

**CITY OF HODGENVILLE, KENTUCKY**



**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2025**

(With Independent Auditor's Report Thereon)

**CITY OF HODGENVILLE, KENTUCKY  
CONTENTS**

	<u>Pages</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Management's Discussion and Analysis	3-6
<b>BASIC FINANCIAL STATEMENTS:</b>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	7
Statement of Activities	8
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	9
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	12
Statement of Net Position – Proprietary Funds	13
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	14
Statement of Cash Flows – Proprietary Funds	15
Notes to Financial Statements	16-37
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule – General Fund	38
<i>Pension and OPEB Schedules and Notes to Schedules</i>	
Schedule of Proportionate Share of Net Pension Liability	39
Schedule of Proportionate Share of Net OPEB Liability	40
Schedule of Contributions to Pension	41
Schedule of Contributions to OPEB	42
Notes to Required Supplementary Information – Pension	43
Notes to Required Supplementary Information – OPEB	44
<b>SUPPLEMENTARY INFORMATION:</b>	
Combining Balance Sheet – Nonmajor Governmental Funds	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	46
<b>INTERNAL CONTROL and COMPLIANCE:</b>	
Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47-48
Schedule of Findings and Responses	49

# Clauson, Mouser & Co., PSC

CERTIFIED PUBLIC ACCOUNTANTS

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KENNETH D. CLAUSON, CPA  
SUSAN C. MOUSER, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Hodgenville, Kentucky

### 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 Hodgenville, Kentucky, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Hodgenville, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hodgenville, Kentucky, as of June 30, 2025, 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 of Hodgenville, Kentucky, 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 of Hodgenville, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

## INDEPENDENT AUDITOR'S REPORT, Continued

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Hodgenville, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hodgenville, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, budgetary comparison schedule on page 38, and select pension and OPEB information on pages 39 through 44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hodgenville, Kentucky's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2026 on our consideration of the City of Hodgenville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hodgenville, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hodgenville, Kentucky's internal control over financial reporting and compliance.

*Clauson, Mouser & Co.*

Certified Public Accountants  
May 28, 2026

**CITY OF HODGENVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2025**

The discussion and analysis of the City of Hodgenville, Kentucky's financial performance provides an overall review of the City's financial activities for the fiscal year ending June 30, 2025. The intent of this discussion and analysis is to review the City's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

- The ending cash balances of the City totaled approximately \$3.57 million, which includes approximately \$912,000 of restricted cash and cash equivalents. This reflects a decrease in cash during the year of approximately \$8,000.
- Governmental activities had \$2.86 million and business-type activities had \$2.53 million in revenue for the year.
- Governmental activities had \$2.65 million and business-type activities had \$2.20 million in expenses for the year.
- End-of-year capital assets listed at estimated cost less depreciation totaled approximately \$17.38 million.

**USING THIS ANNUAL REPORT**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes, occupational taxes, license fees and permits, insurance premiums taxes, user charges and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety (police), fire, parks and recreation, highways and streets, cemetery and alcoholic beverage control. The business-type activities of the City include water and wastewater services. Fixed assets and related debt are also supported by the revenue sources mentioned above.

The government-wide financial statements can be found on pages 7-8 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. The proprietary fund includes water and wastewater. All other activities of the City are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 9-15 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-37 of this report.

### THE CITY AS A WHOLE

The City's combined net position increased by approximately \$535,000, or approximately 4 percent, from a year ago. Our analysis below focuses on the net position and changes in net position of the primary government.

#### Net Position June 30, 2025 and 2024

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 2,988,576	\$ 2,919,904	\$ 1,315,279	\$ 1,577,816	\$ 4,303,855	\$ 4,497,720
Capital assets	5,068,622	5,110,024	12,315,584	12,347,847	17,384,206	17,457,871
<b>Total Assets</b>	<b>8,057,198</b>	<b>8,029,928</b>	<b>13,630,863</b>	<b>13,925,663</b>	<b>21,688,061</b>	<b>21,955,591</b>
<b>Deferred Outflows</b>	<b>594,751</b>	<b>748,338</b>	<b>424,987</b>	<b>518,247</b>	<b>1,019,738</b>	<b>1,266,585</b>
Long-term debt	150,000	-	3,796,020	4,279,018	3,946,020	4,279,018
Net pension and OPEB liabilities	1,528,010	1,596,446	1,047,866	1,062,664	2,575,876	2,659,110
Other liabilities	163,508	328,878	700,578	759,007	864,086	1,087,885
<b>Total Liabilities</b>	<b>1,841,518</b>	<b>1,925,324</b>	<b>5,544,464</b>	<b>6,100,689</b>	<b>7,385,982</b>	<b>8,026,013</b>
<b>Deferred Inflows</b>	<b>762,483</b>	<b>1,014,978</b>	<b>580,085</b>	<b>737,142</b>	<b>1,342,568</b>	<b>1,752,120</b>
<b>Net Position</b>						
Investment in capital assets (net of debt)	4,918,622	4,910,024	8,037,171	7,568,594	12,955,793	12,478,618
Restricted	46,167	106,092	789,103	730,641	835,270	836,733
Unrestricted	1,083,159	821,848	(894,973)	(693,156)	188,186	128,692
<b>Total Net Position</b>	<b>\$ 6,047,948</b>	<b>\$ 5,837,964</b>	<b>\$ 7,931,301</b>	<b>\$ 7,606,079</b>	<b>\$ 13,979,249</b>	<b>\$ 13,444,043</b>

The increase in net position is due to current year revenue exceeding current year expenses by approximately \$535,000. The increase in net position was more in FY 25 when compared to FY 24 due to the current year increases in both charges for services and capital grants.

Approximately 6% of the City's net position is restricted as to the purpose it can be used for and approximately 93% is invested in capital assets, resulting in an approximate 1% balance in unrestricted net position.

## MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

### Years Ended June 30, 2025 and 2024

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2025	2024	2025	2024	2025	2024
<b>REVENUES:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 196,984	\$ 151,410	\$ 2,073,206	\$ 2,038,100	\$ 2,270,190	\$ 2,189,510
Operating grants and contributions	190,253	334,998	-	-	190,253	334,998
Capital grants and contributions	-	-	365,776	-	365,776	-
<b>General revenues:</b>						
Taxes	2,287,267	2,302,000	-	-	2,287,267	2,302,000
Licenses & permits	34,277	34,615	-	-	34,277	34,615
Other revenue	140,415	150,125	91,054	93,974	231,469	244,099
<b>Total revenues</b>	<b>2,849,196</b>	<b>2,973,148</b>	<b>2,530,036</b>	<b>2,132,074</b>	<b>5,379,232</b>	<b>5,105,222</b>
<b>EXPENSES:</b>						
<b>Governmental activities:</b>						
General government	1,080,521	1,131,474	-	-	1,080,521	1,131,474
Police	1,186,166	1,161,063	-	-	1,186,166	1,161,063
Fire	91,008	87,143	-	-	91,008	87,143
Parks and recreation	47,184	45,222	-	-	47,184	45,222
Highways and streets	36,350	42,551	-	-	36,350	42,551
Cemetery	92,662	93,701	-	-	92,662	93,701
Tourism and convention	393	-	-	-	393	-
Alcoholic beverage control	117,483	110,457	-	-	117,483	110,457
Water and wastewater	-	-	2,204,977	1,992,000	2,204,977	1,992,000
<b>Total expenses</b>	<b>2,651,767</b>	<b>2,671,611</b>	<b>2,204,977</b>	<b>1,992,000</b>	<b>4,856,744</b>	<b>4,663,611</b>
Sale of assets	12,718	22,252	-	2,158	12,718	24,410
Grant Proceeds	308,900	-	-	-	308,900	-
Pass through grant expenses	(308,900)	-	-	-	(308,900)	-
Transfers in (out)	(163)	(74,809)	163	74,809	-	-
<b>Changes in net position</b>	<b>\$ 209,984</b>	<b>\$ 248,980</b>	<b>\$ 325,222</b>	<b>\$ 217,041</b>	<b>\$ 535,206</b>	<b>\$ 466,021</b>

Other revenue includes investment income and other miscellaneous income.

Capital grants and contributions in business-type activities increased approximately \$366,000, but was offset by an approximate \$146,000 decrease in governmental activities, operating grants and contributions. Charges for services increased by approximately \$46,000 in governmental type activities and \$35,000 in business type of activities. General revenues decreased by approximately \$25,000, with increases in insurance premium tax of \$62,000 and property taxes of \$21,000; offset by decreases in occupational taxes of \$101,000 and interest income of \$10,000. Expenses increased approximately \$193,000 for the City as a whole; with the increases being water and wastewater \$213,000, police \$25,000, alcoholic beverage control \$7,000, fire \$4,000 and park and recreation \$2,000. These increases were offset by decreases of \$51,000 in general government, \$6,000 in highways and streets, and \$1,000 in cemetery.

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

## FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

### The City's Funds

As the City completed the year, its governmental fund balances, as presented in the balance sheet on page 9 increased approximately \$37,000, due to the sale of assets of approximately \$56,000, offset by expenditures exceeding revenues by approximately \$19,000,

### General Fund-Budget Highlights

The City's budget is prepared according to Kentucky law. The most significant budgeted fund is the General Fund. For the General Fund, revenues were budgeted at \$3,680,000 with actual amounts of \$3,088,427. The variance between budgeted revenues and actual revenues is unfavorable, principally due to intergovernmental revenue being less than budgeted. Budgeted expenditures of \$3,680,000 compare with actual expenditures of \$3,142,751. The variance between budgeted expenditures and actual expenditures is favorable with the largest variance being in grant expenditures.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the year ended June 30, 2025, the City had \$17.38 million invested in capital assets, net of depreciation. This represents a net decrease of approximately \$74,000 compared to last year. The decrease is attributable to current year capital asset projects and acquisitions in the amount of \$977,565, offset by depreciation of approximately \$1.01 million and retirement of equipment and vehicles with a net book value of approximately \$43,000.

