

**CITY OF HARRODSBURG, KENTUCKY**

**Report on Audited Financial Statements  
and Supplementary Information for the  
Year Ended June 30, 2023**

**KERBAUGH, RODES & BUTLER, PLLC**

**CERTIFIED PUBLIC ACCOUNTANTS**

**DANVILLE, KENTUCKY**

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## Independent Auditor's Report

Mayor and Board of Commissioners  
City of Harrodsburg, Kentucky

### Report on the Audit of the Financial Statements

#### *Opinions*

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, 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.

#### *Basis for Opinions*

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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

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

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

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

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, net pension liability information, and net other postemployment benefits information on pages IV through XI and 52 through 61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements and the 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 February 27, 2024, 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 City's internal control over financial reporting and compliance.

*Kerbaugh, Rodes & Butler, PLLC*

Kerbaugh, Rodes & Butler, PLLC  
Certified Public Accountants

Danville, Kentucky  
February 27, 2024

**CITY OF HARRODSBURG, KENTUCKY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2023**

**OVERVIEW**

The report on Audited Financial Statements and Supplementary information for the year ended June 30, 2023 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. 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.

**CITY OF HARRODSBURG, KENTUCKY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2023**

**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 government-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 15 and the Statement of Changes in Net Position- Fiduciary Fund on page 16. 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 3, the City’s net position related to governmental activities increased by \$2,330,662 or approximately 91%, indicating a positive change in the City’s financial position. The largest portion of the City’s net position (\$4,525,857) reflects its investment in capital assets (e.g. land, buildings, equipment, and infrastructure); less any related 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, 2023 was \$213,301 in leases and loans used for vehicle and equipment purchases, and for road resurfacing. This is a decrease of \$191,719 or approximately 47% from the prior year. Scheduled debt payments for all long-term debt of the City’s governmental activities in the amount of \$191,719 were made during the year. As listed on Table I, the City’s unreserved and unrestricted governmental fund net position (deficit) was (\$125,560) as of June 30, 2023.

**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 3, the City’s net position related to business-type activities increased by \$128,626 or approximately 1%. The largest portion of the City’s net position (\$13,276,864) or approximately 74% 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

**CITY OF HARRODSBURG, KENTUCKY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2023**

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, 2023 was \$35,011,980 in leases for equipment and bonds and loans issued for major improvements to the utility infrastructure. This is a decrease of \$1,575,083 or approximately 4% over the prior year.

Scheduled debt payments for all long-term debt of the City's business-type activities in the amount of \$1,575,083 were made during the year. As listed on Table 1, the City's business-type activities maintained unrestricted net position of \$2,243,813. This is a \$647,949 increase over the prior year unrestricted net position.

**BUDGET AND OTHER REQUIRED SUPPLEMENTARY INFORMATION**

Required supplemental information starting on page 52 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 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 \$8,681,551 as of June 30, 2023, compared to \$8,843,251 as of June 30, 2022.

**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 \$2,380,149 as of June 30, 2023, compared to \$2,660,678 as of June 30, 2022.



**CITY OF HARRODSBURG, KENTUCKY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2023**

**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 62% of its payroll license fees and net profits and 26% of total revenues of the General Fund from four employers within the City limits. The billings to 5 customers represent 45% 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, 2023. A discussion of these commitments can be found at footnote VII, pages 50 and 51 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 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, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 10,909,195	\$ 7,695,307	\$ 18,604,502
Capital assets, net	<u>4,739,158</u>	<u>48,288,844</u>	<u>53,028,002</u>
Total assets	<u>\$ 15,648,353</u>	<u>\$ 55,984,151</u>	<u>\$ 71,632,504</u>
Deferred outflow of resources	<u>\$ 2,724,934</u>	<u>\$ 775,128</u>	<u>\$ 3,500,062</u>
Long-term debt outstanding	\$ 213,301	\$ 35,011,980	\$ 35,225,281
Net pension obligation	6,824,780	1,856,771	8,681,551
Post employment benefits payable	1,873,342	506,807	2,380,149
Other liabilities	115,489	634,854	750,343
Unearned revenue	<u>1,752,520</u>	<u>                    </u>	<u>1,752,520</u>
Total liabilities	<u>\$ 10,779,432</u>	<u>\$ 38,010,412</u>	<u>\$ 48,789,844</u>
Deferred inflows of resources	<u>\$ 2,703,898</u>	<u>\$ 755,774</u>	<u>\$ 3,459,672</u>
Net investment in capital assets	\$ 4,525,857	\$ 13,276,864	\$ 17,802,721
Restricted	489,660	2,472,416	2,962,076
Unrestricted	<u>(125,560)</u>	<u>2,243,813</u>	<u>2,118,253</u>
Total net position	<u>\$ 4,889,957</u>	<u>\$ 17,993,093</u>	<u>\$ 22,883,050</u>

**TABLE 2****NET POSITION**  
**June 30, 2022**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 9,451,191	\$ 6,823,194	\$ 16,274,385
Capital assets, net	<u>4,937,408</u>	<u>50,605,159</u>	<u>55,542,567</u>
Total assets	<u>\$ 14,388,599</u>	<u>\$ 57,428,353</u>	<u>\$ 71,816,952</u>
Deferred outflow of resources	<u>\$ 2,510,673</u>	<u>\$ 723,761</u>	<u>\$ 3,234,434</u>
Long-term debt outstanding	\$ 405,020	\$ 36,587,064	\$ 36,992,084
Net pension obligation	6,975,112	1,868,139	8,843,251
Post employment benefits payable	2,099,868	560,810	2,660,678
Other liabilities	421,527	620,023	1,041,550
Unearned revenue	<u>1,943,905</u>		<u>1,943,905</u>
Total liabilities	<u>\$ 11,845,432</u>	<u>\$ 39,636,036</u>	<u>\$ 51,481,468</u>
Deferred inflows of resources	<u>\$ 2,494,545</u>	<u>\$ 651,611</u>	<u>\$ 3,146,156</u>
Net investment in capital assets	\$ 4,532,388	\$ 14,018,095	\$ 18,550,483
Restricted	491,103	2,250,508	2,741,611
Unrestricted	<u>(2,464,196)</u>	<u>1,595,864</u>	<u>(868,332)</u>
Total net position	<u>\$ 2,559,295</u>	<u>\$ 17,864,467</u>	<u>\$ 20,423,762</u>

**TABLE 3**  
**CHANGE IN NET POSITION**  
**June 30, 2023**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 155,314	\$ 7,850,120	\$ 8,005,434
Operating grants and contributions	583,714		583,714
General revenues:			
Taxes	3,029,685		3,029,685
Licenses, permits and fees	4,834,909		4,834,909
Other	132,761	14,304	147,065
Transfer	(52,894)	53,200	306
	<u>8,683,489</u>	<u>7,917,624</u>	<u>16,601,113</u>
<b>Program Expenses</b>			
General government	470,462		470,462
Police department	1,859,046		1,859,046
Fire department	1,443,522		1,443,522
Street department	817,150		817,150
Cemeteries	337,214		337,214
Culture and recreation	311,184		311,184
Non-departmentalized	1,114,249		1,114,249
Water		4,902,178	4,902,178
Sewer		2,886,820	2,886,820
	<u>6,352,827</u>	<u>7,788,998</u>	<u>14,141,825</u>
Change in net position	2,330,662	128,626	2,459,288
Net position	<u>2,559,295</u>	<u>17,864,467</u>	<u>20,423,762</u>
Net position, end of year	<u>\$ 4,889,957</u>	<u>\$ 17,993,093</u>	<u>\$ 22,883,050</u>

**TABLE 4**  
**CHANGE IN NET POSITION**  
**June 30, 2022**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 130,703	\$ 7,067,022	\$ 7,197,725
Operating grants and contributions	755,832	153,190	909,022
General revenues:			
Taxes	3,234,778		3,234,778
Licenses, permits and fees	3,628,803		3,628,803
Other	254,442	32,783	287,225
Transfer	118,670	(118,400)	270
	<u>8,123,228</u>	<u>7,134,595</u>	<u>15,257,823</u>
<b>Program Expenses</b>			
General government	527,969		527,969
Police department	1,925,438		1,925,438
Fire department	1,565,503		1,565,503
Street department	805,230		805,230
Cemeteries	349,683		349,683
Culture and recreation	311,772		311,772
Communications	169,918		169,918
Non-departmentalized	1,293,770		1,293,770
Water		5,042,986	5,042,986
Sewer		3,112,587	3,112,587
	<u>6,949,283</u>	<u>8,155,573</u>	<u>15,104,856</u>
Change in net position	1,173,945	(1,020,978)	152,967
Net position, beginning of year	<u>1,385,350</u>	<u>18,885,445</u>	<u>20,270,795</u>
Net position end of year	<u>\$ 2,559,295</u>	<u>\$ 17,864,467</u>	<u>\$ 20,423,762</u>

**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current assets:			
Cash	\$ 8,781,891	\$ 3,694,622	\$ 12,476,513
Certificates of deposit		392,258	392,258
Receivables:			
Taxes and licenses	1,275,954		1,275,954
Intergovernmental	6,145		6,145
User fees (net)		693,247	693,247
Other	76,450		76,450
Prepaid expenses	279,095	269,572	548,667
Total unrestricted current assets	<u>10,419,535</u>	<u>5,049,699</u>	<u>15,469,234</u>
Restricted cash and certificates of deposit	<u>489,660</u>	<u>2,472,416</u>	<u>2,962,076</u>
Non-current assets:			
Capital assets, net	4,739,158	48,288,844	53,028,002
Bond issuance costs		173,192	173,192
Total non-current assets	<u>4,739,158</u>	<u>48,462,036</u>	<u>53,201,194</u>
Total assets	<u>\$ 15,648,353</u>	<u>\$ 55,984,151</u>	<u>\$ 71,632,504</u>
Deferred outflows of resources	<u>\$ 2,724,934</u>	<u>\$ 775,128</u>	<u>\$ 3,500,062</u>

