

CITY OF HARRODSBURG, KENTUCKY

**Report on Audited Financial Statements
and Supplementary Information**

For the Year Ended June 30, 2024

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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, 2024, 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, 2024, 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 accompanying combining non-major fund financial statements, combining proprietary fund financial statements, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, combining proprietary fund financial statements, and the schedule of expenditures of federal awards 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 April 29, 2025, 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
April 29, 2025

CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2024

OVERVIEW

The report on Audited Financial Statements and Supplementary information for the year ended June 30, 2024 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, 2024

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 \$2,408,589 or approximately 49%, indicating a positive change in the City’s financial position. The largest portion of the City’s net position (\$4,368,653) 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, 2024 was \$441,347 in leases and loans used for vehicle and equipment purchases, and for road resurfacing. This is an increase of \$228,046 or approximately 107% from the prior year. Scheduled debt payments for all long-term debt of the City’s governmental activities in the amount of \$145,766 were made during the year. The City also entered into new leases totaling \$373,812 during the year. As listed on Table I, the City’s unreserved and unrestricted governmental fund net position was \$2,649,103 as of June 30, 2024.

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 \$1,983,933 or approximately 11%. The largest portion of the City’s net position (\$13,392,585) or approximately 67% reflects its investment in capital assets (e.g. land, building, equipment, and water and

CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2024

sewer treatment plants and distribution and collection systems infrastructure), less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment is reported net of related debt it should be noted that resources needed to repay this debt must be provided from other sources. Debt outstanding as of June 30, 2024 was \$33,513,907 in leases for equipment and bonds and loans issued for major improvements to the utility infrastructure. This is a decrease of \$1,498,073 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 \$1,609,313 were made during the year. As listed on Table 1, the City's business-type activities maintained unrestricted net position of \$3,842,300. This is a \$1,598,487 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 \$7,654,474 as of June 30, 2024, compared to \$8,681,551 as of June 30, 2023.

NET OPEB LIABILITY(ASSET)

The City's net OPEB liability (asset) 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 (asset), 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 (asset) was (\$74,682) as of June 30, 2024, compared to \$2,380,149 as of June 30, 2023.

CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2024

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 50% of its payroll license fees and net profits and 25% of total revenues of the General Fund from four employers within the City limits. The billings to 5 customers represent 44% 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, 2024. A discussion of these commitments can be found at footnote VII, page 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 Chief Administrative Officer, City Hall, at 208 South Main Street, Harrodsburg, Kentucky, 40330.

TABLE 1**NET POSITION
June 30, 2024**

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 10,656,905	\$ 10,982,147	\$ 21,639,052
Capital assets, net	<u>4,810,000</u>	<u>49,267,673</u>	<u>54,077,673</u>
Total assets	<u>\$ 15,466,905</u>	<u>\$ 60,249,820</u>	<u>\$ 75,716,725</u>
Deferred outflow of resources	<u>\$ 2,787,773</u>	<u>\$ 659,171</u>	<u>\$ 3,446,944</u>
Long-term debt outstanding	\$ 441,347	\$ 33,513,907	\$ 33,955,254
Net pension obligation	5,986,444	1,668,030	7,654,474
Other liabilities	179,256	3,163,167	3,342,423
Unearned revenue	<u>10,750</u>	<u>1,447,829</u>	<u>1,458,579</u>
Total liabilities	<u>\$ 6,617,797</u>	<u>\$ 39,792,933</u>	<u>\$ 46,410,730</u>
Deferred inflows of resources	<u>\$ 4,338,335</u>	<u>\$ 1,139,032</u>	<u>\$ 5,477,367</u>
Net investment in capital assets	\$ 4,368,653	\$ 13,392,585	\$ 17,761,238
Restricted	280,790	2,742,141	3,022,931
Unrestricted	<u>2,649,103</u>	<u>3,842,300</u>	<u>6,491,403</u>
Total net position	<u>\$ 7,298,546</u>	<u>\$ 19,977,026</u>	<u>\$ 27,275,572</u>

TABLE 2**NET POSITION
June 30, 2023**

	Governmental Activities	Business-Type Activities	Total
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>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 3
CHANGE IN NET POSITION
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 155,389	\$ 7,691,789	\$ 7,847,178
Operating grants and contributions	474,071		474,071
Capital grants and contributions		2,433,218	2,433,218
General revenues:			
Taxes	3,041,720		3,041,720
Licenses, permits and fees	5,964,218		5,964,218
Other	95,667	51,692	147,359
Total revenues	9,731,065	10,176,699	19,907,764
Program Expenses			
General government	509,515		509,515
Police department	1,938,152		1,938,152
Fire department	1,461,067		1,461,067
Street department	1,270,748		1,270,748
Cemeteries	345,807		345,807
Culture and recreation	304,765		304,765
Non-departmentalized	1,492,422		1,492,422
Water		5,449,703	5,449,703
Sewer		2,743,063	2,743,063
Total expenses	7,322,476	8,192,766	15,515,242
Change in net position	2,408,589	1,983,933	4,392,522
Net position, beginning of year	4,889,957	17,993,093	22,883,050
Net position, end of year	\$ 7,298,546	\$ 19,977,026	\$ 27,275,572

TABLE 4
CHANGE IN NET POSITION
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Revenues			
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	(52,895)	53,200	305
 Total revenues	 8,683,488	 7,917,624	 16,601,112
 Program Expenses			
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	1,114,248		1,114,248
Water		4,902,178	4,902,178
Sewer		2,886,820	2,886,820
 Total expenses	 6,352,826	 7,788,998	 14,141,824
 Change in net position	 2,330,662	 128,626	 2,459,288
 Net position, beginning of year	 2,559,295	 17,864,467	 20,423,762
 Net position end of year	 <u>\$ 4,889,957</u>	 <u>\$ 17,993,093</u>	 <u>\$ 22,883,050</u>

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 8,202,995	\$ 4,926,354	\$ 13,129,349
Certificates of deposit		404,031	404,031
Receivables:			
Taxes and licenses	1,754,807		1,754,807
Intergovernmental	57,507	1,561,177	1,618,684
User fees (net)		855,604	855,604
Other	75,255		75,255
Prepaid expenses	284,318	291,967	576,285
Total unrestricted current assets	<u>10,374,882</u>	<u>8,039,133</u>	<u>18,414,015</u>
Restricted cash and certificates of deposit	<u>243,231</u>	<u>2,742,141</u>	<u>2,985,372</u>
Non-current assets:			
Capital assets, net	4,810,000	49,267,673	54,077,673
Bond issuance costs		164,983	164,983
Post employment benefits net asset	38,792	35,890	74,682
Total non-current assets	<u>4,848,792</u>	<u>49,468,546</u>	<u>54,317,338</u>
Total assets	<u>\$ 15,466,905</u>	<u>\$ 60,249,820</u>	<u>\$ 75,716,725</u>
Deferred outflows of resources	<u>\$ 2,787,773</u>	<u>\$ 659,171</u>	<u>\$ 3,446,944</u>

Continued

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 92,627	\$ 244,817	\$ 337,444
Accrued liabilities	86,629	101,686	188,315
Customer deposits		370,232	370,232
Leases payable	108,903	22,743	131,646
Construction payable		2,361,181	2,361,181
Unearned grant revenue	10,750	1,447,829	1,458,579
	<u>298,909</u>	<u>4,548,488</u>	<u>4,847,397</u>
Total liabilities payable from unrestricted assets			
Payable from restricted assets:			
Accrued interest payable		85,251	85,251
Loans payable		1,280,902	1,280,902
Bonds payable		332,000	332,000
		<u>1,698,153</u>	<u>1,698,153</u>
Total liabilities payable from restricted assets			
Total current liabilities	<u>298,909</u>	<u>6,246,641</u>	<u>6,545,550</u>
Non-current liabilities:			
Bonds, leases, and loans payable	332,444	31,878,262	32,210,706
Net pension obligation	5,986,444	1,668,030	7,654,474
	<u>6,318,888</u>	<u>33,546,292</u>	<u>39,865,180</u>
Total non-current liabilities			
Total liabilities	<u>\$ 6,617,797</u>	<u>\$ 39,792,933</u>	<u>\$ 46,410,730</u>
Deferred inflows of resources	<u>\$ 4,338,335</u>	<u>\$ 1,139,032</u>	<u>\$ 5,477,367</u>
NET POSITION			
Net investment in capital assets	\$ 4,368,653	\$ 13,392,585	\$ 17,761,238
Restricted	280,790	2,742,141	3,022,931
Unrestricted	2,649,103	3,842,300	6,491,403
	<u>\$ 7,298,546</u>	<u>\$ 19,977,026</u>	<u>\$ 27,275,572</u>
Total net position			