#### **Long-term Debt**

At the year ended June 30, 2025 the City had \$4.43 million outstanding on capital leases, revenues bonds, and notes payable compared to \$4.98 million at June 30, 2024. That is a decrease of approximately \$551,000, or 11%. The decrease is due to principal payments of \$550,840.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES - GENERAL FUND**

The largest source of recurring revenue for the general fund is the occupational tax, which includes taxes at a current rate of .75 percent of wages and net profits, with FY 2025 revenue of \$948,366. The second largest general fund recurring revenue source is the municipal insurance premium tax, which is at a current rate of 10 percent of premiums written in the City with FY 2025 revenue of \$759,313. The third largest source of recurring revenue is property taxes. The 2024 property tax rate was 0.118 for \$100 of assessed value of real property and personal property with FY 2025 revenue of \$417,524. Nonrecurring intergovernmental revenue totaled \$419,440 for FY 25. Franchise tax revenues for FY 2025 totaled \$161,965. Revenue for FY 2026 is budgeted at \$2,890,000 in total, with occupational tax and licenses budgeted at \$1,000,000; insurance premium tax is budgeted at \$750,000; and property taxes combined with franchise taxes are budgeted at \$575,000.

General fund disbursements were budgeted at \$3,680,000 with actual expenditures of \$3,142,751 for FY 2025. Budgeted disbursements were decreased to \$2,890,000 for FY 2026, which is a decrease of \$790,000 over prior year actual. The most significant decreases are as follows: Grant expenditure \$1,200,000, and Contingency \$45,000.

### **CITY PROJECTS and CAPITAL ASSET PURCHASES**

In FYE 2025 the City: purchased:

- 2021 Ford F-250 for \$20,000
- Three 2021 Ford Explorers for \$106,925
- ABC signs for \$39,083
- 2021 Ford F-150 for police department \$18,000
- 2021 Ford F-150 for \$47,005
- Firefighting equipment \$36,719
- Purchased other capital assets for the general government fund as follows: Demolition at 210 East Main St., utility trailer, Woodlawn Python mower, F800 dump truck, window replacements, chain link fence, radios, welcome signs, fire hoses, pagers and radios, fire hydrants, pickle ball court, desk, police guns and parts, shredder, police building improvements, truck motor, stalker radar and K-9 dog, cage and training box for a total of \$143,264.

In FYE 2025 Water and Sewer:

- Plant, lines and extensions (improvements and additions) of \$539,092
- Purchased equipment for \$27,477

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, City of Hodgenville, and P.O. Box 189, Hodgenville, Kentucky 42748.

**CITY OF HODGENVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

<b>ASSETS:</b>	Governmental Activities	Business- Type Activities	Total
<b>Current Assets</b>			
Cash & cash equivalents	\$ 2,454,306	\$ 200,966	\$ 2,655,272
Prepaid expenses	-	69,001	69,001
Accounts receivable:			
Taxes	457,346	-	457,346
Trade, net	-	179,874	179,874
Other	30,757	3	30,760
Total Current Assets	<u>2,942,409</u>	<u>449,844</u>	<u>3,392,253</u>
<b>Noncurrent Assets</b>			
Restricted cash & cash equivalents	46,167	865,435	911,602
Capital assets, net of depreciation	5,068,622	12,315,584	17,384,206
Total Noncurrent Assets	<u>5,114,789</u>	<u>13,181,019</u>	<u>18,295,808</u>
<b>TOTAL ASSETS</b>	<u>8,057,198</u>	<u>13,630,863</u>	<u>21,688,061</u>
<b>Deferred Outflows of Resources:</b>			
Debt issue costs, net	-	17,111	17,111
Deferred outflows related to pension	444,221	304,647	748,868
Deferred outflows related to OPEB	150,530	103,229	253,759
Total Deferred Outflows	<u>594,751</u>	<u>424,987</u>	<u>1,019,738</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Accounts payable	60,390	26,762	87,152
Accrued expenses	38,858	71,913	110,771
Payroll liabilities	34,603	-	34,603
Other liabilities	3,750	-	3,750
Revenue bonds payable - current portion	-	90,000	90,000
Leases/notes payable - current portion	50,000	392,393	442,393
Total Current Liabilities	<u>187,601</u>	<u>581,068</u>	<u>768,669</u>
<b>Noncurrent Liabilities</b>			
Compensated absences	25,907	27,510	53,417
Revenue bonds payable, net of current portion	-	650,000	650,000
Leases/notes payable, net of current portion	100,000	3,146,020	3,246,020
Net pension liability	1,573,568	1,079,109	2,652,677
Net OPEB liability (asset)	(45,558)	(31,243)	(76,801)
Customer deposits	-	92,000	92,000
Total Noncurrent Liabilities	<u>1,653,917</u>	<u>4,963,396</u>	<u>6,617,313</u>
<b>TOTAL LIABILITIES</b>	<u>1,841,518</u>	<u>5,544,464</u>	<u>7,385,982</u>
<b>Deferred Inflows of Resources:</b>			
Bond premium, net	-	57,196	57,196
Deferred inflows related to pension	280,335	192,246	472,581
Deferred inflows related to OPEB	482,148	330,643	812,791
Total Deferred Inflows	<u>762,483</u>	<u>580,085</u>	<u>1,342,568</u>
<b>NET POSITION:</b>			
Invested in capital assets, net of related debt	4,918,622	8,037,171	12,955,793
Restricted for ARPA funds	9,362	-	9,362
Restricted for employee benefits	10,261	-	10,261
Restricted for police department	15,487	-	15,487
Restricted for OPIOID settlement fund	11,057	-	11,057
Restricted for debt service	-	408,849	408,849
Restricted for capital projects	-	380,254	380,254
Unrestricted	1,083,159	(894,973)	188,186
<b>TOTAL NET POSITION</b>	<u>\$ 6,047,948</u>	<u>\$ 7,931,301</u>	<u>\$ 13,979,249</u>

See accompanying notes to financial statements.

**CITY OF HODGENVILLE, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2025**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
General government	\$ 1,080,521	\$ 78,020	\$ 4,280	\$ -	\$ (998,221)	\$ -	\$ (998,221)
Police	1,186,166	87,246	63,542	-	(1,035,378)	-	(1,035,378)
Fire	91,008	-	18,500	-	(72,508)	-	(72,508)
Parks and recreation	47,184	-	31,934	-	(15,250)	-	(15,250)
Highways and streets	36,350	-	68,006	-	31,656	-	31,656
Cemetery	92,662	31,880	3,991	-	(56,791)	-	(56,791)
Tourism and convention	393	-	-	-	(393)	-	(393)
Alcoholic beverage control	117,483	-	-	-	(117,483)	-	(117,483)
Total governmental activities	2,651,767	197,146	190,253	-	(2,264,368)	-	(2,264,368)
Business-type activities:							
Water and wastewater	2,204,977	2,073,206	-	365,776	-	234,005	234,005
<b>TOTAL</b>	<b>\$ 4,856,744</b>	<b>\$ 2,270,352</b>	<b>\$ 190,253</b>	<b>\$ 365,776</b>	<b>(2,264,368)</b>	<b>234,005</b>	<b>(2,030,363)</b>
General revenues:							
Property taxes					417,623	-	417,623
Insurance premium taxes					759,313	-	759,313
Occupational taxes					948,366	-	948,366
Franchise taxes					161,965	-	161,965
License and permits					34,277	-	34,277
Interest income					90,680	58,865	149,545
Other revenue					49,573	32,189	81,762
Total general revenues					2,461,797	91,054	2,552,851
Transfers in (out)					(163)	163	-
Sale of assets					12,718	-	12,718
Grant proceeds					308,900	-	308,900
Pass through grant expenses					(308,900)	-	(308,900)
Change in net position					209,984	325,222	535,206
Net position - beginning					5,837,964	7,606,079	13,444,043
Net position - ending					\$ 6,047,948	\$ 7,931,301	\$ 13,979,249

See accompanying notes to financial statements.

**CITY OF HODGENVILLE, KENTUCKY**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
**JUNE 30, 2025**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS:</u></b>			
Cash & cash equivalents	\$ 1,551,200	\$ 903,106	\$ 2,454,306
Receivables:			
Taxes	449,444	-	449,444
Other	30,757	-	30,757
Restricted cash	46,167	-	46,167
TOTAL ASSETS	<u>\$ 2,077,568</u>	<u>\$ 903,106</u>	<u>\$ 2,980,674</u>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>			
Liabilities:			
Accounts payable	\$ 59,726	\$ 664	\$ 60,390
Accrued expenses	37,146	1,712	38,858
Payroll liabilities	34,603	-	34,603
Other liabilities	3,750	-	3,750
TOTAL LIABILITIES	<u>135,225</u>	<u>2,376</u>	<u>137,601</u>
<b><u>FUND BALANCES</u></b>			
Restricted	46,167	274,925	321,092
Committed	25,907	342,047	367,954
Assigned	-	283,758	283,758
Unassigned	1,870,269	-	1,870,269
TOTAL FUND BALANCES	<u>1,942,343</u>	<u>900,730</u>	<u>2,843,073</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,077,568</u>	<u>\$ 903,106</u>	<u>\$ 2,980,674</u>

**CITY OF HODGENVILLE, KENTUCKY**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 2,843,073
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>		
<p>Property taxes receivable not collected within 60 days are not reported in the fund financial statements because they are not measurable and available, but they are presented in the statement of net position.</p>		7,902
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Capital asset cost	9,738,945	
Net of accumulated depreciation	<u>(4,670,323)</u>	5,068,622
<p>Compensated absences are not reported in the fund financial statements because they are not due and payable in the current period, but they are presented in the statement of net position.</p>		(25,907)
<p>Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods, therefore, are not reported in the governmental fund financial statements but are reported in the statement of net position.</p>		
Deferred outflows related to pension	444,221	
Deferred outflows related to OPEB	150,530	
Deferred inflows related to pension	(280,335)	
Deferred inflows related to OPEB	<u>(482,148)</u>	(167,732)
<p>Long-term liabilities including net pension liability are not due and payable in the current period, therefore, are not reported in the governmental fund financial statements, but are reported in the statement of net position.</p>		
Net pension liability	(1,573,568)	
Note Payable	(150,000)	
Net OPEB liability (asset)	<u>45,558</u>	<u>(1,678,010)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>\$ 6,047,948</u></u>

See accompanying notes to financial statements.