Continued

**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF NET POSITION**  
June 30, 2023

<b>LIABILITIES</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current liabilities:			
Accounts payable	\$ 36,337	\$ 95,700	\$ 132,037
Payroll liabilities	79,152	102,014	181,166
Customer deposits		348,118	348,118
Unearned revenue	1,752,520		1,752,520
Leases payable	124,441	14,940	139,381
Total liabilities payable from unrestricted assets	<u>1,992,450</u>	<u>560,772</u>	<u>2,553,222</u>
Payable from restricted assets:			
Accrued interest payable		89,022	89,022
Loans payable		1,260,389	1,260,389
Bonds payable		322,500	322,500
Total liabilities payable from restricted assets		<u>1,671,911</u>	<u>1,671,911</u>
Total current liabilities	<u>1,992,450</u>	<u>2,232,683</u>	<u>4,225,133</u>
Non-current liabilities:			
Bonds, leases, and loans payable	88,860	33,414,151	33,503,011
Net pension obligation	6,824,780	1,856,771	8,681,551
Post employment benefits payable	1,873,342	506,807	2,380,149
Total non-current liabilities	<u>8,786,982</u>	<u>35,777,729</u>	<u>44,564,711</u>
Total liabilities	<u>\$ 10,779,432</u>	<u>\$ 38,010,412</u>	<u>\$ 48,789,844</u>
Deferred inflows of resources	<u>\$ 2,703,898</u>	<u>\$ 755,774</u>	<u>\$ 3,459,672</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 4,525,857	\$ 13,276,864	\$ 17,802,721
Restricted	489,660	2,472,416	2,962,076
Unrestricted	<u>(125,560)</u>	<u>2,243,813</u>	<u>2,118,253</u>
Total net position	<u>\$ 4,889,957</u>	<u>\$ 17,993,093</u>	<u>\$ 22,883,050</u>

**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
General government	\$ 470,462	\$	\$ 199,095	\$ (271,367)
Police department	1,859,046	5,618	117,401	(1,736,027)
Fire department	1,443,522		83,580	(1,359,942)
Street department	817,150		183,638	(633,512)
Cemeteries	337,214	127,900		(209,314)
Culture and recreation	311,184	21,796		(289,388)
Non-departmentalized	1,114,249			(1,114,249)
Total Governmental Activities	<u>6,352,827</u>	<u>155,314</u>	<u>583,714</u>	<u>(5,613,799)</u>
<b>Business-Type Activities:</b>				
Water	4,902,178	4,511,051		(391,127)
Sewer	2,886,820	3,339,069		452,249
Total Business-Type Activities	<u>7,788,998</u>	<u>7,850,120</u>		<u>61,122</u>
Total	<u>\$ 14,141,825</u>	<u>\$ 8,005,434</u>	<u>\$ 583,714</u>	<u>\$ (5,552,677)</u>

(Continued)



**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Changes in Net Position:</b>			
Net (expense)/revenue	\$ (5,613,799)	\$ 61,122	\$ (5,552,677)
General revenues:			
Taxes:			
Real property	365,262		365,262
Motor vehicle	153,840		153,840
Tangible personal property	42,335		42,335
Public service company	18,430		18,430
Insurance premium	1,652,611		1,652,611
Restaurant tax	409,072		409,072
Bank deposits	67,721		67,721
Payments in lieu of taxes	12,881		12,881
Alcohol fees	307,533		307,533
Licenses, permits, and fees:			
Payroll license fees	3,606,640		3,606,640
Net profits license fees	450,366		450,366
Business license fees	85,150		85,150
Street license fees	1,725		1,725
Franchise fees - cable television	54,649		54,649
Franchise fees - electric	534,419		534,419
Franchise fees - natural gas	101,960		101,960
Other:			
Penalties and interest	32,954		32,954
Interest earned	10,830	14,304	25,134
Insurance claim receipts	11,203		11,203
Donation	43,099		43,099
Miscellaneous	34,675		34,675
Transfer (to) from other funds	(52,894)	53,200	306
Total general revenues and transfers	<u>7,944,461</u>	<u>67,504</u>	<u>8,011,965</u>
Change in net position	2,330,662	128,626	2,459,288
Net position, beginning of year	<u>2,559,295</u>	<u>17,864,467</u>	<u>20,423,762</u>
Net position, end of year	<u>\$ 4,889,957</u>	<u>\$ 17,993,093</u>	<u>\$ 22,883,050</u>

**CITY OF HARRODSBURG, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2023**

	General Fund	Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 8,829,707	\$ 441,844	\$ 9,271,551
Receivables:			
Taxes and licenses	1,275,954		1,275,954
Intergovernmental	6,145		6,145
Other	1,448		1,448
Total assets	\$ 10,113,254	\$ 441,844	\$ 10,555,098
<b>LIABILITIES</b>			
Accounts payable	\$ 36,337	\$	\$ 36,337
Payroll liabilities	79,152		79,152
Unearned revenue	1,752,520		1,752,520
Total liabilities	1,868,009		1,868,009
<b>FUND BALANCE</b>			
Fund balance:			
Restricted for:			
Roads		94,220	94,220
Tourism		57,991	57,991
Police	47,816	289,633	337,449
Unassigned	9,023,358		9,023,358
Total fund balance	9,071,174	441,844	9,513,018
Total liabilities and fund balance	\$ 10,939,183	\$ 441,844	\$ 11,381,027

**CITY OF HARRODSBURG, KENTUCKY**  
**RECONCILIATION OF THE BALANCE SHEET FUND BALANCE**  
**TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**June 30, 2023**

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Governmental fund balance, current year	\$ 8,687,089
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	279,095
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 \$7,135,780	4,739,158
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(213,301)
Certain items related to the City's net pension liability do not affect available financial resources and therefore are not reported in the funds	(6,590,820)
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	<u>(2,086,264)</u>
Net position of governmental activities	<u><u>\$ 4,889,957</u></u>

**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2023**

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ 2,313,080	\$ 409,072	\$ 2,722,152
Licenses, permits, and fees	4,862,942		4,862,942
Intergovernmental revenue	380,969	174,223	555,192
Alcohol license fee		279,500	279,500
Service charges	155,314		155,314
Other	122,504	38,779	161,283
Total revenues	<u>7,834,809</u>	<u>901,574</u>	<u>8,736,383</u>
<b>Expenditures:</b>			
General government	505,509		505,509
Police department	1,951,699	142,678	2,094,377
Fire department	1,508,217		1,508,217
Street department	629,992	165,917	795,909
Cemeteries	326,083		326,083
Culture and recreation	226,281		226,281
Non-departmentalized	825,929	441,287	1,267,216
Total expenditures	<u>5,973,710</u>	<u>749,882</u>	<u>6,723,592</u>
Excess (deficiency) of revenues over expenditures before other financing sources	<u>1,861,099</u>	<u>151,692</u>	<u>2,012,791</u>
<b>Other financing sources (uses):</b>			
Transfers (to) from other funds	<u>119,036</u>	<u>(171,931)</u>	<u>(52,895)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	1,980,135	(20,239)	1,959,896
Fund balance, beginning of year	<u>6,265,110</u>	<u>462,083</u>	<u>6,727,193</u>
Fund balance, end of year	<u>\$ 8,245,245</u>	<u>\$ 441,844</u>	<u>\$ 8,687,089</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, 2023**

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Net change in fund balances - total governmental funds	\$ 2,785,825
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense and amortization of assets under lease to allocate those expenditures over the life of the assets:	
Capital asset purchases	237,613
Depreciation expense	(435,863)
Governmental funds report prepayments of expenditures as an expense while governmental activities report prepaid expenses as an asset	(4,471)
Governmental funds report debt proceeds as revenues and debt service payments as expenditures:	
Lease and note obligation principal payments	191,719
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.	195,136
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.	<u>186,632</u>
Change in net position of governmental activities	<u><u>\$ 3,156,591</u></u>

**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**June 30, 2023**

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	<b>Municipal Waterworks &amp; Sewer System</b>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 3,694,622
Certificates of deposit	392,258
Accounts receivable, customers (net)	693,247
Prepaid expenses	<u>269,572</u>
Total unrestricted current assets	<u>5,049,699</u>
Restricted cash and certificates of deposit	<u>2,472,416</u>
Non-current assets:	
Capital assets, net	48,288,844
Bond issuance costs	<u>173,192</u>
Total non-current assets	<u>48,462,036</u>
Total assets	<u>\$ 55,984,151</u>
Deferred outflow of resources	<u>\$ 775,128</u>

**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**June 30, 2023**

---

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 95,700
Accrued liabilities	102,014
Customer deposits	348,118
Leases payable	14,940
Total liabilities payable from unrestricted assets	560,772
Payable from restricted assets:	
Accrued interest payable	89,022
Loans payable	1,260,389
Bonds payable	322,500
Total liabilities payable from restricted assets	1,671,911
Total current liabilities	2,232,683
Non-current liabilities:	
Bonds, leases, and loans payable	33,414,151
Net pension obligation	1,856,771
Post employment benefits payable	506,807
Total long term liabilities	35,777,729
Total liabilities	\$ 38,010,412
Deferred inflow of resources	\$ 755,774

**NET POSITION**

Net investment in capital assets	\$ 13,276,864
Restricted	2,472,416
Unrestricted	2,243,813
Total net position	\$ 17,993,093

**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2023**

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	<b>Municipal Waterworks &amp; Sewer System</b>
<b>Operating revenues:</b>	
Water sales	\$ 3,111,004
Water taps	22,800
Water surcharge	66,593
Sewer charges	2,992,382
Sewer taps	36,400
Sewer surcharge	71,285
Wastewater surcharge	9,472
Pre-treatment charges	145,241
Penalties	135,969
Other revenue	13,737
	6,604,883
<b>Operating expenses:</b>	
Water operations	2,075,833
Sewer operations	1,266,143
	3,341,976
Total operating expenses	3,341,976
Operating income before depreciation, amortization, and bad debts	3,262,907
Depreciation expense	2,423,587
Amortization expense	8,208
Bad debts	62,000
	2,493,795
Total depreciation, amortization, and bad debts	2,493,795
Operating income (loss)	769,112