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 509,515	\$	\$	\$	\$ (509,515)
Police department	1,938,152	5,200	169,322		(1,763,630)
Fire department	1,461,067		85,603		(1,375,464)
Street department	1,270,748		219,146		(1,051,602)
Cemeteries	345,807	127,900			(217,907)
Culture and recreation	304,765	22,289			(282,476)
Non-departmentalized	1,492,422				(1,492,422)
Total Governmental Activities	7,322,476	155,389	474,071		(6,693,016)
Business-Type Activities:					
Water	5,449,703	4,467,645		2,433,218	1,451,160
Sewer	2,743,063	3,224,144			481,081
Total Business-Type Activities	8,192,766	7,691,789		2,433,218	1,932,241
Total	\$ 15,515,242	\$ 7,847,178	\$ 474,071	\$ 2,433,218	\$ (4,760,775)

(Continued)

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in Net Position:			
Net (expense)/revenue	\$ (6,693,016)	\$ 1,932,241	\$ (4,760,775)
General revenues:			
Taxes:			
Real property	364,703		364,703
Motor vehicle	161,439		161,439
Tangible personal property	29,837		29,837
Public service company	19,891		19,891
Insurance premium	2,069,424		2,069,424
Bank deposits	65,403		65,403
Payments in lieu of taxes	17,732		17,732
Alcohol fees	313,291		313,291
Licenses, permits, and fees:			
Payroll license fees	4,804,018		4,804,018
Net profits license fees	456,719		456,719
Business license fees	93,103		93,103
Street license fees	1,275		1,275
Franchise fees - cable television	59,617		59,617
Franchise fees - electric	476,326		476,326
Franchise fees - natural gas	73,160		73,160
Other:			
Penalties and interest	32,079		32,079
Interest earned	12,353	39,884	52,237
Insurance claim receipts	22,846		22,846
Sale of surplus property	10,395		10,395
Miscellaneous	17,994	11,808	29,802
Total general revenues and transfers	<u>9,101,605</u>	<u>51,692</u>	<u>9,153,297</u>
Change in net position	2,408,589	1,983,933	4,392,522
Net position, beginning of year	<u>4,889,957</u>	<u>17,993,093</u>	<u>22,883,050</u>
Net position, end of year	<u><u>\$ 7,298,546</u></u>	<u><u>\$ 19,977,026</u></u>	<u><u>\$ 27,275,572</u></u>

CITY OF HARRODSBURG, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 8,309,486	\$ 136,740	\$ 8,446,226
Receivables:			
Taxes and licenses	1,754,807		1,754,807
Intergovernmental	19,948	37,559	57,507
Other	255		255
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 10,084,496</u>	<u>\$ 174,299</u>	<u>\$ 10,258,795</u>
LIABILITIES			
Accounts payable	\$ 92,627	\$	\$ 92,627
Accrued liabilities	86,629		86,629
Unearned revenue	10,750		10,750
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>190,006</u>	<u> </u>	<u>190,006</u>
FUND BALANCE			
Fund balance:			
Restricted for:			
Roads		129,615	129,615
Tourism		42,184	42,184
Police	106,491	2,500	108,991
Unassigned	9,787,999		9,787,999
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>9,894,490</u>	<u>174,299</u>	<u>10,068,789</u>
Total liabilities and fund balance	<u>\$ 10,084,496</u>	<u>\$ 174,299</u>	<u>\$ 10,258,795</u>

CITY OF HARRODSBURG, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2024

Governmental fund balance, current year	\$ 10,068,789
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	284,318
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 \$7,321,313	4,810,000
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements	(441,347)
Certain items related to the City's net pension liability do not affect available financial resources and therefore are not reported in the fund financial statements	(5,759,529)
Certain items related to the City's post employment benefits liability do not affect available financial resources and therefore are not reported in the fund financial statements	<u>(1,738,685)</u>
Net position of governmental activities	<u><u>\$ 7,298,546</u></u>

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

	General Fund	Non-Major Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 2,728,429	\$	\$ 2,728,429
Licenses, permits, and fees	5,988,201		5,988,201
Intergovernmental revenue	197,723	212,403	410,126
Alcohol license fee		289,308	289,308
Service charges	155,389		155,389
Other	158,115	1,497	159,612
Total revenues	<u>9,227,857</u>	<u>503,208</u>	<u>9,731,065</u>
Expenditures:			
General government	657,510		657,510
Police department	2,658,590	95,192	2,753,782
Fire department	1,837,540		1,837,540
Street department	1,179,017	177,133	1,356,150
Cemeteries	368,987		368,987
Culture and recreation	236,143		236,143
Non-departmentalized	1,497,222	15,843	1,513,065
Total expenditures	<u>8,435,009</u>	<u>288,168</u>	<u>8,723,177</u>
Excess (deficiency) of revenues over expenditures before other financing sources	<u>792,848</u>	<u>215,040</u>	<u>1,007,888</u>
Other financing sources (uses):			
Lease Proceeds	373,812		373,812
Transfers (to) from other funds	482,585	(482,585)	
Total other financing sources (uses)	<u>856,397</u>	<u>(482,585)</u>	<u>373,812</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	1,649,245	(267,545)	1,381,700
Fund balance, beginning of year	<u>8,245,245</u>	<u>441,844</u>	<u>8,687,089</u>
Fund balance, end of year	<u><u>\$ 9,894,490</u></u>	<u><u>\$ 174,299</u></u>	<u><u>\$ 10,068,789</u></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, 2024

Net change in fund balances - total governmental funds	\$ 1,381,700
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	499,366
Depreciation expense	(428,524)
Governmental funds report prepayments of expenditures as an expense while governmental activities report prepaid expenses as an asset	5,223
Governmental funds report debt proceeds as revenues and debt service payments as expenditures:	
Lease obligation principal payments	145,766
Lease Proceeds	(373,812)
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.	831,292
In the fund financial statements, post employment benefits assets or liabilities are recognized as payments are made, however, in the government-wide financial statements, post employment benefit assets or liabilities are recognized based on the overall changes in the net post employment benefits assets or liabilities and deferred inflows and outflows of resources.	347,578
Change in net position of governmental activities	<u><u>\$ 2,408,589</u></u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2024

	Municipal Waterworks & Sewer System
ASSETS	
Current assets:	
Cash	\$ 4,926,354
Certificates of deposit	404,031
Accounts receivable, customers (net)	855,604
Grants Receivable	1,561,177
Prepaid expenses	<u>291,967</u>
Total unrestricted current assets	<u>8,039,133</u>
Restricted cash and certificates of deposit	<u>2,742,141</u>
Non-current assets:	
Capital assets, net	49,267,673
Bond issuance costs	164,983
Post employment benefits net asset	<u>35,890</u>
Total non-current assets	<u>49,468,546</u>
Total assets	<u><u>\$ 60,249,820</u></u>
Deferred outflow of resources	<u><u>\$ 659,171</u></u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2024

LIABILITIES

Current liabilities:

Accounts payable	\$ 244,817
Accrued liabilities	101,686
Customer deposits	370,232
Leases payable	22,743
Construction payable	2,361,181
Unearned grant revenue	<u>1,447,829</u>

Total liabilities payable from unrestricted assets	<u>4,548,488</u>
--	------------------

Payable from restricted assets:

Accrued interest payable	85,251
Loans payable	1,280,902
Bonds payable	<u>332,000</u>

Total liabilities payable from restricted assets	<u>1,698,153</u>
--	------------------

Total current liabilities	<u>6,246,641</u>
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Non-current liabilities:

Bonds, leases, and loans payable	31,878,262
Net pension obligation	<u>1,668,030</u>

Total long term liabilities	<u>33,546,292</u>
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Total liabilities	<u>\$ 39,792,933</u>
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Deferred inflow of resources	<u>\$ 1,139,032</u>
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NET POSITION

Net investment in capital assets	\$ 13,392,585
Restricted	2,742,141
Unrestricted	<u>3,842,300</u>
Total net position	<u>\$ 19,977,026</u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2024

	Municipal Waterworks & Sewer System
Operating revenues:	
Water sales	\$ 2,948,522
Water taps	24,100
Water surcharge	68,360
Sewer charges	2,878,835
Sewer taps	23,950
Sewer surcharge	70,600
Wastewater surcharge	10,777
Pre-treatment charges	132,341
Penalties	177,046
Other revenue	38,235
	<hr/>
Total operating revenues	6,372,766
	<hr/>
Operating expenses:	
Water operations	2,420,277
Sewer operations	1,397,140
	<hr/>
Total operating expenses	3,817,417
	<hr/>
Operating income before depreciation, amortization, and bad debts	2,555,349
	<hr/>
Depreciation expense	2,312,480
Amortization of loan fees	8,208
Bad debts	35,000
	<hr/>
Total depreciation, amortization, and bad debts	2,355,688
	<hr/>
Operating income (loss)	199,661
	<hr/>

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2024

Non-operating revenues (expenses):