**CITY OF HODGENVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2025**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b><u>REVENUES:</u></b>			
Property taxes	\$ 417,524	\$ -	\$ 417,524
Insurance premium taxes	759,313	-	759,313
Occupational taxes	948,366	-	948,366
Franchise taxes	161,965	-	161,965
Licenses and permits	34,277	-	34,277
Intergovernmental revenue	110,540	68,006	178,546
Contributions	7,716	3,991	11,707
Miscellaneous police	87,246	-	87,246
Other revenue	125,225	34,248	159,473
Interest income	71,355	19,325	90,680
	<u>2,723,527</u>	<u>125,570</u>	<u>2,849,097</u>
<b><u>EXPENDITURES:</u></b>			
Current:			
General government	972,793	-	972,793
Police	1,147,831	-	1,147,831
Fire	55,035	-	55,035
Parks and recreation	18,594	-	18,594
Highways and streets	8,133	-	8,133
Cemetery	64,771	34,004	98,775
Tourism and convention	-	393	393
Alcoholic beverage control	92,520	-	92,520
Capital outlay	410,996	-	410,996
Debt service:			
Principal	50,000	-	50,000
Interest	13,000	-	13,000
	<u>2,833,673</u>	<u>34,397</u>	<u>2,868,070</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>			
Sale of assets	56,000	-	56,000
Grant proceeds	308,900	-	308,900
Pass through grant expenses	(308,900)	-	(308,900)
Transfers in	-	15	15
Transfers out	(178)	-	(178)
	<u>55,822</u>	<u>15</u>	<u>55,837</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) TOTAL EXPENDITURES AND OTHER FINANCING USES	(54,324)	91,188	36,864
FUND BALANCES - beginning	<u>1,996,667</u>	<u>809,542</u>	<u>2,806,209</u>
FUND BALANCES - ending	<u>\$ 1,942,343</u>	<u>\$ 900,730</u>	<u>\$ 2,843,073</u>

See accompanying notes to financial statements.

**CITY OF HODGENVILLE, KENTUCKY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2025**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 36,864
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
Property taxes collected more than 60 days after year end are not reported in the fund financial statement until received, but are accrued in the period for which it is earned in the statement of activities.		99
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.		
Capital asset purchases	410,996	
Depreciation expense	<u>(409,116)</u>	1,880
Total proceeds from the sale of capital assets is recognized as revenue in the fund financial statements, but the gain on sale of assets, net of cost less accumulated depreciation, is reported in the statement of activities.		(43,282)
Governmental funds report long-term debt payments and lease payments as expense. However, in the statement of activities, they are recorded as reductions in long term liabilities.		50,000
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the change in compensated absences payable.		(2,921)
Governmental funds report pension and OPEB contributions as expenditures. In the statement of activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.		
Pension contributions	185,408	
OPEB contributions	-	
Cost of pension benefits earned	(124,197)	
Cost of OPEB benefits earned	<u>106,133</u>	<u>167,344</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 209,984</u>

See accompanying notes to financial statements.

**CITY OF HODGENVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2025**

**ASSETS:**

## Current Assets

Cash & cash equivalents	\$ 200,966
Prepaid expenses	69,001
Trade receivables	179,874
Other receivables	3
Total Current Assets	<u>449,844</u>

## Noncurrent Assets

Restricted cash & cash equivalents	<u>865,435</u>
Capital assets:	
Land and improvements	598,795
Distribution and collections systems	23,264,055
Buildings and equipment	692,919
Less accumulated depreciation	<u>(12,240,185)</u>
Net Capital Assets	<u>12,315,584</u>
TOTAL ASSETS	<u>13,630,863</u>

**DEFERRED OUTFLOWS:**

Debt issue costs, net	17,111
Deferred outflows related to pension	304,647
Deferred outflows related to OPEB	103,229
Total Deferred Outflows	<u>424,987</u>

**LIABILITIES:**

## Current Liabilities

Accounts payable	26,762
Accrued expenses	71,913
Revenue bonds payable-current portion	90,000
Notes payable-current portion	392,393
Total Current Liabilities	<u>581,068</u>

## Noncurrent Liabilities

Compensated absences	27,510
Revenue bonds payable, net of current portion	650,000
Notes payable, net of current portion	3,146,020
Net pension liability	1,079,109
Net OPEB liability (asset)	(31,243)
Customer deposits	92,000
Total Noncurrent Liabilities	<u>4,963,396</u>
TOTAL LIABILITIES	<u>5,544,464</u>

**DEFERRED INFLOWS:**

Bond premium, net	57,196
Deferred inflows related to pension	192,246
Deferred inflows related to OPEB	330,643
Total Deferred Inflows	<u>580,085</u>

**NET POSITION:**

Invested in capital assets, net of related debt	8,037,171
Restricted for debt service	408,849
Restricted for capital projects	380,254
Unrestricted	<u>(894,973)</u>
TOTAL NET POSITION	<u>\$ 7,931,301</u>

**CITY OF HODGENVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2025**

**OPERATING REVENUES:**

Charges for services	
Water and wastewater fees	\$ 1,860,559
Other charges for services	212,647
Other revenue	32,189
TOTAL OPERATING REVENUES	<u>2,105,395</u>

**OPERATING EXPENSES:**

Personnel costs	869,353
Repairs and maintenance	175,767
Utilities	159,931
Insurance	55,976
Chemicals	110,504
Other expenses	135,715
Depreciation	598,832
TOTAL OPERATING EXPENSES	<u>2,106,078</u>

LOSS FROM OPERATIONS	<u>(683)</u>
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**NON-OPERATING REVENUES (EXPENSES):**

Transfers in	163
Grant Income	365,776
Interest income	58,865
Interest expense	(89,804)
Loan fees	(9,095)
TOTAL NON-OPERATING REVENUES (EXPENSES), net	<u>325,905</u>

CHANGE IN NET POSITION	325,222
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NET POSITION - beginning	<u>7,606,079</u>
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NET POSITION - ending	<u><u>\$ 7,931,301</u></u>
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**CITY OF HODGENVILLE, KENTUCKY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2025**

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Cash received from customers and users	\$ 2,081,613
Cash payments for personnel costs	(926,897)
Cash payments for operating expenses	(559,136)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	595,580
	<hr/>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>	
Purchase of capital assets	(566,569)
Principal paid on long-term debt	(500,840)
Interest and fees paid on long-term debt	(101,981)
Grant revenue received	365,776
	<hr/>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(803,614)
	<hr/>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	
Interest income received	61,565
Cash provided by customer deposits, net	2,442
Transfers to/from other funds, net	163
Loans to/from other funds, net	(49,590)
	<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES	14,580
	<hr/>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(193,454)
CASH AND CASH EQUIVALENTS - beginning	1,259,855
	<hr/>
CASH AND CASH EQUIVALENTS - ending	\$ 1,066,401
	<hr/> <hr/>
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	
Loss from operations	\$ (683)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	598,832
Pension payments in excess of pension expense	(12,383)
OPEB income in excess of OPEB payments	(64,890)
Change in assets and liabilities:	
(Increase) decrease in:	
Prepaid expenses	90,165
Trade receivables	(23,782)
Increase (decrease) in:	
Accounts payable	4,425
Accrued expenses	1,117
Compensated absences	2,779
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 595,580
	<hr/> <hr/>

See accompanying notes to financial statements.

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Introduction** – The financial statements of the City of Hodgenville, Kentucky (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 government 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 accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities.

**Financial Reporting Entity** – The City of Hodgenville, Kentucky, operates under a Mayor-Council form of government and provides the following services: public safety (police and fire), parks and recreation, highways and streets, cemetery maintenance, tourism and convention, alcoholic beverage control, and general administrative services. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Hodgenville, Kentucky (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government is accountable for the potential component unit and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

Blended Component Unit Reported with the Primary Government – Red Hill Cemetery Commission manages the City Cemetery. The cemetery fund provides for the operating activities of Red Hill Cemetery Commission. The component unit was created by ordinance. The officers of this unit are filled by the appointment of the Mayor and the City has financial accountability for the component unit. The operating activities of Red Hill Cemetery Commission are included in the special revenue fund. The component unit of the City does not issue separate financial statements.

**Government-Wide Financial Statements** – The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support.

**Fund Financial Statements** – Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than on reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**Governmental Funds** – All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The City reports the following governmental fund types:

General Fund – The general fund is the City's primary operating fund. It accounts for all financial resources and expenditures of the general government, except those required to be accounted for in another fund. This is a major fund for the City.

Special Revenue Funds – The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. These funds include: road, cemetery, police drug enforcement and tourism and convention.

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

**Nonspendable** – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form, or (2) legally or contractually required to be maintained intact. This amount includes prepaid expenses.

**Restricted** – Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditor, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. This amount includes restricted cash.

**Committed** – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution or ordinance) of the City Council. This amount includes the cemetery perpetual care permanent fund.

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council.

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

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

**Proprietary Funds** – Proprietary funds are accounted for using the accrual basis of accounting and the economic resources measurement focus. These funds account for operations that are primarily financed by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in these funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of all the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following proprietary fund:

**Water and Wastewater Fund** – The proprietary fund accounts for the activities of the City's water and wastewater functions. This is a major fund for the City.

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Basis of Accounting** – The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenues are recognized in the year for which they are due. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the City and for each governmental program. Program revenues include charges paid by recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

The governmental fund financial statements are prepared using the modified accrual basis of accounting for governmental fund types. Revenues are recognized as soon as they are both measurable and available. Measurable means the amount can be determined. Available means collectible within the period or soon enough thereafter to pay current liabilities. The City considers property taxes to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures (general obligation bond principal and interest), as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, insurance premium tax, net profits tax, occupational taxes, intergovernmental revenues, interest income, and charges for services.