Continued



**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2023**

<b>Non-operating revenues (expenses):</b>	
Interest income	14,304
Garbage service	766,386
Sales tax	154,997
Utility tax	62,900
KY River withdrawal fee	242,085
Other income	18,869
Interest expense	(747,561)
Garbage service	(715,435)
Sales tax paid	(151,944)
Utility tax paid	(63,596)
KY River withdrawal fee	<u>(274,691)</u>
Non-operating revenues (expenses), net	<u>(693,686)</u>
Income (loss) before other revenues, expenses, gains and losses and transfers	<u>75,426</u>
Transfer (to) from other funds	53,200
Increase (decrease) in net position	128,626
Net position, beginning of year	<u>17,864,467</u>
Net position, end of year	<u><u>\$ 17,993,093</u></u>

**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2023**

	<u><b>Municipal Waterworks &amp; Sewer System</b></u>
<b>Cash Flows from Operating Activities:</b>	
Receipts from customers	\$ 6,468,012
Payments to suppliers	(2,029,910)
Payments to employees	(1,319,949)
	<u>3,118,153</u>
Net cash provided by (used in) operating activities	<u>3,118,153</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Security deposit receipts	92,790
Security deposit refunds	(69,682)
Transfer from other funds	53,200
Non-operating receipts	1,245,237
Non-operating disbursements	(1,205,666)
	<u>115,879</u>
Net cash provided by (used in) non-capital financing activities	<u>115,879</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Capital asset purchases	(107,272)
Principal paid on bonds, leases, and loans	(1,575,083)
Interest paid on bonds, leases, and loans	(751,352)
	<u>(2,433,707)</u>
Net cash provided by (used in) capital and related financing activities	<u>(2,433,707)</u>
<b>Cash Flows from Investing Activities:</b>	
Purchase of investments	(5,251)
Interest on investments	14,304
	<u>9,053</u>
Net cash provided by (used in) investing activities	<u>9,053</u>
Net increase (decrease) in cash	809,378
Cash, beginning of year	<u>4,769,837</u>
Cash, end of year	<u><u>\$ 5,579,215</u></u>
<b>Cash is Classified as:</b>	
Unrestricted	\$ 3,694,622
Restricted	<u>1,884,593</u>
	<u><u>\$ 5,579,215</u></u>

Continued

**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2023**

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	<u>Municipal Waterworks &amp; Sewer System</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>	
Operating income (loss)	<u>\$ 769,112</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,423,587
Amortization	8,208
Bad debts	62,000
Change in assets and liabilities:	
Accounts receivable	(136,871)
Prepaid expenses	(9,092)
Due from other funds	18,270
Accounts payable	10,876
Accrued liabilities	(15,362)
Net pension obligation	(59,433)
Net post employment benefits payable	<u>46,858</u>
Total adjustments	<u>2,349,041</u>
Net cash provided by (used in) operating activities	<u><u>\$ 3,118,153</u></u>

**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUND**  
**June 30, 2023**

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	<u>Cemetery Fund</u>
<b>ASSETS</b>	
Cash	\$ 334,901
Certificates of deposit	<u>223,031</u>
Total assets	<u>\$ 557,932</u>
 <b>NET POSITION</b>	
Net position	<u>\$ 557,932</u>

**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUND**  
**For the Year Ended June 30, 2023**

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	<b>Cemetery Fund</b>
<b>Revenues:</b>	
Perpetual care	\$ 55,650
Other revenue	50
Interest	1,299
	56,999
<b>Expenditures:</b>	
Capital outlay	8,798
	8,798
Excess (deficiency) of revenues over expenditures	48,201
<b>Other financing sources (uses):</b>	
Transfers (to) from other funds	305
	305
Excess (deficiency) of revenues over expenditures and transfers	48,506
Net position, beginning of year	509,426
Net position, end of year	\$ 557,932

**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, 2023**

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**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, 2023**

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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:

<b>Fund</b>	<b>Fund Type</b>	<b>Major/ Non-Major</b>
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, 2023**

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**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, 2023**

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**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 February 27, 2024 (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 uncollectable accounts receivable, which total \$722,000, 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**  
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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.....	5 - 15 years
Buildings.....	20 - 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 are 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 right of use assets under leases net, of accumulated amortization, 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, 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% through December 31, 2022 and 1.5% thereafter, on gross payroll of 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% through December 31, 2022 and 1.5% thereafter, 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 was recorded in the Tourism Development Fund through December 31, 2022 and these funds were then transferred to the Harrodsburg/Mercer County Tourist Commission. After December 31, 2022, the restaurant tax was collected by 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, 2023**

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**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 \$0.069 per \$100 of assessed value for the year ended June 30, 2023. 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, 2023, all of the City's deposits in financial institutions were insured or collateralized. Funds collateralized with securities held by the pledging financial institution totaled \$15,649,640.
- B. **Property Tax Calendar.** Property taxes for fiscal year 2023 were levied on October 1, 2022 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

**CITY OF HARRODSBURG, KENTUCKY**  
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**For the Year Ended June 30, 2023**

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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, 2023:

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, 2023.
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, 2023.
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, 2023.
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, 2023.
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, 2023.
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, 2023.
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, 2023.
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, 2023.
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, 2023.
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, 2023.

**CITY OF HARRODSBURG, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2023**

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2. **Kentucky Bond Corporation.** Under terms of the note 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, 2023.
  - 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, 2023.
  - 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, 2023.
  
3. **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, 2023.
  - 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, 2023.
  
- 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, 2023 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.



**CITY OF HARRODSBURG, KENTUCKY**  
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**For the Year Ended June 30, 2023**

As of June 30, 2023, the City's funds on deposit in financial institutions were properly insured or collateralized. Funds collateralized with securities held by pledging financial institutions totaled \$15,649,640.

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.

The City's investments at June 30, 2023 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	\$ 31,094	\$ 31,094	0.05 %	N/A
Community Trust Bank				
Certificate of Deposit	556,729	556,729	0.20 %	1/24/24
First Citizens Bank & Trust Co.				
Certificate of Deposit	12,230	12,230	3.70 %	4/18/2024
Certificate of Deposit	158,513	158,513	3.70 %	4/18/2024
Zions Bancorporation, N.A.				
Certificate of Deposit	187,866	187,866	3.70 %	4/18/2024
Volunteer State Bank				
Certificate of Deposit	26,771	26,771	3.70 %	4/18/2024
Certificate of Deposit	6,878	6,878	3.70 %	4/18/2024
	<u>\$ 980,081</u>	<u>\$ 980,081</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, 2023 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	\$ 47,816	\$	\$ 47,816
Municipal aid fund	94,220		94,220
Tourism development fund	57,991		57,991
Alcohol beverage control fund	289,633		289,633
	<u>\$ 489,660</u>	<u>\$</u>	<u>\$ 489,660</u>

**CITY OF HARRODSBURG, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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	Type of Restricted Assets		
	Cash	Certificates of Deposit	Total
<i><b>Business-Type Activities:</b></i>			
Bond sinking fund	\$ 233,526	\$ 31,094	\$ 264,620
Note sinking fund	196,223		196,223
Lease sinking fund	116,320		116,320
Water and sewer surcharge	495,439		495,439
Bond debt reserve fund	605,098		605,098
Note debt reserve fund	32,403		32,403
Repairs and maintenance fund	205,584	556,729	762,313
	\$ 1,884,593	\$ 587,823	\$ 2,472,416

- C. **Receivables.** Receivables included as current assets on the Statement of Net Position, as of June 30, 2023, consists of the following:

	Governmental Activities	Business-Type Activities	Total
<i><b>Taxes and Licenses:</b></i>			
Payroll license	\$ 734,614	\$	\$ 734,614
Insurance license	468,463		468,463
Auto taxes	14,567		14,567
Payment in lieu of taxes	12,881		12,881
Net profits license fee	14,330		14,330
Bank deposits	31,099		31,099
	1,275,954		1,275,954
<i><b>Intergovernmental:</b></i>			
Police grants	6,145		6,145
<i><b>Other:</b></i>			
Wilderness Trace YMCA	75,000		75,000
Returned checks	1,450		1,450
	76,450		76,450
<i><b>User Fees:</b></i>			
User fees		1,415,247	1,415,247
Less allowance for doubtful accounts		722,000	722,000
		693,247	693,247
Total receivables	\$ 1,358,549	\$ 693,247	\$ 2,051,796

**CITY OF HARRODSBURG, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2023**

D. **Capital Assets.** The activity related to capital assets for the fiscal year ended June 30, 2023 was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2023</b>
<b>Governmental Activities:</b>				
Land	\$ 695,429	\$	\$	\$ 695,429
Land improvements	1,785,318			1,785,318
Vehicles and equipment	4,716,694	231,044		4,947,738
Buildings	3,291,071	6,569		3,297,640
Infrastructure	1,148,813			1,148,813
Total cost	<u>11,637,325</u>	<u>237,613</u>		<u>11,874,938</u>
Accumulated depreciation:				
Land improvements	1,295,490	50,789		1,346,279
Vehicles and equipment	3,495,670	273,466		3,769,136
Buildings	1,563,059	87,592		1,650,651
Infrastructure	345,698	24,016		369,714
Total accumulated depreciation	<u>6,699,917</u>	<u>435,863</u>		<u>7,135,780</u>
Total capital assets, net	<u>\$ 4,937,408</u>	<u>\$ (198,250)</u>	<u>\$</u>	<u>\$ 4,739,158</u>

