years will be amortized over separate 20-year amortization bases. Additionally, House Bill 271, passed during the 2020 Legislative Session, removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries. The payroll growth rate assumption was changed from 3.30% to 10.30% for the pension plan. The discount rate used to calculate the total OPEB liability changed from 5.68% to 5.34%.

## ANCHORAGE MIDDLETOWN FIRE AND EMS

### Notes to the Required Supplementary Information, continued

2020 (CERS plan year ended June 30, 2019): Annual salary increases were updated based on the 2018 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study; the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous members; the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees; and the assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for Non-Medicare retirees who became participants prior to July 1, 2003. The salary increase assumption was changed to 3.30% to 10.30% (non-hazardous plan) and 3.55% to 19.05% (hazardous plan) for both the pension and OPEB plans. The mortality table used for active members was changed to a Pub-2010 General Mortality table, for the non-hazardous system, and the Pub-2010 Public Safety Mortality table for the hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was changed to 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. The mortality table used for the disabled members was changed to a PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

2019 (CERS plan year ended June 30, 2018): Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

2018 (CERS plan year ended June 30, 2017): Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described: (i) the assumed investment rate of return was decreased from 7.50% to 6.25%, (ii) the assumed rate of inflation was reduced from 3.25% to 2.30%, and (iii) payroll growth assumption was reduced from 4.00% to 2.00%.

2017 (CERS plan year ended June 30, 2016): None.

## ANCHORAGE MIDDLETOWN FIRE AND EMS

### Notes to the Required Supplementary Information, continued

2016 (CERS plan year ended June 30, 2015): Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described: (i) the assumed investment rate of return was decreased from 7.75% to 7.50%, (ii) the assumed rate of inflation was reduced from 3.50% to 3.25%, (iii) the assumed rate of wage inflation was reduced from 1.00% to 0.75%, (iv) payroll growth assumption was reduced from 4.50% to 4.00%, (v) the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted, and (vi) the assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

## **SUPPLEMENTARY INFORMATION**

**ANCHORAGE MIDDLETOWN FIRE AND EMS**

Schedule of Expenditures

Year ended June 30, 2025

**Employee Payroll**

Salaries	\$ 22,589,819
Payroll Tax	<u>1,792,819</u>
	<u>24,382,638</u>

**Employee Benefits**

Group health, dental, and vision	4,118,252
Pension and life insurance	8,393,682
Disability, life and AAD insurance	148,038
Worker's compensation	264,097
Vacation/personal payout	453,417
CERS sick time	1,966
Volunteer reimbursement	990
Volunteer disability, life & AAD insurance	<u>1,669</u>
	<u>13,382,111</u>

**Administration and Workforce Development**

Awards banquet	48,796
Accreditation	911
County joint project	17,637
Crusade	2,803
Dues and subscription	11,272
Miscellaneous	108,092
Public relations	1,314
Sympathy and distress	2,564
Travel and mileage	745
Member Appreciation	21,069
Schools and conferences	204,989
Professional development	326,197
Certifications	25,159
Training	100,246
Outside instructors	11,043
Curriculum and text	<u>19,296</u>
	<u>902,133</u>

**Utilities**

Electricity, gas and cable	234,463
Data services	184,176
Water and sewer	66,560
Trash removal	<u>50,157</u>
	<u>535,356</u>

*See Independent Auditor's Report.*

**ANCHORAGE MIDDLETOWN FIRE AND EMS**

Schedule of Expenditures, continued

Year ended June 30, 2025

**Professional services and insurance**

Legal, accounting and auditing	145,717
Payroll processing	132,661
Human resources	21,648
Business insurance	544,747
Information technology	412,064
Medical director	76,800
Medical billing	317,933
Other	<u>252,783</u>
	<u>1,904,353</u>

**Maintenance**

Vehicle and apparatus	538,492
Radio	20
Equipment	85,018
Office and computer	5,987
Hydrant	49,212
Fire stations	<u>241,743</u>
	<u>920,472</u>

**Facility improvements**

Fire stations	79,572
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**Supplies**

Office and computer	180,860
Firehouse supplies	25,023
EMS	310,186
Firefighter	<u>390,856</u>
	<u>906,925</u>

**Fire prevention**

Equipment	4,179
Supplies	<u>11,497</u>
	<u>15,676</u>

**Safety**

Medical testing	4,944
EAP program	3,600
Safety committee	15,578
Health and fitness	<u>24,756</u>
	<u>48,878</u>

*See Independent Auditor's Report.*

**ANCHORAGE MIDDLETOWN FIRE AND EMS**

Schedule of Expenditures, continued

Year ended June 30, 2025

**Equipment purchases**

Shop tools	17,757
Firefighting equipment	102,373
Medical equipment	394,971
Special operations equipment	135,050
Hazardous materials equipment	243,192
Radio and pager	15,297
Fire gear	302,989
Uniforms	<u>172,544</u>
	<u>1,384,173</u>

**Capital outlay**

Capital expenditures	1,101,358
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**Debt service**

Principal payments on debt	942,826
Interest on debt	<u>258,118</u>
	<u>1,200,944</u>

Total expenditures	<u>\$ 46,764,589</u>
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*See Independent Auditor's Report.*



**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***

**Independent Auditor's Report**

Board of Trustees  
Anchorage Middletown Fire and EMS  
Louisville, 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 (*Government Auditing Standards*), the combined financial statements of the governmental activities and the major funds of the Anchorage Middletown Fire and EMS (the District), as of and for the year ended June 30, 2025, and the related notes to the combined financial statements, which collectively comprise the District's basic combined financial statements, and have issued our report thereon dated January 6, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered the District'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

*Dean Dotson Allen Ford, PLLC*

Louisville, Kentucky  
January 6, 2026