The accrual basis of accounting is used in proprietary fund types. The accrual basis of accounting recognizes revenues when earned. Expenses are recorded when incurred.

**Budget Policy and Practice** – The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are held to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. Budgets are adopted for the general fund, the road fund, and the enterprise funds.
5. Budgeted amounts are as originally adopted by the City Council, adjusted by amendments to the budget, if any. Any revisions to the budget that would alter total revenues and expenditures must be approved by the Council.
6. Budgets are adopted on a basis consistent with the basis of accounting used in preparation of the fund financial statements.
7. All annual appropriations lapse at fiscal year end.

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Deposits and Investments** – For purposes of the statement of cash flows, cash and cash equivalents include amounts in demand deposits, certificates of deposits, and short-term investments (including restricted cash) with initial maturities of three months or less from the date acquired by the City.

KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and all of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporations of the United States government, bonds or certificates of indebtedness of this State, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**Property Tax Calendar** – Property taxes are levied as of January 1 on property values assessed as of the same day. The taxes are billed on approximately October 1 and are due and payable on December 31. On January 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on January 1.

**Interfund receivables and payables** – During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due to/from other funds” on the balance sheet. Internal balances are netted in preparation of the government-wide financial statements. All other interfund transactions are treated as transfers.

**Capital Assets** – General capital assets of the governmental funds are reported net of accumulated depreciation in the governmental activities column of the government-wide statement of net position, but are reported as capital outlay expenditures in the fund financial statements.

Capital assets used by the proprietary fund are reported net of accumulated depreciation in the business-type activities column of the government-wide statement of net position and in the proprietary fund statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a minimum capitalization threshold of \$1,000. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund capital assets.

Buildings	40 years
Building Improvements	10-20 years
Public Domain Infrastructure	40-50 years
Vehicles	5 years
Equipment	3-10 years

**Compensated Absences** – It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government- wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Long-term Obligations** – 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.

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position.

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

**Fund Equity** - Net position is the difference between assets and liabilities. Net position invested in capital assets, net of related debt is capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Operating Revenues and Expenses** – Operating revenues and expenses for the proprietary fund 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.

**Expenditures/Expenses** – In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures/expenses are classified as follows:

Governmental funds – by character (as current expenditures by function, capital outlay or debt service).

Proprietary fund – by operating and non-operating.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses related to use of economic resources.

**Interfund Transactions** – Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures during the reporting period. Accordingly, actual results could differ from those estimates.

**Subsequent Events** – Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

**CITY OF HODGENVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE B – SECURED DEPOSITS AND INVESTMENTS**

**Secured Deposits** – The primary government maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of provision of collateral should be evidenced by an agreement between the City and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk – Deposits** – At June 30, 2025 the City had deposits with financial institutions with carrying amounts of \$3,566,874. The bank balances with the financial institutions were \$3,996,106. Of these balances, \$586,202 were covered by federal deposit insurance and \$3,409,904 were collateralized with securities held by the pledging financial institution's trust department or agent in the name of the City or applicable public trust.

**Investment Policies** – Investment policies for the City's reporting entity are maintained by the City Clerk/Treasurer. Summarizations follow in the subsequent section of this note.

Credit risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investment activities are managed under the custody of the City Clerk / Treasurer. Investing is performed in accordance with investment policies complying with State Statues and the City Ordinance. City funds may be invested in: (1) direct obligations of the U.S. government, its agencies or instrumentalities to the payment of which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the State of Kentucky is pledged; (2) obligations of the Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation, or any Federal farm credit bank, Federal land bank, or Federal home loan bank notes or bonds; (3) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located in the City when secured by appropriate collateral; (4) repurchase agreements that have underlying collateral of obligations of the U.S. government, its agencies, and instrumentalities; (5) money market funds regulated by the Securities and Exchange Commission which consist of authorized domestic securities with restrictions as specified in state law; (6) State and Local Government Series (SLGS); and (7) City direct debt obligations for which an ad valorem tax may be levied.

Interest rate risk – This 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.

Concentration of credit risk – This is the risk of loss attributed to the magnitude of the City's investment in a single issuer.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities in the possession of an outside party. City policy provides that investment collateral is held by a third-party custodian with whom the City has a current custodial agreement in the City's name or be held in the name of both parties by the Federal Reserve Bank servicing Kentucky. The City follows the requirements of Kentucky as written in KRS 41.240.

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE C – PROPERTY TAX**

Taxes are levied on January 1 and payable on December 31. The City bills and collects its own property taxes. City Property tax revenues are recognized when levied to the extent that they result in current receivables.

At June 30, 2025, delinquent property taxes totaling \$13,587 plus penalties, interest and advertising costs remain uncollected. Due to the uncertainty of collection, an allowance for doubtful accounts has been provided for all delinquent property taxes not collected within 60 days after year end, for the fund financial statements.

Year	Government-wide Financial Statements	Fund Financial Statements
2014-2020	\$3,659	\$3,659
2021	718	718
2022	986	986
2023	5,737	5,737
2024	<u>2,488</u>	<u>2,488</u>
	13,587	13,587
Less: Allowance for Doubtful Accounts	<u>(5,075)</u>	<u>(12,977)</u>
Balance	<u>\$8,512</u>	<u>\$610</u>

An additional \$7,902 of property taxes receivable considered to be collectible within one year, but after the 60-day period, is added to the accrual in the government-wide financial statements.

**NOTE D – CAPITAL ASSETS AND DEPRECIATION**

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

Governmental activities:	<u>July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2025</u>
Land and buildings	\$ 1,589,940	\$ 9,855	\$ -	\$ 1,599,795
Improvements/infrastructure	5,276,218	95,233	-	5,371,451
Equipment	1,835,047	93,070	(25,814)	1,902,303
Vehicles	766,854	212,838	(114,296)	865,396
	<u>9,468,059</u>	<u>410,996</u>	<u>(140,110)</u>	<u>9,738,945</u>
Accumulated depreciation	<u>(4,358,035)</u>	<u>(409,116)</u>	<u>96,828</u>	<u>(4,670,323)</u>
Net capital assets	<u>\$ 5,110,024</u>	<u>\$ 1,880</u>	<u>\$ (43,282)</u>	<u>\$ 5,068,622</u>

Depreciation was charged to functions as follows:

General government	\$ 176,169
Police	106,441
Fire	35,973
Parks and recreation	28,590
Highways and streets	28,217
Cemetery	1,334
Alcoholic beverage control	32,392
Total governmental activities depreciation expense	<u>\$ 409,116</u>

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE D – CAPITAL ASSETS AND DEPRECIATION, Continued**

**Capital asset activity for business-type activities for the year ended June 30, 2025 was as follows:**

Business-type activities:	Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025
Land and improvements	\$ 598,795	\$ -	\$ -	\$ 598,795
Distribution and collection systems:				
Plant, lines and extensions	20,794,690	539,092	-	21,333,782
Dam and reservoir	1,930,273	-	-	1,930,273
Total distribution and collection system	<u>22,724,963</u>	<u>539,092</u>	<u>-</u>	<u>23,264,055</u>
Buildings and equipment	681,442	27,477	(16,000)	692,919
Totals at historical cost	24,005,200	566,569	(16,000)	24,555,769
Accumulated depreciation	<u>(11,657,354)</u>	<u>(598,831)</u>	<u>16,000</u>	<u>(12,240,185)</u>
Net capital assets	<u>\$ 12,347,846</u>	<u>\$ (32,262)</u>	<u>\$ -</u>	<u>\$ 12,315,584</u>

Depreciation in the amount of \$598,831 was charged to the business-type activities function.

**NOTE E – LONG TERM DEBT**

**The following is a summary of long-term debt for governmental-type activities at June 30, 2025:**

\$200,000 Note Payable agreement dated June 24, 2024, with D & B Whelan Properties, LLC ; principal plus interest at 6.5% due in 4 annual installments through July 01, 2028	<u>\$ 150,000</u>
Total long term debt for Governmental-type activities	150,000
Less: amounts due within one year	<u>(50,000)</u>
Amounts due in more than one year	<u>\$ 100,000</u>

**The following is a summary of long-term debt for business-type activities at June 30, 2025:**

\$825,000 Water and Sewer serial bonds; principal due in annual installments of \$20,000 to \$60,000 through February 1, 2039; plus interest at 3%; secured by the revenues of the system.	\$ 690,000
\$850,000 Water and Sewer 2013B refunding bonds; principal due in annual installments of \$50,000 to \$75,000 through February 1, 2016; plus interest at 2.3% to 3.05%; secured by the revenues of the system.	<u>50,000</u>
Revenue bonds payable	<u>\$ 740,000</u>

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE E – LONG TERM DEBT, Continued**

<p>Assistance agreement with Kentucky Infrastructure Authority under federally assisted loan program for CWSRF draw loan A04-10 for water and wastewater system improvements, dated February 1, 2005. Principal due in semi-annual installments of \$21,356 to \$26,676 through June 1, 2026; plus interest at 1%; secured by the revenues of the system.</p>	\$ 53,219
<p>Assistance agreement with Kentucky Infrastructure Authority under federally assisted loan program for DWSRF draw loan A11-17 for water and wastewater system improvements, dated March 1, 2014. Principal due in semi-annual installments of \$33,445 to \$49,302 through June 1, 2034; plus interest at 2%; secured by the revenues of the system.</p>	816,550
<p>Assistance agreement with Kentucky Infrastructure Authority under federally assisted loan program for DWSRF draw loan F11-13 for water and wastewater system improvements, dated March 1, 2015. Principal due in semi-annual installments of \$15,801 to \$23,293 through December 1, 2036; plus interest at 2%; secured by the revenues of the system.</p>	481,228
<p>Assistance agreement with Kentucky Infrastructure Authority under federally assisted loan program for CWSRF draw loan A20-025 for water and wastewater improvements dated May 13, 2020. Principal payments plus interest at 2.50% are due semi-annually.</p>	47,500
<p>Assistance agreement with Kentucky Infrastructure Authority under federally assisted loan program for DWSRF draw loan F16-008 for water and wastewater improvements dated May 1, 2017. The \$889,872 agreement has been reduced by a 25% principal forgiveness provision. Payments in the amount of \$17,687 to \$18,447, due semi-annually including interest at 0.75%, began December 1, 2018.</p>	445,089
<p>Assistance agreement with Kentucky Infrastructure Authority under federally assisted loan program for CWSRF draw loan A16-029 for water and wastewater improvements dated May 1, 2017, in the amount of \$753,630. Payments are projected at \$26,160, semi-annually including interest at 0.75%, and are expected to begin in FY 21.</p>	575,665
<p>Assistance agreement with Kentucky Infrastructure Authority under federally assisted loan program for DWSRF draw loan F16-042 for water and wastewater improvements dated May 1, 2017. The \$592,994 agreement has been reduced by a 25% principal forgiveness provision. Payments in the amount of \$12,009 to \$12,555, due semi-annually including interest at 0.75%, began December 1, 2018.</p>	296,598
<p>\$1,294,416 lease purchase agreement dated March 24, 2021, with Government Capital Corporation; principal plus interest at 2.844% due in quarterly installments of \$37,402 through May 15, 2031; secured by the revenues of the system.</p>	822,564
	Leases/Notes Payable 3,538,413
Total long term debt for business-type activities	4,278,413
Less: amounts due within one year	(482,393)
Amounts due in more than one year	\$ 3,796,020