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2023</b>
<b>Business-Type Activities:</b>				
Land	\$ 662,164	\$	\$	\$ 662,164
Vehicles and equipment	3,819,152	54,072		3,873,224
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	62,754,647			62,754,647
Construction in process	116,960	53,200		170,160
Total cost	<u>94,758,441</u>	<u>107,272</u>		<u>94,865,713</u>
Accumulated depreciation:				
Vehicles and equipment	1,941,785	171,483		2,113,268
Buildings	67,271	4,324		71,595
Water utility system	9,326,031	548,161		9,874,192
Sewer utility system	9,127,285	261,483		9,388,768
Water and sewer treatment plant	23,690,910	1,438,136		25,129,046
Total accumulated depreciation	<u>44,153,282</u>	<u>2,423,587</u>		<u>46,576,869</u>
Total capital assets, net	<u>\$ 50,605,159</u>	<u>\$ (2,316,315)</u>	<u>\$</u>	<u>\$ 48,288,844</u>

**CITY OF HARRODSBURG, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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Depreciation expense was charged to governmental activities as follows:

General government	\$ 8,483
Police department	153,510
Fire department	71,793
Street department	79,153
Cemeteries	28,382
Culture and recreation	<u>94,542</u>
Total depreciation expense	<u><u>\$ 435,863</u></u>

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

1. 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 lease agreement requires annual payments of \$41,131 including interest at 3.73% per annum. The lease was paid in full as of June 30, 2023.
2. 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 lease agreement requires annual payments of \$15,480, including interest at 5% per annum. The lease was paid in full as of June 30, 2023.
3. 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 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 \$11,107 as of June 30, 2023.
4. 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 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 \$55,742 as of June 30, 2023.
5. 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 lease agreement requires annual payments of \$12,119, including interest at 6.7% per annum. The lease was paid in full as of June 30, 2023.
6. 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 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 \$12,126 as of June 30, 2023.
7. 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 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 \$10,992 as of June 30, 2023.
8. In 2022, the City obtained \$162,612 financing for the purchase of four police cruisers which cost \$162,612. The 5-year lease agreements requires annual payments of \$30,613 including interest at 3.00% per annum. The leases are payable through 2025 and have a balance of \$106,388 as of June 30, 2023.
9. In 2022, the City obtained \$32,918 financing for the purchase of police equipment for the

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police department which cost \$32,918. The 5-year lease agreements requires annual payments of \$8,104, including interest at 3.00% per annum. The leases are payable through 2025 and have a balance of \$16,946 as of June 30, 2023.

10. 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 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 \$8,193 as of June 30, 2023.
11. 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 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 \$10,166 as of June 30, 2023.

The following is a schedule of property and equipment and outstanding liabilities relating to lease agreements at June 30, 2023:

**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 equipment	\$ 57,725	\$ 32,986	\$ 24,739	\$ 12,127	\$	\$ 12,127
Fire trucks	45,852	29,476	16,376	10,704	403	11,107
Police vehicles	446,984	206,041	240,943	87,849	74,281	162,130
Police equipment	71,992	22,213	49,779	13,761	14,176	27,937
	<u>\$ 622,553</u>	<u>\$ 290,716</u>	<u>\$ 331,837</u>	<u>\$ 124,441</u>	<u>\$ 88,860</u>	<u>\$ 213,301</u>

**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	\$ 33,233	\$ 18,463	\$ 8,193	\$	\$ 8,193
Chevy truck	32,841	14,076	18,765	6,747	3,419	10,166
	<u>\$ 84,537</u>	<u>\$ 47,309</u>	<u>\$ 37,228</u>	<u>\$ 14,940</u>	<u>\$ 3,419</u>	<u>\$ 18,359</u>

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F. **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, 2023, the governmental bonds, leases and loans payable consisted of the following:

***Leases payable:***

60-month lease for the purchase police cruisers. Interest has been imputed to be 3.00%.	\$ 106,388
60-month lease for the purchase of police cruiser. Interest has been imputed to be 3.00%.	16,946
60-month lease for the purchase of police cruisers. The lease bears interest at 5.909%.	55,742
60-month lease for the purchase of a vehicle for the fire department. The lease bears interest at 8.248%.	11,107
60-month lease for the purchase of body camera's. The lease bears interest at 3.00%.	10,992
60-month lease for the purchase of a leaf vacuum. The lease bears interest at 4.76%.	<u>12,126</u>
	<u><u>\$ 213,301</u></u>

***Included as liability on Statement of Net Position:***

Current liability	\$ 124,441
Non-current liability	<u>88,860</u>
	<u><u>\$ 213,301</u></u>

**Business-Type Activities.** As of June 30, 2023, the proprietary fund bonds, leases, and loans payable consisted of the following:

***Leases payable:***

5-year lease for the purchase of a Chevy Silverado truck. The lease bears interest at 1.811%.	\$ 10,166
5-year lease for the purchase of a dump truck. The lease bears interest at 7.469%.	<u>8,193</u>
	<u><u>\$ 18,359</u></u>

***Loans payable:***

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.	\$ 384,861
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.	185,123
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.	207,087

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<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>	1,617,238
<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>	8,117,947
<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>	225,812
<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>	981,607
<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>	455,101
<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>	1,056,945
<p>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.</p>	931,337
<p>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.</p>	1,629,063
<p>24-year lease for the refinance of three bond issues. The lease bears interest between 2.25% and 3.00%.</p>	2,755,000
	<b>\$ 18,547,121</b>

***Bonds payable:***

<p>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.</p>	\$ 6,617,000
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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. 1,551,500

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. 8,278,000

\$ 16,446,500

Included as liability on Statement of Net Position:

	<b>Leases Payable</b>	<b>Loans Payable</b>	<b>Bonds Payable</b>	<b>Total</b>
Current liability	\$ 14,940	\$	\$	\$ 14,940
Current liability payable from restricted resources		1,260,389	322,500	1,582,889
Non-current liability	<u>3,419</u>	<u>17,286,732</u>	<u>16,124,000</u>	<u>33,414,151</u>
	<u>\$ 18,359</u>	<u>\$ 18,547,121</u>	<u>\$ 16,446,500</u>	<u>\$ 35,011,980</u>

G. **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, 2023:

<b>Type of Debt</b>	<b>Balance July 1, 2022</b>	<b>Proceeds</b>	<b>Payments</b>	<b>Balance June 30, 2023</b>	<b>Amounts Due Within One Year</b>
<i>Governmental Activities:</i>					
Capital leases payable	\$ 405,020	\$	\$ 191,719	\$ 213,301	\$ 124,441
<i>Business-Type Activities:</i>					
Bonds payable	\$ 16,758,499	\$	\$ 311,999	\$ 16,446,500	\$ 322,500
Leases payable	36,260		17,901	18,359	14,940
Loans payable	19,792,304		1,245,183	18,547,121	1,260,389
Total business-type activities	<u>\$ 36,587,063</u>	<u>\$</u>	<u>\$ 1,575,083</u>	<u>\$ 35,011,980</u>	<u>\$ 1,597,829</u>

H. **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, 2023 are as follows:

	<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<i>Governmental Activities:</i>				
	2024	\$ 124,441	\$ 7,918	\$ 132,359
	2025	48,252	3,246	51,498
	2026	35,315	1,173	36,488
	2027	5,293	31	5,324
	2027			
		<u>\$ 213,301</u>	<u>\$ 12,368</u>	<u>\$ 225,669</u>



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	Year Ending June 30	Principal	Interest	Total
<i>Proprietary Activities:</i>				
2024	\$ 1,597,829	\$ 718,910	\$ 2,316,739	
2025	1,616,320	689,366	2,305,686	
2026	1,638,229	659,430	2,297,659	
2027	1,669,882	628,888	2,298,770	
2028	1,444,959	599,579	2,044,538	
2029 - 2033	7,576,132	2,629,785	10,205,917	
2034 - 2038	7,409,123	1,969,467	9,378,590	
2039 - 2043	4,264,506	1,360,749	5,625,255	
2044 - 2048	3,088,000	870,846	3,958,846	
2049 - 2053	3,222,500	414,517	3,637,017	
2054 - 2058	1,484,500	85,110	1,569,610	
	<u>\$ 35,011,980</u>	<u>\$ 10,626,647</u>	<u>\$ 45,638,627</u>	

I. **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, 2023 for Industrial Revenue Bonds is not available.

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

*Governmental Activities:*

Police department	\$ 14,587
Fire department	1,362
Street department	1,915
	<u>17,864</u>

*Proprietary Activities:*

Water	373,781
Sewer	373,780
	<u>747,561</u>
Total interest expense	<u>\$ 765,425</u>

K. **Net Position.** Net position at June 30, 2023 is identified as follows:

*Governmental Funds:*

*Restricted for:*

Police department	\$ 337,449
Roads	94,220
Tourism	57,991
Total net position, restricted	<u>\$ 489,660</u>

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**Proprietary Funds:**

Bond sinking fund	\$ 264,620
Note sinking fund	196,223
Lease sinking fund	116,320
Bond debt reserve fund	605,098
Lease debt reserve fund	32,403
Water and sewer surcharge	495,439
Repairs and maintenance fund	<u>762,313</u>
Total net position, restricted	<u>\$ 2,472,416</u>

L. **Transfers.** The following operating transfers were made during fiscal year 2023:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Major Funds:</b>		
General Fund	\$ 119,036	\$
Municipal Waterworks and Sewer System	53,200	
<b>Non-major Funds:</b>		
Alcohol Beverage Control fund		171,931
<b>Fiduciary Fund:</b>		
Cemetery Fund		<u>305</u>
	<u>\$ 172,236</u>	<u>\$ 172,236</u>

The transfer of \$306 to the General Fund from the Cemetery Fund represents interest earnings on cemetery certificates of deposit, which was used for the maintenance of the cemetery.

The transfer of \$171,931 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 \$53,200 from the Municipal Waterworks and Sewer System to the General Fund was to move engineering costs paid from grant funds.

**IV. PENSION PLAN**

The City is a participating employer of the County Employees Retirement Systems (CERS). Under the provisions of Kentucky Revised Statute Section 78.782, the Board of Trustee of CERS 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 Public Pensions Authority (KPPA) website. The following information was extracted from the KPPA financial statements for the year ended June 30, 2022.