Interest income	39,884
Garbage service	828,985
Sales tax	135,873
Utility tax	58,882
KY River withdrawal fee	216,320
Emergency services surcharge	78,963
Other income	11,808
Interest expense	(723,798)
Garbage service	(773,842)
Sales tax paid	(121,604)
Emergency services expenses	(68,872)
Utility tax paid	(58,477)
KY River withdrawal fee	<u>(273,068)</u>
Non-operating revenues (expenses), net	<u>(648,946)</u>
Income (loss) before other revenues, expenses, gains and losses and transfers	(449,285)
Capital Grant Proceeds	<u>2,433,218</u>
Increase (decrease) in net position	1,983,933
Net position, beginning of year	<u>17,993,093</u>
Net position, end of year	<u><u>\$ 19,977,026</u></u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2024

	Municipal Waterworks & Sewer System
Cash Flows from Operating Activities:	
Receipts from customers	\$ 6,175,409
Payments to suppliers	(2,309,249)
Payments to employees	(1,613,996)
	<u>2,252,164</u>
Net cash provided by (used in) operating activities	<u>2,252,164</u>
Cash Flows from Non-Capital Financing Activities:	
Security deposit receipts	62,375
Security deposit refunds	(40,261)
Unearned grant funds	1,447,829
Non-operating receipts	1,330,831
Non-operating disbursements	(1,295,863)
	<u>1,504,911</u>
Net cash provided by (used in) non-capital financing activities	<u>1,504,911</u>
Cash Flows from Capital and Related Financing Activities:	
Capital grant proceeds	872,041
Capital asset purchases	(930,128)
Principal paid on bonds, leases, and loans	(1,609,313)
Interest paid on bonds, leases, and loans	(727,569)
Lease proceeds	111,240
	<u>(2,283,729)</u>
Net cash provided by (used in) capital and related financing activities	<u>(2,283,729)</u>
Cash Flows from Investing Activities:	
Purchase of investments	(24,732)
Interest on investments	39,884
	<u>15,152</u>
Net cash provided by (used in) investing activities	<u>15,152</u>
Net increase (decrease) in cash	1,488,498
Cash, beginning of year	<u>5,579,215</u>
Cash, end of year	<u><u>\$ 7,067,713</u></u>
Cash is Classified as:	
Unrestricted	\$ 4,926,354
Restricted	<u>2,141,359</u>
	<u><u>\$ 7,067,713</u></u>

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2024

	<u>Municipal Waterworks & Sewer System</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ 199,661
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,312,480
Amortization	8,208
Bad debts	35,000
Change in assets and liabilities:	
Accounts receivable, customers	(197,357)
Prepaid expenses	(22,395)
Accounts payable	149,117
Accrued liabilities	(327)
Net pension obligation	(128,265)
Net post employment benefits payable	<u>(103,958)</u>
Total adjustments	<u>2,052,503</u>
Net cash provided by (used in) operating activities	<u><u>\$ 2,252,164</u></u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2024

	Cemetery Fund
ASSETS	
Cash	\$ 294,476
Certificates of deposit	<u>227,333</u>
Total assets	<u><u>\$ 521,809</u></u>
 NET POSITION	
Net position	<u><u>\$ 521,809</u></u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2024

	Cemetery Fund
Revenues:	
Perpetual care	\$ 63,600
Other revenue	66
Interest	<u>4,511</u>
Total revenues	<u>68,177</u>
Expenditures:	
Capital outlay	<u>104,300</u>
Excess (deficiency) of revenues over expenditures	(36,123)
Net position, beginning of year	<u>557,932</u>
Net position, end of year	<u><u>\$ 521,809</u></u>

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CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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, 2024

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 previously collected 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:

Fund	Fund Type	Major/ Non-Major
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, 2024

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, 2024

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 April 29, 2025 (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 \$757,000, 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
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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. Prior to January 1, 2024 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. Effective January 1, 2024 all city employees are permitted to carry forward one week or 40 hours of available vacation time each year. Upon retirement, employees may utilize unused sick leave to receive additional service credit. These costs associated with the conversion to additional service credit 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 benefit net assets, 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, accounts payable construction, 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

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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 1.5% 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 1.5% 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.

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, 2024

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 \$0.067 per \$100 of assessed value for the year ended June 30, 2024. 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, utility and sales tax income, utility and sales tax expense, Kentucky River withdrawal fee income, Kentucky River withdrawal fee expense, emergency services surcharge, and emergency services expenses.

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, 2024, all of the City's deposits in financial institutions were insured or collateralized. Funds collateralized with securities held by the pledging financial institution totaled \$16,279,862.
- B. **Property Tax Calendar.** Property taxes for fiscal year 2024 were levied on October 1, 2023 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.....	October 1
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
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

- 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, 2024:
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, 2024.
 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, 2024.
 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, 2024.
 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, 2024.
 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, 2024.
 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, 2024.
 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, 2024.
 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, 2024.
 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, 2024.
 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, 2024.
 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, 2024.
 - 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, 2024.
 - 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, 2024.
 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

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

reserve was properly funded at June 30, 2024.

- 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, 2024.

- 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, 2024 this account was properly funded.

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

- A. **Cash and Certificates of Deposit.** Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's funds on deposit with the banks may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires, except as noted below, bank balances to be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The Mayor and Finance Commissioner may invest funds in uncollateralized certificates of deposit subject to:

- 1. Approval of the Board of Commissioners;
- 2. The bank or savings and loan institution being rated in one of the three highest categories by a nationally recognized rating agency;
- 3. The amount of funds invested in uncollateralized certificates of deposit not exceeding 10% of the City's total investment portfolio;
- 4. The maximum term to maturity of uncollateralized certificates of deposit not exceeding one year.

As of June 30, 2024, the City's funds on deposit in financial institutions were properly insured or collateralized. Funds collateralized with securities held by pledging financial institutions totaled \$16,279,862.

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

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

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

The City's investments at June 30, 2024 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	\$ 31,110	\$ 31,110	0.05 %	N/A
Community Trust Bank				
Certificate of Deposit	569,672	569,672	4.95 %	12/24/2024
Whitaker Bank				
Certificate of Deposit	12,597	12,597	4.92 %	11/29/2024
Certificate of Deposit	190,840	190,840	4.92 %	11/29/2024
Certificate of Deposit	200,594	200,594	4.92 %	11/29/2024
	<u>\$ 1,004,813</u>	<u>\$ 1,004,813</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, 2024 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	\$ 106,491	\$	\$ 106,491
Municipal aid fund	92,056		92,056
Tourism development fund	42,184		42,184
Alcohol beverage control fund	2,500		2,500
	<u>\$ 243,231</u>	<u>\$</u>	<u>\$ 243,231</u>
<i>Business-Type Activities:</i>			
Bond sinking fund	238,809	31,110	269,919
Note sinking fund	203,054		203,054
Lease sinking fund	121,611		121,611
Water and sewer surcharge	428,186		428,186
Bond debt reserve fund	662,714		662,714
Note debt reserve fund	34,033		34,033
Repairs and maintenance fund	452,952	569,672	1,022,624
	<u>\$ 2,141,359</u>	<u>\$ 600,782</u>	<u>\$ 2,742,141</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

- C. **Receivables.** Receivables included as current assets on the Statement of Net Position, as of June 30, 2024, consists of the following:

	Governmental Activities	Business-Type Activities	Total
<i>Taxes and Licenses:</i>			
Payroll license	\$ 1,092,344	\$	\$ 1,092,344
Insurance license	553,146		553,146
Auto taxes	17,069		17,069
Payment in lieu of taxes	17,732		17,732
Net profits license fee	74,516		74,516
	<u>1,754,807</u>		<u>1,754,807</u>
<i>Intergovernmental:</i>			
CDBG Grant		250,626	250,626
KIA Loan Forgiveness		1,310,551	1,310,551
Municipal Aid	37,559		37,559
Police Grant	19,948		19,948
	<u>57,507</u>	<u>1,561,177</u>	<u>1,618,684</u>
<i>Other:</i>			
Wilderness Trace YMCA	75,000		75,000
Miscellaneous	255		255
	<u>75,255</u>		<u>75,255</u>
<i>User Fees:</i>			
User fees		1,612,604	1,612,604
Less allowance for doubtful accounts		757,000	757,000
		<u>855,604</u>	<u>855,604</u>
Total receivables	<u>\$ 1,887,569</u>	<u>\$ 2,416,781</u>	<u>\$ 4,304,350</u>

- D. **Capital Assets.** The activity related to capital assets for the fiscal year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Governmental Activities:				
Land	\$ 695,429	\$	\$	\$ 695,429
Land improvements	1,785,318			1,785,318
Vehicles and equipment	4,947,738	454,272	242,991	5,159,019
Buildings	3,297,640	26,932		3,324,572
Infrastructure	1,148,813	18,162		1,166,975
Total cost	<u>11,874,938</u>	<u>499,366</u>	<u>242,991</u>	<u>12,131,313</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Accumulated depreciation:				
Land improvements	1,346,279	50,787		1,397,066
Vehicles and equipment	3,769,136	265,472	242,991	3,791,617
Buildings	1,650,651	88,248		1,738,899
Infrastructure	369,714	24,017		393,731
Total accumulated depreciation	<u>7,135,780</u>	<u>428,524</u>	<u>242,991</u>	<u>7,321,313</u>
Total capital assets, net	<u>\$ 4,739,158</u>	<u>\$ 70,842</u>	<u>\$</u>	<u>\$ 4,810,000</u>

