

CITY OF HARRODSBURG, KENTUCKY

**Report on Audited Financial Statements
and Supplementary Information for the
Year Ended June 30, 2021**

KERBAUGH, RODES & BUTLER, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

DANVILLE, KENTUCKY

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Kerbaugh, Rodes & Butler, PLLC

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Independent Auditor's Report

Mayor and Board of Commissioners
City of Harrodsburg, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrodsburg, Kentucky (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, net pension liability information, and net other postemployment benefits information on pages III through X and 49 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining non-major fund financial statements and the combining proprietary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements and combining proprietary fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements and combining proprietary fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kerbaugh, Rodes & Butler, PLLC

Kerbaugh, Rodes & Butler, PLLC
Certified Public Accountants

Danville, Kentucky
January 3, 2022

CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

OVERVIEW

The report on Audited Financial Statements and Supplementary information for the year ended June 30, 2021 for the City of Harrodsburg; Kentucky contains various financial statements and disclosures required by GASB (Governmental Accounting Standards Board) and other reporting required by Federal and State Governments.

BASIC FINANCIAL STATEMENTS

The basic financial statements include both government-wide financial statements and fund financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 1-4) and they provide information about the activities of the city as a whole and present a longer-term view of the City's finances. The fund financial statements (beginning on page 5) focus on governmental activities and how various services were financed in the short-term as well as the balance remaining for future spending. Fund financial statements also report the City's operations in more detail than government-wide statements by providing information about the City's most significant funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities report information on the City as a whole. These statements include assets and liabilities using the accrual basis of accounting, which is similar to the accounting basis used by most private sector companies. All the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and the changes in net position. The City's net position represents the difference between assets and liabilities, and is one way to measure the City's financial health or financial position, over time, in that increases or decreases in the City's net position is one indicator of whether its financial position is improving or deteriorating. Other factors, however, such as changes in the City's tax base, economy, demographics and the condition of the City's infrastructure need to be considered to assess the overall health of the City.

In the Statement of Net Position and Statement of Activities we divide the City into two kinds of activities:

Governmental Activities – Most of the City's basic services are reported here including general government, police, fire, streets, cemeteries, culture & recreation, and communications. Taxes, licenses, permits, fees, fines, and state and federal grants, and service charges finance most of these activities.

Business-type Activities – The City charges a fee to customers to help it recover all or most of the cost of certain services it provides. The City's water and sewer services are the primary services reported here.

CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

Our analysis primarily focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City's two types of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method referred to as the modified accrual basis of accounting which measures cash, and all other financial assets that can readily be converted to cash. The governmental fund statements provide a short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Proprietary Funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

The City is also the trustee (or fiduciary) for certain activities. We exclude these activities from the City's governmental-wide financial statements because the City's use of these assets to finance its operations is very restricted. All of the City's fiduciary activities are reported in the Statement of Net Position – Fiduciary Fund on page 12 and the Statement of Changes in Net Position- Fiduciary Fund on page 13. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The following are general comments regarding overall financial position and results of operations for the year.

GOVERNMENTAL ACTIVITIES

The change in the City's net position is one way to measure the City's financial health or financial position. As listed on Table 2, the City's net position related to governmental activities decreased by \$234,377 or approximately 14%, indicating a negative change in the City's financial position. The largest portion of the City's net position (\$4,517,927) reflects its investment in capital assets (e.g. land, buildings, equipment, and infrastructure); less any related

CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources. Debt outstanding as of June 30, 2021 was \$535,310 in capital leases and loans used for vehicle and equipment purchases, and for road resurfacing. This is a decrease of \$204,905 or approximately 28% from the prior year. During the fiscal year ended June 30, 2021, the City entered into one capital leases for the purchase of body cameras for \$39,073. Scheduled debt payments for all long-term debt of the City's governmental activities in the amount of \$243,978 were made during the year. As listed on Table I, the City's unreserved and unrestricted governmental fund net position (deficit) was (\$3,492,925) as of June 30, 2021.

BUSINESS-TYPE ACTIVITIES

The change in the City's net position is one way to measure the City's financial health or financial position. As listed in Table 2, the City's net position related to business-type activities decreased by \$1,068,124 or approximately 5.4%. The largest portion of the City's net position (\$14,808,032) or approximately 78.4% reflects its investment in capital assets (e.g. land, building, equipment, and water and sewer treatment plants and distribution and collection systems infrastructure), less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment is reported net of related debt it should be noted that resources needed to repay this debt must be provided from other sources. Debt outstanding as of June 30, 2021 was \$38,132,813 in capital leases for equipment and bonds and loans issued for major improvements to the utility infrastructure. This is a decrease of \$1,389,478 or approximately 3.5% over the prior year. During the fiscal year ended June 30, 2021, the City made final draws on KIA Loan A16-033 for sewer rehabilitation in the amount of \$189,607.

Scheduled debt payments and redemption of bonds refinanced for all long-term debt of the City's business-type activities in the amount of \$1,579,086 were made during the year. As listed on Table I, the City's business-type activities maintained unrestricted net position of \$1,950,918. This is a \$764,768 increase over the prior year unrestricted net position.

BUDGET AND OTHER REQUIRED SUPPLEMENTARY INFORMATION

Required supplemental information starting on page 49 provides budgetary comparison schedules for the General Fund, GASB 68 net pension liability information, GASB 75 other post-employment benefits information, and notes to the required supplementary information.

NET PENSION LIABILITY

The City's net pension liability is measured and reported in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which addresses financial reporting

CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

for state and local government employers whose employees are provided with pensions through pension plans that are covered under Statement No. 67, Financial Reporting for Pension Plans. The guidance contained in Statement No. 68 changed how governments calculate and report the costs and obligations associated with pensions. Under the new standards, GASB requires that cost-sharing governments report a net pension liability, pension expense, and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all governments in the plan. The City's net pension obligation was \$9,946,952 as of June 30, 2021, compared to \$9,452,077 as of June 30, 2020.

NET OPEB LIABILITY

The City's net OPEB liability is measured and reported in accordance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which addresses financial reporting for state and local government employers whose employees are provided with postemployment benefits other than pensions that are covered under Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The guidance contained in Statement No. 75 changed how governments calculate and report the costs and obligations associated with pensions. Under the new standards, GASB requires that cost-sharing governments report a net OPEB liability, OPEB expense, and OPEB related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all governments in the plan. The City's net OPEB liability was \$3,114,430 as of June 30, 2021, compared to \$2,315,946 as of June 30, 2020.

ECONOMIC OUTLOOK

The economy and its effects on local employment levels continue to be a major concern for collection of license, fee, and permit revenue. The City collects 73% of its payroll license fees and net profits and 25% of total revenues of the General Fund from ten employers within the City limits. The billings to 18 customers represent 48% of the Utility system's operating revenue. Improvements and expansions of infrastructure and past annexations provide the opportunity for continuous growth and development within the City. However, it is essential that effective and efficient economic development programs be pursued in order to ensure appropriately balanced development and to keep the community competitive in an increasing global market.

The City currently has several commitments outstanding as of June 30, 2021. A discussion of these commitments can be found at footnote VII, page 47 of the financial statements.

The City's management assesses the financial health of the City's funds on an ongoing basis and will continue to do so going forward. The most significant economic factors identified by the City's management that will have a direct adverse effect on the financial condition of the City next year and beyond are the continued increases in retirement rates mandated by the state related to the hazardous and non-hazardous duty employees. The rates are expected to continue

**CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021**

to increase at a significant pace and will make it necessary for management to allocate the necessary funds to meet these higher retirement costs in the future. The funded status of the CERS plan will have a significant impact on the required contributions and the City's proportionate share of the net pension and OPEB liabilities. House Bill 362 passed during the 2018 legislative session caps the CERS employer contribution rate increases to 12 percent per year over the prior fiscal year through 2028.

REQUEST FOR INFORMATION

The financial statements of the City of Harrodsburg can be obtained from the City Clerk, City Hall, at 208 South Main Street, Harrodsburg, Kentucky, 40330.

TABLE 1**NET POSITION
June 30, 2021**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 6,207,236	\$ 6,812,607	\$ 13,019,843
Capital assets, net	<u>5,053,237</u>	<u>52,940,845</u>	<u>57,994,082</u>
Total assets	<u>\$ 11,260,473</u>	<u>\$ 59,753,452</u>	<u>\$ 71,013,925</u>
Deferred outflow of resources	<u>\$ 2,573,842</u>	<u>\$ 675,637</u>	<u>\$ 3,249,479</u>
Long-term debt outstanding	\$ 535,310	\$ 38,132,813	\$ 38,668,123
Net pension obligation	7,968,184	1,978,768	9,946,952
Post employment benefits payable	2,491,645	622,785	3,114,430
Other liabilities	<u>301,857</u>	<u>606,241</u>	<u>908,098</u>
Total liabilities	<u>\$ 11,296,996</u>	<u>\$ 41,340,607</u>	<u>\$ 52,637,603</u>
Deferred inflows of resources	<u>\$ 1,151,969</u>	<u>\$ 203,035</u>	<u>\$ 1,355,004</u>
Net investment in capital assets	\$ 4,517,927	\$ 14,808,032	\$ 19,325,959
Restricted	360,348	2,126,497	2,486,845
Unrestricted	<u>(3,492,925)</u>	<u>1,950,918</u>	<u>(1,542,007)</u>
Total net position	<u>\$ 1,385,350</u>	<u>\$ 18,885,447</u>	<u>\$ 20,270,797</u>

**NET POSITION
June 30, 2020**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 5,552,274	\$ 7,350,412	\$ 12,902,686
Capital assets, net	<u>5,302,010</u>	<u>55,197,410</u>	<u>60,499,420</u>
Total assets	<u>\$ 10,854,284</u>	<u>\$ 62,547,822</u>	<u>\$ 73,402,106</u>
Deferred outflow of resources	<u>\$ 2,515,259</u>	<u>\$ 674,504</u>	<u>\$ 3,189,763</u>
Long-term debt outstanding	\$ 740,214	\$ 39,522,291	\$ 40,262,505
Net pension obligation	7,501,250	1,950,827	9,452,077
Post employment benefits payable	1,849,467	466,479	2,315,946
Other liabilities	<u>181,925</u>	<u>1,049,449</u>	<u>1,231,374</u>
Total liabilities	<u>\$ 10,272,856</u>	<u>\$ 42,989,046</u>	<u>\$ 53,261,902</u>
Deferred inflows of resources	<u>\$ 1,476,960</u>	<u>\$ 279,709</u>	<u>\$ 1,756,669</u>
Net investment in capital assets	\$ 4,561,796	\$ 15,675,119	\$ 20,236,915
Restricted	168,649	3,092,302	3,260,951
Unrestricted	<u>(3,110,718)</u>	<u>1,186,150</u>	<u>(1,924,568)</u>
Total net position	<u>\$ 1,619,727</u>	<u>\$ 19,953,571</u>	<u>\$ 21,573,298</u>

TABLE 2
CHANGE IN NET POSITION
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 141,746	\$ 6,491,503	\$ 6,633,249
Operating grants and contributions	1,219,035		1,219,035
Capital grants and contributions		7,069	7,069
General revenues:			
Taxes	2,999,338		2,999,338
Licenses, permits and fees	2,971,976		2,971,976
Other	143,616	17,401	161,017
Transfer	10,012	2,574	12,586
	<u>7,485,723</u>	<u>6,518,547</u>	<u>14,004,270</u>
Program Expenses			
General government	558,139		558,139
Police department	2,013,915		2,013,915
Fire department	1,590,368		1,590,368
Street department	973,218		973,218
Cemeteries	395,716		395,716
Culture and recreation	329,525		329,525
Communications	430,522		430,522
Non-departmentalized	1,428,697		1,428,697
Water		4,671,632	4,671,632
Sewer		2,915,039	2,915,039
	<u>7,720,100</u>	<u>7,586,671</u>	<u>15,306,771</u>
Change in net position	(234,377)	(1,068,124)	(1,302,501)
Net position, beginning of year	<u>1,619,727</u>	<u>19,953,571</u>	<u>21,573,298</u>
Net position, end of year	<u>\$ 1,385,350</u>	<u>\$ 18,885,447</u>	<u>\$ 20,270,797</u>

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CHANGE IN NET POSITION
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues			
Program revenues:			
Charges for services	\$ 132,719	\$ 6,973,276	\$ 7,105,995
Operating grants and contributions	1,361,658		1,361,658
Capital grants and contributions		8,270	8,270
General revenues:			
Taxes	2,625,614		2,625,614
Licenses, permits and fees	3,030,719		3,030,719
Other	83,381	10,890	94,271
Transfer	459		459
	<u>7,234,550</u>	<u>6,992,436</u>	<u>14,226,986</u>
Program Expenses			
General government	593,694		593,694
Police department	1,987,562		1,987,562
Fire department	1,601,060		1,601,060
Street department	879,308		879,308
Cemeteries	363,706		363,706
Culture and recreation	327,464		327,464
Communications	401,724		401,724
Non-departmentalized	818,890		818,890
Water		5,413,486	5,413,486
Sewer		3,471,832	3,471,832
	<u>6,973,408</u>	<u>8,885,318</u>	<u>15,858,726</u>
Change in net position	261,142	(1,892,882)	(1,631,740)
Net position, beginning of year	<u>1,358,585</u>	<u>21,846,453</u>	<u>23,205,038</u>
Net position end of year	<u>\$ 1,619,727</u>	<u>\$ 19,953,571</u>	<u>\$ 21,573,298</u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 4,450,414	\$ 3,318,357	\$ 7,768,771
Certificates of deposit		386,547	386,547
Receivables:			
Taxes and licenses	917,707		917,707
Intergovernmental	71,153		71,153
User fees (net)		531,920	531,920
Other	105,976	1,667	107,643
Due from other funds	(19,807)	19,807	
Prepaid expenses	257,514	238,204	495,718
Total unrestricted current assets	<u>5,782,957</u>	<u>4,496,502</u>	<u>10,279,459</u>
Restricted cash and certificates of deposit	<u>424,279</u>	<u>2,126,497</u>	<u>2,550,776</u>
Non-current assets:			
Capital assets, net	5,053,237	52,940,845	57,994,082
Bond issuance costs		189,608	189,608
Total non-current assets	<u>5,053,237</u>	<u>53,130,453</u>	<u>58,183,690</u>
Total assets	<u>\$ 11,260,473</u>	<u>\$ 59,753,452</u>	<u>\$ 71,013,925</u>
Deferred outflows of resources	<u>\$ 2,573,842</u>	<u>\$ 675,637</u>	<u>\$ 3,249,479</u>