**CITY OF HODGENVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE F – CHANGES IN LONG-TERM DEBT**

Long-term debt activity for governmental activities for the year ended June 30, 2025:

	<u>Note Payable</u>
Beginning balance	\$ 200,000
Reductions	<u>(50,000)</u>
Ending balance	150,000
Less current portion	<u>(50,000)</u>
Long-term debt	<u><u>\$ 100,000</u></u>

Interest in the amount of \$13,000 was charged to the governmental activities.

Long-term activity debt for business-type activities for the year ended June 30, 2025:

	<u>Revenue Bonds</u>	<u>Leases/Notes Payable</u>	<u>Total</u>
Beginning balance	\$ 855,000	\$ 3,924,253	\$ 4,779,253
Reductions	<u>(115,000)</u>	<u>(385,840)</u>	<u>(500,840)</u>
Ending balance	740,000	3,538,413	4,278,413
Less current portion	<u>(90,000)</u>	<u>(392,393)</u>	<u>(482,393)</u>
Long-term debt	<u><u>\$ 650,000</u></u>	<u><u>\$ 3,146,020</u></u>	<u><u>\$ 3,796,020</u></u>

Interest in the amount of \$89,804, plus fees in the amount of \$9,095 totaling \$98,899 were charged to the business-type activities function.

The annual requirements to retire the City's long-term debt for governmental and business-type activities are as follows:

Year	<u>Revenue Bonds</u>		<u>Leases/Notes Payable</u>		<u>Total</u>	<u>Total</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2026	\$ 90,000	\$ 22,225	\$ 442,393	\$ 68,458	\$ 532,393	\$ 90,683	\$ 623,076
2027	40,000	19,500	395,959	57,946	435,959	77,446	513,405
2028	45,000	18,300	450,400	46,565	495,400	64,865	560,265
2029	45,000	16,950	360,008	36,209	405,008	53,159	458,167
2030	45,000	15,600	367,281	28,936	412,281	44,536	456,817
2031-2035	250,000	56,850	1,220,175	62,881	1,470,175	119,731	1,589,906
2036-2040	225,000	16,950	452,197	7,833	677,197	24,783	701,980
Total	<u><u>\$ 740,000</u></u>	<u><u>\$ 166,375</u></u>	<u><u>\$ 3,688,413</u></u>	<u><u>\$ 308,828</u></u>	<u><u>\$ 4,428,413</u></u>	<u><u>\$ 475,203</u></u>	<u><u>\$ 4,903,616</u></u>

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE G – FUND BALANCES**

Governmental fund balances at June 30, 2025, are classified as follows:

Nonspendable – Nonspendable fund balance represents prepaid expenses, there were no prepaid expenses at June 30, 2025.

Restricted – General fund restricted fund balance in the amount of \$321,092 represents restricted cash as follows: \$9,362 unexpended American Rescue Fund Act (ARPA) funds, \$10,261 in the employee benefit (HRA) account, \$11,531 in the Police Seizure fund, \$3,956 in the police asset forfeiture account, and \$11,057 in the OPIOID Settlement fund. Restricted fund balance in other governmental funds in the amount of \$274,925 is restricted for municipal road improvements.

Committed – Committed fund balance in the general fund, in the amount of \$25,907, is committed for the purpose of funding compensated absences. Committed fund balance in other governmental funds, in the amount of \$342,047, is committed for the purpose of perpetual cemetery care.

Assigned – Assigned fund balance in the amount of \$283,758 represents amounts which are intended to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance is intended to be used for police drug enforcement in the amount of \$7,375 and for the cemetery in the amount of \$276,383.

Unassigned – Remaining fund balance is unassigned in the amount of \$1,870,269.

**NOTE H – DEFERRED OUTFLOWS / INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. At June 30, 2025, the City has three items that qualify for reporting in this category: Bond issuance costs, net of amortization, in the amount of \$17,111. Pension deferred outflows of \$748,868 and the other post-employment benefit deferred outflows of \$253,759. The pension deferred outflows are described in Note J to the financial statements. The other post-employment benefit deferred outflows are described in Note K.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2025 the City has three items that qualified for reporting in this category: Bond premium, net of amortization, in the amount of \$57,196. Pension deferred inflows of \$472,581, and other post-employment benefit deferred inflows of \$812,791. The pension deferred inflows are described in Note J to the financial statements. The other post-employment benefit deferred outflows are described in Note K.

**NOTE I – OPERATING LEASE, CITY AS LESSOR**

The City entered into an antenna co-location lease agreement to lease space on Greensburg Street water tower for the operation of a communications center in September, 2010. Terms of the lease are five years, commencing July 1, 2010. The agreement provides for automatic renewal for 2 additional extensions of 5 years. Rental fees are to be adjusted at the end of each term by a 12% increase. Rental income of \$32,189 is included in the government wide statement of activities, business type activities and in the statement of revenues, expenses, and changes in net position – proprietary funds as other revenue.

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE J – PENSION PLAN**

**General Information about the Pension Plan**

*Plan Description.* Employees of City of Hodgenville, Kentucky are provided a defined benefit pension plan through the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA). The CERS pension plan has two categories: non-hazardous and hazardous. The City of Hodgenville, Kentucky employees participate in non-hazardous. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and the Kentucky Retirement System. The KPPA CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Public Pension Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (800) 928-4646.

*Benefits Provided.* Kentucky Revised Statute Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute, there are currently three benefit Tiers. Tier 1 members are those participating in the plan before 9/1/2008, Tier 2 are those that began participation 9/1/2008 through 12/31/2013, and Tier 3 are those members that began participation on or after 1/1/2014.

*Benefits Provided – Non-Hazardous.* Tier 1 non-hazardous members are eligible to retire with an unreduced benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must contain at least 48 months. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with five years of service credit. Service-related disability benefits are provided after five years of service. Tier 2 Non-Hazardous members are eligible to retire based on the rule of 87: the member must be at least age 57, and age plus earned service must equal 87 years at retirement or at age 65 with five years of service credit. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must be 60 months. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 Non-Hazardous members are also eligible to retire based on the rule of 87. Benefits are determined by a life annuity calculated in accordance with actuarial assumptions and methods adopted by the KPPA Board based on a members accumulated account balance. Tier 3 members are not eligible for reduced retirement benefits.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgement, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

*Contributions.* Contributions for employees are established in the statutes governing the KPPA and may only be changed by the Kentucky General Assembly. Non-hazardous employees contribute 5% of salary if they were plan members prior to September 1, 2008. Non-hazardous employees that entered the plan after September 1, 2008 are required to contribute 6% of their annual creditable compensation. The additional 1% is deposited into to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2025, total employer contributions for the City were \$312,568 based on a rate of 19.71% for non-hazardous members through covered payroll. The contribution rate of 19.71% for on-hazardous is comprised of amounts for pension and insurance benefits; 19.71% or \$312,568 was dedicated to pensions and none was allocated to insurance.

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE J – PENSION PLAN, Continued**

**General Information about the Pension Plan**

By law, employer contributions are required to be paid. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability. The City's proportion of the collective net pension liability and pension expense was determined using the employers' actual contributions for Fiscal Year 2024. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2024 the City's proportion was .044356% percent for non-hazardous, which was an increase of .002003 percent from its proportion measured as of June 30, 2023.

**Net Pension Liability**

For financial reporting, the actuarial valuation as of June 30, 2024 was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2024 were based on an actuarial valuation date as of June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2024, using generally accepted actuarial principles.

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 20, 2022", and included a change in the investment return assumption from 6.25% to 6.50%. The Total Pension Liability as of June 30, 2024, is determined using these updated assumptions.

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

House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a relatively small change for future retirees under non-hazardous plans. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a non-hazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the retirement pattern. The Total Pension Liability as of June 30, 2024, for the non-hazardous plan is determined using these update benefits provisions.

There have been no other plan provision changes that would materially impact the Total Pension Liability since June 30, 2022

*Actuarial Assumptions.* The Total Pension Liability as of the measurement date of June 30, 2024 was determined using the following actuarial assumptions, applied to all periods included in the measurement.

The assumptions are:

- Inflation – 2.30%
- Payroll growth rate – 2.00%
- Salary increases – 3.30% to 10.30%, varies by service
- Investment return – 6.50%

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

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

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE J – PENSION PLAN, Continued**

**Net Pension Liability**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Equity</b>	<b>60.00%</b>	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
<b>Fixed Income</b>	<b>20.00%</b>	
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
<b>Expected Real Return</b>	<b>100.00%</b>	<b>4.69%</b>
<b>Long Term Inflation Assumption</b>		<b>2.50%</b>
<b>Expected Nominal Return for Portfolio</b>		<b>7.19%</b>

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Discount rate.* The projection of cash flows used to determine the discount rate of 6.50% for CERS non-hazardous assumes the local employers would contribute with required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by house bill 362 (passed in 2018), over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KPPA Annual Comprehensive Financial Report (ACFR)

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability (asset) of the City calculated using the discount rate of 6.50 percent, as well as the net pension liability (asset) if calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

<i>City of Hodgenville's net pension liability</i>	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Non-hazardous	\$ 3,419,734	\$ 2,652,677	\$ 2,016,222

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued KPPA ACFR.