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Business-Type Activities:				
Land	\$ 662,164	\$	\$	\$ 662,164
Vehicles and equipment	3,873,224	348,431		4,221,655
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	170,160	2,942,878		3,113,038
Total cost	<u>94,865,713</u>	<u>3,291,309</u>		<u>98,157,022</u>
Accumulated depreciation:				
Vehicles and equipment	2,113,268	176,443		2,289,711
Buildings	71,595	4,324		75,919
Water utility system	9,874,192	544,213		10,418,405
Sewer utility system	9,388,768	156,573		9,545,341
Water and sewer treatment plant	25,129,046	1,430,927		26,559,973
Total accumulated depreciation	<u>46,576,869</u>	<u>2,312,480</u>		<u>48,889,349</u>
Total capital assets, net	<u>\$ 48,288,844</u>	<u>\$ 978,829</u>	<u>\$</u>	<u>\$ 49,267,673</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 8,483
Police department	144,743
Fire department	69,452
Street department	71,282
Cemeteries	27,417
Culture and recreation	107,147
Total depreciation expense	<u>\$ 428,524</u>

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

- 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 balance is \$403 as of June 30, 2024.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

2. 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 was paid in full as of June 30, 2024.
3. 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 was paid in full as of June 30, 2024.
4. In 2021, the City obtained \$39,073 financing for the purchase of body cameras 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 \$5,578 as of June 30, 2024.
5. 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 \$74,281 as of June 30, 2024.
6. In 2022, the City obtained \$32,918 financing for the purchase of police equipment 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 \$8,599 as of June 30, 2024.
7. 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 annual payments of \$12,347, including interest at 7.469% per annum. The lease was paid in full as of June 30, 2024.
8. 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 \$3,419 as of June 30, 2024.
9. In 2024, the City obtained \$43,275 financing for the purchase of a Nissan Frontier truck for the water and sewer department which cost \$43,275. The 5-year lease agreement requires annual payments of \$10,830, including interest at 9.669% per annum. The lease is payable through 2029 and has a balance of \$37,020 as of June 30, 2024.
10. In 2024, the City obtained \$67,965 financing for the purchase of a Chevy Silverado truck for the water and sewer department which cost \$67,965. The 5-year lease agreement requires annual payments of \$16,492, including interest at 8.268% per annum. The lease is payable through 2029 and has a balance of \$62,736 as of June 30, 2024.
11. In 2024, the City obtained \$373,810 financing for the purchase of nine police cruisers for the police department which cost \$373,812. The 5-year lease agreements require annual payments of \$96,313, including interest ranging from 8.891% to 12.570% per annum. The leases are payable through 2029 and has a balance of \$352,486 as of June 30, 2024.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

The following is a schedule of property and equipment and outstanding liabilities relating to lease agreements at June 30, 2024:

Governmental Funds:

Property Leased	Asset Cost	Accumulated Depreciation	Net Book Value	Lease Payable		
				Current Portion	Long-Term Portion	Total
Fire trucks	\$ 45,852	\$ 36,027	\$ 9,825	\$ 403	\$	\$ 403
Police vehicles	820,794	269,896	550,898	94,323	332,444	426,767
Police equipment	71,991	36,612	35,379	14,177		14,177
	<u>\$ 938,637</u>	<u>\$ 342,535</u>	<u>\$ 596,102</u>	<u>\$ 108,903</u>	<u>\$ 332,444</u>	<u>\$ 441,347</u>

Business Activity Funds:

Property Leased	Asset Cost	Accumulated Depreciation	Net Book Value	Lease Payable		
				Current Portion	Long-Term Portion	Total
Chevy truck	\$ 32,841	\$ 18,767	\$ 14,074	\$ 3,419	\$	\$ 3,419
Nissan truck	43,275		43,275	7,580	29,440	37,020
Chevy truck	67,965		67,965	11,744	50,992	62,736
	<u>\$ 144,081</u>	<u>\$ 18,767</u>	<u>\$ 125,314</u>	<u>\$ 22,743</u>	<u>\$ 80,432</u>	<u>\$ 103,175</u>

- 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, 2024, the governmental bonds, leases and loans payable consisted of the following:

Leases payable:

60-month leases for the purchase of police cruisers. Interest has been imputed to be 10.973%.	\$ 352,486
60-month lease for the purchase of police equipment. Interest has been imputed to be 3.00%.	8,599
60-month lease for the purchase of police cruisers. The lease bears interest at 5.909%.	
60-month lease for the purchase of a vehicle for the fire department. The lease bears interest at 8.248%.	403
60-month lease for the purchase of body cameras. The lease bears interest at 3.00%.	5,578
60-month lease for the purchase of police cruisers. Interest has been imputed to be 3.00%.	74,281
	<u>\$ 441,347</u>

Included as liability on Statement of Net Position:

Current liability	\$ 108,903
Non-current liability	332,444
	<u>\$ 441,347</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

Business-Type Activities. As of June 30, 2024, 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%.	\$ 3,419
5-year lease for the purchase of a Nissan Frontier truck. The lease bears interest at 9.669%.	37,020
5-year lease for the purchase of a Chevy Silverado. The lease bears interest at 8.268%.	62,736
	<u>\$ 103,175</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.	\$ 354,519
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.	168,316
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.	188,286
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.	1,500,423
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.	7,638,562
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.	209,857
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.	912,248

CITY OF HARRODSBURG, KENTUCKY
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For the Year Ended June 30, 2024

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.	425,276
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.	1,000,206
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.	709,470
Loan F16-049 is for the Water Distribution Main Replacement 2015 Project. The uncollateralized \$2,877,200 loan from Kentucky Infrastructure Authority bears interest at .75% and is due 20 years from the date the loan is closed. Payments of approximately \$58,000 are to be paid semi-annually through December 1, 2038.	1,529,569
24-year revenue lease for the refinance of three bond issues. The uncollateralized \$3,130,000 revenue lease from the Kentucky Bond Corporation bears interest between 2.25% and 3.00%. Payments of approximately \$94,000 are to be paid semi-annually through February 2043.	2,650,000
	<u>\$ 17,286,732</u>

Bonds payable:

Bonds were issued in 2012 for the construction of extensions, additions and improvements to the existing waterworks system. The bonds bear interest at 2.75%. Principal is paid annually through December 2050, and interest is paid semi-annually.	\$ 6,476,000
Series 2014 A & B bonds were issued in 2015 to finance the wastewater treatment plant. The bonds bear interest at 3.25%. Principal is paid annually through December 2053 and interest is paid semi-annually.	1,520,500
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.	8,127,500
	<u>\$ 16,124,000</u>

Included as liability on Statement of Net Position:

	Leases Payable	Loans Payable	Bonds Payable	Total
Current liability	\$ 22,743	\$	\$	\$ 22,743
Current liability payable from restricted resources		1,280,902	332,000	1,612,902
Non-current liability	80,432	16,005,830	15,792,000	31,878,262
	<u>\$ 103,175</u>	<u>\$ 17,286,732</u>	<u>\$ 16,124,000</u>	<u>\$ 33,513,907</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

- 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, 2024:

Type of Debt	Balance July 1, 2023	Proceeds	Payments	Balance June 30, 2024	Amounts Due Within One Year
Governmental Activities:					
Capital leases payable	\$ 213,301	\$ 373,812	\$ 145,766	\$ 441,347	\$ 108,903
Business-Type Activities:					
Bonds payable	\$ 16,446,500		\$ 322,500	\$ 16,124,000	\$ 332,000
Leases payable	18,359	111,240	26,424	103,175	22,743
Loans payable	18,547,121		1,260,389	17,286,732	1,280,902
Total business-type activities	<u>\$ 35,011,980</u>	<u>\$ 111,240</u>	<u>\$ 1,609,313</u>	<u>\$ 33,513,907</u>	<u>\$ 1,635,645</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, 2024 are as follows:

	Year Ending June 30	Principal	Interest	Total
Governmental Activities:				
	2025	\$ 108,903	\$ 38,910	\$ 147,813
	2026	102,970	29,832	132,802
	2027	80,769	20,869	101,638
	2028	84,210	12,105	96,315
	2029	64,495	3,030	67,525
		<u>\$ 441,347</u>	<u>\$ 104,746</u>	<u>\$ 546,093</u>
Proprietary Activities:				
	2025	\$ 1,635,645	\$ 697,364	\$ 2,333,009
	2026	1,659,327	665,654	2,324,981
	2027	1,692,918	633,172	2,326,090
	2029	1,470,114	601,745	2,071,859
	2029	1,480,305	576,024	2,056,329
	2030 - 2034	7,675,782	2,501,661	10,177,443
	2035 - 2039	7,156,701	1,838,168	8,994,869
	2040 - 2044	3,529,618	1,252,307	4,781,925
	2045 - 2049	3,181,000	783,975	3,964,975
	2050 - 2054	2,959,000	328,765	3,287,765
	2055 - 2059	1,073,497	49,855	1,123,352
		<u>\$ 33,513,907</u>	<u>\$ 9,928,690</u>	<u>\$ 43,442,597</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, 2024 for Industrial Revenue Bonds is not available.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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