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 193,869	\$ 95,050	\$ 288,919
Payroll liabilities	107,988	111,624	219,612
Customer deposits		303,081	303,081
Leases and loans payable	229,674	116,972	346,646
Total liabilities payable from unrestricted assets	<u>531,531</u>	<u>626,727</u>	<u>1,158,258</u>
Payable from restricted assets:			
Accrued interest payable		96,486	96,486
Loans payable		1,125,277	1,125,277
Bonds payable		303,500	303,500
Total liabilities payable from restricted assets		<u>1,525,263</u>	<u>1,525,263</u>
Total current liabilities	<u>531,531</u>	<u>2,151,990</u>	<u>2,683,521</u>
Non-current liabilities:			
Bonds, leases, and loans payable	305,636	36,587,064	36,892,700
Net pension obligation	7,968,184	1,978,768	9,946,952
Post employment benefits payable	2,491,645	622,785	3,114,430
Total non-current liabilities	<u>10,765,465</u>	<u>39,188,617</u>	<u>49,954,082</u>
Total liabilities	<u>\$ 11,296,996</u>	<u>\$ 41,340,607</u>	<u>\$ 52,637,603</u>
Deferred inflows of resources	<u>\$ 1,151,969</u>	<u>\$ 203,035</u>	<u>\$ 1,355,004</u>
NET POSITION			
Net investment in capital assets	\$ 4,517,927	\$ 14,808,032	\$ 19,325,959
Restricted	360,348	2,126,497	2,486,845
Unrestricted	<u>(3,492,925)</u>	<u>1,950,918</u>	<u>(1,542,007)</u>
Total net position	<u>\$ 1,385,350</u>	<u>\$ 18,885,447</u>	<u>\$ 20,270,797</u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General government	\$ 558,139	\$	\$ 275,440	\$ (282,699)
Police department	2,013,915	1,389	112,457	(1,900,069)
Fire department	1,590,368		88,844	(1,501,524)
Street department	973,218		385,054	(588,164)
Cemeteries	395,716	136,256		(259,460)
Culture and recreation	329,525	4,101		(325,424)
Communications	430,522		357,240	(73,282)
Non-departmentalized	1,428,697			(1,428,697)
Total Governmental Activities	<u>7,720,100</u>	<u>141,746</u>	<u>1,219,035</u>	<u>(6,359,319)</u>
Business-Type Activities:				
Water	4,671,632	3,869,988		(801,644)
Sewer	2,915,039	2,621,515		(286,455)
Total Business-Type Activities	<u>7,586,671</u>	<u>6,491,503</u>		<u>(1,088,099)</u>
Total	<u>\$ 15,306,771</u>	<u>\$ 6,633,249</u>	<u>\$ 1,219,035</u>	<u>\$ 7,069</u>

(Continued)

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Changes in Net Position:			
Net (expense)/revenue	\$ (6,359,319)	\$ (1,088,099)	\$ (7,447,418)
General revenues:			
Taxes:			
Real property	319,789		319,789
Motor vehicle	128,987		128,987
Tangible personal property	36,286		36,286
Public service company	8,334		8,334
Insurance premium	1,469,279		1,469,279
Restaurant tax	668,425		668,425
Bank deposits	60,540		60,540
Payments in lieu of taxes	15,393		15,393
Alcohol fees	292,305		292,305
Licenses, permits, and fees:			
Payroll license fees	2,218,574		2,218,574
Net profits license fees	215,153		215,153
Business license fees	21,875		21,875
Street license fees	1,500		1,500
Franchise fees - cable television	58,998		58,998
Franchise fees - electric	388,009		388,009
Franchise fees - natural gas	67,867		67,867
Other:			
Penalties and interest	13,633		13,633
Interest earned	4,108	17,401	21,509
Sale of surplus property	64,957		64,957
Insurance claim receipts	3,200		3,200
Miscellaneous	57,718		57,718
Transfer from other funds	10,012	2,574	12,586
Total general revenues and transfers	6,124,942	19,975	6,144,917
Change in net position	(234,377)	(1,068,124)	(1,302,501)
Net position, beginning of year	1,619,727	19,953,571	21,573,298
Net position, end of year	\$ 1,385,350	\$ 18,885,447	\$ 20,270,797

CITY OF HARRODSBURG, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General Fund	Non-Major Funds	Total Governmental Funds
ASSETS			
Cash	\$ 4,479,434	\$ 395,259	\$ 4,874,693
Receivables:			
Taxes and licenses	858,871	58,836	917,707
Intergovernmental	71,153		71,153
Other	30,976		30,976
Total assets	\$ 5,440,434	\$ 454,095	\$ 5,894,529
LIABILITIES			
Accounts payable	\$ 71,099	\$ 122,767	\$ 193,866
Payroll liabilities	107,988		107,988
Due to other funds	19,807		19,807
Total liabilities	198,894	122,767	321,661
FUND BALANCE			
Fund balance:			
Restricted for:			
Roads		105,522	105,522
Tourism		58,898	58,898
Police	29,020	166,908	195,928
Unassigned	5,212,520		5,212,520
Total fund balance	5,241,540	331,328	5,572,868
Total liabilities and fund balance	\$ 5,440,434	\$ 454,095	

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

Loans made and not repaid within 60 days of year end are a use of funds and are not reported as an asset in the fund financial statements.	75,000
Prepaid expenses are a use of financial resources and therefore are not reported as an asset in the fund financial statements	257,514
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements, net of accumulated depreciation of \$6,375,703	5,053,237
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(535,310)
Certain items related to the City's net pension liability do not affect available financial resources and therefore are not reported in the funds	(7,009,867)
Certain items related to the City's post employment benefits liability do not affect available financial resources and therefore are not reported in the funds	(2,028,092)
Net position of governmental activities	\$ 1,385,350

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	General Fund	Non-Major Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 2,038,608	\$ 668,425	\$ 2,707,033
Licenses, permits, and fees	3,001,543		3,001,543
Intergovernmental revenue	1,037,608	162,100	1,199,708
Alcohol license fee		262,738	262,738
Service charges	141,746		141,746
Other	161,314	1,631	162,945
Total revenues	<u>6,380,819</u>	<u>1,094,894</u>	<u>7,475,713</u>
Expenditures:			
General government	474,137		474,137
Police department	1,790,882	10,577	1,801,459
Fire department	1,382,364		1,382,364
Street department	746,898	158,034	904,932
Cemeteries	347,012		347,012
Culture and recreation	211,423		211,423
Communications	437,710		437,710
Non-departmentalized	759,841	659,415	1,419,256
Total expenditures	<u>6,150,267</u>	<u>828,026</u>	<u>6,978,293</u>
Excess (deficiency) of revenues over expenditures before other financing sources	<u>230,552</u>	<u>266,868</u>	<u>497,420</u>
Other financing sources (uses):			
Transfers (to) from other funds	98,651	(88,639)	10,012
Lease proceeds	39,073		39,073
Total other financing sources (uses)	<u>137,724</u>	<u>(88,639)</u>	<u>49,085</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	368,276	178,229	546,505
Fund balance, beginning of year	<u>4,873,264</u>	<u>153,099</u>	<u>5,026,363</u>
Fund balance, end of year	<u>\$ 5,241,540</u>	<u>\$ 331,328</u>	<u>\$ 5,572,868</u>

CITY OF HARRODSBURG, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds	\$	546,505
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases		186,733
Depreciation expense		(435,506)
Governmental funds report prepayments of expenditures as an expense while governmental activities report prepaid expenses as an asset		(11,475)
Governmental funds report debt proceeds as revenues and debt service payments as expenditures:		
Capital lease and note obligation principal payments		243,978
Capital lease proceeds		(39,073)
In the fund financial statements, pension costs are recognized as payments are made to the pension plan; however, in the government-wide financial statements, pension costs are recognized based on the overall changes in the net pension liability and deferred inflows and outflows of resources.		(584,262)
In the fund financial statements, post employment benefits payable are recognized as payments are made, however, in the government-wide financial statements, post employment benefit obligations are recognized based on the overall changes in the net post employment benefits payable and deferred inflows and outflows of resources.		(141,277)
		<hr style="width: 100%;"/>
Change in net position of governmental activities	\$	<u><u>(234,377)</u></u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2021

	<u>Municipal Waterworks & Sewer System</u>
ASSETS	
Current assets:	
Cash	\$ 3,318,357
Certificates of deposit	386,547
Accounts receivable, customers (net)	531,920
Accounts receivable, other	1,667
Due from other funds	19,807
Prepaid expenses	<u>238,204</u>
Total unrestricted current assets	<u>4,496,502</u>
Restricted cash and certificates of deposit	<u>2,126,497</u>
Non-current assets:	
Capital assets, net	52,940,845
Bond issuance costs	<u>189,608</u>
Total non-current assets	<u>53,130,453</u>
Total assets	<u>\$ 59,753,452</u>
Deferred outflow of resources	<u>\$ 675,637</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 95,050
Accrued liabilities	111,624
Customer deposits	303,081
Leases payable	<u>116,972</u>
Total liabilities payable from unrestricted assets	<u>626,727</u>
Payable from restricted assets:	
Accrued interest payable	96,486
Loans payable	1,125,277
Bonds payable	<u>303,500</u>
Total liabilities payable from restricted assets	<u>1,525,263</u>
Total current liabilities	<u>2,151,990</u>
Non-current liabilities:	
Bonds, leases, and loans payable	36,587,064
Net pension obligation	1,978,768
Post employment benefits payable	<u>622,785</u>
Total long term liabilities	<u>39,188,617</u>
Total liabilities	<u>\$ 41,340,607</u>
Deferred inflow of resources	<u>\$ 203,035</u>
NET POSITION	
Net investment in capital assets	\$ 14,808,032
Restricted	2,126,497
Unrestricted	<u>1,950,918</u>
Total net position	<u>\$ 18,885,447</u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2021

	<u>Municipal Waterworks & Sewer System</u>
Operating revenues:	
Water sales	\$ 2,668,022
Water taps	20,944
Water surcharge	65,953
Sewer charges	2,341,510
Sewer taps	19,500
Sewer surcharge	67,895
Wastewater surcharge	7,015
Pre-treatment charges	119,784
Penalties	70,768
Other revenue	<u>31,073</u>
Total operating revenues	<u>5,412,464</u>
Operating expenses:	
Water operations	1,888,878
Sewer operations	<u>1,193,597</u>
Total operating expenses	<u>3,082,475</u>
Operating income before depreciation, amortization, and bad debts	<u>2,329,989</u>
Depreciation expense	2,597,794
Amortization expense	11,049
Bad debts	<u>30,000</u>
Total depreciation, amortization, and bad debts	<u>2,638,843</u>
Operating income (loss)	<u>(308,854)</u>
Non-operating revenues (expenses):	
Interest income	17,401
Garbage service	688,719
Sales tax	104,092
Utility tax	50,233
KY River withdrawal fee	206,216
Other income	29,779
Interest expense	(804,042)
Garbage service	(641,193)
Sales tax paid	(96,384)
Utility tax paid	(52,796)
KY River withdrawal fee	<u>(270,938)</u>
Non-operating revenues (expenses), net	<u>(768,913)</u>
Income (loss) before other revenues, expenses, gains and losses and transfers	<u>(1,077,767)</u>
Transfer from other funds	2,574
Capital grant proceeds	<u>7,069</u>
Other revenues, expenses, gains, losses and transfers	<u>9,643</u>
Increase (decrease) in net position	(1,068,124)
Net position, beginning of year	<u>19,953,571</u>
Net position, end of year	<u>\$ 18,885,447</u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2021

	<u>Municipal Waterworks & Sewer System</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 5,495,343
Payments to suppliers	(1,700,650)
Payments to employees	<u>(1,253,952)</u>
Net cash provided by (used in) operating activities	<u>2,540,741</u>
Cash Flows from Non-Capital Financing Activities:	
Security deposit receipts	45,947
Security deposit refunds	(41,707)
Transfer from other funds	2,574
Non-operating receipts	1,079,039
Non-operating disbursements	<u>(1,061,657)</u>
Net cash provided by (used in) non-capital financing activities	<u>24,196</u>
Cash Flows from Capital and Related Financing Activities:	
Capital asset purchases	(784,234)
Principal paid on bonds, leases, and loans	(1,579,086)
Capital grant proceeds	7,069
Bond, lease, and loan proceeds	189,607
Interest paid on bonds, leases, and loans	<u>(808,591)</u>
Net cash provided by (used in) capital and related financing activities	<u>(2,975,235)</u>
Cash Flows from Investing Activities:	
Purchase of investments	(13,003)
Interest on investments	<u>17,401</u>
Net cash provided by (used in) investing activities	<u>4,398</u>
Net increase (decrease) in cash	(405,900)
Cash, beginning of year	<u>5,273,232</u>
Cash, end of year	<u><u>\$ 4,867,332</u></u>
Cash is Classified as:	
Unrestricted	\$ 3,318,357
Restricted	<u>1,548,975</u>
	<u><u>\$ 4,867,332</u></u>

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2021

	<u>Municipal Waterworks & Sewer System</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	<u>\$ (308,854)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,597,794
Amortization	11,049
Bad debts	30,000
Change in assets and liabilities:	
Accounts receivable	82,879
Prepaid expenses	13,225
Due from other funds	7,755
Accounts payable	(543)
Accrued liabilities	996
Net pension obligation	93,731
Net post employment benefits payable	<u>12,709</u>
Total adjustments	<u>2,849,595</u>
Net cash provided by (used in) operating activities	<u><u>\$ 2,540,741</u></u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2021

	<u>Cemetery Fund</u>
ASSETS	
Cash	\$ 251,965
Certificates of deposit	<u>220,813</u>
Total assets	<u>\$ 472,778</u>
NET POSITION	
Net position	<u>\$ 472,778</u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2021

	<u>Cemetery Fund</u>
Revenues:	
Perpetual care	\$ 45,800
Interest	<u>1,761</u>
Total revenues	<u>47,561</u>
Expenditures:	
Capital outlay	<u>5,579</u>
Excess (deficiency) of revenues over expenditures	41,982
Other financing sources (uses):	
Transfers (to) from other funds	<u>(12,587)</u>
Excess (deficiency) of revenues over expenditures and transfers	29,395
Net position, beginning of year	<u>443,383</u>
Net position, end of year	<u><u>\$ 472,778</u></u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Harrodsburg, Kentucky (City) operates under a City Commission form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, social services, culture and recreation, planning and zoning, and general administrative services.

The basic financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below, and where appropriate, subsequent pronouncements will be referenced.

A. Reporting Entity.

The City's financial reporting entity is comprised of the following:

Primary Government: City of Harrodsburg, Kentucky
Blended Component Units: Harrodsburg Municipal Waterworks and Sewer System

In determining the financial reporting entity, the City complies with the provisions of section 2100 of the GASB Codification and includes all component units of which the City appointed a voting majority or an equal number of the component units' Governing Board, and the City has the ability to control the activities of the component unit or a financial benefit or burden relationship exists between the City and the component unit.