*Pension expense (Income).* For the year ended June 30, 2025, the City recognized pension expense (income) of \$238,974.

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE J – PENSION PLAN, Continued**

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Deferred outflows of resources and deferred inflows of resources.* At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources on the following table:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual liability experience	\$ 128,394	\$ -
Changes of assumptions	-	119,849
Difference between projected and actual earnings on pension plan investments	182,179	352,732
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	125,727	-
Contributions subsequent to the measurement date	312,568	-
Total	<u>\$ 748,868</u>	<u>\$ 472,581</u>

The amount shown above for “Contributions subsequent to the measurement date” will be recognized as a reduction to net pension liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	<b>Pension Expense</b>
2026	(10,809)
2027	78,101
2028	(65,562)
2029	(38,010)
	<u>\$ (36,280)</u>

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**NOTE K - OTHER POST-EMPLOYMENT BENEFIT PLANS**

**General Information about the OPEB Plan**

*Plan Description.* Employees of the City are provided hospital and medical insurance through the Kentucky Public Pensions Authority’s County Employees’ Retirement Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KPPA was created by State statute under Kentucky Revised Statute Section 61.645. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Public Pension Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (800) 928-4646.

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE K - OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued**

**General Information about the OPEB Plan**

*Benefits Provided.* The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

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

Senate Bill 10 passed in March 2025 increases the non-hazardous members' health subsidy to \$40 per service year for members participating in the system on or after July 1, 2003. Effective date is January 1, 2026.

*Contributions.* Contribution requirements of the participating employers are established and may be amended by the CERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2025, was zero percent of annual creditable compensation for non-hazardous. Contributions to the Insurance Fund from the City were zero for the year ended June 30, 2025. Employees that entered the plan prior to September 1, 2008, are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008, are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for Plan Year 2024. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2024 the City's proportion for non-hazardous OPEB was .044399%, which was an increase of .002047% from its proportion measured as of June 30, 2023.

**Net OPEB Liability (Asset)**

For financial reporting, the actuarial valuation as of June 30, 2024 was performed by Gabriel Roeder Smith (GRS). The total OPEB liability (asset), net OPEB liability (asset), and sensitivity information as of June 30, 2024 were based on an actuarial valuation date as of June 30, 2022. The total OPEB liability (asset) was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2024, using generally accepted actuarial principles.

*Actuarial Assumptions.* The total OPEB liability (asset) in the June 30, 2024 actuarial valuation was determined using the updated assumptions as follows:

Inflation rate	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service
Investment rate of return	6.25%
Healthcare Trend Rate:	
Pre-65	Initial trend starting at 6.20% at January 1, 2024, gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-64	Initial trend starting at 9.00% at January 1, 2024, gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE K - OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued**

**Net OPEB Liability (Asset)**

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

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 30, 2022". Additionally, the single discount rates used to calculate the total OPEB liability (asset) within the retirement plan changed since the prior year. Additional information regarding the single discount rates is provided below. The total OPEB liability (asset) as of June 30, 2024 is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024 and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

This is a relatively small change for future retirees in the non-hazardous plan. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a non-hazardous member becomes retirement eligible under the age of 65, in order to reflect a shift in the retirement pattern. The total OPEB liability (asset) as of June 30, 2024 is determined using these updated benefit provisions.

**Changes in the Net OPEB Liability (Asset)**

There have been no other plan provision changes that would materially impact the total OPEB liability (asset) since June 30, 2022.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Equity</b>	<b>60.00%</b>	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
<b>Fixed Income</b>	<b>20.00%</b>	
Core Fixed income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
<b>Inflation Protection</b>	<b>20.00%</b>	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
<b>Expected Real Return</b>	<b>100.00%</b>	<b>4.69%</b>
<b>Long Term Inflation Assumption</b>		<b>2.50%</b>
<b>Expected Nominal Return for Portfolio</b>		<b>7.19%</b>

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE K - OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued**

**Changes in the Net OPEB Liability (Asset)**

*Discount rate.* The discount rate used to measure the total OPEB liability (asset) was 5.99% for non-hazardous employees. The discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance future benefit payments of current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system.

However, the cost associated with the implicit employer subsidy is not currently included in the calculation of the plan's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the retirement plan's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal real rates of return for each major asset class are summarized in the KPPA ACFR.

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 each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

*Sensitivity of the City's proportionate share of the collective net OPEB liability (asset) to changes in the discount rate.* The following presents the City's proportionate share of the collective net OPEB liability (asset) as well as what the City's proportionate share of the collective net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99%) or 1-percentage-point higher (6.99%) than the current rate:

<i>City of Hodgenville's net OPEB liability</i>	1% Decrease (4.99%)	Current Discount Rate (5.99%)	1% Increase (6.99%)
Non-hazardous	\$ 103,844	\$ (76,801)	\$ (228,689)

*Sensitivity of the City's proportionate share of the collective net OPEB liability (asset) to changes in the healthcare cost trend rates.* The following presents the City's proportionate share of the collective net OPEB liability (asset), as well as what the City's proportionate share of the collective net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<i>City of Hodgenville's net OPEB liability</i>	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Non-hazardous	\$ (184,775)	\$ (76,801)	\$ 48,980

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KPPA ACFR.

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE K - OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued**

**OPEB Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

*OPEB expense (income).* For the year ended June 30, 2025, the City recognized OPEB expense (income) of (\$171,023).

*Deferred outflows of resources and deferred inflows of resources.* At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources on the following table:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual liability experience	\$ 42,609	\$ 604,276
Changes of assumptions	69,591	54,192
Difference between projected and actual earnings on OPEB plan investments	67,510	137,596
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	74,049	16,727
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 253,759</u>	<u>\$ 812,791</u>

The amount shown above for "Employer contributions subsequent to the measurement date" will be recognized as a reduction to net pension liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ending June 30,</b>	<b>OPEB Expense</b>
2026	\$ (220,690)
2027	(181,722)
2028	(153,674)
2029	(2,947)
	<u>\$ (559,033)</u>

**NOTE L – TRANSFERS**

Transfers between funds included in the fund financial statements consist of:

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	Water & Wastewater Fund	\$163
General Fund	Red Hill Cemetery	\$15

Interfund transfers from the General Fund to the Water & Wastewater Fund consisted of a \$163 to cover minor expenses paid by the General Fund. Transfer from General Fund to Red Hill consisted of \$15 to cover the cost of the annual report paid by the General Fund.

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE M – CLAIMS AND JUDGMENTS**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally federal and state governments. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**NOTE N – RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees or others; and natural disasters. The City has obtained insurance coverage through a commercial insurance company. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated. Management estimates that the amount of actual or potential claims against the City as of June 30, 2025 will not materially affect the financial condition of the City. Therefore, the financial statements contain no provisions for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

**NOTE O – RESTRICTED ASSETS**

**General Fund**

Restricted cash in the amount of \$46,167 at June 30, 2025, includes \$9,362 in unexpended ARPA grant funds, \$10,261 in an employee benefit (HRA) account, \$11,531 in the Police Seizure fund, \$3,956 in the police asset forfeiture account, and \$11,057 in the OPIOID Settlement fund.

**Proprietary Fund**

The ordinance authorizing the Kentucky Bond Corporation Series 2021B bond issue requires a monthly sinking fund deposit of one-twelfth the annual bond requirement and one-sixth the semi-annual interest requirement. The sinking fund is fully funded at June 30, 2025 in the amount of \$26,198. The bond issue requires an additional \$16,500 be maintained in a reserve sinking fund. This requirement is fully funded at June 30, 2025.

The ordinance authorizing the Kentucky Rural Water Series 2013B requires a monthly sinking fund deposit of one-twelfth the annual bond requirement and one-sixth the semi-annual interest requirement. The sinking fund is fully funded at June 30, 2025 in the amount of \$39,406. The ordinance also requires a depreciation fund in an amount considered prudent, and is continued in the amount of \$153,800 as required by the prior 2004A series. The depreciation fund is fully at June 30, 2025.

The ordinance authorizing the Government Capital Corporation municipal lease purchase agreement requires a monthly sinking fund deposit of one-third of the quarterly bond and interest requirements. The sinking fund is fully funded at June 30, 2025 in the amount of \$12,467.

The ordinance authorizing the Kentucky Infrastructure Authority (KIA) assistance agreement under Federally Assisted Wastewater Revolving Loan Fund Program, Loan A04-10 requires a maintenance and replacement reserve account. The original agreement requirement of \$775,040 was reduced to \$65,978 on June 24, 2016. The maintenance and replacement reserve is fully funded in the amount of \$65,978 at June 30, 2025.

The ordinance authorizing the Kentucky Infrastructure Authority assistance agreement under Federally Assisted Wastewater Revolving Loan Fund Program, Loan A11-17 requires a maintenance and replacement reserve be funded with an annual deposit of \$4,000 until the reserve balance reaches \$40,000. The maintenance and replacement reserve requirement of \$40,000 is funded in the required amount at June 30, 2025.

The ordinance authorizing the Kentucky Infrastructure Authority assistance agreement under Federally Assisted Wastewater Revolving Loan Fund Program, Loan F11-13 requires a maintenance and replacement reserve be funded with an annual deposit of \$1,900 until the reserve balance reaches \$19,000. The maintenance and replacement reserve requirement of \$15,200 is funded in the required amount at June 30, 2025.

The ordinance authorizing the Kentucky Infrastructure Authority assistance agreement under Federally Assisted Wastewater Revolving Loan Fund Program, Loan F16-008 requires a maintenance and replacement reserve be funded with an annual deposit of \$2,400 until the reserve balance reaches \$24,000. The maintenance and replacement reserve requirement of \$16,800 is funded in the required amount at June 30, 2025.