Governmental Activities:

Police department	\$ 18,881
Fire department	517
Street department	590
	<u>19,988</u>

Proprietary Activities:

Water	361,899
Sewer	361,899
	<u>723,798</u>

Total interest expense	<u><u>\$ 743,786</u></u>
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- K. **Net Position.** Net position at June 30, 2024 is identified as follows:

Governmental Funds:

Restricted for:

Police department	\$ 108,991
Roads	129,615
Tourism	42,184
	<u>280,790</u>

Total net position, restricted	<u><u>\$ 280,790</u></u>
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Proprietary Funds:

Bond sinking fund	\$ 269,919
Note sinking fund	203,054
Lease sinking fund	121,611
Bond debt reserve fund	662,714
Lease debt reserve fund	34,033
Water and sewer surcharge	428,186
Repairs and maintenance fund	1,022,624
	<u>2,742,141</u>

Total net position, restricted	<u><u>\$ 2,742,141</u></u>
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- L. **Transfers.** The following operating transfers were made during fiscal year 2024:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 482,585	\$
Non-major Funds:		
Alcohol Beverage Control fund		482,585
	<u>\$ 482,585</u>	<u>\$ 482,585</u>

The transfer of \$482,585 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.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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 Trustees 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, 2023.

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. During the year ended June 30, 2024 the City approved moving police officers and firemen to the hazardous duty retirement plan from the non-hazardous duty plan.

Contributions. Participating employers are required to contribute at an actuarially determined rate. 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, 2024, participating employers contributed 23.34% of each employee's creditable compensation for non-hazardous job classifications and 41.11% 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 and is nonrefundable. 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

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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).

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 \$1,179,217 for the year ended June 30, 2024, or 100% of the required contribution. The contribution was allocated \$575,594 to the non-hazardous fund and \$603,623 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, 2013
	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

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

B. Hazardous Duty Employees:

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources. At June 30, 2024, the City reported a liability of \$5,986,444 in the governmental activities and \$1,668,030 in the business-type activities for its proportionate share of the net pension obligation. The net pension obligation was measured as of June 30, 2023, 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, 2023, the City's proportion was .099872% for non-hazardous job classifications and .046224% for hazardous job classifications. For 2022, the City's proportion was .096045% for non-hazardous job classification and .056971% for hazardous job classifications.

For the year ended June 30, 2024, the City recognized pension expense of \$100,139 in the governmental activities and \$119,504 in the business-type activities. At June 30, 2024, the City of Harrodsburg had paid all amounts owed for the year ending June 30, 2024.

At June 30, 2024, 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	\$ 302,364	\$ 110,204	\$ 86,351	\$ 4,532
Changes of assumptions		434,449		152,876
Net difference between projected and actual earnings on Plan investments	623,060	700,221	180,194	202,947
Changes in proportion and differences between City contributions and proportionate share of contributions	131,297	614,327	46,201	91,122
City contributions subsequent to the measurement date	1,029,394		149,823	
Total	<u>\$ 2,086,115</u>	<u>\$ 1,859,201</u>	<u>\$ 462,569</u>	<u>\$ 451,477</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

The \$1,029,394 and \$149,823 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Year ending June 30,			
2025	\$ (479,630)	\$ (116,980)	\$ (596,610)
2026	(271,325)	(42,840)	(314,165)
2027	25,136	37,237	62,373
2029	<u>(76,661)</u>	<u>(16,148)</u>	<u>(92,809)</u>
Total	<u><u>\$ (802,480)</u></u>	<u><u>\$ (138,731)</u></u>	<u><u>\$ (941,211)</u></u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

Actuarial Assumptions. The total pension liability in the June 30, 2023 and 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2023		2022	
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
Valuation date	June 30, 2022	June 30, 2022	June 30, 2021	June 30, 2021
Actuarial cost method	Entry age normal cost	Entry age normal cost	Entry age normal cost	Entry age normal cost
Amortization method	Level percentage of pay	Level percentage of pay	Level percentage of pay	Level percentage of pay
Amortization period	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases. 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases. 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases. 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases. 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Asset valuation method				
Inflation	2.50%	2.50%	2.30%	2.30%
Payroll growth	2.00%	2.00%	2.00%	2.00%
Salary increases	3.30% - 10.30% varies by service	3.55% - 19.05% varies by service	3.30% - 10.30% varies by service	3.55% - 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	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	6.50%	6.50%	6.25%	6.25%
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
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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>
Equity:		
Public equity	50.00 %	5.90 %
Private equity	10.00 %	11.73 %
Fixed Income:		
Core fixed income	10.00 %	2.45 %
Specialty credit	10.00 %	3.65 %
Cash	0.00 %	1.39 %
Inflation protected:		
Real Estate	7.00 %	4.99 %
Real Return	13.00 %	5.15 %
Total	100.00 %	

Discount Rate. The single discount rate used to measure the total pension liability for both the non-hazardous and hazardous plans was 6.50% and 6.25% for the years ended June 30, 2023 and 2022 respectively. 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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For the Year Ended June 30, 2024

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) 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	5.50 %	\$ 8,090,860	\$ 1,573,598
Current discount rate	6.50 %	6,408,295	1,246,179
1% increase	7.50 %	5,010,021	978,751

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, 2023.

Under the provisions of Kentucky Revised Statue 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, 2023, insurance premiums withheld from benefit payments for KPPA'S members were \$23.7 million and \$4.0 million for CERS non-hazardous and hazardous plans respectively; \$19.5 million and \$1.4 million for KERS non-hazardous and hazardous, respectively; and, \$0.4 for SPRS. The contribution by the City of Harrodsburg, Kentucky totaled \$0 to the non-hazardous plan and \$36,554 to the hazardous plan for the year ended June 30, 2024.

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:

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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

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

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. No COLA's have been granted since July 1, 2011.

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:

Insurance Fund	Dollar Amount
CERS Nonhazardous	\$14.20
CERS Hazardous	\$21.30

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

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

(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 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 include 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

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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.

Derivatives

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.

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity:		
Public Equity	50.00 %	5.90 %
Private Equity	10.00 %	11.73 %
Fixed Income:		
Core Fixed Income	10.00 %	2.45 %
Specialty Credit	10.00 %	3.65 %
Cash		1.39 %
Inflation Protected:		
Real Estate	7.00 %	4.99 %
Real Return	13.00 %	5.15 %
Total	100.00 %	

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

Employer Contributions. The employer rates allocable to the health insurance benefits was 0% in 2024 and 3.39% in 2023 for nonhazardous employees and 2.58% in 2024 and 6.78% in 2023 for hazardous employees. The contribution rates were created by statute and were 100% funded during 2024 and 2023. At June 30, 2024, the City of Harrodsburg had contributed all of the required 2024 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. Per Kentucky Revised Statute Sections 61.565, and 16.645, normal contribution and past service contribution rates shall be determined by the KPPA Board on the basis of the last annual valuation preceding July 1 of a new biennium. The KPPA 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. 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.

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

Retirement System	Actuarial Value of Assets	AAL Entry Age Normal	Funded	Covered Payroll	Unfunded as Percent of Covered Payroll
CERS Non-Hazardous	\$ 3,366,332	\$ 2,560,387	131.5 %	\$ 2,898,813	(27.8)%
CERS Hazardous	1,615,349	1,604,147	100.7 %	677,988	(1.7)%
Total Insurance Funds	<u>\$ 4,981,681</u>	<u>\$ 4,164,534</u>	<u>119.6 %</u>	<u>\$ 3,576,801</u>	<u>(22.8)%</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

Actuarial Methods and Assumptions. The total OPEB liability as of June 30, 2024 was calculated using the following actuarial assumptions based on the June 30, 2023, actuarial valuation report:

	CERS Non-Hazardous	CERS Hazardous
Inflation	2.50%	2.50%
Payroll growth rate	2.00%	2.00%
Salary increases	3.30% to 10.30% varies by service	3.55% to 19.05% varies by service
Investment rate of return	6.50%	6.50%
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
Healthcare trend rates - pre 65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.
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. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.

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

	CERS Non- Hazardous	CERS Hazardous
As of June 30, 2023		
Single discount rate	5.93 %	5.97 %
Long-term expected rate of return	6.50 %	6.50 %
Long-term municipal bond rate (1)	3.86 %	3.86 %
As of June 30, 2022		
Single discount rate	5.70 %	5.61 %
Long-term expected rate of return	6.25 %	6.25 %
Long-term municipal bond rate (1)	3.69 %	3.69 %

(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, 2023 (and June 30, 2022).