**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.

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Per Kentucky Revised Statute Section 78.454(33), normal contribution and past service contribution rates shall be determined by the CERS Board of Trustees on the basis of the last annual valuation as of and prior to July 1 of the succeeding fiscal year for local governments in Kentucky.

For the year ended June 30, 2023, participating employers contributed 23.40% of each employee's creditable compensation for non-hazardous job classifications and 42.81% for hazardous job classifications, which is equal to the actuarially determined rate adopted by the CERS Board of Trustees. Administrative costs of KPPA are financed through employer contributions and investment earnings.

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.

Plan members who began participating on or 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% health insurance contribution (HIC) for medical insurance 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. Plan members contribute 5% for non-hazardous job classifications and 8% for hazardous job classifications of their monthly creditable compensation which is deposited into their account, and an additional 1% which is deposited to an account created for payment of health insurance benefits, not refundable. 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. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the members contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates employment and applies to take a refund, the member is entitled to receive employee contributions (less HIC) plus interest (on employee contributions only).

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Interest is paid into the Tier 3 member's account. The account currently earns 4% interest credit on the member's accumulated account balance as of June 30th of the previous year. The member's account may be credited with additional interest if the funds five-year geometric average net investment return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if KPPA'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 KPPA 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 fund basis.

The City contributed \$831,547 for the year ended June 30, 2023, or 100% of the required contribution. The contribution was allocated \$689,323 to the non-hazardous fund and \$142,224 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	27 years service and 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 with sum of service years Rule of 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2014
	Unreduced retirement	At least 5 years service and 65 years old or age 57 with sum of service years 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

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**Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources.** At June 30, 2023, the City reported a liability of \$6,824,780 in the governmental activities fund and \$1,856,771 in the business-type activities fund for its proportionate share of the net pension obligation. The net pension obligation was measured as of June 30, 2022, and the total pension obligation 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, 2022, the City's proportion was .096045% for non-hazardous job classifications and .056971% for hazardous job classifications. For 2021, the City's proportion was .0112180% for non-hazardous job classification and .063516% for hazardous job classifications.

For the year ended June 30, 2023, the City recognized pension expense of \$604,696 in the governmental activities fund and \$141,121 in the business-type activities fund. At June 30, 2023, the City of Harrodsburg had paid all amounts owed for the year ending June 30, 2023.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 55,281	\$ 45,296	\$ 1,986	\$ 16,535
Changes of assumptions				
Net difference between projected and actual earnings on Plan investments	886,020	715,472	252,651	205,050
Changes in proportion and differences between City contributions and proportionate share of contributions	146,255	740,034	53,390	199,217
City contributions subsequent to the measurement date	647,204		184,343	
Total	\$ 1,734,760	\$ 1,500,802	\$ 492,370	\$ 420,802

The \$647,204 and \$184,343 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

	Governmental Activities	Business-Type Activities	Total
Year ending June 30,			
2024	\$ (214,002)	\$ (59,511)	\$ (273,513)
2025	(286,794)	(90,409)	(377,203)
2026	(88,412)	(15,603)	(104,015)
2027	175,962	52,748	228,710
Total	\$ (413,246)	\$ (112,775)	\$ (526,021)

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**Actuarial Assumptions.** The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2022</u>	<u>2021</u>
Valuation date	June 30, 2022	June 30, 2021
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	Level percentage of payroll
Remaining amortization period	29 years	30 years
Asset valuation method	Investment return assumption	Investment return assumption
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
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Assumed investment rate of return	6.25 %	6.25 %

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**Rates of Return.** The long-term (10 year) 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>
<b>Equity:</b>		
Public equity	50.00 %	4.45 %
Private equity	10.00 %	10.15 %
<b>Fixed Income:</b>		
Core fixed income	10.00 %	0.28 %
Specialty credit	10.00 %	2.28 %
Cash	0.00 %	(0.91)%
<b>Inflation protected:</b>		
Real Estate	7.00 %	3.67 %
Real Return	13.00 %	4.07 %
Total	100.00 %	4.07 %

**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. Future contributions are projected assuming that the entire actuarially determined employer contribution is received in each future year calculated in accordance with the current funding policy. The assumed future employer contributions for the CERS plans reflect the provisions of House Bill 362 (passed in 2018 legislative session), which limit the increases to the employer contributions rates to 12% over the prior fiscal year through June 30, 2028.

**CITY OF HARRODSBURG, KENTUCKY**  
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**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 %	\$ 8,678,021	\$ 2,165,519
Current discount rate	6.25 %	6,943,105	1,738,446
1% increase	7.25 %	5,508,187	1,390,621

**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 CERS Board of Trustees. KPPA 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 plan's financial statements may be downloaded from the Kentucky Public Pension Authority website. The City of Harrodsburg has employees that participate in CERS hazardous and nonhazardous plans. The following information was extracted from the KPPA financial statements for the year ended June 30, 2022.

Under the provisions of Kentucky Revised Statute Section 61.701, the CERS Board of Trustees and KRS Board of Trustees administers the KPPA 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 KPPA: (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.

KPPA 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 KPPA Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. KPPA 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, 2022, insurance premiums withheld from benefit payments for KPPA'S members were \$24.0 million and \$3.7 million for CERS non-hazardous and hazardous plans respectively; \$20.1 million and \$1.4 million for KERS non-hazardous and hazardous, respectively; and, \$379,559 for SPRS. The contribution by the City of Harrodsburg, Kentucky totaled \$99,863 to the non-hazardous plan and \$22,525 to the hazardous plan for the year ended June 30, 2023.

The amount of benefit paid by the Insurance Fund is based on years of service. For members who began 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:



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<u>Years of Service</u>	<u>Portion Paid by KRS Insurance Fund</u>
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 (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. 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.

In 2013 the General Assembly created a new law to govern how cost of living adjustments (COLA) will be granted. Language included in senate bill 2 during the 2013 regular session states COLA's will only be granted in the future if the Systems' Boards determine that assets of the Systems are greater than 100% of the actuarial liabilities and legislation authorizes the use of surplus funds for the COLA; or the General Assembly fully prefunds the COLA or directs the payment of funds in the year the COLA is provided. KRS 78.5518 governs how COLA's may be granted for members of CERS. The granting of COLA's for the KERS and SPRS membership is covered under KRS 61.691. No COLA's have been granted since July 1, 2011.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. This increase is first payable January 1, 2023.

The amount of benefit paid by the Insurance Fund is based on years of service. For members participating on or after July 1, 2023, the dollar amounts of the benefit per years of service are as follows:

**CITY OF HARRODSBURG, KENTUCKY**  
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<u>Insurance Fund</u>	<u>Dollar Amount</u>
CERS Nonhazardous	\$13.99
CERS Hazardous	\$20.99
KERS Nonhazardous	\$13.99
KERS Hazardous	\$20.99
SPRS	\$20.99

Kentucky Revised Statute 78.790 and 61.650 grants the responsibility for the investment of plan assets to the Board of Trustees. The Board of Trustees are required to establish Investment Committees who are specifically charged with implementing the investment policies adopted by the Board of Trustees and to act on behalf of the Board of Trustees on all investment-related matters. The Boards of Trustees are authorized to adopt policies. The Boards of Trustees have adopted Investment Policy Statements (IPS) which define the framework for investing the assets of the Plans. The IPS is intended to provide general principles for establishing the investment goals of the Plans, the allocation of assets, employment of outside asset management, and monitoring the results of the respective Plans. A copy of each Board's IPS can be found on the KPPA website. By statute, the Boards, through adopted written policies, shall maintain ownership and control over its assets held in its unitized managed custodial account. Additionally, the Investment Committees establish specific investment guidelines that are summarized below and are included in the Investment Management Agreement for each investment management firm.

**Equity**

**Public 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 (ETF's), or any other type of securities contained in a manager's benchmark. Each individual equity account has a comprehensive set of investment guidelines, which contains a listing of permissible investments, portfolio restrictions, and standards of performance.

**Private Equity** investments are subject to the specific approval of the Investment Committees. Private equity investments may be made for the purpose of creating a diversified portfolio of alternative investments under the Equity umbrella. Private equity investments are expected to achieve attractive risk-adjusted returns and, by definition, possess a higher degree of risk with a higher return potential than traditional investments. Accordingly, total rates of return from private equity investments are expected to be greater than those that might be obtained from conventional public equity or debt investments.

**Fixed Income**

**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.

**Specialty Credit** accounts 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

**CITY OF HARRODSBURG, KENTUCKY**  
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**For the Year Ended June 30, 2023**

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EMD and corporate EMD; and asset class relevant ETSs. Each individual Specialty Credit account shall have a comprehensive set of investment guidelines which contains a listing of permissible investments, portfolio restrictions, risk parameters, and standards of performance for the account.

**Cash and Cash Equivalent Securities** may be made in publicly traded investment grade corporate bonds; variable rate demand notes; government and agency bonds; mortgages, municipal bonds; and collective short term investment funds (STIF's); 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 shall prevail. All instruments shall have a maturity at the time of purchase that does not exceed 397 days.

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.

**Inflation Protected**

**Real Estate and Real Return** investments are subject to the specific approval of the corresponding Investment Committee. Investments may be made to create a diversified portfolio of alternative investments. Investments are made in equity and debt real estate for the purpose of achieving the highest total rate of return possible consistent with a prudent level of risk. The purpose of the real return investments are to identify strategies that provide both favorable stand-alone risk-adjusted returns as well as the benefit of hedging inflation for the broader plans.

**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. External managers and KPPA investment staff are permitted to invest in derivative securities or strategies which make use of derivative instruments, for exposure, cost efficiency and risk management purposes if such investments do not cause the portfolio to be leveraged beyond a 100% invested position. Any derivative security shall be sufficiently liquid that it can be expected to be sold at, or near, its most recently quoted market price. Examples of such derivatives include, but are not limited to the following securities: foreign currency forward contracts; futures; options; and swaps.