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE O – RESTRICTED ASSETS, Continued**

The ordinance authorizing the Kentucky Infrastructure Authority assistance agreement under Federally Assisted Wastewater Revolving Loan Fund Program, Loan A16-029 requires a maintenance and replacement reserve be funded with an annual deposit of \$2,400 until the reserve balance reaches \$24,000. The maintenance and replacement reserve requirement of \$12,000 is funded in the required amount at June 30, 2025.

The ordinance authorizing the Kentucky Infrastructure Authority assistance agreement under Federally Assisted Wastewater Revolving Loan Fund Program, Loan F16-042 requires a maintenance and replacement reserve be funded with an annual deposit of \$1,500 until the reserve balance reaches \$15,000. The maintenance and replacement reserve requirement of \$10,500 is funded in the required amount at June 30, 2025.

Restricted cash also includes \$76,332 customer deposits in escrow; and, \$380,254 of excess funds considered restricted for capital projects, at June 30, 2025.

**NOTE P – WATER AND WASTEWATER CASH ACCOUNTS**

Unrestricted:	
Revenue fund	\$ 50,963
Operations and maintenance	99,975
Wasterwater project account	7,480
Wasterwater rehabilitation	42,548
	<u>\$ 200,966</u>
Restricted:	
Customer deposits escrow	\$ 76,332
Depreciation funds	497,800
Sinking funds	291,303
	<u>\$ 865,435</u>

**NOTE Q – REQUIRED INDIVIDUAL FUND DISCLOSURES**

Expenditures may not legally exceed the total budgeted appropriations. Any revisions to the budget that would alter total revenues and expenditures of the funds adopting budgets must be approved by the City Council. All appropriations lapse at fiscal year-end. For the year ended June 30, 2025, in the general fund, expenditures exceeded budgeted amounts as follows: police \$393,687, alcoholic beverage control \$187,688, fire \$38,880, highways, and streets \$8,133, and transfers out \$178. Overall, total expenditures was under budgeted amounts by \$537,249. The over budget expenditures were funded by prior year's carryover funds, under budget expenditures in other departments, and contingency appropriations.

**NOTE R – RELATED PARTY TRANSACTIONS**

The City paid \$21,875 during the fiscal year ended June 30, 2025, for cemetery related tent set up fees, grave openings, equipment usage and other contract services to Robertson Lawn & Tree Service which is owned by an individual who is a salaried employee of the City. These expenditures for contract services are considered related party transactions due to the contractor's employment status with the City.

**CITY OF HODGENVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE S – RECENT PRONOUNCEMENTS**

Standards that will Become Effective for FY 2025 and Later Year Financial Statements

Statement No. 101, *Compensated Absences*, aligns recognition and measurement guidance for all types of compensated absences under a unified model, resulting in greater consistency and improved comparability. (FY 2025)

Statement No. 102, *Certain Risk Disclosures*, requires a government to assess whether a concentration or constraint makes the government reporting unit that reports a liability for revenue debt vulnerable to the risk of a substantial impact. The statement focuses on certain risk disclosures in financial statements. (FY 2025)

Statement No. 103, *Financial Reporting Model Improvements*, provides clarity on what information should be presented in Management's Discussion and Analysis. (FY 2026).

Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures. In addition, it establishes requirements for capital assets held for sale. (FY 2026)

The City is currently evaluating the impact that these statements will have on its financial statements.

**CITY OF HODGENVILLE, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2025**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Budgetary fund balance, July 1, 2024	\$ -	\$ -	\$ 1,996,667	\$ 1,996,667
<b>REVENUES (inflows):</b>				
Occupational taxes and licenses	925,000	925,000	836,420	(88,580)
Property and franchise taxes	540,000	540,000	579,489	39,489
Insurance premium tax	650,000	650,000	759,313	109,313
Intergovernmental revenue	1,315,000	1,315,000	419,440	(895,560)
ABC licenses and taxes	150,000	150,000	146,223	(3,777)
Other revenue	100,000	100,000	347,542	247,542
<b>TOTAL REVENUES</b>	<b>3,680,000</b>	<b>3,680,000</b>	<b>3,088,427</b>	<b>(591,573)</b>
<b>AMOUNTS AVAILABLE FOR APPROPRIATION</b>	<b>3,680,000</b>	<b>3,680,000</b>	<b>5,085,094</b>	<b>1,405,094</b>
<b>EXPENDITURES (outflows):</b>				
General government	1,270,000	1,270,000	1,089,876	180,124
Police	950,000	950,000	1,343,687	(393,687)
Fire	70,000	70,000	108,880	(38,880)
Parks and recreation	50,000	50,000	30,638	19,362
Cemetery	65,000	65,000	64,771	229
Alcoholic beverage control	-	-	187,688	(187,688)
Contingency	75,000	75,000	-	75,000
Highways and streets	-	-	8,133	(8,133)
Grant expenditures	1,200,000	1,200,000	308,900	891,100
Transfers, net	-	-	178	(178)
<b>TOTAL EXPENDITURES</b>	<b>3,680,000</b>	<b>3,680,000</b>	<b>3,142,751</b>	<b>537,249</b>
Budgetary fund balance, June 30, 2025	\$ -	\$ -	\$ 1,942,343	\$ 1,942,343

See accompanying independent auditor's report.

**CITY OF HODGENVILLE, KENTUCKY  
SCHEDULE OF PROPORTIONATE SHARE  
OF NET PENSION LIABILITY  
YEAR ENDED JUNE 30, 2025**

Last 10 Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Proportion of net pension liability	0.044356%	0.042353%	0.039863%	0.041518%	0.035210%
Proportionate share of net pension liability	<u>\$ 2,652,677</u>	<u>\$ 2,717,584</u>	<u>\$ 2,881,702</u>	<u>\$ 2,647,098</u>	<u>\$ 2,700,578</u>
Covered employee payroll	<u>\$ 1,585,833</u>	<u>\$ 1,432,082</u>	<u>\$ 1,257,231</u>	<u>\$ 1,113,998</u>	<u>\$ 1,060,500</u>
Proportionate share of net pension liability as percentage of covered payroll	167.27%	189.76%	229.21%	237.62%	254.65%
Plan fiduciary net position as a percentage of total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of net pension liability	0.03268%	0.03676%	0.03695%	0.03241%	0.02307%
Proportionate share of net pension liability	<u>\$ 2,298,047</u>	<u>\$ 2,238,857</u>	<u>\$ 2,162,797</u>	<u>\$ 1,595,780</u>	<u>\$ 991,785</u>
Covered employee payroll	<u>\$ 945,942</u>	<u>\$ 858,677</u>	<u>\$ 937,205</u>	<u>\$ 898,080</u>	<u>\$ 774,880</u>
Proportionate share of net pension liability as percentage of covered payroll	242.94%	260.73%	230.77%	177.69%	127.99%
Plan fiduciary net position as a percentage of total pension liability	50.45%	53.54%	53.33%	55.50%	59.97%

**CITY OF HODGENVILLE, KENTUCKY  
SCHEDULE OF PROPORTIONATE SHARE  
OF NET OPEB LIABILITY  
YEAR ENDED JUNE 30, 2025**

Last 10 Years \*

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Proportion of net OPEB liability	0.044399%	0.042352%	0.039859%	0.041509%	0.035200%
Proportionate share of net OPEB liability	<u>\$ (76,801)</u>	<u>\$ (58,474)</u>	<u>\$ 786,623</u>	<u>\$ 794,669</u>	<u>\$ 849,973</u>
Covered employee payroll	<u>\$ 1,585,833</u>	<u>\$ 1,432,082</u>	<u>\$ 1,257,231</u>	<u>\$ 1,113,998</u>	<u>\$ 1,060,500</u>
Proportionate share of net OPEB liability as percentage of covered payroll	-4.84%	-4.08%	62.57%	71.33%	80.15%
Plan fiduciary net position as a percentage of total OPEB liability	104.89%	104.23%	60.95%	62.91%	51.67%
	<u>2020</u>	<u>2019</u>	<u>2018</u>		
Proportion of net OPEB liability	0.03267%	0.03676%	0.03695%		
Proportionate share of net OPEB liability	<u>\$ 549,444</u>	<u>\$ 652,666</u>	<u>\$ 742,821</u>		
Covered employee payroll	<u>\$ 945,942</u>	<u>\$ 858,677</u>	<u>\$ 937,205</u>		
Proportionate share of net OPEB liability as percentage of covered payroll	58.08%	76.01%	79.26%		
Plan fiduciary net position as a percentage of total OPEB liability	60.44%	57.62%	52.40%		

\*Fiscal year 2018 was the first year of implementation; therefore, only eight years are shown.

**CITY OF HODGENVILLE, KENTUCKY  
SCHEDULE OF CONTRIBUTIONS TO PENSION  
YEAR ENDED JUNE 30, 2025**

Last 10 Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution (actuarially determined)	\$ 312,568	\$ 334,248	\$ 294,192	\$ 253,769	\$ 204,822
Contribution in relation to the actuarially determined contributions	<u>312,568</u>	<u>334,248</u>	<u>294,192</u>	<u>253,769</u>	<u>204,822</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 1,585,833</u>	<u>\$ 1,432,082</u>	<u>\$ 1,257,231</u>	<u>\$ 1,113,998</u>	<u>\$ 1,060,500</u>
Contributions as a percentage of covered employee payroll	19.71%	23.34%	23.40%	22.78%	19.31%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution (actuarially determined)	\$ 182,565	\$ 139,277	\$ 135,707	\$ 125,281	\$ 96,487
Contribution in relation to the actuarially determined contributions	<u>182,565</u>	<u>139,277</u>	<u>135,707</u>	<u>125,281</u>	<u>96,487</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 945,942</u>	<u>\$ 858,677</u>	<u>\$ 937,205</u>	<u>\$ 898,080</u>	<u>\$ 774,880</u>
Contributions as a percentage of covered employee payroll	19.30%	16.22%	14.48%	13.95%	12.42%

**CITY OF HODGENVILLE, KENTUCKY  
SCHEDULE OF CONTRIBUTIONS TO OPEB  
YEAR ENDED JUNE 30, 2024**

Last 10 Years \*

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ 42,620	\$ 46,454	\$ 50,516
Contribution in relation to the actuarially determined contributions	-	-	42,620	46,454	50,516
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 1,585,833</u>	<u>\$ 1,432,082</u>	<u>\$ 1,257,231</u>	<u>\$ 1,113,998</u>	<u>\$ 1,060,500</u>
Contributions as a percentage of covered employee payroll	0.00%	0.00%	3.39%	4.17%	4.76%
	<u>2020</u>	<u>2019</u>	<u>2018</u>		
Contractually required contribution (actuarially determined)	\$ 45,027	\$ 45,167	\$ 44,049		
Contribution in relation to the actuarially determined contributions	45,027	45,167	44,049		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Covered employee payroll	<u>\$ 945,942</u>	<u>\$ 858,677</u>	<u>\$ 937,205</u>		
Contributions as a percentage of covered employee payroll	4.76%	5.26%	4.70%		

\*Fiscal year 2018 was the first year of implementation; therefore, only eight years are shown.