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

Sensitivity of the net OPEB liability/(asset) to changes in the discount rate. The following table presents the City's proportionate share of the net OPEB liability/(asset), as well as what the City's net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	City's Proportionate Percentage of Net OPEB Liability(asset) - Non Hazardous	Discount Rate	City's Proportionate Share of Net OPEB Liability/(asset) - Non-Hazardous	City's Proportionate Percentage of Net OPEB Liability/(asset) - Hazardous	Discount Rate	City's Proportionate Share of Net OPEB Liability/(asset) - Hazardous
1% decrease	0.099868 %	4.93 %	\$ 258,756	0.046193 %	4.97 %	\$ 159,840
Current discount rate	0.099868 %	5.93 %	\$ (137,884)	0.046193 %	5.97 %	\$ 63,203
1% increase	0.099868 %	6.93 %	\$ (470,023)	0.046193 %	6.97 %	\$ (17,322)

The allocation of the employer's proportionate share of the net OPEB liability/(asset) and OPEB expense was determined using the employer's actual contributions for FY 2023 and FY 2022 compared to all employers in the plan. The total OPEB liability/(asset), net OPEB liability/(asset), and sensitivity information are based on an actuarial valuation performed as of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2023, using generally accepted actuarial principles. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. Certain benefit assumptions including the mortality assumptions are from the 2021 experience study. The City's decrease in OPEB cost for June 30, 2024 was \$99,863.

Sensitivity of the net OPEB liability/(asset) to changes in healthcare cost trend rates. The following table presents the net OPEB liability/(asset) of the City, as well as what the City's net OPEB liability/(asset) 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	4.93 %	\$ (441,944)	4.97 %	\$ 720
Current discount rate	5.93 %	\$ (137,884)	5.97 %	\$ 63,203
1% increase	6.93 %	\$ 235,624	6.97 %	\$ 138,663

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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	\$ 76,822	\$ 1,708,781	\$ 25,021	\$ 509,606
Changes in assumptions or other inputs	243,872	205,766	70,630	49,222
Net difference between projected and actual earnings on plan investments	248,400	280,775	67,167	75,497
Changes in the employer's contributions and the employers proportionate share of plan contributions	96,010	283,812	33,784	53,230
The employer's contributions to the OPEB plan subsequent to the measurement date of the collective net OPEB liability	36,554			
Total	\$ 701,658	\$ 2,479,134	\$ 196,602	\$ 687,555

The \$36,554 and \$0 of deferred outflows of resources in the governmental activities and business-type activities, 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2025	\$ (439,843)	\$ (122,727)
2026	(527,250)	(150,873)
2027	(424,151)	(122,488)
2028	(364,312)	(94,865)
2029	(58,474)	
	\$ (1,814,030)	\$ (490,953)

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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:

<u>Type of Coverage</u>	<u>Insured Amount</u>	<u>Deductible</u>
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	81,057,331	1,000
Equipment	1,207,031	

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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, 2024 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, 2024.

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 approximately \$11,000,000.

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

- Engineering and construction cost of approximately \$2,576,000 for the bypass pump station and force main.
- Borrow \$4,280,000 from Kentucky Infrastructure to acquire and construct certain facilities and improvements to the water system. 72% of this loan principal will be forgiven as the loan is drawn down. As of June 30, 2024, \$1,820,211 of expenses were accrued and capitalized as construction in process, and \$1,310,551 was forgiven and accrued as capital grant income. No funding has been received for this loan as of June 30, 2024.

VIII. ECONOMIC DEPENDENCY

General Government Revenue. The City collected approximately \$2,391,000 from four employers within the City limits representing 50% of its payroll license fees and 25% of the total revenues of the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Last 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 Covered Employee Payroll	City's Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Employee Payroll	City's Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.0998722%	\$ 6,408,295	\$ 2,458,790	260.63%	57.48%	0.046224%	\$ 1,246,179	\$ 1,464,842	85.07%		52.96%
2023	0.096045%	6,943,105	2,893,936	239.92%	52.42%	0.056971%	1,738,446	275,117	631.89%		47.11%
2022	0.112180%	7,152,354	2,650,961	269.80%	57.33%	0.063516%	1,690,897	371,022	455.74%		52.26%
2021	0.104315%	8,000,874	2,859,034	279.85%	47.81%	0.064546%	1,946,078	373,652	520.83%		44.11%
2020	0.106734%	7,506,648	2,659,442	282.26%	50.45%	0.070428%	1,945,429	375,963	517.45%		46.63%
2019	0.101569%	6,185,801	2,677,145	231.06%	53.54%	0.091100%	2,203,214	399,991	550.82%		49.26%
2018	0.105664%	6,184,839	2,507,438	246.66%	53.32%	0.100552%	2,249,628	477,009	471.61%		49.78%
2017	0.103151%	5,078,759	2,569,834	197.63%	55.50%	0.099689%	1,710,600	551,977	309.90%		53.95%
2016	0.096361%	4,143,084	2,411,969	171.77%	59.97%	0.112177%	1,722,032	505,362	340.75%		57.52%
2015	0.084193%	3,244,376	2,232,126	145.35%	66.80%	0.152137%	1,201,824	581,643	206.63%		63.46%

The following change was adopted by the Kentucky Public Pensions Authority for 2023.

1. The assumed investment rate of return increased 0.25%
2. The assumed rate of inflation increased 0.2%

There were no significant 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 .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	Contractually Required Employer Contribution	Contributions Relative to Contractually Required Employer Contribution	Contribution deficiency (excess)	City Covered Employee Payroll	Employer Contributions as a Percentage of Covered- Employee Payroll
2024	CERS Non-Hazardous	\$ 575,594	\$ 575,594	\$0	\$ 2,458,790	23.41%
	CERS Hazardous	603,623	603,623	0	1,464,842	41.21%
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	\$ 2,507,438	15.03%
	CERS Hazardous	\$ 103,797	\$ 103,797	0	\$ 477,009	21.76%
2017	CERS Non-Hazardous	\$ 360,034	\$ 360,034	0	\$ 2,569,834	14.01%
	CERS Hazardous	\$ 120,011	\$ 120,011	0	\$ 551,977	21.74%
2016	CERS Non-Hazardous	\$ 444,236	\$ 444,236	0	\$ 2,411,969	18.42%
	CERS Hazardous	\$ 171,803	\$ 171,803	0	\$ 505,362	34.00%
2015	CERS Non-Hazardous	\$ 414,209	\$ 414,209	0	\$ 2,232,126	18.56%
	CERS Hazardous	\$ 200,220	\$ 200,220	0	\$ 581,643	34.42%

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

The following change was adopted by the Kentucky Public Pensions Authority for 2023.

1. The assumed investment rate of return increased 0.25%
2. The assumed rate of inflation increased 0.2%

There were no significant 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 .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.

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

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
Last Seven 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/(Asset)		Employer Proportion of Collective Net OPEB Liability/(Asset)		Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
	Percentage	Amount	Percentage	Amount				
6/30/2023	0.998680	\$ (137,885)	0.046193	\$ 63,203	\$ 2,458,790	\$ 1,464,842	-5.61%	4.31%
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 2023.

1. The assumed investment rate of return increased 0.25%
2. The assumed rate of inflation increased 0.2%

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 Eight 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
2024	\$ 0	100%	2024	\$ 36,554	100%
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 2023.

1. The assumed investment rate of return increased 0.25%
2. The assumed rate of inflation increased 0.2%

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, 2024

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, 2024

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 2,305,668	\$ 2,305,668	\$ 2,728,429	\$ 422,761
Licenses, permits, and fees	5,145,100	5,145,100	5,988,201	843,101
Intergovernmental revenue	2,003,870	2,003,870	197,723	(1,806,147)
Service charges	130,500	130,500	155,389	24,889
Other	1,094,218	1,409,067	158,115	(1,250,952)
Total revenues	<u>10,679,356</u>	<u>10,994,205</u>	<u>9,227,857</u>	<u>(1,766,348)</u>
Expenditures:				
General government	886,077	886,077	657,510	228,567
Police department	2,809,714	2,809,714	2,658,590	151,124
Fire department	2,089,312	2,089,312	1,837,540	251,772
Street department	1,337,089	1,387,089	1,179,017	208,072
Cemeteries	504,431	504,431	368,987	135,444
Culture and recreation	391,712	391,712	236,143	155,569
Non-departmentalized	2,661,021	2,925,870	1,497,222	1,428,648
Total expenditures	<u>10,679,356</u>	<u>10,994,205</u>	<u>8,435,009</u>	<u>2,559,196</u>
Excess (deficiency) of revenues over expenditures before other financing sources			<u>792,848</u>	<u>792,848</u>
Other financing sources (uses):				
Lease Proceeds			373,812	373,812
Transfers (to) from other funds			482,585	482,585
Total other financing sources(uses):			<u>856,397</u>	<u>856,397</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)			1,649,245	1,649,245
Fund balance, beginning of year	<u>8,245,245</u>	<u>8,245,245</u>	<u>8,245,245</u>	
Fund balance, end of year	<u>\$ 8,245,245</u>	<u>\$ 8,245,245</u>	<u>\$ 9,894,490</u>	<u>\$ 1,649,245</u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2024