B. Basis of Presentation

Government-Wide Financial Statements. The statement of net position and statement of activities display information about the City as a whole. These statements include all funds of the City, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements. Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

The following fund types are used by the City:

Governmental Funds

General Fund. The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities, except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes. The City's Special Revenue Funds consist of the following:

- a. Municipal Aid Fund, accounts for proceeds from the Commonwealth of Kentucky Department for Local Government and are to be used to maintain public roads.
- b. Tourism Development Fund, accounts for proceeds from a restaurant tax and are to be used to promote and fund tourism activities within the City.
- c. Alcohol Beverage Control fund, accounts for proceeds from a tax on the sale of alcohol beverages and these funds are to be used by the police department.

Proprietary Funds

Enterprise Funds. Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City's Enterprise Fund consists of the Harrodsburg Municipal Waterworks and Sewer System, which was established to account for the operation and maintenance of the City's water and sewer facilities, which are entirely or predominantly self-supported by user charges.

Internal Service Funds. Internal Service Funds are used to account for business-like activities provided by one governmental department or agency to another. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City does not have any Internal Service Funds.

Fiduciary Funds (Not Included in Government-Wide Statements)

Trust Funds. Trust funds were established to account for assets held by the City in a trustee capacity for individuals, private organizations, and other governmental units. The City's Trust Fund consists of the Harrodsburg Cemetery Trust Fund, which was established to provide perpetual cemetery care.

Major and Non-Major Funds. The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Fund Type</u>	<u>Major/ Non-Major</u>
General Fund	Governmental	Major
Municipal Aid Fund	Special Revenue	Non-Major
Tourism Development Fund	Special Revenue	Non-Major
Alcohol Beverage Control Fund	Special Revenue	Non-Major
Harrodsburg Municipal Waterworks and Sewer System	Enterprise	Major

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus. In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item 2 below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

1. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported.

Basis of Accounting. In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, government funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period (generally 60 days) or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used.

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

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Subsequent Events. Events that occur after the Statement of Net Position date, but before the financial statements, were available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the City through January 3, 2022 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

D. Assets, Liabilities, and Net Position

Cash. For the purpose of the Statement of Net Position, cash includes all demand and savings account balances of the City on deposit with financial institutions. For the purposes of the proprietary fund, Statement of Cash Flows, cash is defined in the same manner.

Internal Balances. During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "internal balances." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Accounts Receivable. In the fund financial statements, material receivables in governmental funds include revenue accruals, such as taxes and licenses, grants, and similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions earned, but not collected within 60 days of the end of the fiscal year, are not included in the fund financial statements in accordance with the modified accrual basis of accounting. Receivables related to interest and other investment earnings are recorded using the modified accrual basis of accounting in the same manner as non-exchange transactions. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable, which total \$0, are based upon historical trends and the periodic aging of accounts receivable.

Inventories. Purchases of supplies in the General Fund and Municipal Waterworks and Sewer System Fund are expensed when purchased and are not inventoried and reflected in the balance sheet of either fund. Generally, supplies are purchased as needed. This departure from GAAP is not considered material to the financial statements.

Capital Assets. The accounting treatment for capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at the estimated fair value at the date of donation. Assets with an estimated life of greater than one year are capitalized.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Depreciation of all exhaustible capital assets are recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the asset's estimated useful life, using the straight-line method of depreciation. The range of estimated useful lives by type of asset for the General Fund is as follows:

Land improvements.....	20 - 30 years
Vehicles and equipment.....	7 - 15 years
Buildings.....	30 - 40 years

The range of estimated useful lives by type of asset for the Municipal Waterworks and Sewer System is as follows:

Water utility system.....	10 - 99 years
Sewer utility system.....	10 - 50 years
Water and sewer treatment plant.....	10 - 50 years
Buildings.....	40 - 50 years
Equipment and vehicles.....	3 - 15 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements. The City did not report its infrastructure assets in the basic financial statements as of June 30, 2004. In accordance with section 1400 of the GASB Codification, the estimated historical cost of infrastructure assets, including streets, roads, bridges, curbs, gutters, and flood walls is not required to be included. Infrastructure assets constructed after June 30, 2004 are capitalized.

Restricted Assets. Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the Statement of Net Position since their use is limited by applicable bond indentures. Some expenditures of the City may be paid with restricted and non-restricted resources. The City has determined that when both resources are available that they will use the restricted resources first.

In 2020, the City Commission passed ordinances requiring a monthly surcharge of \$1.50 to each water and sewer customer's bill. This surcharge is to be used to fund future infrastructure projects.

Bond Issuance Costs. Issuance costs on the sale of the water and sewer revenue bonds, notes and leases are amortized on the straight-line method over the life of the bonds, notes and leases. These costs are reported in the proprietary fund and are accounted for the same in the government-wide and fund financial statements.

Long-Term Liabilities. The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds, lease obligations, loans payable, net pension obligation, and post employment benefits payable.

CITY OF HARRODSBURG, KENTUCKY
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Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are recorded as revenue and payment of principal and interest reported as expenditures. The accounting for proprietary funds is reported in the fund statements in the same manner as the government-wide statements.

Compensated Absences. Unused vacation leave is converted to sick leave at the end of the calendar year. Employees must carry forward all unused sick leave at the end of the calendar year. Upon retirement, employees may utilize unused sick leave to receive additional service credit. These costs are not measurable; thus, the financial statements do not reflect a liability for compensated absences.

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

Other Post Employment Benefits. For purposes of measuring other post employment benefits, deferred outflows of resources and deferred inflows of resources related to other post employment benefits and benefit expenses, information about the fiduciary net position of the CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Equity Classifications. Government-wide financial statements classify equity as net position and is displayed in three components:

1. ***Net investment in capital assets*** consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. ***Restricted net position*** consists of net position with constraints placed on the use either by:
 - a. External groups such as creditors, grantors, contributors, or laws or regulations of other governments, and
 - b. Law through constitutional provisions or enabling legislation.
3. ***Unrestricted net position*** consists of all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund financial statements report governmental fund equity as fund balance. Fund balance is further classified:

1. ***Non-spendable fund balance*** includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. ***Restricted fund balance*** includes amounts that are restricted to specific purposes either (a) by externally imposed creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF HARRODSBURG, KENTUCKY
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3. *Committed fund balance* includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The City's highest level of decision making authority is the City Commission. Any committed fund balance would require the City Commission to adopt a resolution approving the commitment.
4. *Assigned fund balance* includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City's Mayor is authorized to assign the fund balance. The City has not adopted formal procedures to show that the mayor has assigned the fund balance.
5. *Unassigned fund balance* represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The City has determined that when both restricted and unrestricted funds are available, that they will use the restricted resources first. In addition, when expenditures could be deemed to have been expended by using committed, assigned or unassigned funds, the City has determined that the funds will be first categorized as assigned, second as committed and third as unassigned.

Proprietary fund equity is classified the same as in government-wide statements.

E. Revenues, Expenditures, and Expenses

Payroll License Fee. The City levies a payroll tax of 1% of gross payroll on all individuals who work within the City limits. This tax is withheld by an employee's employer and remitted to the City monthly or quarterly. The payroll license fee is recorded in the General Fund and is used to pay the general operations of the City.

Insurance Premium Tax. The City levies an insurance premium tax of 10% on all insurance sold within the City limits. Insurance companies are required to collect this tax from policy holders and to remit this fee quarterly. The insurance premium tax is recorded in the General Fund and is used to pay the general operations of the City.

Occupational License Fee. The City levies an occupational license fee of 1% on net profits of all companies within the City limits. Companies are required to report and remit this fee quarterly or annually. The occupational license fee is recorded in the General Fund and is used to pay the general operations of the City.

Restaurant Tax. The City levies a restaurant tax of 3% on the sale of food at all restaurants within the City limits. Restaurants are required to report and remit this tax quarterly. The restaurant tax is recorded in the Tourism Development Fund and these funds are then transferred to the Harrodsburg/Mercer County Tourist Commission.

Alcoholic Beverage Control Tax. The City levies an alcoholic beverage control tax of 5% on all alcoholic beverages sold within the City. These taxes are collected by restaurants within the City and are required to be remitted to the City quarterly. These funds are used by the Police Department of the City.

Operating Revenues and Expenses. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

CITY OF HARRODSBURG, KENTUCKY
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For the Year Ended June 30, 2021

Real and Personal Property Taxes. The City levies a tax on all real and personal property within the City in accordance with state laws. All real and personal property was taxed at \$0.665 per \$100 of assessed value for the year ended June 30, 2021. Motor vehicles were taxed at \$0.23 per \$100 of assessed value. These taxes are collected annually and are recorded in the General Fund and are used to pay the general operations of the City.

Non-Operating Revenues and Expenses. Proprietary funds report all revenue and expenses as operating, except grant revenue, interest income, interest expense, garbage income, garbage expense, tax income, tax expense, withdrawal fee income, and withdrawal fee expense.

Expenditures/Expenses. In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. All expenses other than insurance and outside agency grants and subsidy costs have been charged as a direct cost to the program in which it benefits.

In the fund financial statements, expenditures in the Governmental Funds are reported by character and in the Proprietary Funds by operating and non-operating.

In the fund financial statements, Governmental Funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers. Permanent re-allocation of resources between funds of the City are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual Governmental Funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

- A. **Insured Deposits.** Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth and its agencies, insured savings and loans, or interest-bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. In addition, trust funds may invest in uninsured corporate securities. At June 30, 2021, all of the City's deposits in financial institutions, were insured or collateralized. Funds collateralized with securities held by the pledging financial institution totaled \$10,346,040.
- B. **Property Tax Calendar.** Property taxes for fiscal year 2021 were levied on October 1, 2020 on the assessed valuation of property located in the City as of the preceding January 1, the lien date. The due date and collection periods for all taxes, exclusive of vehicle taxes and local deposit franchise taxes, are as follows:

Due date for payment of taxes.....	November 30
Face value amount payment dates.....	October 1 to November 30
Delinquent date, 12% penalty	December 1
Delinquent date, 1% per month penalty.....	January 1

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- C. **Bonds and Notes Payable.** The loan agreements relating to the bonds and notes payable issues of the Harrodsburg Municipal Waterworks and Sewer System contain some restrictions or covenants that are financial related, including covenants for required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the City's level of compliance thereon as of June 30, 2021:
1. ***Kentucky Infrastructure Authority (KIA) Note Payable.*** Under terms of the loan agreements with Kentucky Infrastructure Authority, the City is required to set aside the following:
 - a. ***Repairs and Maintenance Reserve.***
 1. Annual deposits of \$1,100 are to be deposited until \$11,000 has been received under Loan F 11-17. This reserve was properly funded at June 30, 2021.
 2. Annual deposits of \$1,000 are to be deposited until \$10,000 has been received under Loan A 11-21. This reserve was properly funded at June 30, 2021.
 3. Annual deposits of \$1,800 are to be deposited until \$18,000 has been received under Loan A 12-07. This reserve was properly funded at June 30, 2021.
 4. Annual deposits of \$6,800 are to be deposited until \$68,000 has been received under Loan F 13-002. This reserve was properly funded at June 30, 2021.
 5. Annual deposits of \$800 are to be deposited until \$8,000 has been received under Loan F 15-031. This reserve was properly funded at June 30, 2021.
 6. Annual deposits of \$3,600 are to be deposited until \$36,000 has been received under Loan A 15-046. This reserve was properly funded at June 30, 2021.
 7. Annual deposits of \$2,000 are to be deposited until \$20,000 has been received under Loan A15-075. This reserve was properly funded at June 30, 2021.
 8. Annual deposits of \$3,900 are to be deposited until \$39,000 has been received under Loan A16-033. This reserve was properly funded at June 30, 2021.
 9. Annual deposits of \$7,200 are to be deposited until \$72,000 has been received under Loan F16-049. This reserve was properly funded at June 30, 2021.
 10. Annual deposits of \$25,000 are to be deposited until \$250,000 has been received under Loan A15-074. This reserve was properly funded at June 30, 2021.
 2. ***Revenue Bonds.*** Under terms of the revenue bond agreements, the City is required to set aside the following:
 - a. ***Sinking Reserve.*** Monthly deposits of 1/6th of the interest and 1/12th of the principal coming due on the bonds on the next succeeding payment date are to be deposited. This reserve was properly funded at June 30, 2021.
 - b. ***Debt Reserve Fund.*** Monthly deposits of \$6,775 are to be deposited until the balance reaches \$812,600. Funds from the reserve may be withdrawn and used by the City upon appropriate certification of the City Commission for the purpose of paying the costs of unusual or extraordinary maintenance, repairs, renewals, and replacements not included in the annual budget of current expenses, or for paying the cost of constructing future extensions, additions, and improvements of the system. This reserve was properly funded at June 30, 2021.

CITY OF HARRODSBURG, KENTUCKY
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For the Year Ended June 30, 2021

3. **Lease Agreement.** Under terms of the lease agreement with Kentucky Bond Corporation, the City is required to set aside the following:
- a. *Sinking Reserve.* Monthly deposits of 1/6th of the interest and 1/12th of the principal coming due on the lease on the next succeeding payment date are to be deposited. This reserve was properly funded at June 30, 2021.
 - b. *Debt Reserve Fund.* Monthly deposits of one-forty-eighth (1/48) of the maximum debt service requirements for any parity obligations (\$31,300), until such amount shall have been accumulated or restored. This reserve was properly funded at June 30, 2021.
 - c. *Depreciation Reserve Fund.* Monthly deposits of one-thirty-sixth (1/36) of the depreciation reserve requirement. The depreciation reserve requirement shall be determined by the consulting engineers. This reserve has not been established at June 30, 2021
- D. **Security Deposits.** Customers of the Harrodsburg Municipal Waterworks and Sewer System are required by ordinance to make a security deposit when they are provided water or sewer services. These deposits are required by state law to be fully funded in a separate account for the benefit of customers. At June 30, 2021 this account was properly funded.

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

- A. **Cash and Certificates of Deposit.** Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's funds on deposit with the banks may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires, except as noted below, bank balances to be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The Mayor and Finance Commissioner may invest funds in uncollateralized certificates of deposit subject to:
- 1. Approval of the Board of Commissioners.
 - 2. The bank or savings and loan institution being rated in one of the three highest categories by a nationally recognized rating agency.
 - 3. The amount of funds invested in uncollateralized certificates of deposit not exceeding 10% of the City's total investment portfolio.
 - 4. The maximum term to maturity of uncollateralized certificates of deposit not exceeding one year.