**CITY OF HARRODSBURG, KENTUCKY**  
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**Rates of Return.** The long-term (10-year) 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Equity:</b>		
Public Equity	50.00 %	4.45 %
Private Equity	10.00 %	10.15 %
<b>Fixed Income:</b>		
Core Fixed Income	10.00 %	0.28 %
Specialty Credit	10.00 %	2.28 %
Cash		(0.91)%
<b>Inflation Protected:</b>		
Real Estate	7.00 %	3.67 %
Real Return	13.00 %	4.07 %
Total	<u>100.00 %</u>	

**Employer Contributions.** The employer rates allocable to the health insurance benefits was 3.39% in 2023 and 5.78% in 2022 for nonhazardous employees and 6.78% in 2023 and 10.47% in 2022 for hazardous employees. The contribution rates were created by statute and were 100% funded during 2023 and 2022. At June 30, 2023, the City of Harrodsburg had contributed all of the required 2023 funding. Local government participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per the Kentucky Revised Statute Section 78.635. The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statute Section 78.454(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. The Commonwealth is required to contribute at an actuarially determined rate for KERS and SPRS pensions. Per Kentucky Revised Statute Sections 61.565(3), and 16.645(18), normal contribution and past service contribution rates shall be determined by the Board on the basis of the last annual valuation preceding July 1 of a new biennium. The KPPS Board may amend contribution rates on 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 bases adopted by the KPPA Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget for KERS and SPRS. For the fiscal year ended June 30, 2023, participating employers contributed a percentage of each employee's creditable compensation. The actuarially determined rates set by the Boards for the fiscal year is a percentage of each employee's creditable compensation. Administrative costs of KPPA are financed through employer contributions and investment earnings.

**CITY OF HARRODSBURG, KENTUCKY**  
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The following table presents the schedule of funding progress (in thousands) for the KPPA Insurance Fund as a whole:

<b>Retirement System</b>	<b>Actuarial Value of Assets</b>	<b>AAL Entry Age Normal</b>	<b>Funded</b>	<b>Covered Payroll</b>	<b>Unfunded as Percent of Covered Payroll</b>
KERS Non-Hazardous	\$ 1,409,553	\$ 1,782,386	79.1 %	\$ 1,355,267	27.5 %
KERS Hazardous	597,701	347,044	172.2 %	165,637	(151.3)%
CERS Non-Hazardous	3,160,084	2,391,990	132.1 %	2,691,171	(28.5)%
CERS Hazardous	1,553,761	1,538,130	101.0 %	620,934	(2.5)%
SPRS	234,239	232,799	100.6 %	47,885	(3.0)%
<b>Total Insurance Funds</b>	<b>\$ 6,955,338</b>	<b>\$ 6,292,349</b>	<b>110.5 %</b>	<b>\$ 4,880,894</b>	<b>(13.6)%</b>

**Actuarial Methods and Assumptions.** The total OPEB liability as of June 30, 2023 was calculated using the following actuarial assumptions based on the June 30, 2022, actuarial valuation report:

	<b>KERS Non-Hazardous</b>	<b>KERS Hazardous</b>	<b>CERS Non-Hazardous</b>	<b>CERS Hazardous</b>	<b>SPRS</b>
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	3.55% to 16.30%, varies by service
Investment rate of return	6.25 %	6.25 %	6.25 %	6.25 %	6.25 %
Mortality - Post - retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
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 13 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 13 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.

**CITY OF HARRODSBURG, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2023**

	KERS Non-Hazardous	KERS Hazardous	CERS Non-Hazardous	CERS Hazardous	SPRS
Healthcare trend rates - post 65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

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

As of June 30, 2022	KERS Non-Hazardous	KERS Hazardous	CERS Non-Hazardous	CERS Hazardous	SPRS
Single discount rate	5.72 %	5.59 %	5.70 %	5.61 %	5.69 %
Long-term expected rate of return	6.25 %	6.25 %	6.25 %	6.25 %	6.25 %
Long-term municipal bond rate (1)	3.69 %	3.69 %	3.69 %	3.69 %	3.69 %
As of June 30, 2021					
Single discount rate	5.26 %	5.01 %	5.20 %	5.05 %	5.20 %
Long-term expected rate of return	6.25 %	6.25 %	6.25 %	6.25 %	6.25 %
Long-term municipal bond rate (1)	1.92 %	1.92 %	1.92 %	1.92 %	1.92 %

(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 30, 2022 (and June 30, 2021).

**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:

	City's Proportionate Percentage of Net OPEB Liability - Non-Hazardous	Discount Rate	City's Proportionate Share of Net OPEB Liability - Non-Hazardous	City's Proportionate Percentage of Net OPEB Liability - Hazardous	Discount Rate	City's Proportionate Share of Net OPEB Liability - Hazardous
1% decrease	0.096028 %	4.70 %	\$ 2,533,481	0.056942 %	4.61 %	\$ 673,926
Current discount rate	0.096028 %	5.70 %	1,895,126	0.056942 %	5.61 %	485,024
1% increase	0.096028 %	6.70 %	1,367,419	0.056942 %	6.61 %	331,600

**CITY OF HARRODSBURG, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2023**

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 2022 and FY 2021 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, 2021. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2022, 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 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Certain benefit assumptions including the mortality assumptions are from the 2019 experience study. The City's decrease in OPEB cost for June 30, 2023 was \$280,528.

**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	4.70 %	\$ 1,408,984	4.61 %	\$ 338,686
Current discount rate	5.70 %	1,895,125	5.61 %	485,024
1% increase	6.70 %	2,478,890	6.61 %	663,402

**Deferred Outflows/Deferred Inflows.** The deferred outflows of resources and deferred inflows of resources related to the City's OPEB from the following sources are reflected below:

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience in the measurement of the total OPEB liability	\$ 150,463	\$ 347,099	\$ 51,014	\$ 116,223
Changes in assumptions or other inputs	300,537	264,382	80,155	66,047
Net difference between projected and actual earnings on plan investments	359,916	285,864	94,373	73,803
Changes in the employer's contributions and the employers proportionate share of plan contributions	83,576	305,752	30,510	78,899
The employer's contributions to the OPEB plan subsequent to the measurement date of the collective net OPEB liability	95,682		26,706	
Total	<u>\$ 990,174</u>	<u>\$ 1,203,097</u>	<u>\$ 282,758</u>	<u>\$ 334,972</u>

**CITY OF HARRODSBURG, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2023**

The \$95,682 and \$26,706 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending June 30,</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
2024	\$ (67,599)	\$ (13,672)
2025	(49,970)	(12,508)
2026	(135,382)	(40,299)
2027	(32,993)	(12,441)
2028	(22,661)	
Thereafter		
	<u>\$ (308,605)</u>	<u>\$ (78,920)</u>

**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:

<b>Type of Coverage</b>	<b>Insured Amount</b>	<b>Deductible</b>
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	77,050,692	1,000
Equipment	1,183,363	

**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, all but one of these matters are not anticipated to have a material impact on the City. The plaintiffs in this case are seeking lost earnings, health insurance benefits, and other punitive damages. No liability has been recorded at June 30, 2023 related to this potential liability as management is unsure of the outcome of the matter.

During 2019, the City 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, its revenues and expenditures, and the feasibility of these reimbursements. No payment was made for the year ending June 30, 2023.



**CITY OF HARRODSBURG, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2023**

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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, 2023.

The following general fund commitments have been entered into by the City:

- The purchase of a fire truck costing approximately \$1,639,000.
- The purchase of land for the industrial park costing \$100,000
- The purchase of land for the cemetery costing \$100,000.

The following Municipal Waterworks & Sewer System commitments have been entered into:

- Engineering services of approximately \$171,000.
- Water and sewer equipment replacement of approximately \$130,000.

**VIII. ECONOMIC DEPENDENCY**

**General Government Revenue.** The City collected approximately \$2,243,000 from four employers within the City limits representing 62% of its payroll license fees and 29% of the total revenues of the General Fund.

**Municipal Waterworks and Sewer System Revenue.** The billings to five customers totaled approximately \$2,996,000 which represented 45% of the System's operating revenues.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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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 Ten 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 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 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 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
2023	0.096043%	\$ 6,943,105	239.92%	52.42%	0.056971%	\$ 1,738,446	631.89%	47.11%	0.056971%	\$ 1,738,446	631.89%	47.11%
2022	0.112180%	7,152,354	2,650,961	57.33%	0.065516%	1,690,897	455.74%	52.26%	0.065516%	1,690,897	455.74%	52.26%
2021	0.104315%	8,000,874	2,859,034	47.81%	0.064546%	1,946,078	520.83%	44.11%	0.064546%	1,946,078	520.83%	44.11%
2020	0.106734%	7,506,648	2,659,442	282.26%	0.070428%	1,945,429	517.45%	46.63%	0.070428%	1,945,429	517.45%	46.63%
2019	0.101569%	6,185,801	2,677,145	231.06%	0.091100%	2,203,214	399.991	49.26%	0.091100%	2,203,214	399.991	49.26%
2018	0.105664%	6,184,839	2,507,438	246.66%	0.100552%	2,249,628	471.61%	49.78%	0.100552%	2,249,628	471.61%	49.78%
2017	0.103151%	5,078,759	2,569,834	197.63%	0.099689%	1,710,600	309.90%	53.95%	0.099689%	1,710,600	309.90%	53.95%
2016	0.096361%	4,143,084	2,411,969	171.77%	0.112177%	1,722,032	340.75%	57.52%	0.112177%	1,722,032	340.75%	57.52%
2015	0.084193%	3,244,376	2,232,126	145.35%	0.152137%	1,201,824	206.63%	63.46%	0.152137%	1,201,824	206.63%	63.46%
2014	0.084193%	3,083,695	1,912,164	161.27%	0.152137%	2,033,902	269.92%	57.74%	0.152137%	2,033,902	269.92%	57.74%

There were no changes to plan assumptions for the measurement period ending June 30, 2021 - 2022.