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes:				
Real property	\$ 370,000	\$ 370,000	\$ 364,703	\$ (5,297)
Motor vehicle	140,000	140,000	161,439	21,439
Tangible personal property	40,000	40,000	29,837	(10,163)
Public service company	12,000	12,000	19,891	7,891
Insurance premium	1,662,000	1,662,000	2,069,424	407,424
Bank deposits	63,000	63,000	65,403	2,403
Payments in lieu of taxes	18,668	18,668	17,732	(936)
	<u>2,305,668</u>	<u>2,305,668</u>	<u>2,728,429</u>	<u>422,761</u>
Licenses, permits, and fees:				
Payroll license fees	4,050,000	4,050,000	4,804,018	754,018
Net profits license fees	360,000	360,000	456,719	96,719
Business license fees	82,000	82,000	93,103	11,103
Street license fees	1,500	1,500	1,275	(225)
ABC license fees	26,000	26,000	23,983	(2,017)
Franchise fee - cable television	59,600	59,600	59,617	17
Franchise fee - electric	476,000	476,000	476,326	326
Franchise fee - natural gas	90,000	90,000	73,160	(16,840)
	<u>5,145,100</u>	<u>5,145,100</u>	<u>5,988,201</u>	<u>843,101</u>
Intergovernmental revenue:				
Police pay incentive	86,000	86,000	93,173	7,173
Firefighters pay incentive	73,100	73,100	74,103	1,003
Police court fines	11,500	11,500	10,808	(692)
Other grants and subsidies	1,833,270	1,833,270	19,639	(1,813,631)
	<u>2,003,870</u>	<u>2,003,870</u>	<u>197,723</u>	<u>(1,806,147)</u>

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2024

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Service charges:				
Rental income	23,000	23,000	22,289	(711)
Police arrest fees	4,000	4,000	5,200	1,200
Interment, Spring Hill	73,000	73,000	80,950	7,950
Lots sold, Spring Hill	24,000	24,000	37,750	13,750
Interment, Maple Grove	3,000	3,000	6,500	3,500
Lots sold, Maple Grove	1,500	1,500	2,000	500
Monument bases	2,000	2,000	700	(1,300)
	<u>130,500</u>	<u>130,500</u>	<u>155,389</u>	<u>24,889</u>
Other:				
Penalties and interest	26,000	26,000	30,743	4,743
Interest earned	6,000	6,000	12,192	6,192
Drug investigation receipts	19,000	19,000	63,945	44,945
Sale of surplus property	30,000	30,000	10,395	(19,605)
Insurance claim proceeds			22,846	22,846
Miscellaneous	<u>1,013,218</u>	<u>1,328,067</u>	<u>17,994</u>	<u>(1,310,073)</u>
	<u>1,094,218</u>	<u>1,409,067</u>	<u>158,115</u>	<u>(1,250,952)</u>
Total revenues	<u><u>\$ 10,679,356</u></u>	<u><u>\$ 10,994,205</u></u>	<u><u>\$ 9,227,857</u></u>	<u><u>\$ (1,766,348)</u></u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2024

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government:				
Salaries and wages	\$ 489,316	\$ 489,316	\$ 424,775	\$ 64,541
Fringe benefits	218,761	218,761	156,968	61,793
Contractual services	92,800	92,800	57,159	35,641
Materials and supplies	73,000	73,000	10,676	62,324
Other costs	12,200	12,200	7,932	4,268
	<u>886,077</u>	<u>886,077</u>	<u>657,510</u>	<u>228,567</u>
Police department:				
Salaries and wages	1,383,016	1,383,016	1,295,239	87,777
Fringe benefits	814,684	814,684	619,705	194,979
Contractual services	158,109	158,109	120,360	37,749
Materials and supplies	106,500	106,500	87,391	19,109
Other costs	188,683	188,683	44,276	144,407
Capital outlay	10,000	10,000	373,810	(363,810)
Debt service	148,722	148,722	117,809	30,913
	<u>2,809,714</u>	<u>2,809,714</u>	<u>2,658,590</u>	<u>151,124</u>
Fire department:				
Salaries and wages	1,015,191	1,015,191	1,031,277	(16,086)
Fringe benefits	640,521	640,521	536,678	103,843
Contractual services	126,600	126,600	91,722	34,878
Materials and supplies	101,000	101,000	101,297	(297)
Other costs	36,000	36,000	27,201	8,799
Capital outlay	45,000	45,000	38,144	6,856
Debt service	125,000	125,000	11,221	113,779
	<u>2,089,312</u>	<u>2,089,312</u>	<u>1,837,540</u>	<u>251,772</u>
Street department:				
Salaries and wages	224,398	224,398	199,236	25,162
Fringe benefits	124,574	124,574	92,674	31,900
Contractual services	816,160	866,160	783,913	82,247
Materials and supplies	54,620	54,620	26,139	28,481
Other costs	7,500	7,500	2,737	4,763
Capital outlay	85,000	85,000	61,600	23,400
Debt service	24,837	24,837	12,718	12,119
	<u>1,337,089</u>	<u>1,387,089</u>	<u>1,179,017</u>	<u>208,072</u>

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2024

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Cemeteries:				
Salaries and wages	207,378	207,378	136,899	70,479
Fringe benefits	113,403	113,403	64,736	48,667
Contractual services	124,650	124,650	141,806	(17,156)
Materials and supplies	30,000	30,000	20,339	9,661
Other costs	9,000	9,000	3,649	5,351
Capital outlay	20,000	20,000	1,558	18,442
	<u>504,431</u>	<u>504,431</u>	<u>368,987</u>	<u>135,444</u>
Culture and recreation:				
Salaries and wages	147,325	147,325	103,675	43,650
Fringe benefits	83,037	83,037	47,034	36,003
Contractual services	106,750	106,750	60,287	46,463
Materials and supplies	23,600	23,600	17,364	6,236
Other costs	6,000	6,000	1,770	4,230
Capital outlay	25,000	25,000	6,013	18,987
	<u>391,712</u>	<u>391,712</u>	<u>236,143</u>	<u>155,569</u>
Non-departmentalized:				
Insurance	270,000	270,000	286,303	(16,303)
Grants and subsidies	2,391,021	2,655,871	1,210,919	1,444,952
	<u>2,661,021</u>	<u>2,925,871</u>	<u>1,497,222</u>	<u>1,428,649</u>
	<u>\$ 10,679,356</u>	<u>\$ 10,994,206</u>	<u>\$ 8,435,009</u>	<u>\$ 2,559,197</u>

OTHER SUPPLEMENTARY INFORMATION

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

Such statements and schedules include:

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

NON-MAJOR FUNDS

CITY OF HARRODSBURG, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
June 30, 2024

	<u>Municipal Aid Fund</u>	<u>Tourism Development Fund</u>	<u>Alcohol Beverage Control Fund</u>	<u>Total</u>
ASSETS				
Cash	\$ 92,056	\$ 42,184	\$ 2,500	\$ 136,740
Accounts receivable - Intergovernmental	37,559			37,559
Total assets	<u>\$ 129,615</u>	<u>\$ 42,184</u>	<u>\$ 2,500</u>	<u>\$ 174,299</u>
FUND BALANCE				
Fund balance:				
Restirtcted for:				
Roads	\$ 129,615			\$ 129,615
Tourism		42,184		42,184
Police			2,500	2,500
Total fund balance	<u>129,615</u>	<u>42,184</u>	<u>2,500</u>	<u>174,299</u>
TOTAL FUND BALANCE	<u>\$ 129,615</u>	<u>\$ 42,184</u>	<u>\$ 2,500</u>	<u>\$ 174,299</u>

CITY OF HARRODSBURG, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
For the Year Ended June 30, 2024

	<u>Municipal Aid Fund</u>	<u>Tourism Development Fund</u>	<u>Alcohol Beverage Control Fund</u>	<u>Total</u>
Revenues:				
Intergovernmental revenue	\$ 212,403	\$	\$	\$ 212,403
Alcohol license fee			289,308	289,308
Penalty			1,336	1,336
Interest income	125	36		161
	<u>125</u>	<u>36</u>	<u></u>	<u>161</u>
Total revenues	<u>212,528</u>	<u>36</u>	<u>290,644</u>	<u>503,208</u>
Expenditures:				
Police department:				
Other costs			71,186	71,186
Debt			24,006	24,006
Street department:				
Paving	161,043			161,043
Salt	16,090			16,090
Non-departmentalized:				
Grants and subsidies		15,843		15,843
	<u></u>	<u>15,843</u>	<u></u>	<u>15,843</u>
Total expenditures	<u>177,133</u>	<u>15,843</u>	<u>95,192</u>	<u>288,168</u>
Excess (deficiency) of revenues over expenditures	35,395	(15,807)	195,452	215,040
Other financing sources (uses):				
Transfers (to) from other funds			(482,585)	(482,585)
	<u></u>	<u></u>	<u>(482,585)</u>	<u>(482,585)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	35,395	(15,807)	(287,133)	(267,545)
Fund balance, beginning of year	<u>94,220</u>	<u>57,991</u>	<u>289,633</u>	<u>441,844</u>
Fund balance, end of year	<u>\$ 129,615</u>	<u>\$ 42,184</u>	<u>\$ 2,500</u>	<u>\$ 174,299</u>