As of June 30, 2021, the City's funds on deposit in financial institutions, were properly insured or collateralized. Funds collateralized with securities held by pledging financial institutions totaled \$10,346,040.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy states that unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than one year from the date of purchase.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy is that with the exception of fully insured or fully collateralized investments and demand deposit accounts, no more than 30% of the total investment portfolio shall be invested in a single security type of a single financial institution.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

The City's investments at June 30, 2021 are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<i>Business-Type Activities:</i>				
First Financial Bank				
Savings	\$ 31,078	\$ 31,078	0.05 %	N/A
Community Trust Bank				
Certificate of Deposit	546,444	546,444	2.15 %	1/14/22
Whitaker Bank & Trust Co.				
Certificate of Deposit	12,096	12,096	0.20 %	11/14/21
Certificate of Deposit	182,460	182,460	0.40 %	2/17/22
Certificate of Deposit	191,991	191,991	0.40 %	9/28/22
	<u>\$ 964,069</u>	<u>\$ 964,069</u>		

- B. **Restricted Assets.** The amounts reported as restricted assets are comprised of cash and certificates of deposit held by the City, related to their required reserves. The restricted assets as of June 30, 2021 are as follows:

	<u>Type of Restricted Assets</u>		
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
<i>Governmental Activities:</i>			
General fund	\$ 29,020	\$	\$ 29,020
Municipal aid fund	105,522		105,522
Tourism development fund	129,378		129,378
Alcohol beverage control fund	160,359		160,359
	<u>\$ 424,279</u>	<u>\$</u>	<u>\$ 424,279</u>
<i>Business-Type Activities:</i>			
Bond sinking fund	\$ 276,756	\$ 31,078	\$ 307,834
Note sinking fund	188,475		188,475
Lease sinking fund	113,812		113,812
Water and sewer surcharge	245,702		245,702
Bond debt reserve fund	442,435		442,435
Lease debt reserve fund	31,457		31,457
Repairs and maintenance fund	250,338	546,444	796,782
	<u>\$ 1,548,975</u>	<u>\$ 577,522</u>	<u>\$ 2,126,497</u>

- C. **Receivables.** Receivables included as current assets on the Statement of Net Position, as of June 30, 2021, consists of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<i>Taxes and Licenses:</i>			
Payroll license	\$ 445,222	\$	\$ 445,222
Insurance license	384,410		384,410
Auto taxes	13,847		13,847
Payment in lieu of taxes	15,392		15,392
ABC tax	6,549		6,549
Restaurant tax	52,287		52,287
	<u>917,707</u>		<u>917,707</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

	Governmental Activities	Business-Type Activities	Total
<i>Intergovernmental:</i>			
Police grants	11,949		11,949
911 Reimbursement	56,759		56,759
Miscellaneous	2,445		2,445
	71,153		71,153
<i>Other:</i>			
Wilderness Trace YMCA	75,000		75,000
Returned checks	2,357		2,357
Miscellaneous	28,619	1,667	30,286
	105,976	1,667	107,643
<i>User Fees:</i>			
User fees		1,161,920	1,161,920
Less allowance for doubtful accounts		630,000	630,000
		531,920	531,920
Total receivables	\$ 1,094,836	\$ 533,587	\$ 1,628,423

D. **Internal Balances.** The following interfund payables and receivables occurred as of June 30, 2021:

	Due from Other Funds	Due to Other Funds
<i>Major Funds:</i>		
General fund	\$	\$ 19,807
<i>Major Fund:</i>		
Municipal Waterworks and Sewer System	19,807	
	\$ 19,807	\$ 19,807

The receivable due to the Municipal Waterworks and Sewer System was due to the June 30, 2021 payroll deposited into the general fund bank account for \$24,116 but not yet expensed; the transfer of \$3,795 to the payroll account made in error, offset by a receivable due to the general fund for the Municipal Waterworks and Sewer System prepaid medical insurance of \$8,104.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

E. **Capital Assets.** The activity related to capital assets for the fiscal year ended June 30, 2021 was as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Governmental Activities:				
Land	\$ 695,429	\$	\$	\$ 695,429
Land improvements	1,695,878			1,695,878
Vehicles and equipment	4,523,163	186,733	112,147	4,597,749
Buildings	3,291,071			3,291,071
Infrastructure	1,020,536	128,277		1,148,813
Construction in progress	128,277		128,277	
Total cost	<u>11,354,354</u>	<u>315,010</u>	<u>240,424</u>	<u>11,428,940</u>
Accumulated depreciation:				
Land improvements	1,204,137	46,315		1,250,452
Vehicles and equipment	3,160,103	280,147	112,147	3,328,103
Buildings	1,387,873	87,593		1,475,466
Infrastructure	300,231	21,451		321,682
Total accumulated depreciation	<u>6,052,344</u>	<u>435,506</u>	<u>112,147</u>	<u>6,375,703</u>
Total capital assets, net	<u>\$ 5,302,010</u>	<u>\$ (120,496)</u>	<u>\$ 128,277</u>	<u>\$ 5,053,237</u>
Business-Type Activities:				
Land	\$ 662,164	\$	\$	\$ 662,164
Vehicles and equipment	3,844,256	43,052		3,887,308
Buildings	172,985			172,985
Water utility system	14,855,563			14,855,563
Sewer utility system	12,376,970			12,376,970
Water and sewer treatment plant	62,456,470	298,177		62,754,647
Total cost	<u>94,368,408</u>	<u>341,229</u>		<u>94,709,637</u>
Accumulated depreciation:				
Vehicles and equipment	1,609,092	184,044		1,793,136
Buildings	58,623	4,325		62,948
Water utility system	8,242,244	582,863		8,825,107
Sewer utility system	8,414,692	392,905		8,807,597
Water and sewer treatment plant	20,846,347	1,433,657		22,280,004
Total accumulated depreciation	<u>39,170,998</u>	<u>2,597,794</u>		<u>41,768,792</u>
Total capital assets, net	<u>\$ 55,197,410</u>	<u>\$ (2,256,565)</u>	<u>\$</u>	<u>\$ 52,940,845</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Depreciation expense was charged to governmental activities as follows:

General government	\$ 8,483
Police department	143,140
Fire department	82,927
Street department	78,262
Cemeteries	24,364
Culture and recreation	94,446
Communications	<u>3,884</u>
Total depreciation expense	<u><u>\$ 435,506</u></u>

F. **Lease Obligations.** The city has entered into the following leases:

Capital Leases

1. In 2017, the City obtained \$398,996 financing for the purchase of a fire truck, which cost \$398,996. The 84-month capital lease agreement requires annual lease payments of \$64,058, including interest at 3.25% per annum. The lease is payable through 2024 and has a balance of \$137,723 as of June 30, 2021.
2. In 2018, the City obtained \$44,115 financing for the purchase of a dump truck, which cost \$44,115. The 5-year capital lease agreement requires annual payments of \$10,047, including interest at 6.95% per annum. This lease is payable through 2022 and has a balance of \$9,394 as of June 30, 2021.
3. In 2016, the City obtained \$105,049 financing for the purchase of four police cruisers, which cost \$128,360. The 5-year capital lease agreement requires annual payments of \$23,311, including interest at 3.567% per annum. The lease was paid in full during 2021.
4. In 2017, the City obtained \$53,092 financing for the purchase of a Ford F550 dump truck and snow plow for the street department which cost \$53,092. The 48-month capital lease agreement requires monthly payments of \$1,228, including interest at 5.45% per annum. The lease was paid in full during 2021.
5. In 2018, the City obtained \$226,337 financing for the purchase of four police cruisers and two police trucks for the police department which cost \$226,337. The 6-year capital lease agreement requires annual payments of \$41,131 including interest at 3.73% per annum. The lease is payable through 2023 and has a balance of \$77,878 as of June 30, 2021.
6. In 2018, the City obtained \$73,440 financing for the purchase of police equipment for the police department which cost \$73,440. The 5-year capital lease agreement requires annual payments of \$15,480, including interest at 5% per annum. The lease is payable through 2022 and has a balance of \$28,784 as of June 30, 2021.
7. In 2019, the City obtained \$45,852 financing for the purchase of a Chevy Tahoe for the fire department, which cost \$45,852. The 5-year capital lease agreement requires monthly payments of \$935, including interest at 8.248% per annum. The lease is payable through 2024 and has a balance of \$30,047 as of June 30, 2021.
8. In 2019, the City obtained \$284,372 financing for the purchase of six police cruisers for the police department, which cost \$284,372. The 5-year capital lease agreement requires monthly payments of \$5,485, including interest at 5.909% per annum. The lease is payable through 2024 and has a balance of \$173,417 as of June 30, 2021.

CITY OF HARRODSBURG, KENTUCKY
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9. In 2019, the City obtained \$53,447 financing for the purchase of a Ford F-250 pickup truck for the street department, which cost \$53,447. The 5-year capital lease agreement requires annual payments of \$12,119, including interest at 6.7% per annum. The lease is payable through 2023 and has a balance of \$22,002 as of June 30, 2021.
10. In 2020, the City obtained \$57,725 financing for the purchase of a leaf vacuum for the street department, which cost \$57,725. The 5-year capital lease agreement requires annual payments of \$12,718, including interest at 4.76% per annum. The lease is payable through 2025 and has a balance of \$34,720 as of June 30, 2021.
11. In 2021, the City obtained \$39,073 financing for the purchase of body camera's for the police department which cost \$39,073. The 5-year capital lease agreement requires annual payments of \$5,748, including interest at 3.00% per annum. The lease is payable through 2025 and has a balance of \$21,345 as of June 30, 2021.
12. In 2019, the City obtained \$51,696 financing for the purchase of a dump truck for the water and sewer department which cost \$51,696. The 5-year capital lease agreement requires monthly payments of \$1,029, including interest at 7.469% per annum. The lease is payable through 2024 and has a balance of \$29,932 as of June 30, 2021.
13. In 2020, the City obtained \$32,841 financing for the purchase of a Chevy Silverado truck for the water and sewer department, which cost \$32,841. The 5-year capital lease agreement requires annual payments of \$6,875, including interest at 1.811% per annum. The lease is payable through 2025 and has a balance of \$23,299 as of June 30, 2021.
14. In 2020, the City obtained a \$3,130,000 revenue lease from the Kentucky Bond Corporation. Proceeds from the lease were used to redeem three bond issues of the Municipal Waterworks & Sewer System. The 24-year lease agreement requires annual payments of approximately \$185,000 including interest between 2.25% per annum and 3.00% per annum. The lease is payable through 2043 and has a balance of \$2,960,000 as of June 30, 2021.

The following is a schedule of property and equipment and outstanding liabilities relating to capital lease agreements at June 30, 2021:

Governmental Funds:

<u>Property Leased</u>	<u>Asset Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Lease Payable</u>		
				<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Street trucks	\$ 106,539	\$ 53,219	\$ 53,320	\$ 10,645	\$ 11,357	\$ 22,002
Street equipment	57,725	16,493	41,232	11,028	23,692	34,720
Cemetery truck	44,115	10,294	33,821	9,394		9,394
Fire trucks	444,848	136,075	308,773	69,394	98,376	167,770
Police vehicles	639,068	315,584	323,484	95,330	155,965	251,295
Police equipment	112,513	51,408	61,105	33,883	16,246	50,129
	<u>\$1,404,808</u>	<u>\$ 583,073</u>	<u>\$ 821,735</u>	<u>\$ 229,674</u>	<u>\$ 305,636</u>	<u>\$ 535,310</u>

CITY OF HARRODSBURG, KENTUCKY
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For the Year Ended June 30, 2021

Business Activity Funds:

<u>Property Leased</u>	<u>Asset Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Lease Payable</u>		
				<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Dump truck	\$ 51,696	\$ 18,463	\$ 33,233	\$ 10,465	\$ 19,467	\$ 29,932
Chevy truck	32,841	4,692	28,149	6,507	16,792	23,299
Loan refinance lease				100,000	2,860,000	2,960,000
	<u>\$ 84,537</u>	<u>\$ 23,155</u>	<u>\$ 61,382</u>	<u>\$ 116,972</u>	<u>\$ 2,896,259</u>	<u>\$ 3,013,231</u>

- G. **Bonds, Leases, and Loans Payable.** The City's bonds, leases, and loans payable is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities:

Governmental Activities. As of June 30, 2021, the governmental bonds, leases and loans payable consisted of the following:

Capital leases payable:

60-month lease for the purchase of police equipment. The lease bears interest at 5%.	\$ 28,784
72-month lease for the purchase of police cruisers. The lease bears interest at 3.73%.	77,878
60-month lease for the purchase a dump truck. The lease bears interest at 6.95%.	9,394
84-month lease for the purchase of a fire truck. The lease bears interest at 3.25%.	137,723
60-month lease for the purchase of a truck for the street department. The lease bears interest at 6.7%.	22,002
60-month lease for the purchase of police cruisers. The lease bears interest at 5.909%.	173,417
60-month lease for the purchase of a vehicle for the fire department. The lease bears interest at 8.248%.	30,047
60-month lease for the purchase of body camera's. The lease bears interest at 3.00%.	21,345
60-month lease for the purchase of a leaf vacuum. The lease bears interest at 4.76%.	<u>34,720</u>
	<u>\$ 535,310</u>

Included as liability on Statement of Net Position:

Current liability	\$ 229,674
Non-current liability	<u>305,636</u>
	<u>\$ 535,310</u>

Business-Type Activities. As of June 30, 2021, the proprietary fund bonds, leases, and loans payable consisted of the following:

Capital leases payable:

24-year lease for the refinance of three bond issues. The lease bears interest between 2.25% and 3.00%.	\$ 2,960,000
5-year lease for the purchase of a Chevy Silverado truck. The lease bears interest at 1.811%.	23,299
5-year lease for the purchase of a dump truck. The lease bears interest at 7.469%.	<u>29,932</u>
	<u>\$ 3,013,231</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Loans payable:

<p>Loan A-12-07 for pump station upgrades. The uncollateralized \$706,000 loan from Kentucky Infrastructure Authority bears interest at 1.0% and is due 20 years from the date the loan is closed. Principal and interest payments of approximately \$17,500 are to be paid semi-annually through June 1, 2035.</p>	\$ 444,643
<p>Loan F11-17 for water main improvements. The uncollateralized \$336,700 loan from Kentucky Infrastructure Authority bears interest at 1.0%. and is due 20 years from the date the loan is closed. Principal and interest payments of approximately \$9,500 are to be paid semi-annually through December 1, 2033.</p>	218,238
<p>Loan A11-21 for sewer rehabilitation project. The uncollateralized \$376,650 loan from Kentucky Infrastructure Authority bears interest at 1.0% and is due 20 years from the date the loan is closed. Principal and interest payments of approximately \$10,000 are to be paid semi-annually through December 1, 2033.</p>	244,132
<p>Loan F13-002 is for Water Distribution Improvements, North Main Water Storage Tank Improvements. The uncollateralized \$2,433,080 loan from Kentucky Infrastructure Authority bears interest at 1.75% and is due 20 years from the date the loan is closed. Principal and interest payments of approximately \$75,000 are to be paid semi-annually through December 1, 2035.</p>	1,844,851
<p>Loan A15-074 is for the expansion of the City's Waste Water Treatment Plant. The uncollateralized \$10,000,000 loan from Kentucky Infrastructure Authority bears interest at .75% and is due 20 years from the date the loan is closed. Principal and interest payments of approximately \$280,000 are to be paid semi-annually through June 1, 2039.</p>	9,066,018
<p>Loan F15-031 is for the College and Chestnut Street Water Lines Project. The uncollateralized \$326,660 loan from Kentucky Infrastructure Authority bears interest at .75% and is due 20 years from the date the loan is closed. Principal and interest payments of approximately \$9,200 are to be paid semi-annually through December 2037.</p>	257,366
<p>Loan A15-046 is for Sewer Line Rehabilitation. The uncollateralized \$1,420,000 loan from Kentucky Infrastructure Authority bears interest at .75% and is due 20 years from the date the loan is closed. Principal and interest payments of approximately \$39,500 are to be paid semi-annually through December 2037.</p>	1,118,776
<p>Loan A15-075 is for the Harrodsburg Corning Pump Station and Force Main Project. The uncollateralized \$810,000 loan from Kentucky Infrastructure Authority bears interest at .75% and is due 20 years from the date the loan is closed. Payments of approximately \$17,000 are to be paid semi-annually through December 2037.</p>	514,086
<p>Loan A16-033 is for Sewer Rehabilitation 2015 Project. The uncollateralized \$1,223,520 loan from Kentucky Infrastructure Authority bears interest at .75% and is due 20 years from the date the loan is closed. Payments of approximately \$32,300 are to be paid semi-annually through December 2040.</p>	1,169,157

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

2020 Master Installment loan received for the replacement of water meters. The uncollateralized \$1,556,200 loan from Holman Capital Corporation bears interest at 11.355% and is due 7 years from the date the loan is closed. Payments of approximately \$125,000 are to be paid semi-annually through April 2027. 1,354,484

Loan F16-049 is for the Water Distribution Main Replacement 2015 Project. The uncollateralized \$2,877,200 loan from Kentucky Infrastructure Authority bears interest at .75% and is due 20 years from the date the loan is closed. Payments of approximately \$58,000 are to be paid semi-annually through December 1, 2038. 1,825,831

\$ 18,057,582

Bonds payable:

Bonds were issued in 2012 for the construction of extensions, additions and improvements to the existing waterworks system. The bonds bear interest at 2.75%. Principal is paid annually through December 2050, and interest is paid semi-annually. \$ 6,885,000

Series 2014 A & B bonds were issued in 2015 to finance the wastewater treatment plant. The bonds bear interest at 3.25%. Principal is paid annually through December 2053 and interest is paid semi-annually. 1,610,500

Series 2016 bonds were issued in 2018 to finance the cost of extensions, additions and improvements to the existing sewer system of the City. The bonds bear interest at 2.75%. Principal is paid annually through December 2056 and interest is paid semi-annually. 8,566,500

\$ 17,062,000

Included as liability on Statement of Net Position:

	Leases Payable	Loans Payable	Bonds Payable	Total
Current liability	\$ 116,972	\$	\$	\$ 116,972
Current liability payable from restricted resources		1,125,277	303,500	1,428,777
Non-current liability	<u>2,896,259</u>	<u>16,932,305</u>	<u>16,758,500</u>	<u>36,587,064</u>
	<u>\$ 3,013,231</u>	<u>\$ 18,057,582</u>	<u>\$ 17,062,000</u>	<u>\$ 38,132,813</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

H. **Changes in Bonds, Leases, and Loans Payable.** The following is a summary of changes in bonds, leases, and loans payable for the year ended June 30, 2021:

Type of Debt	Balance July 1, 2020	Proceeds	Payments	Balance June 30, 2021	Amounts Due Within One Year
<i>Governmental Activities:</i>					
Capital leases payable	\$ 740,215	\$ 39,073	\$ 243,978	\$ 535,310	\$ 229,674
<i>Business-Type Activities:</i>					
Bonds payable	\$ 17,372,000	\$	\$ 310,000	\$ 17,062,000	\$ 303,500
Capital leases payable	3,199,335		186,104	3,013,231	116,972
Loans payable	18,950,957	189,607	1,082,982	18,057,582	1,125,277
Total business-type activities	<u>\$ 39,522,292</u>	<u>\$ 189,607</u>	<u>\$ 1,579,086</u>	<u>\$ 38,132,813</u>	<u>\$ 1,545,749</u>

I. **Annual Debt Service Requirements.** The annual debt service requirements to maturity, including principal and interest, for bonds, leases, and loans payable as of June 30, 2021 are as follows:

	Year Ending June 30	Principal	Interest	Total
<i>Governmental Activities:</i>				
2022	\$	229,674	\$ 24,151	\$ 253,825
2023		200,555	12,262	212,817
2024		99,101	3,151	102,252
2025		5,980	173	6,153
		<u>\$ 535,310</u>	<u>\$ 39,737</u>	<u>\$ 575,047</u>
<i>Proprietary Activities:</i>				
2022	\$	1,545,749	\$ 777,285	\$ 2,323,034
2023		1,575,584	748,466	2,324,050
2024		1,597,830	718,910	2,316,740
2025		1,616,320	689,366	2,305,686
2026		1,638,229	659,430	2,297,659
2027 - 2031		7,588,288	2,883,008	10,471,296
2032 - 2036		7,744,041	2,235,859	9,979,900
2037 - 2041		5,564,272	1,589,290	7,153,562
2042 - 2046		3,265,000	1,054,404	4,319,404
2047 - 2051		3,376,500	602,264	3,978,764
2052 - 2056		2,254,000	184,014	2,438,014
2057		367,000	10,100	377,100
		<u>\$ 38,132,813</u>	<u>\$ 12,152,396</u>	<u>\$ 50,285,209</u>

J. **Conduit Debt.** Industrial Revenue Bonds have been issued through the City to assist various private enterprises in construction of manufacturing plants and educational facilities. These bonds do not constitute an indebtedness or pledge of faith and credit by the City. The balance outstanding at June 30, 2021 for Industrial Revenue Bonds is not available.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

K. **Interest Expense.** Interest expense has been included in the Statement of Activities in the following functions/programs:

Governmental Activities:

Police department	\$ 17,769
Fire department	8,523
Street department	4,378
Cemetery department	1,264
	31,934

Proprietary Activities:

Water	402,021
Sewer	402,021
	804,042

Total interest expense	\$ 835,976
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L. **Net Position.** Net position at June 30, 2021 is identified as follows:

Governmental Funds:

Restricted for:

Police department	\$ 195,928
Roads	105,522
Tourism	58,898
	360,348

Total net position, restricted	\$ 360,348
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Proprietary Funds:

Bond sinking fund	\$ 307,834
Note sinking fund	188,475
Lease sinking fund	113,812
Bond debt reserve fund	442,435
Lease debt reserve fund	31,457
Water and sewer surcharge	245,702
Repairs and maintenance fund	796,782
	2,126,497

Total net position, restricted	\$ 2,126,497
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CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

M. **Transfers.** The following operating transfers were made during fiscal year 2021:

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 101,226	\$ 2,574
Municipal Waterworks and Sewer System	2,574	
Non-major Funds:		
Alcohol Beverage Control fund		88,639
Fiduciary Fund:		
Cemetery Fund		12,587
	<u>\$ 103,800</u>	<u>\$ 103,800</u>

The transfer of \$101,226 to the General Fund from the Cemetery Fund represents \$532 interest earnings on cemetery certificates of deposit, which was used for the maintenance of the cemetery and the transfer of \$12,055 to purchase a lawn mower for the cemetery.

The transfer of \$88,639 from the Alcohol Beverage Control Fund to the General Fund was to provide resources for the purchase of police equipment and reimbursement of payroll costs.

The transfer of \$2,574 from the General Fund to the Municipal Waterworks and Sewer System was to allocate COVID-19 funds for water and sewer expenses.

IV. PENSION PLAN

The City is a participating employer of the County Employees Retirement Systems (CERS). Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KRS) administers the CERS. CERS was created by the Kentucky General Assembly pursuant to the provisions of Kentucky Revised Statute 78.520. The plan issues publicly available financial statements, which may be downloaded from the Kentucky Retirement System's website.

Plan Description. CERS consist of two plans: non-hazardous and hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members employed in positions of each participating county, city, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of the last annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium if it is determined, on the basis of a subsequent actuarial valuation, that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

For the year ended June 30, 2021, participating employers contributed 24.06% of each employee's wages for non-hazardous job classifications and 39.58% for hazardous job classifications, which is equal to the actuarially determined rate set by the Board. Administrative costs of KRS are financed through employer contributions and investment earnings.

For the year ended June 30, 2021, plan members who began participating prior to September 1, 2008 were required to contribute 5% of annual creditable compensation for non-hazardous job classifications and 8% for hazardous job classifications (Tier 1 plan). Interest is paid each June 30 on member's accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Employees hired after September 1, 2008 and before January 1, 2014 (Tier 2 plan) are required to contribute 6% for non-hazardous or 9% for hazardous of their annual creditable compensation. Further, 1% of these contributions are deposited to an account created for the payment of health insurance benefits. Interest is paid each June 30 on member's accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on, or after January 1, 2014 (Tier 3 plan), 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 a set percentage of their salary each month to their own account. Plan members contribute 5% for non-hazardous job classifications and 8% for hazardous job classifications of their annual creditable compensation to their own account, and 1% to the health insurance fund which is not credited to the members account and is not refundable. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit, and hazardous job classifications receive 7.5% employer pay credit. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation.

Interest is paid into the Tier 3 member's account. The account currently earns 4% interest credit on the member's account balance as of June 30th of the previous year. The member's account may be credited with additional interest if the system's five-year geometric average net investment return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if the system's GANIR for the previous five years exceeds 4%, then the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30th of the previous year (upside sharing interest). It is possible that one system in KRS may get an upside sharing interest, while one may not. Upside sharing interest is credited to both the member contribution balance and employer pay credit balance. Upside sharing interest is an additional interest credit. Member accounts automatically earn 4% interest annually. The GANIR is calculated on an individual system basis.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

The City contributed \$673,987 for the year ended June 30, 2021, or 100% of the required contribution. The contribution was allocated \$561,667 to the non-hazardous fund and \$112,320 to the hazardous fund.

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

A. Non-Hazardous Duty Employees:

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

B. Hazardous Duty Employees:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	20 years service and any age 1 month of service and 55 years old
	Reduced retirement	At least 15 years service and 50 years old
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 60 years old or 25 years of service and any age
	Reduced retirement	At least 15 years service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 60 years old or 25 years of service and any age
	Reduced retirement	Not available

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources. At June 30, 2021, the City reported a liability of \$8,000,874 in the governmental activities fund and \$1,946,078 in the business-type activities fund for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the City's proportion was .104315% for non-hazardous job classifications and .064546% for hazardous job classifications. For 2019, the City's proportion was .106734% for non-hazardous job classification and .070428% for hazardous job classifications.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

For the year ended June 30, 2021, the City recognized pension expense of \$960,687 in the governmental activities fund and \$233,072 in the business-type activities fund. At June 30, 2021, the City of Harrodsburg had paid all amounts owed for the year ending June 30, 2021.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$ 210,528	\$	\$ 49,344	\$
Changes of assumptions	308,959		77,268	
Net difference between projected and actual earnings on Plan investments	334,734	140,197	85,773	36,257
Changes in proportion and differences between City contributions and proportionate share of contributions	92,586	383,369	30,422	28,785
City contributions subsequent to the measurement date	<u>535,076</u>		<u>138,911</u>	
Total	<u>\$ 1,481,883</u>	<u>\$ 523,566</u>	<u>\$ 381,718</u>	<u>\$ 65,042</u>

The \$535,076 and \$138,911 of deferred outflows of resources in the governmental activities funds and business-type activities funds, respectively, resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Year ending June 30,			
2022	\$ 166,564	\$ 84,606	\$ 251,170
2023	120,106	50,775	170,881
2024	66,815	22,498	89,313
2025	<u>69,756</u>	<u>19,886</u>	<u>89,642</u>
Total	<u>\$ 423,241</u>	<u>\$ 177,765</u>	<u>\$ 601,006</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Actuarial Assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2020</u>	<u>2019</u>
Valuation date	June 30, 2020	June 30, 2019
Experience study	July 1, 2013 - June 30, 2018	July 1, 2013 - June 30, 2018
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	30 years	24 years
Asset valuation method	5-year smoothed marked	5-year smoothed marked
Inflation	2.30 %	2.30 %
Payroll growth	2.00 %	2.00 %
Salary increases	3.30% - 19.05% varies by service	3.30% - 19.05% varies by service
Assumed investment rate of return	6.25 %	6.25 %

Plan Provisions. Senate bill 249 changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2021. Gains and losses incurring in future years will be amortized over separate, 20-year amortization bases. This change does not impact the calculation of the total pension liability and only affects the calculation of the contribution rates that would be payable starting July 1, 2020.

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.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

The long-term expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth:		
U.S. Equity	18.75 %	4.50 %
Non-U.S. Equity	18.75 %	5.25 %
Private Equity	10.00 %	6.65 %
Specialty Credit/High Yield	15.00 %	3.90 %
Liquidity:		
Core Bonds	13.50 %	(0.25)%
Cash	1.00 %	(0.75)%
Diversifying Strategies:		
Real Estate	5.00 %	5.30 %
Opportunistic	3.00 %	2.25 %
Real Return	15.00 %	3.95 %
Total	100.00 %	3.96 %

Discount Rate. The single discount rate used to measure the total pension liability was 6.25%, which is the same as the prior year. These single discount rates were based on the expected rate of return on pension investments. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the Pension Plans' fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rates of return on Pension Plans' investments were applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Except where noted, the future contributions are projected assuming that each participating employer in KRS contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 legislative session. This includes the phase-in provisions from House Bill 362 passed in 2020, which kept CERS contributions level for fiscal year ending 2021.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.25%) or 1 percentage point higher (7.25%) than the current rate:

	Discount Rate	City's Proportionate Share of Net Pension Liability- Non- Hazardous	City's Proportionate Share of Net Pension Liability- Hazardous
1% decrease	5.25 %	\$ 9,866,819	\$ 2,405,078
Current discount rate	6.25 %	8,000,874	1,946,078
1% increase	7.25 %	6,455,801	1,571,417

V. POST-EMPLOYMENT BENEFITS

All eligible retired City of Harrodsburg employees participating in the CERS receive post employment health care benefits in conjunction with their pension service benefits. Retiree cost depends on length of service prior to retirement. Employer contribution rates are established annually by the KRS Board of Trustees. KRS issues separate stand-alone financial statements for the statewide multiple employer cost-sharing plan that provides other post-employment benefits for local government employees participating in CERS. The City of Harrodsburg has employees that participate in CERS hazardous and nonhazardous plans. At the time of completion of these financial statements, KRS has not yet released their financial statements for the year ended June 30, 2021. The following information was extracted from the KRS financial statements for the year ended June 30, 2020.