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 0.75%.
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 Ten Fiscal Years\***

Year	Retirement Plan	Contributions Relative to Contractually Required Employer Contribution		Contribution deficiency (excess)	City Covered Employee Payroll	Employer Contributions as a Percentage of Covered Employee Payroll
		Contractually Required Employer Contribution	Contributions Relative to Contractually Required Employer Contribution			
2023	CERS Non-Hazardous	\$ 689,323	\$ 689,323	\$ 0	\$ 2,893,936	23.82%
	CERS Hazardous	142,224	142,224	0	275,117	51.70%
2022	CERS Non-Hazardous	\$ 592,081	\$ 592,081	\$ 0	\$ 2,650,961	22.33%
	CERS Hazardous	125,627	125,627	0	371,022	33.86%
2021	CERS Non-Hazardous	\$ 561,667	\$ 561,667	0	\$ 2,859,034	19.65%
	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	\$ 2,307,438	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	\$ 2,411,909	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	\$ 381,643	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%

**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, 2021 - 2022.

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.

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 rate of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

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 0.75%.
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 Six 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 Percentage	Amount	Employer Proportion of Collective Net OPEB Liability Percentage	Amount	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
6/29/2022	0.096028	\$ 1,895,125	0.056942	\$ 485,024	\$ 2,893,936	\$ 275,117	65.49%	176.30%
6/30/2021	0.112153	2,147,113	0.063516	513,565	2,650,961	371,022	80.99%	138.42%
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:

The following change was adopted by the Kentucky Public Pensions Authority for 2022.

1. The discount rate used to calculate the total OPEB liability was increased .5%.

There were no changes to plan assumptions for the measurement period ending June 30, 2020 - 2021.

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 Seven Fiscal Years

Non-Hazardous			Hazardous		
Fiscal Year Ended 30-June	Annual Required Contribution	Percentage Contributed	Fiscal Year Ended 30-June	Annual Required Contribution	Percentage Contributed
2023	\$ 99,863	100%	2023	\$ 22,525	100%
2022	161,655	100%	2022	38,846	100%
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:

The following change was adopted by the Kentucky Public Pensions Authority for 2022.

1. The discount rate used to calculate the total OPEB liability was increased .5%.

There were no changes to plan assumptions for the measurement period ending June 30, 2020 - 2021.

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, 2023**

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**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 ordinances' 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, 2023**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Taxes	\$ 2,068,000	\$ 2,068,000	\$ 2,313,080	\$ 245,080
Licenses, permits, and fees	3,543,500	3,543,500	4,862,942	1,319,442
Intergovernmental revenue	1,498,477	1,498,477	380,969	(1,117,508)
Service charges	125,500	125,500	155,314	29,814
Other	659,121	759,121	122,504	(636,617)
Total revenues	<u>7,894,598</u>	<u>7,994,598</u>	<u>7,834,809</u>	<u>(159,789)</u>
<b>Expenditures:</b>				
General government	605,471	605,471	505,509	99,962
Police department	2,233,208	2,233,208	1,951,699	281,509
Fire department	1,762,441	1,762,441	1,508,217	254,224
Street department	773,526	773,526	629,992	143,534
Cemeteries	411,079	411,079	326,083	84,996
Culture and recreation	311,277	311,277	226,281	84,996
Non-departmentalized	1,797,596	1,897,596	825,929	1,071,667
Total expenditures	<u>7,894,598</u>	<u>7,994,598</u>	<u>5,973,710</u>	<u>2,020,888</u>
Excess (deficiency) of revenues over expenditures before other financing sources			<u>1,861,099</u>	<u>1,861,099</u>
<b>Other financing sources (uses):</b>				
Transfers (to) from other funds			<u>119,036</u>	<u>119,036</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)			1,980,135	(1,980,135)
Fund balance, beginning of year	<u>6,265,110</u>	<u>6,265,110</u>	<u>6,265,110</u>	
Fund balance, end of year	<u>\$ 6,265,110</u>	<u>\$ 6,265,110</u>	<u>\$ 8,245,245</u>	<u>\$ 1,980,135</u>



**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF REVENUE - BUDGETED AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Taxes:</b>				
Real property	\$ 320,000	\$ 320,000	\$ 365,262	\$ 45,262
Motor vehicle	120,000	120,000	153,840	33,840
Tangible personal property	32,000	32,000	42,335	10,335
Public service company	18,000	18,000	18,430	430
Insurance premium	1,500,000	1,500,000	1,652,611	152,611
Bank deposits	63,000	63,000	67,721	4,721
Payments in lieu of taxes	15,000	15,000	12,881	(2,119)
	<u>2,068,000</u>	<u>2,068,000</u>	<u>2,313,080</u>	<u>245,080</u>
<b>Licenses, permits, and fees:</b>				
Payroll license fees	2,700,000	2,700,000	3,606,640	906,640
Net profits license fees	215,000	215,000	450,366	235,366
Business license fees	75,000	75,000	85,150	10,150
Street license fees	1,500	1,500	1,725	225
ABC license fees	20,000	20,000	28,033	8,033
Franchise fee - cable television	59,000	59,000	54,649	(4,351)
Franchise fee - electric	403,000	403,000	534,419	131,419
Franchise fee - natural gas	70,000	70,000	101,960	31,960
	<u>3,543,500</u>	<u>3,543,500</u>	<u>4,862,942</u>	<u>1,319,442</u>
<b>Intergovernmental revenue:</b>				
Police pay incentive	77,400	77,400	75,973	(1,427)
Firefighters pay incentive	73,100	73,100	72,080	(1,020)
Police court fines	10,000	10,000	11,012	1,012
Other grants and subsidies	1,337,977	1,337,977	221,904	(1,116,073)
	<u>1,498,477</u>	<u>1,498,477</u>	<u>380,969</u>	<u>(1,117,508)</u>

Continued

**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF REVENUE - BUDGETED AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Service charges:</b>				
Rental income	12,000	12,000	21,796	9,796
Police arrest fees	3,000	3,000	5,618	2,618
Interment, Spring Hill	73,000	73,000	89,250	16,250
Lots sold, Spring Hill	25,000	25,000	34,100	9,100
Interment, Maple Grove	3,000	3,000	2,650	(350)
Lots sold, Maple Grove	1,500	1,500	750	(750)
Monument bases	8,000	8,000	1,150	(6,850)
	<u>125,500</u>	<u>125,500</u>	<u>155,314</u>	<u>29,814</u>
<b>Other:</b>				
Penalties and interest	15,000	15,000	30,744	15,744
Interest earned	4,000	4,000	10,658	6,658
Drug investigation receipts	17,000	17,000	28,519	11,519
Sale of surplus property	15,000	15,000		(15,000)
Insurance claim proceeds			11,203	11,203
Donations			6,700	6,700
Miscellaneous	608,121	708,121	34,680	(673,441)
	<u>659,121</u>	<u>759,121</u>	<u>122,504</u>	<u>(636,617)</u>
Total revenues	<u>\$ 7,894,598</u>	<u>\$ 7,994,598</u>	<u>\$ 7,834,809</u>	<u>\$ (159,789)</u>

**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>General government:</b>				
Salaries and wages	\$ 320,298	\$ 320,298	\$ 308,968	\$ 11,330
Fringe benefits	122,173	122,173	109,322	12,851
Contractual services	79,900	79,900	62,909	16,991
Materials and supplies	72,600	72,600	15,659	56,941
Other costs	10,500	10,500	8,651	1,849
	<u>605,471</u>	<u>605,471</u>	<u>505,509</u>	<u>99,962</u>
<b>Police department:</b>				
Salaries and wages	1,079,890	1,079,890	1,019,457	60,433
Fringe benefits	557,410	557,410	454,465	102,945
Contractual services	144,068	144,068	133,409	10,659
Materials and supplies	104,000	104,000	96,256	7,744
Other costs	203,493	203,493	74,587	128,906
Capital outlay	1,000	1,000		1,000
Debt service	143,347	143,347	173,525	(30,178)
	<u>2,233,208</u>	<u>2,233,208</u>	<u>1,951,699</u>	<u>281,509</u>
<b>Fire department:</b>				
Salaries and wages	878,957	878,957	869,289	9,668
Fringe benefits	518,834	518,834	422,520	96,314
Contractual services	124,650	124,650	100,189	24,461
Materials and supplies	72,500	72,500	61,157	11,343
Other costs	32,500	32,500	26,458	6,042
Capital outlay	20,000	20,000	17,383	2,617
Debt service	115,000	115,000	11,221	103,779
	<u>1,762,441</u>	<u>1,762,441</u>	<u>1,508,217</u>	<u>254,224</u>
<b>Street department:</b>				
Salaries and wages	225,489	225,489	176,303	49,186
Fringe benefits	135,120	135,120	87,755	47,365
Contractual services	310,460	310,460	296,675	13,785
Materials and supplies	55,220	55,220	40,662	14,558
Other costs	7,400	7,400	2,275	5,125
Capital outlay	15,000	15,000	1,485	13,515
Debt service	24,837	24,837	24,837	
	<u>773,526</u>	<u>773,526</u>	<u>629,992</u>	<u>143,534</u>

Continued

**CITY OF HARRODSBURG, KENTUCKY**  
**STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Cemeteries:</b>				
Salaries and wages	153,431	153,431	120,285	33,146
Fringe benefits	88,551	88,551	55,249	33,302
Contractual services	89,650	89,650	115,650	(26,000)
Materials and supplies	20,400	20,400	24,163	(3,763)
Other costs	9,000	9,000	7,141	1,859
Capital outlay	40,000	40,000	3,595	36,405
Debt service	10,047	10,047		10,047
	<u>411,079</u>	<u>411,079</u>	<u>326,083</u>	<u>84,996</u>
<b>Culture and recreation:</b>				
Salaries and wages	101,675	101,675	73,546	28,129
Fringe benefits	56,852	56,852	39,245	17,607
Contractual services	72,650	72,650	73,364	(714)
Materials and supplies	24,700	24,700	17,426	7,274
Other costs	5,400	5,400	2,625	2,775
Capital outlay	50,000	50,000	20,075	29,925
	<u>311,277</u>	<u>311,277</u>	<u>226,281</u>	<u>84,996</u>
<b>Non-departmentalized:</b>				
Insurance	275,000	275,000	269,248	5,752
Grants and subsidies	1,522,596	1,622,596	556,681	1,065,915
	<u>1,797,596</u>	<u>1,897,596</u>	<u>825,929</u>	<u>1,071,667</u>
	<u>\$ 7,894,598</u>	<u>\$ 7,994,598</u>	<u>\$ 5,973,710</u>	<u>\$ 2,020,888</u>