PROPRIETARY FUND

CITY OF HARRODSBURG, KENTUCKY
BALANCE SHEET
MUNICIPAL WATERWORKS AND SEWER SYSTEM
June 30, 2024

ASSETS

Current assets:

Cash
Certificates of deposit
Accounts receivable (net of allowance
for doubtful accounts of \$ 757,000)
Grants Receivable
Prepaid expenses

\$ 4,926,354
404,031
855,604
1,561,177
291,967
8,039,133

Restricted assets:

Cash
Certificates of deposit

2,141,359
600,782
2,742,141

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
4,221,655
835,149
3,113,038
98,157,022

Less accumulated depreciation

48,889,349

Capital assets, net

49,267,673

Other long term assets:

Bond issuance costs
Post employment benefits net asset

164,983
35,890
200,873

Total assets

\$ 60,249,820

Deferred outflow of resources

\$ 659,171

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable
Accrued liabilities
Customer deposits
Lease payable
Construction payable
Unearned grant revenue

\$ 244,817
101,686
370,232
22,743
2,361,181
1,447,829
4,548,488

Liabilities payable from restricted assets:

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

85,251
1,280,902
332,000
1,698,153

Non-current liabilities:

Bonds payable
Loans payable
Lease payable
Net pension obligation

15,792,000
16,005,830
80,432
1,668,030
33,546,292

Total liabilities

\$ 39,792,933

Deferred inflow of resources

\$ 1,139,032

Net position:

Net investment in capital assets
Restricted
Unrestricted

\$ 13,392,585
2,742,141
3,842,300
19,977,026

Total net position

\$ 19,977,026

CITY OF HARRODSBURG, KENTUCKY
COMBINING STATEMENT OF REVENUES AND EXPENSES
MUNICIPAL WATERWORKS AND SEWER SYSTEM
For the Year Ended June 30, 2024

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total</u>
Operating revenues:			
Water sales	\$ 2,948,522	\$	\$ 2,948,522
Water taps	24,100		24,100
Water surcharge	68,360		68,360
Sewer charges		2,878,835	2,878,835
Sewer taps		23,950	23,950
Sewer surcharge		70,600	70,600
Wastewater surcharge		10,777	10,777
Pre-treatment charges		132,341	132,341
Penalties	88,523	88,523	177,046
Other revenue	19,117	19,118	38,235
	<u>3,148,622</u>	<u>3,224,144</u>	<u>6,372,766</u>
Total operating revenues			
Operating expenses:			
Water operations	2,420,277		2,420,277
Sewer operations		1,397,140	1,397,140
	<u>2,420,277</u>	<u>1,397,140</u>	<u>3,817,417</u>
Total operating expenses			
Operating income before depreciation, amortization, and bad debts	<u>728,345</u>	<u>1,827,004</u>	<u>2,555,349</u>
Depreciation expense	1,350,060	962,420	2,312,480
Amortization of loan fees	4,104	4,104	8,208
Bad debts	17,500	17,500	35,000
	<u>1,371,664</u>	<u>984,024</u>	<u>2,355,688</u>
Total depreciation, amortization, and bad debts			
Operating income (loss)	<u>(643,319)</u>	<u>842,980</u>	<u>199,661</u>
Non-operating revenues (expenses):			
Interest income	19,942	19,942	39,884
Garbage service	828,985		828,985
Sales tax	135,873		135,873
Utility tax	58,882		58,882
KY River withdrawal fee	216,320		216,320
Emergency services surcharge	78,963		78,963
Other income	5,904	5,904	11,808
Interest expense	(361,899)	(361,899)	(723,798)
Garbage service	(773,842)		(773,842)
Sales tax paid	(121,604)		(121,604)
Emergency services expenses	(68,872)		(68,872)
Utility tax paid	(58,477)		(58,477)
KY River withdrawal fee	(273,068)		(273,068)
	<u>(312,893)</u>	<u>(336,053)</u>	<u>(648,946)</u>
Non-operating revenues (expenses), net			
Income (loss) before other revenues, expenses, gains, losses and transfers	<u>(956,212)</u>	<u>506,927</u>	<u>(449,285)</u>
Capital Grant Proceeds	<u>2,433,218</u>		<u>2,433,218</u>
	<u>\$ 1,477,006</u>	<u>\$ 506,927</u>	<u>1,983,933</u>
Increase (decrease) in net position			
Net position, beginning of year			<u>17,993,093</u>
Net position, end of year			<u>\$ 19,977,026</u>

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF UTILITY OPERATING EXPENSES
MUNICIPAL WATERWORKS AND SEWER SYSTEM
For the Year Ended June 30, 2024

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total</u>
Water administration:			
Salaries and wages	\$ 60,373	\$	\$ 60,373
Fringe benefits	15,068		15,068
Contractual services	63,931		63,931
Materials and supplies	15,035		15,035
Other costs	2,458		2,458
Total water administration	<u>156,865</u>		<u>156,865</u>
Water operations:			
Salaries and wages	375,924		375,924
Fringe benefits	101,405		101,405
Contractual services	555,632		555,632
Materials and supplies	442,650		442,650
Other costs	10,991		10,991
Total water operations	<u>1,486,602</u>		<u>1,486,602</u>
Sewer operations:			
Salaries and wages		302,148	302,148
Fringe benefits		69,791	69,791
Contractual services		441,401	441,401
Materials and supplies		73,055	73,055
Other costs		11,165	11,165
Total sewer operations		<u>897,560</u>	<u>897,560</u>
Water maintenance:			
Salaries and wages	234,224		234,224
Fringe benefits	37,062		37,062
Contractual services	309,671		309,671
Materials and supplies	44,932		44,932
Other costs	5,884		5,884
Total water maintenance	<u>631,773</u>		<u>631,773</u>
Sewer maintenance:			
Salaries and wages		149,399	149,399
Fringe benefits		36,031	36,031
Contractual services		152,122	152,122
Materials and supplies		30,333	30,333
Other costs		13,028	13,028
Total sewer maintenance		<u>380,913</u>	<u>380,913</u>
Other:			
Insurance	145,037	118,667	263,704
Total operating expenses	<u>\$ 2,420,277</u>	<u>\$ 1,397,140</u>	<u>\$ 3,817,417</u>

FEDERAL GRANT DISCLOSURES

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 29, 2025.

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. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
April 29, 2025

Kerbaugh, Rodes & Butler, PLLC

Certified Public Accountants

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Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Mayor and Board of Commissioners
City of Harrodsburg, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Harrodsburg, Kentucky's (the City's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kerbaugh, Rodes & Butler, PLLC

Kerbaugh, Rodes & Butler, PLLC
Certified Public Accountants

Danville, Kentucky
April 29, 2025

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

<u>Grant/Program Title</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>	<u>Passed Through To Subrecipients</u>
A. U. S. Department of Transportation:				
Passed through Commonwealth of Kentucky, Kentucky Transportation Cabinet: Highway Safety Program	20.600	PT-2023-28	\$ 1,396	
B. U.S. Department of Treasury:				
Direct: Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	293,941	
C. U.S. Department of Housing and Urban Development:				
Passed through Commonwealth of Kentucky, Department for Local Governments: Community Development Block Grant/State's Program	14.228	22-019	828,726	
D. U.S. Environmental Protection Agency:				
Passed through Commonwealth of Kentucky, Kentucky Infrastructure Authority Drinking Water State Revolving Fund	66.468	F23-0045	1,820,211	
			\$ 2,944,274	

CITY OF HARRODSBURG, KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of the City of Harrodsburg, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of City of Harrodsburg, Kentucky, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Harrodsburg, Kentucky.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Harrodsburg, Kentucky has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants
66.468	Capitalization Grants for Drinking Water State Revolving Fund

Dollar threshold used to distinguish Between type A and type B programs:	\$ <u>750,000</u>
Auditee qualified as low-risk auditee?	No

**CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings

2024-001 - Water and sewer rate increases not properly implemented

Criteria: The City approves changes to water and sewer rates by city ordinance and then bills customers based on the new rates implemented.

Condition: The City approved Ordinance 2023-19 and 2023-20 to increase the water and sewer rates by 6.5% effective July 1, 2023. The City did not update its billing software for the new rates.

Cause: The City did not have a procedure in place to verify that changes in rates were properly implemented.

Effect: As a result of the error, the water and sewer revenue billed and collected was lower than that which would have been expected based on the fiscal year 2024 consumption by an estimated \$337,000.

Recommendation: We recommend that the City implement a procedure to have an individual review the rates approved prior to billing customers after a rate change.

Response: Management discovered the error when implementing the next year's rate increase. A procedure will be implemented to ensure rate changes are properly implemented in the billing software.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Prior Year Audit Findings

Prior year financial statement finding related untimely deposits in the water and sewer revenue deposit account was corrected in the current year and no finding is reported in the current year audit.