Under the provisions of Kentucky Revised Statute Section 61.701, the KRS Board administers the KRS Insurance Fund. 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 administered by KRS: (1) Kentucky Employees Retirement System (KERS); (2) CERS; and (3) State Police Retirement System (SPRS). The assets of the Insurance Fund are also segregated by plan.

KRS insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS, KERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. KRS submits the premium payments to DEI and Humana. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the year ended June 30, 2020, insurance premiums withheld from benefit payments for members of the CERS non-hazardous and hazardous plans were \$24.5 million and \$3.0 million, respectively. For the year ended June 30, 2019, insurance premiums withheld from benefit payments for members of CERS non-hazardous and hazardous plans were \$24.3 million and \$2.8 million, respectively. The contribution by the City of Harrodsburg, Kentucky totaled \$139,475 to the non-hazardous plan and \$34,143 to the hazardous plan for the year ended June 30, 2021.

The amount of benefit paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, a percentage of the contribution rate is based on years of service with 100% of the contribution rate being paid with 20 years of service. The respective percentages of the maximum contribution are as follows:

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Years of Service	Portion Paid by KRS Insurance Fund
20 + years	100%
15 - 19 years	75%
10 - 14 years	50%
4 - 9 years	25%
Less than 4 years	0%

Since the passage of House Bill 290 enacted by the 2004 Kentucky General Assembly, medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of a deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually which is currently 1.5% based on Kentucky Revised Statutes. House Bill 1 (2008 Kentucky General Assembly) changed the minimum vesting requirement for participation in the health insurance plan to 15 years for members whose participation began on or after September 1, 2008. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statutes 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. The Insurance Fund pays 100% of the contribution rate for hospital and medical insurance premiums for the spouse and dependents of members who die as a direct result of an act in the line of duty or from a duty-related injury.

Kentucky Revised Statute 61.650 grants the responsibility for the investment of plan assets to the KRS Board. The Board has established an investment committee which is specifically charged with the oversight and investment of plan assets. The investment committee has adopted a statement of investment policy that contains guidelines and restrictions for deposits and investments. By statute, all investments are to be registered and held in the name of KRS. The investment committee establishes specific investment guidelines for the following types of investments:

Equity Investments may be made in common stock; securities convertible into common stock; preferred stock of publicly traded companies on stock markets, asset class relevant exchange traded funds, or other type of securities contained in a manager's benchmark. Each individual equity account has a comprehensive set of investment guidelines prepared, which contains a listing of permissible investments, portfolio restrictions, and standards of performance.

Specialty Credit Investments may include, but are not limited to, the following types of securities and investments: non-investment grade U.S. corporate credit including both bonds and bank loans; non-investment grade non-U.S. corporate credit including bonds and bank loans; private debt; municipal bonds; non-U.S. sovereign debt; mortgages, including residential mortgage backed securities; commercial mortgage backed securities and whole loans; asset-backed securities and emerging market debt (EMD), including both sovereign EMD and corporate EMD; and asset class relevant ETFs.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Core Fixed Income Investments may include, but are not limited to the following securities: U.S. government and agency bonds; investment grade U.S. corporate credit; investment grade non-U.S. corporate credit; mortgages, including residential mortgage-backed securities; commercial mortgage-backed securities and whole loans; asset-backed securities; and asset class relevant ETFs.

Private Equity Investments subject to the specific approval of the Investment Committee may be made to diversify the Private Equity portfolio. The Board may invest in, but not limited to and without limitation; venture capital and private equity investments. The Investment Committee believes private equity investments have the potential to generate substantial income, but may have a higher degree of risk. Investments may be made in real estate mortgages on a direct basis or in the form of mortgage pool instruments.

Cash Equivalent Securities may be made in publicly traded investment grade corporate bonds; variable rate demand notes; government and agency bonds; mortgages, municipal bonds; short term investment funds; money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper); and repurchase agreements related to the above instruments. Instruments may be selected from among those having an investment grade rating at the time of purchase by at least one recognized bond rating service. In cases where the instrument has a split rating, the lower of the two ratings is used.

Repurchase agreements shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur. Variable rate securities shall be deemed to have a maturity equal to the time left until the next interest rate reset occurs, but in no case will any security have a stated final maturity of more than three years.

KRS' fixed income managers, who utilize cash equivalent securities as an integral part of their investment strategy, are exempt from the permissible investments contained in the preceding paragraph. Permissible short-term investments for fixed income managers shall be included in the investment manager's investment guidelines.

Real Estate/Real Return/Absolute Return/Oppportunistic Investments may be made to create a diversified portfolio of alternative investments. The Board may invest in real estate or alternative investments including, but not limited to and without limitation: real return and absolute return investments. The investment Committee believes alternative investments have the potential to generate substantial income, but may have a higher degree of risk. Investments may be made in real estate mortgages on a direct basis or in the form of mortgage pool instruments.

Derivative instruments are financial contracts that have various effective dates and maturity dates and whose values depend on the values of one or more underlying assets, reference rates, or financial indices. Investments may be made in derivative securities or strategies which make use of derivative instruments, only if such investments do not cause the portfolio to be in any way leveraged beyond a 100% invested position. Examples of such derivatives include, but are not limited to the following securities: foreign currency forward contracts; collateralized mortgage obligations; treasury inflation protected securities; futures; options; and swaps. Investments in derivative securities are subject to large or unanticipated changes in duration or cash flows and can be interest only, principal only, inverse floater, or structured note securities. These are permitted only to the extent that

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

they are authorized in a contract or an alternative investment offering memorandum of agreement.

Investments in securities such as collateralized mortgage obligations and planned amortization class issues are allowed if, in the judgment of the investment manager, they are not expected to be subject to large or unanticipated changes in duration or cash flows. Investment managers may make use of derivative securities for defensive or hedging purposes. Any derivative security shall be sufficiently liquid so that it can be expected to be sold at, or near, its most recently quoted market price.

The long-term expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below.

	Asset Allocation - Policy	Asset Allocation - Actual
Growth:		
U.S. Equity	18.75 %	4.50 %
Non-U.S. Equity	18.75 %	5.25 %
Private Equity	10.00 %	6.65 %
Specialty Credit/High Yield	15.00 %	3.90 %
Liquidity:		
Core Bonds	13.50 %	(0.25)%
Cash	1.00 %	(0.75)%
Diversifying Strategies:		
Real Estate	5.00 %	5.30 %
Opportunistic	3.00 %	2.25 %
Real Return	15.00 %	3.95 %
Total	100.00 %	3.96 %

The employer rates allocable to the health insurance benefits was 4.76% in 2021 and 4.76% in 2020 for nonhazardous employees and 9.52% in 2021 and 9.52% in 2020 for hazardous employees. The contribution rates were created by statute and were 100% funded during 2021, 2020, 2019, 2018, 2017, 2016 and 2015. At June 30, 2021, the City of Harrodsburg had contributed all of the required 2021 funding.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

The following table presents the schedule of funding progress (in thousands) for the KRS Insurance Fund as a whole:

<u>Retirement System</u>	<u>Actuarial Value of Assets</u>	<u>AAL Entry Age Normal</u>	<u>Funded</u>	<u>Covered Payroll</u>	<u>Unfunded as Percent of Covered Payroll</u>
KERS Non-Hazardous	\$ 1,095,959	\$ 2,564,788	42.7 %	\$ 1,387,761	105.8 %
KERS Hazardous	539,251	427,977	126.0 %	170,826	(65.1)%
CERS Non-Hazardous	2,661,351	3,392,086	78.5 %	2,565,391	28.5 %
CERS Hazardous	1,362,028	1,740,971	78.2 %	568,558	66.6 %
SPRS	207,018	276,143	75.0 %	46,145	149.8 %
Total Insurance Funds	\$ 5,865,607	\$ 8,401,965	69.8 %	\$ 4,738,681	53.5 %

Actuarial Methods and Assumptions. The total OPEB liability as of June 30, 2021 was calculated using the following actuarial assumptions based on the June 30, 2020, actuarial valuation report:

	<u>KERS Non-Hazardous</u>	<u>KERS Hazardous</u>	<u>CERS Non-Hazardous</u>	<u>CERS Hazardous</u>	<u>SPRS</u>
Inflation	2.30 %	2.30 %	2.30 %	2.30 %	2.30 %
Payroll growth rate	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %
Salary increases	3.30% to 15.30%, varies by service	3.55% to 20.05%, varies by service	3.30% to 10.30%, varies by service	3.55% to 19.05%, varies by service	3.05% to 15.55% varies by service
Investment rate of return	6.25 %	6.25 %	6.25 %	6.25 %	6.25 %
Mortality	RP-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	PUB-2010 Public Safety Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	RP-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	PUB-2010 Public Safety Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	PUB-2010 Public Safety Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Healthcare trend rates - pre 65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Healthcare trend rates - post 65	Initial trend starting at 2.90% at January 1, 2022 and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	Initial trend starting at 2.90% at January 1, 2022 and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	Initial trend starting at 2.90% at January 1, 2022 and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	Initial trend starting at 2.90% at January 1, 2022 and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	Initial trend starting at 2.90% at January 1, 2022 and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Discount rate. The following table presents the discount rates used to measure the total OPEB liability:

<u>As of June 30, 2020</u>	<u>KERS Non- Hazardous</u>	<u>KERS Hazardous</u>	<u>CERS Non- Hazardous</u>	<u>CERS Hazardous</u>	<u>SPRS</u>
Single discount rate	5.43 %	5.28 %	5.34 %	5.30 %	5.40 %
Long-term expected rate of return	6.25 %	6.25 %	6.25 %	6.25 %	6.25 %
Long-term municipal bond rate (1)	2.45 %	2.45 %	2.45 %	2.45 %	2.45 %
<hr/>					
<u>As of June 30, 2019</u>					
Single discount rate	5.73 %	5.66 %	5.68 %	5.69 %	5.76 %
Long-term expected rate of return	6.25 %	6.25 %	6.25 %	6.25 %	6.25 %
Long-term municipal bond rate (1)	3.13 %	3.13 %	3.13 %	3.13 %	3.13 %

(1) Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year municipal GO AA Index" as of June 28, 2020 (or as of June 30, 2019).

Sensitivity of the net OPEB liability to changes in the discount rate. The following table presents the City's proportionate share of the net OPEB liability, as well as what the City's 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:

	<u>City's Proportionate Percentage of Net OPEB Liability - Non Hazardous</u>	<u>Discount Rate</u>	<u>City's Proportionate Share of Net OPEB Liability - Non- Hazardous</u>	<u>City's Proportionate Percentage of Net OPEB Liability - Hazardous</u>	<u>Discount Rate</u>	<u>City's Proportionate Share of Net OPEB Liability - Hazardous</u>
1% decrease	0.104284 %	4.34 %	\$ 3,235,073	0.064526 %	4.30 %	\$ 809,446
Current discount rate	0.104284 %	5.34 %	2,518,141	0.064526 %	5.30 %	596,289
1% increase	0.104284 %	6.34 %	1,929,302	0.064526 %	6.30 %	424,527

The allocation of the employer's proportionate share of the net OPEB liability and OPEB expense was determined using the employer's actual contributions for FY 2020 compared to all employers in the plan. The total OPEB liability, net OPEB liability, and sensitivity information are based on an actuarial valuation performed as of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2019, using generally accepted actuarial principles. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2020. Certain benefit assumptions including the mortality assumptions are from the 2019 experience study. The City's increase in OPEB cost for June 30, 2021 was \$798,482.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates. The following table presents the net OPEB liability of the City, as well as what the City's 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:

	Discount Rate	City's Proportionate Share of Net OPEB Liability - Non-Hazardous	Discount Rate	City's Proportionate Share of Net OPEB Liability - Hazardous
1% decrease	4.34 %	\$ 1,949,671	4.30 %	\$ 426,125
Current discount rate	5.34 %	2,518,141	5.30 %	596,289
1% increase	6.34 %	3,207,994	6.30 %	805,489

The deferred outflows of resources and deferred inflows of resources related to the City's OPEB from the following sources are reflected below:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience in the measurement of the total OPEB liability	\$ 337,137	\$ 376,468	\$ 104,054	\$ 104,135
Changes in assumptions or other inputs	426,957	2,554	108,328	659
Net difference between projected and actual earnings on plan investments	145,825	56,359	33,408	12,708
Changes in the employer's contributions and the employers proportionate share of plan contributions	42,565	193,022	13,986	20,491
The employer's contributions to the OPEB plan subsequent to the measurement date of the collective net OPEB liability	139,475		34,143	
Total	<u>\$ 1,091,959</u>	<u>\$ 628,403</u>	<u>\$ 293,919</u>	<u>\$ 137,993</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

The \$139,475 and \$34,143 of deferred outflows of resources in the governmental activities funds and business-type activities funds, respectively, resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Governmental Activities	Business-Type Activities
2022	\$ 71,193	\$ 31,630
2023	80,699	37,755
2024	77,493	26,025
2025	94,664	26,993
2026	32	(620)
Thereafter		
	\$ 324,081	\$ 121,783

VI. INSURANCE

The City participates in a public entity risk pool through the Kentucky Municipal Risk Management Association ("Association"). Insurance coverage under this plan transfers the risk of loss to the Association. However, should the Association's reserves become inadequate, they could charge a special assessment to the City and other participating entities in the Association. The Association maintains re-insurance for claims in excess of \$250,000. Coverage amounts are as follows:

Type of Coverage	Insured Amount	Deductible
General liability	\$ 5,000,000	\$
Public officials liability	5,000,000	10,000
Law enforcement liability	5,000,000	
Auto liability	5,000,000	
Workers compensation	4,000,000	
Property	59,409,309	1,000
Equipment	1,621,691	500

VII. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS

During the ordinary course of its operations, the City is a party to various claims, legal actions, and complaints. In the opinion of the City's management and legal counsel, these matters are not anticipated to have a material impact on the City. No liability has been recorded at June 30, 2021 related to these potential liabilities.