## **OTHER SUPPLEMENTARY INFORMATION**

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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, 2023**

	<u>Municipal Aid Fund</u>	<u>Tourism Development Fund</u>	<u>Alcohol Beverage Control Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$ 94,220	\$ 57,991	\$ 289,633	\$ 441,844
Total assets	<u>\$ 94,220</u>	<u>\$ 57,991</u>	<u>\$ 289,633</u>	<u>\$ 441,844</u>
<b>FUND BALANCE</b>				
Fund balance:				
Restricted for:				
Roads	94,220			94,220
Tourism		57,991		57,991
Police			289,633	289,633
Total fund balance	<u>94,220</u>	<u>57,991</u>	<u>289,633</u>	<u>441,844</u>
<b>TOTAL FUND BALANCE</b>	<u>\$ 94,220</u>	<u>\$ 57,991</u>	<u>\$ 289,633</u>	<u>\$ 441,844</u>

**CITY OF HARRODSBURG, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR FUNDS**  
**For the Year Ended June 30, 2023**

	<u>Municipal Aid Fund</u>	<u>Tourism Development Fund</u>	<u>Alcohol Beverage Control Fund</u>	<u>Total</u>
<b>Revenues:</b>				
Intergovernmental revenue	\$ 174,223	\$	\$	\$ 174,223
Restaurant tax collections		409,072		409,072
Alcohol license fee			279,500	279,500
Donations		36,399		36,399
Penalty		1,476	732	2,208
Interest income	120	52		172
Total revenues	<u>174,343</u>	<u>446,999</u>	<u>280,232</u>	<u>901,574</u>
<b>Expenditures:</b>				
Police department:				
Other costs			142,678	142,678
Street department:				
Paving	146,949			146,949
Salt	18,968			18,968
Non-departmentalized:				
Grants and subsidies		441,287		441,287
Total expenditures	<u>165,917</u>	<u>441,287</u>	<u>142,678</u>	<u>749,882</u>
Excess (deficiency) of revenues over expenditures	8,426	5,712	137,554	151,692
<b>Other financing sources (uses):</b>				
Transfers (to) from other funds			(171,931)	(171,931)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	8,426	5,712	(34,377)	(20,239)
Fund balance, beginning of year	<u>85,794</u>	<u>52,279</u>	<u>324,010</u>	<u>462,083</u>
Fund balance, end of year	<u>\$ 94,220</u>	<u>\$ 57,991</u>	<u>\$ 289,633</u>	<u>\$ 441,844</u>



**PROPRIETARY FUND**

**CITY OF HARRODSBURG, KENTUCKY**  
**BALANCE SHEET**  
**MUNICIPAL WATERWORKS AND SEWER SYSTEM**  
June 30, 2023

**ASSETS**

Current assets:  
Cash  
Certificates of deposit  
Accounts receivable (net of allowance  
for doubtful accounts of \$ 722,000)  
Prepaid expenses

\$ 3,694,622  
392,258  
693,247  
269,572  
5,049,699

Restricted assets:

Cash  
Certificates of deposit

1,884,593  
587,823  
2,472,416

Capital assets:

Water utility system  
Sewer utility system  
Water and sewer treatment plant  
Equipment and vehicles  
Buildings and land  
Construction in process

14,855,563  
12,376,970  
62,754,647  
3,873,224  
835,149  
170,160  
94,865,713

Less accumulated depreciation

46,576,869  
48,288,844

Capital assets, net

Other long term assets:  
Bond issuance costs

173,192  
\$ 55,984,151

Total assets

Deferred outflow of resources

\$ 775,128  
\$ 17,993,093

**LIABILITIES AND NET POSITION**

Current liabilities:

Accounts payable  
Accrued liabilities  
Customer deposits  
Lease payable

\$ 95,700  
102,014  
348,118  
14,940  
560,772

Liabilities payable from restricted assets:

Accrued interest payable  
Current portion of loans payable  
Current portion of bonds payable

89,022  
1,260,389  
322,500  
1,671,911

Non-current liabilities:

Bonds payable  
Loans payable  
Lease payable  
Net pension obligation  
Post employment benefits payable

16,124,000  
17,286,732  
3,419  
1,856,771  
506,807  
35,777,729

Total liabilities

\$ 38,010,412  
\$ 755,774

Deferred inflow of resources

Net position:

Net investment in capital assets  
Restricted  
Unrestricted

\$ 13,276,864  
2,472,416  
2,243,813  
\$ 17,993,093

Total net position

**CITY OF HARRODSBURG, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES AND EXPENSES**  
**MUNICIPAL WATERWORKS AND SEWER SYSTEM**  
**For the Year Ended June 30, 2023**

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total</u>
<b>Operating revenues:</b>			
Water sales	\$ 3,111,004	\$	\$ 3,111,004
Water taps	22,800		22,800
Water surcharge	66,593		66,593
Sewer charges		2,992,382	2,992,382
Sewer taps		36,400	36,400
Sewer surcharge		71,285	71,285
Wastewater surcharge		9,472	9,472
Pre-treatment charges		145,241	145,241
Penalties	67,984	67,985	135,969
Other revenue	6,868	6,869	13,737
Total operating revenues	<u>3,275,249</u>	<u>3,329,634</u>	<u>6,604,883</u>
<b>Operating expenses:</b>			
Water operations	2,075,833		2,075,833
Sewer operations		1,266,143	1,266,143
Total operating expenses	<u>2,075,833</u>	<u>1,266,143</u>	<u>3,341,976</u>
Operating income before depreciation, amortization, and bad debts	<u>1,199,416</u>	<u>2,063,491</u>	<u>3,262,907</u>
Depreciation expense	1,211,794	1,211,793	2,423,587
Amortization of loan fees	4,104	4,104	8,208
Bad debts	31,000	31,000	62,000
Total depreciation, amortization, and bad debts	<u>1,246,898</u>	<u>1,246,897</u>	<u>2,493,795</u>
Operating income (loss)	<u>(47,482)</u>	<u>816,594</u>	<u>769,112</u>
<b>Non-operating revenues (expenses):</b>			
Interest income	7,152	7,152	14,304
Garbage service	766,386		766,386
Sales tax	154,997		154,997
Utility tax	62,900		62,900
KY River withdrawal fee	242,085		242,085
Other income	9,434	9,435	18,869
Interest expense	(373,781)	(373,780)	(747,561)
Garbage service	(715,435)		(715,435)
Sales tax paid	(151,944)		(151,944)
Utility tax paid	(63,596)		(63,596)
KY River withdrawal fee	(274,691)		(274,691)
Non-operating revenues (expenses), net	<u>(336,493)</u>	<u>(357,193)</u>	<u>(693,686)</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	<u>(383,975)</u>	<u>459,401</u>	<u>75,426</u>
Transfer (to) from other funds	<u>53,200</u>		<u>53,200</u>
Increase (decrease) in net position	<u>\$ (330,775)</u>	<u>\$ 459,401</u>	<u>128,626</u>
Net position, beginning of year			<u>17,864,467</u>
Net position, end of year			<u>\$ 17,993,093</u>

**CITY OF HARRODSBURG, KENTUCKY**  
**SCHEDULE OF UTILITY OPERATING EXPENSES**  
**MUNICIPAL WATERWORKS AND SEWER SYSTEM**  
For the Year Ended June 30, 2023

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total</u>
<b>Water administration:</b>			
Salaries and wages	\$ 85,136	\$	\$ 85,136
Fringe benefits	35,137		35,137
Contractual services	71,849		71,849
Materials and supplies	15,566		15,566
Other costs	3,613		3,613
	<u>211,301</u>		<u>211,301</u>
<b>Water operations:</b>			
Salaries and wages	312,788		312,788
Fringe benefits	145,574		145,574
Contractual services	516,421		516,421
Materials and supplies	395,343		395,343
Other costs	10,981		10,981
	<u>1,381,107</u>		<u>1,381,107</u>
<b>Sewer operations:</b>			
Salaries and wages		241,091	241,091
Fringe benefits		112,625	112,625
Contractual services		455,565	455,565
Materials and supplies		26,802	26,802
Other costs		34,528	34,528
		<u>870,611</u>	<u>870,611</u>
<b>Water and sewer maintenance:</b>			
Salaries and wages	146,221	119,636	265,857
Fringe benefits	51,592	42,212	93,804
Contractual services	105,636	86,430	192,066
Materials and supplies	29,155	23,855	53,010
Other costs	12,501	10,228	22,729
	<u>345,105</u>	<u>282,361</u>	<u>627,466</u>
<b>Other:</b>			
Insurance	138,320	113,171	251,491
	<u>138,320</u>	<u>113,171</u>	<u>251,491</u>
Total operating expenses	<u>\$ 2,075,833</u>	<u>\$ 1,266,143</u>	<u>\$ 3,341,976</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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 27, 2024.

### **Report on Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described below, that we consider to be a significant deficiency.

1. During our audit procedures we noted multiple months that only one deposit was made into the water and sewer revenue deposit account. This account is used to account for required customer deposits. By not making bank deposits in a timely manner, risks for errors and the opportunity for misappropriation of assets is increased. We recommend the water department make bank deposits timely for customer deposits throughout the month.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

1. During our testing procedures, we noted one out of 28 expenditure selections that did not go through the proper bid procedures required by the City's procurement policy for expenditures exceeding \$20,000. The expenditure was to purchase chemicals in the water and sewer fund I the amount of \$29,674. We recommend the City implement procedures to ensure that the City's procurement policies are followed.

### **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  
February 27, 2024