During 2019, the City has entered into a memorandum of agreement with Campbellsville University, Inc. (University) to reimburse the University a total sum, not to exceed \$1,000,000 for the costs of construction of a road from Legion Drive to Sparrow Lane in the city. Reimbursement will not exceed \$200,000 annually. The reimbursement is subject to the City's financial condition and legality on an annual basis, it's revenues and expenditures, and the feasibility of these reimbursements. No payment was made for the year ending June 30, 2021.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

In addition, the City previously committed to provide the University funding of \$10,000 annually over the next three years for operations at the University's Harrodsburg branch. No payment was made for the year ending June 30, 2021.

Subsequent to June 30, 2021, the City has entered into a contract for \$162,765 to blacktop streets.

Subsequent to June 30, 2021, the City has received notice that they will be receiving approximately \$2,200,000 related to COVID-19 funding under the American Rescue Plan Act..

In addition, subsequent to June 30, 2021, the City has entered into an agreement to outsource the communications department to a private company.

VIII. ECONOMIC DEPENDENCY

General Government Revenue. The City collected approximately \$1,627,000 representing 73% of its payroll license fees and 25% of the total revenues of the General Fund from ten employers within the City limits.

Municipal Waterworks and Sewer System Revenue. The billings to eighteen customers totaled approximately \$2,619,000 which represented 48% of the System's operating revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information includes financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Such information includes

- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Pension Contributions
- Schedule of Funding Progress - Other Post Employment Benefits
- Schedule of Employer Contributions - Other Post Employment Benefits
- Notes to Required Supplementary Information on Budgetary Accounting and Control
- Budgetary Comparison Schedules

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Last Eight Fiscal Years*

	Non-Hazardous					Hazardous				
	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Employee Payroll	City's Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Employee Payroll	City's Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.104315%	\$ 8,000,874	\$ 2,859,034	279.85%	47.81%	0.064546%	\$ 1,946,078	\$ 373,652	520.83%	44.11%
2020	0.106734%	7,506,648	2,659,442	282.26%	50.45%	0.070428%	1,945,429	375,963	517.45%	46.63%
2019	0.101569%	6,185,801	2,677,145	231.06%	53.54%	0.091100%	2,203,214	399,991	550.82%	49.26%
2018	0.105664%	6,184,839	2,507,438	246.66%	53.32%	0.100552%	2,249,628	477,009	471.61%	49.78%
2017	0.103151%	5,078,759	2,569,834	197.63%	55.50%	0.099689%	1,710,600	551,977	309.90%	53.95%
2016	0.096361%	4,143,084	2,411,969	171.77%	59.97%	0.112177%	1,722,032	505,362	340.75%	57.52%
2015	0.084193%	3,244,376	2,232,126	145.35%	66.80%	0.152137%	1,201,824	581,643	206.63%	63.46%
2014	0.084193%	3,083,695	1,912,164	161.27%	61.22%	0.152137%	2,033,902	753,520	269.92%	57.74%

There were no changes to plan assumptions for the measurement period ending June 30, 2020.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2019.

1. Change in rates of salary increases for individuals.
2. New post-retirement mortality assumption based on KRS retiree experience and the inclusion of an explicit assumption for future improvement in mortality.
3. Updated mortality assumptions for members during employment and for disabled retirees.
4. Change in the rates of retirements.
5. Change in the rates that an active member is assumed to become an inactive member in the system prior to retirement.
6. Updated rates of disability incidence.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2018.

1. 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.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2017.

1. The assumed investment rate of return was decreased from 7.50% to 6.25%.
2. The assumed rate of inflation was reduced from 3.25% to 2.30%.
3. Payroll growth assumption was reduced from 4.00% to 2.00%.

There were no changes to plan assumptions for the measurement period ending June 30, 2016.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2015.

1. The assumed investment rate of return was decreased from 7.75% to 7.50%.
2. The assumed rate of inflation was reduced from 3.50% to 3.25%.
3. The assumed rate of wage inflation was reduced from 1.00% to .75%.
4. Payroll growth assumption was reduced from 4.50% to 4.00%.
5. 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).
6. For healthy retired members and beneficiaries, the mortality table used is 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.
7. The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience.

*The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF PENSION CONTRIBUTIONS
Last Nine Fiscal Years*

Year	Retirement Plan	Contractually Required Employer Contribution	Contributions Relative to Contractually Required Employer Contribution	Contribution deficiency (excess)	City Covered Employee Payroll	Employer Contributions as a Percentage of Covered-Employee Payroll
2021	CERS Non-Hazardous	\$ 561,667	\$ 561,667	\$0	\$ 2,859,034	19.30%
	CERS Hazardous	112,320	112,320	0	373,652	30.06%
2020	CERS Non-Hazardous	514,445	514,445	0	2,659,442	19.34%
	CERS Hazardous	113,013	113,013	0	\$375,963	30.06%
2019	CERS Non-Hazardous	440,318	440,318	0	2,677,145	16.45%
	CERS Hazardous	128,258	128,258	0	399,991	32.07%
2018	CERS Non-Hazardous	376,808	376,808	0	2,507,438	15.03%
	CERS Hazardous	103,797	103,797	0	477,009	21.76%
2017	CERS Non-Hazardous	360,034	360,034	0	2,569,834	14.01%
	CERS Hazardous	120,011	120,011	0	551,977	21.74%
2016	CERS Non-Hazardous	444,236	444,236	0	2,411,969	18.42%
	CERS Hazardous	171,803	171,803	0	505,362	34.00%
2015	CERS Non-Hazardous	414,209	414,209	0	2,232,126	18.56%
	CERS Hazardous	200,220	200,220	0	581,643	34.42%
2014	CERS Non-Hazardous	364,902	364,902	0	1,912,164	19.08%
	CERS Hazardous	275,121	275,121	0	753,520	36.51%
2013	CERS Non-Hazardous	359,339	359,339	0	1,838,053	19.55%
	CERS Hazardous	294,336	294,336	0	782,810	37.60%

Notes. There were no changes in benefit terms or the size or composition of the population covered by the benefit terms.

There were no changes to plan assumptions for the measurement period ending June 30, 2020.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2019.

1. Change in rates of salary increases for individuals.
2. New post-retirement mortality assumption based on KRS retiree experience and the inclusion of an explicit assumption for future improvement in mortality.
3. Updated mortality assumptions for members during employment and for disabled retirees.
4. Change in the rates of retirements.
5. Change in the rates that an active member is assumed to become an inactive member in the System prior to retirement.
6. Updated rates of disability incidence.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2018.

1. 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.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2017.

1. The assumed investment rate of return was decreased from 7.50% to 6.25%.
2. The assumed rate of inflation was reduced from 3.25% to 2.30%.
3. Payroll growth assumption was reduced from 4.00% to 2.00%.

There were no changes to plan assumptions for the measurement period ending June 30, 2016.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2015.

1. The assumed investment rate of return was decreased from 7.75% to 7.50%.
2. The assumed rate of inflation was reduced from 3.50% to 3.25%.
3. The assumed rate of wage inflation was reduced from 1.00% to .75%.
4. Payroll growth assumption was reduced from 4.50% to 4.00%.
5. 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).
6. For healthy retired members and beneficiaries, the mortality table used is 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.
7. The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
Last Four Fiscal Years

Actuarial Valuation Date	Non-Hazardous		Hazardous		Covered Payroll		Unfunded liability as A Percentage of Covered Payroll	
	Employer Proportion of Collective Net OPEB Liability		Employer Proportion of Collective Net OPEB Liability		Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
	Percentage	Amount	Percentage	Amount				
6/30/2020	0.104284	\$ 2,518,141	0.064526	\$ 596,289	\$ 2,859,034	\$ 373,652	88.08%	159.58%
6/30/2019	0.106720	1,794,981	0.070414	520,965	2,659,442	375,963	67.49%	138.57%
6/30/2018	0.101564	1,803,249	0.091105	649,542	2,677,145	399,991	67.36%	162.39%
6/30/2017	0.105664	2,124,208	0.100552	831,235	2,507,438	477,009	84.72%	174.26%

Notes:

There were no changes in benefit terms or the size or composition of the population covered by the benefit terms.

There were no changes to plan assumptions for the measurement period ending June 30, 2020.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2019.

1. Change in rates of salary increases for individuals.
2. New post-retirement mortality assumption based on KRS retiree experience and the inclusion of an explicit assumption for future improvement in mortality.
3. Updated mortality assumptions for members during employment and for disabled retirees.
4. Change in the rates of retirements.
5. Change in the rates that an active member is assumed to become an inactive member in the System prior to retirement.
6. Updated rates of disability incidence.

There were no changes to plan assumptions for the measurement period ending June 30, 2018.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2017.

1. The assumed investment rate of return was 6.25%.
2. The assumed rate of inflation was 2.30%.
3. Payroll growth assumption was 3.05%.
4. The healthcare trend rate starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years for pre-65. The healthcare trend rate starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years for post-65.
5. 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).
6. For healthy retired members and beneficiaries, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS
Last Five Fiscal Years

<u>Non-Hazardous</u>			<u>Hazardous</u>		
<u>Fiscal Year Ended 30-June</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Fiscal Year Ended 30-June</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2021	\$ 139,475	100%	2021	\$ 34,143	100%
2020	126,879	100%	2020	35,791	100%
2019	139,048	100%	2019	54,967	100%
2018	123,342	100%	2018	46,700	100%
2017	121,687	100%	2017	51,610	100%

Notes:

There were no changes in benefit terms or the size or composition of the population covered by the benefit terms.

There were no changes to plan assumptions for the measurement period ending June 30, 2020.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2019.

1. Change in rates of salary increases for individuals.
2. New post-retirement mortality assumption based on KRS retiree experience and the inclusion of an explicit assumption for future improvement in mortality.
3. Updated mortality assumptions for members during employment and for disabled retirees.
4. Change in the rates of retirements.
5. Change in the rates that an active member is assumed to become an inactive member in the System prior to retirement.
6. Updated rates of disability incidence.

There were no changes to plan assumptions for the measurement period ending June 30, 2018.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2017.

1. The assumed investment rate of return was 6.25%.
2. The assumed rate of inflation was 2.30%.
3. Payroll growth assumption was 3.05%.
4. The healthcare trend rate starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years for pre-65. The healthcare trend rate starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years for post-65.
5. 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).
6. For healthy retired members and beneficiaries, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
For the Year Ending June 30, 2021

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City annually prepares a budget under the provisions of Kentucky Revised Statute (KRS) 91A.030. In accordance with this Statute, the following process is used to adopt the annual budget:

- A. The budget proposal is the responsibility of the Mayor of the City and shall be submitted to the legislative body not later than thirty days prior to the beginning of the fiscal year it covers.
- B. The legislative body shall adopt a budget ordinance making appropriations for the fiscal year in such sums as the legislative body finds sufficient and proper, whether greater or less than the sums recommended in the budget proposal. The budget ordinance may be in any form that the legislative body finds most efficient in enabling it to make the necessary fiscal policy decisions.
- C. No budget ordinance shall be adopted which provides for appropriations to exceed revenues in any one fiscal year in violation of Section 157 of the Kentucky Constitution.
- D. The City legislative body may amend the budget ordinance after the ordinance's adoption if the amended ordinance continues to satisfy the requirements of Section 91A.030 of the KRS.
- E. Immediately following the adoption of an annual budget, the clerk shall cause a summary of the budget or the text of the budget ordinance to be advertised by publication in a newspaper.

Budgetary Accounting

The annual operating budget of governmental funds are prepared and presented on the modified accrual basis of accounting.

The City does not use an encumbrance accounting system; thus, the budgetary and GAAP presentation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Budgetary and Actual are the same.

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 1,719,500	\$ 1,719,500	\$ 2,038,608	\$ 319,108
Licenses, permits, and fees	2,339,042	2,339,042	3,001,543	662,501
Intergovernmental revenue	1,566,579	1,566,579	1,037,608	(528,971)
Service charges	126,100	126,100	141,746	15,646
Other	1,660,961	1,695,903	161,314	(1,534,589)
Total revenues	<u>7,412,182</u>	<u>7,447,124</u>	<u>6,380,819</u>	<u>(1,066,305)</u>
Expenditures:				
General government	488,836	488,836	474,137	14,699
Police department	2,005,406	2,005,406	1,790,882	214,524
Fire department	1,433,875	1,443,275	1,382,364	60,911
Street department	749,357	774,899	746,898	28,001
Cemeteries	355,252	355,252	347,012	8,240
Culture and recreation	228,963	228,963	211,423	17,540
Communications	551,421	551,421	437,710	113,711
Non-departmentalized	1,599,072	1,599,072	759,841	839,231
Total expenditures	<u>7,412,182</u>	<u>7,447,124</u>	<u>6,150,267</u>	<u>1,296,857</u>
Excess (deficiency) of revenues over expenditures before other financing sources			<u>230,552</u>	<u>230,552</u>
Other financing sources (uses):				
Transfers (to) from other funds			98,651	98,651
Lease proceeds			39,073	39,073
Total other financing sources (uses)			<u>137,724</u>	<u>137,724</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)			368,276	368,276
Fund balance, beginning of year	<u>4,873,264</u>	<u>4,873,264</u>	<u>4,873,264</u>	
Fund balance, end of year	<u>\$ 4,873,264</u>	<u>\$ 4,873,264</u>	<u>\$ 5,241,540</u>	<u>\$ 368,276</u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Taxes:				
Real property	\$ 295,000	\$ 295,000	\$ 319,789	\$ 24,789
Motor vehicle	102,000	102,000	128,987	26,987
Tangible personal property	28,000	28,000	36,286	8,286
Public service company	15,500	15,500	8,334	(7,166)
Insurance premium	1,215,000	1,215,000	1,469,279	254,279
Bank deposits	53,000	53,000	60,540	7,540
Payments in lieu of taxes	11,000	11,000	15,393	4,393
	<u>1,719,500</u>	<u>1,719,500</u>	<u>2,038,608</u>	<u>319,108</u>
Licenses, permits, and fees:				
Payroll license fees	1,538,006	1,538,006	2,218,574	680,568
Net profits license fees	195,561	195,561	215,153	19,592
Business license fees	18,900	18,900	21,875	2,975
Street license fees	1,575	1,575	1,500	(75)
ABC license fees	15,000	15,000	29,567	14,567
Franchise fee - cable television	58,500	58,500	58,998	498
Franchise fee - electric	437,500	437,500	388,009	(49,491)
Franchise fee - natural gas	74,000	74,000	67,867	(6,133)
	<u>2,339,042</u>	<u>2,339,042</u>	<u>3,001,543</u>	<u>662,501</u>
Intergovernmental revenue:				
Police pay incentive	76,000	76,000	74,936	(1,064)
Firefighters pay incentive	68,000	68,000	77,844	9,844
Police court fines	10,000	10,000	7,670	(2,330)
911 reimbursements	334,620	334,620	357,240	22,620
Other grants and subsidies	392,700	392,700	519,918	127,218
Sidewalk project	685,259	685,259		(685,259)
	<u>1,566,579</u>	<u>1,566,579</u>	<u>1,037,608</u>	<u>(528,971)</u>

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Service charges:				
Rental income	16,000	16,000	4,101	(11,899)
Police arrest fees	2,500	2,500	1,389	(1,111)
Interment, Spring Hill	68,000	68,000	89,050	21,050
Lots sold, Spring Hill	30,000	30,000	28,000	(2,000)
Interment, Maple Grove	1,100	1,100	5,050	3,950
Lots sold, Maple Grove	1,000	1,000	2,000	1,000
Monument bases	7,500	7,500	12,156	4,656
	<u>126,100</u>	<u>126,100</u>	<u>141,746</u>	<u>15,646</u>
Other:				
Penalties and interest	11,000	11,000	13,038	2,038
Interest earned	2,600	2,600	3,996	1,396
Drug investigation receipts	10,000	10,000	19,327	9,327
Sale of surplus property	15,000	15,000	64,957	49,957
Insurance claim receipts			3,200	3,200
Miscellaneous	1,622,361	1,657,303	56,796	(1,600,507)
	<u>1,660,961</u>	<u>1,695,903</u>	<u>161,314</u>	<u>(1,534,589)</u>
Total revenues	<u>\$ 7,412,182</u>	<u>\$ 7,447,124</u>	<u>\$ 6,380,819</u>	<u>\$ (1,066,305)</u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government:				
Salaries and wages	\$ 299,421	\$ 299,421	\$ 289,838	\$ 9,583
Fringe benefits	100,340	100,340	97,269	3,071
Contractual services	57,700	57,700	51,133	6,567
Materials and supplies	22,100	22,100	27,539	(5,439)
Other costs	9,275	9,275	8,358	917
	<u>488,836</u>	<u>488,836</u>	<u>474,137</u>	<u>14,699</u>
Police department:				
Salaries and wages	1,022,073	1,022,073	945,520	76,553
Fringe benefits	479,788	479,788	395,947	83,841
Contractual services	111,873	111,873	100,615	11,258
Materials and supplies	128,718	128,718	117,621	11,097
Other costs	94,996	94,996	69,115	25,881
Capital outlay	18,306	18,306		18,306
Debt service	149,652	149,652	162,064	(12,412)
	<u>2,005,406</u>	<u>2,005,406</u>	<u>1,790,882</u>	<u>214,524</u>
Fire department:				
Salaries and wages	749,684	749,684	753,983	(4,299)
Fringe benefits	412,430	412,430	363,988	48,442
Contractual services	78,746	78,746	88,059	(9,313)
Materials and supplies	59,160	68,560	64,890	3,670
Other costs	28,855	28,855	27,836	1,019
Capital outlay	15,000	15,000	8,328	6,672
Debt service	90,000	90,000	75,280	14,720
	<u>1,433,875</u>	<u>1,443,275</u>	<u>1,382,364</u>	<u>60,911</u>
Street department:				
Salaries and wages	231,766	231,766	243,516	(11,750)
Fringe benefits	129,661	129,661	111,745	17,916
Contractual services	256,260	262,302	273,264	(10,962)
Materials and supplies	45,920	45,920	36,320	9,600
Other costs	5,750	5,750	5,472	278
Capital outlay	30,000	49,500	49,288	212
Debt service	50,000	50,000	27,293	22,707
	<u>749,357</u>	<u>774,899</u>	<u>746,898</u>	<u>28,001</u>

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Cemeteries:				
Salaries and wages	172,312	172,312	169,329	2,983
Fringe benefits	90,993	90,993	76,507	14,486
Contractual services	62,350	62,350	59,457	2,893
Materials and supplies	17,050	17,050	13,740	3,310
Other costs	2,500	2,500	5,877	(3,377)
Capital outlay			12,055	(12,055)
Debt service	10,047	10,047	10,047	
	<u>355,252</u>	<u>355,252</u>	<u>347,012</u>	<u>8,240</u>
Culture and recreation:				
Salaries and wages	96,074	96,074	96,463	(389)
Fringe benefits	50,239	50,239	41,148	9,091
Contractual services	56,050	56,050	46,762	9,288
Materials and supplies	17,000	17,000	21,414	(4,414)
Other costs	5,600	5,600	5,636	(36)
Capital outlay	4,000	4,000		4,000
	<u>228,963</u>	<u>228,963</u>	<u>211,423</u>	<u>17,540</u>
Communications:				
Salaries and wages	326,172	326,172	212,334	113,838
Fringe benefits	132,679	132,679	83,702	48,977
Contractual services	31,443	31,443	59,380	(27,937)
Materials and supplies	6,392	6,392	3,317	3,075
Other costs	4,735	4,735	9,887	(5,152)
Capital outlay	50,000	50,000	69,090	(19,090)
	<u>551,421</u>	<u>551,421</u>	<u>437,710</u>	<u>113,711</u>
Non-departmentalized:				
Insurance	275,000	275,000	225,909	49,091
Grants and subsidies	1,324,072	1,324,072	533,932	790,140
	<u>1,599,072</u>	<u>1,599,072</u>	<u>759,841</u>	<u>839,231</u>
	<u>\$ 7,412,182</u>	<u>\$ 7,447,124</u>	<u>\$ 6,150,267</u>	<u>\$ 1,296,857</u>

OTHER SUPPLEMENTARY INFORMATION

Other Supplementary Information includes financial statements and schedules that are not required by the GASB, and are not considered a part of the basic financial statements, but are presented for additional analysis.

Such statements and schedules include:

- Combining Statements - Non-Major Funds
- Combining Statements - Proprietary Fund

NON-MAJOR FUNDS

CITY OF HARRODSBURG, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
June 30, 2021

	<u>Municipal Aid Fund</u>	<u>Tourism Development Fund</u>	<u>Alcohol Beverage Control Fund</u>	<u>Total</u>
ASSETS				
Cash	\$ 105,522	\$ 129,378	\$ 160,359	\$ 395,259
Accounts receivable, taxes		52,287	6,549	58,836
Total assets	<u>\$ 105,522</u>	<u>\$ 181,665</u>	<u>\$ 166,908</u>	<u>\$ 454,095</u>
LIABILITIES				
Accounts payable	<u>\$</u>	<u>\$ 122,767</u>	<u>\$</u>	<u>\$ 122,767</u>
FUND BALANCE				
Fund balance:				
Restircted for:				
Roads	105,522			105,522
Tourism		58,898		58,898
Police			166,908	166,908
Total fund balance	<u>105,522</u>	<u>58,898</u>	<u>166,908</u>	<u>331,328</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 105,522</u>	<u>\$ 181,665</u>	<u>\$ 166,908</u>	<u>\$ 454,095</u>

CITY OF HARRODSBURG, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
For the Year Ended June 30, 2021

	<u>Municipal Aid Fund</u>	<u>Tourism Development Fund</u>	<u>Alcohol Beverage Control Fund</u>	<u>Total</u>
Revenues:				
Intergovernmental revenue	\$ 162,100	\$	\$	\$ 162,100
Restaurant tax collections		668,425		668,425
Alcohol license fee			262,738	262,738
Penalty		595	923	1,518
Interest income	65	48		113
	<u>162,165</u>	<u>669,068</u>	<u>263,661</u>	<u>1,094,894</u>
Total revenues				
Expenditures:				
Police department:				
Other costs			10,577	10,577
Street department:				
Paving	158,034			158,034
Non-departmentalized:				
Grants and subsidies		659,415		659,415
	<u>158,034</u>	<u>659,415</u>	<u>10,577</u>	<u>828,026</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	4,131	9,653	253,084	266,868
Other financing sources (uses):				
Transfers (to) from other funds			(88,639)	(88,639)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	4,131	9,653	164,445	178,229
Fund balance, beginning of year	<u>101,391</u>	<u>49,245</u>	<u>2,463</u>	<u>153,099</u>
Fund balance, end of year	<u>\$ 105,522</u>	<u>\$ 58,898</u>	<u>\$ 166,908</u>	<u>\$ 331,328</u>

PROPRIETARY FUND

CITY OF HARRODSBURG, KENTUCKY
BALANCE SHEET
MUNICIPAL WATERWORKS AND SEWER SYSTEM
June 30, 2021

ASSETS

LIABILITIES AND NET POSITION

Current assets:

Cash	\$ 3,318,357
Certificates of deposit	386,547
Accounts receivable (net of allowance for doubtful accounts of \$ 630,000)	531,920
Accounts receivable, other	1,667
Due from other funds	19,807
Prepaid expenses	238,204
	<u>4,496,502</u>

Restricted assets:

Cash	1,548,975
Certificates of deposit	577,522
	<u>2,126,497</u>

Capital assets:

Water utility system	14,855,563
Sewer utility system	12,376,970
Water and sewer treatment plant	62,754,647
Equipment and vehicles	3,887,308
Buildings and land	835,149
	<u>94,709,637</u>

Less accumulated depreciation 41,768,792

Capital assets, net 52,940,845

Other long term assets:

Bond issuance costs 189,608

Total assets \$ 59,753,452

Deferred outflow of resources \$ 675,637

Current liabilities:

Accounts payable	\$ 95,050
Accrued liabilities	111,624
Customer deposits	303,081
Lease payable	<u>116,972</u>
	<u>626,727</u>

Liabilities payable from restricted assets:

Accrued interest payable	96,486
Current portion of loans payable	1,125,277
Current portion of bonds payable	<u>303,500</u>
	<u>1,525,263</u>

Non-current liabilities:

Bonds payable	16,758,500
Loans payable	16,932,305
Lease payable	2,896,259
Net pension obligation	1,978,768
Post employment benefits payable	<u>622,785</u>
	<u>39,188,617</u>

Total liabilities \$ 41,340,607

Deferred inflow of resources \$ 203,035

Net position:

Net investment in capital assets	\$ 14,808,032
Restricted	2,126,497
Unrestricted	<u>1,950,918</u>

Total net position \$ 18,885,447

CITY OF HARRODSBURG, KENTUCKY
COMBINING STATEMENT OF REVENUES AND EXPENSES
MUNICIPAL WATERWORKS AND SEWER SYSTEM
For the Year Ended June 30, 2021

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total</u>
Operating revenues:			
Water sales	\$ 2,668,022	\$	\$ 2,668,022
Water taps	20,944		20,944
Water surcharge	65,953		65,953
Sewer charges		2,341,510	2,341,510
Sewer taps		19,500	19,500
Sewer surcharge		67,895	67,895
Wastewater surcharge		7,015	7,015
Pre-treatment charges		119,784	119,784
Penalties	35,384	35,384	70,768
Other revenue	15,536	15,537	31,073
Total operating revenues	<u>2,805,839</u>	<u>2,606,625</u>	<u>5,412,464</u>
Operating expenses:			
Water operations	1,888,878		1,888,878
Sewer operations		1,193,597	1,193,597
Total operating expenses	<u>1,888,878</u>	<u>1,193,597</u>	<u>3,082,475</u>
Operating income before depreciation, amortization, and bad debts	<u>916,961</u>	<u>1,413,028</u>	<u>2,329,989</u>
Depreciation expense	1,298,897	1,298,897	2,597,794
Amortization expense	5,525	5,524	11,049
Bad debts	15,000	15,000	30,000
Total depreciation, amortization, and bad debts	<u>1,319,422</u>	<u>1,319,421</u>	<u>2,638,843</u>
Operating income (loss)	<u>(402,461)</u>	<u>93,607</u>	<u>(308,854)</u>
Non-operating revenues (expenses):			
Interest income	8,700	8,701	17,401
Garbage service	688,719		688,719
Sales tax	104,092		104,092
Utility tax	50,233		50,233
KY River withdrawal fee	206,216		206,216
Other income	14,889	14,890	29,779
Interest expense	(402,021)	(402,021)	(804,042)
Garbage service	(641,193)		(641,193)
Sales tax paid	(96,384)		(96,384)
Utility tax paid	(52,796)		(52,796)
KY River withdrawal fee	(270,938)		(270,938)
Non-operating revenues (expenses), net	<u>(390,483)</u>	<u>(378,430)</u>	<u>(768,913)</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	<u>(792,944)</u>	<u>(284,823)</u>	<u>(1,077,767)</u>
Transfer from other funds	2,574		2,574
Capital grant proceeds	7,069		7,069
Other revenues, expenses, gains, losses and transfers	<u>9,643</u>		<u>9,643</u>
Increase (decrease) in net assets	<u>\$ (783,301)</u>	<u>\$ (284,823)</u>	<u>(1,068,124)</u>
Net position, beginning of year			<u>19,953,571</u>
Net position, end of year			<u>\$ 18,885,447</u>

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF UTILITY OPERATING EXPENSES
MUNICIPAL WATERWORKS AND SEWER SYSTEM
For the Year Ended June 30, 2021

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total</u>
Water administration:			
Salaries and wages	\$ 81,573	\$	\$ 81,573
Fringe benefits	44,554		44,554
Contractual services	32,833		32,833
Materials and supplies	25,343		25,343
Other costs	7,312		7,312
	<u>191,615</u>		<u>191,615</u>
Water operations:			
Salaries and wages	291,174		291,174
Fringe benefits	161,327		161,327
Contractual services	454,736		454,736
Materials and supplies	323,057		323,057
Other costs	11,329		11,329
	<u>1,241,623</u>		<u>1,241,623</u>
Sewer operations:			
Salaries and wages		246,732	246,732
Fringe benefits		134,912	134,912
Contractual services		352,993	352,993
Materials and supplies		52,853	52,853
Other costs		33,308	33,308
		<u>820,798</u>	<u>820,798</u>
Water and sewer maintenance:			
Salaries and wages	147,807	120,934	268,741
Fringe benefits	77,072	63,058	140,130
Contractual services	49,096	40,170	89,266
Materials and supplies	37,010	30,282	67,292
Other costs	17,595	14,396	31,991
	<u>328,580</u>	<u>268,840</u>	<u>597,420</u>
Other:			
Insurance	127,060	103,959	231,019
	<u>127,060</u>	<u>103,959</u>	<u>231,019</u>
Total operating expenses	<u>\$ 1,888,878</u>	<u>\$ 1,193,597</u>	<u>\$ 3,082,475</u>

Kerbaugh, Rodes & Butler, PLLC

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Independent Auditor's Report on Internal Control over Financial Reporting Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Mayor and Board of Commissioners
City of Harrodsburg, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrodsburg, Kentucky (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 3, 2022.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City'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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Kerbaugh, Rodes & Butler, PLLC

Kerbaugh, Rodes & Butler, PLLC
Certified Public Accountants

Danville, Kentucky
January 3, 2022