**CITY OF HODGENVILLE, KENTUCKY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION  
JUNE 30, 2025**

**CERS PENSION**

**Changes of benefit terms:** There were no changes in benefit terms for plan years ended 2015 through 2024.

**Changes of assumption (as of June 30 for the year of the measurement date):**

2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016:

- No changes.

2017:

- RP-2000 Combined Mortality Table projected to 2013 with scale BB (set back one year for females)

2018:

- No changes.

2019:

- The assumed investment return was changed from 7.50% to 6.25%.
- The price inflation assumption was changed from 3.25% to 2.30%
- The payroll growth rate was changed from 4.00% to 2.00%
- Salary increases was changed from 4.00% to a range of 3.30% to 11.55% which varies by service.

2020:

- No changes.

2021:

- Salary increase was changed from a range of 3.30% to 11.55% to a range of 3.30% to 10.30% varying by service for non-hazardous.
- 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.

2022 and 2023:

- No changes.

2024:

- The assumed investment return was changed from 6.25% to 6.50%.

**CITY OF HODGENVILLE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB**  
**JUNE 30, 2025**

**CERS OPEB**

**Changes of benefit terms:** There were no changes in benefit terms for plan years ended 2017 through 2024.

**Changes of assumption** (as of June 30 for the year of the measurement date) :

2017 (year of implementation):

- The assumed investment rate of return was 7.50%
- The price inflation assumption was 3.25%
- The payroll growth assumption was 4.00% and salary increases were 4.00% average.
- Mortality: RP-2000 Combined Mortality Table, projected to 2013 with scale BB (set back one year for females)
- Healthcare Trend Rates (Pre-65): Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
- Healthcare Trend Rates (Pre-65): Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

2018:

- No changes.

2019:

- The payroll growth rate assumption changed from 4.00% to 2.00%
- The investment return assumption changed from 7.50% to 6.25%
- The inflation rate assumption changed from 3.25% to 2.30%
- Salary increases changed from 4.00% average to a range of 3.30% to 11.55% varies by service
- Healthcare Trend Rates (Pre-65): Initial trend 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.
- Healthcare Trend Rates (Post-65): Initial trend 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.

2020:

- Healthcare trend rates for (Pre-65 ): initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
- Healthcare trend rates for (Post-65 ): initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

2021:

- Salary increases changed from a range of 3.30% to 11.55%, varies by service to a range of 3.30% to 10.30%, varies by service.
- Healthcare Trend Rates (Pre-65): Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
- Healthcare Trend Rates (Post-65): Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

2022:

- Mortality: System - specific mortality table based on mortality experience from 2013-2018, projected with the rates from MP-2014 mortality improvement scale using a base year of 2019.
- Healthcare Trend Rates (Pre-65): Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
- Healthcare Trend Rates (Post-65): Initial trend starting at 6.30% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

2023:

- 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.
- 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.

2024:

- Healthcare Trend Rates (Pre-65): Initial trend starting at 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
- Healthcare Trend Rates (Post-65): Initial trend starting at 9.00% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.

**CITY OF HODGENVILLE, KENTUCKY  
COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2025**

	Special Revenue				Cemetery Perpetual Care	Total Nonmajor Governmental Funds
	Road	Cemetery	Police Drug Enforcement	Tourism and Convention		
<b><u>ASSETS:</u></b>						
Cash & cash equivalents	\$ 274,925	\$ 278,366	\$ 7,375	\$ 393	\$ 342,047	\$ 903,106
TOTAL ASSETS	<u>\$ 274,925</u>	<u>\$ 278,366</u>	<u>\$ 7,375</u>	<u>\$ 393</u>	<u>\$ 342,047</u>	<u>\$ 903,106</u>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>						
Liabilities:						
Accounts payable	\$ -	\$ 271	\$ -	\$ 393	\$ -	\$ 664
Accrued expenses	-	1,712	-	-	-	1,712
TOTAL LIABILITIES	<u>-</u>	<u>1,983</u>	<u>-</u>	<u>393</u>	<u>-</u>	<u>2,376</u>
Fund Balances:						
Restricted	274,925	-	-	-	-	274,925
Committed	-	-	-	-	342,047	342,047
Assigned	-	276,383	7,375	-	-	283,758
TOTAL FUND BALANCES	<u>274,925</u>	<u>276,383</u>	<u>7,375</u>	<u>-</u>	<u>342,047</u>	<u>900,730</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 274,925</u>	<u>\$ 278,366</u>	<u>\$ 7,375</u>	<u>\$ 393</u>	<u>\$ 342,047</u>	<u>\$ 903,106</u>

See accompanying independent auditor's report.

**CITY OF HODGENVILLE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2025**

	Special Revenue					Total Nonmajor Governmental Funds
	Road	Cemetery	Police Drug Enforcement	Tourism and Convention	Cemetery Perpetual Care	
<b>REVENUES:</b>						
Intergovernmental revenue	\$ 68,006	\$ -	\$ -	\$ -	\$ -	\$ 68,006
Contributions	-	3,991	-	-	-	3,991
Other revenue	-	31,880	1,975	393	-	34,248
Interest income	2,193	13,400	310	-	3,422	19,325
<b>TOTAL REVENUES</b>	<b>70,199</b>	<b>49,271</b>	<b>2,285</b>	<b>393</b>	<b>3,422</b>	<b>125,570</b>
<b>EXPENDITURES:</b>						
Current:						
Cemetery	-	34,004	-	-	-	34,004
Tourism and convention	-	-	-	393	-	393
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>34,004</b>	<b>-</b>	<b>393</b>	<b>-</b>	<b>34,397</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	15	-	-	-	15
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>70,199</b>	<b>15,282</b>	<b>2,285</b>	<b>-</b>	<b>3,422</b>	<b>91,188</b>
FUND BALANCES - beginning	204,726	261,101	5,090	-	338,625	809,542
FUND BALANCES - ending	<u>\$ 274,925</u>	<u>\$ 276,383</u>	<u>\$ 7,375</u>	<u>\$ -</u>	<u>\$ 342,047</u>	<u>\$ 900,730</u>

See accompanying independent auditor's report.

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

Honorable Mayor and  
Members of the City Council  
City of Hodgenville, 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 City of Hodgenville, Kentucky, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise City of Hodgenville, Kentucky's basic financial statements and have issued our report thereon dated May 28, 2026.

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2025-1 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2025-2, to be a significant deficiency.

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

As part of obtaining reasonable assurance about whether City of Hodgenville, Kentucky'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 that are required to be reported under *Government Auditing Standards*.

Certain other matters are described in the accompanying schedule of findings and responses as item 2025-3.

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

**City of Hodgenville, Kentucky's Response to Findings**

City of Hodgenville, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Hodgenville, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*Clauson, Mouser & Co.*

Certified Public Accountants  
May 28, 2026

**CITY OF HODGENVILLE, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2024**

**REPORTABLE CONDITIONS**

**MATERIAL WEAKNESS:**

**Item 2024-1 Financial Statement Adjustments**

**Criteria:** The City's management is responsible for establishing and maintaining internal controls over the application of transactions and the preparation of financial statements.

**Condition:** As a part of the audit we noted that material adjustments were not identified by the City's internal control.

**Cause:** The City did not make all necessary adjustments.

**Effect:** The design of the internal controls over financial reporting did not allow the City to identify all necessary adjustments.

**Recommendation:** We recommend City Management and financial personnel continue to develop internal control policies to ensure that necessary adjustments are made.

**Management response:** The City will implement procedures to ensure that adjustments are identified and recorded prior to year-end audit.

**SIGNIFICANT DEFICIENCY:**

**Item 2024-2 Capital Assets**

**Criteria:** To maintain effective internal control over the City's tangible capital assets, control procedures should include performing periodic physical inventories of its tangible capital assets.

**Condition:** Periodic physical inventories are not performed then reconciled to the City's accounting capital asset records.

**Cause:** The City has not implemented a policy requiring periodic reconciliation of capital asset records.

**Effect:** Without periodic physical inventories reconciled to detail property records, the City's tangible capital assets are at risk of misappropriation or misuse.

**Recommendation:** The City should perform a physical inventory of its tangible capital assets, either simultaneously or on a rotating basis for various departments, so that all tangible capital assets are physically accounted for at least once every three years.

**Management response:** We have obtained a copy of the capital asset schedules and will implement a policy for a periodic physical inventory and reconciliation. We will also update the schedule throughout each fiscal year for additions and deletions.

**OTHER MATTER:**

**Item 2024-3 Financial Statement Preparation**

**Criteria:** The City's management is responsible for establishing and maintaining internal control and for the fair presentation of the financial position, results of operations and disclosures in the financial statements.

**Condition:** As a part of the audit, the City requested the auditor's prepare a draft of the financial statements, including related note disclosures.

**Cause:** The size of the organization precludes having personnel with the expertise necessary to prepare the government-wide and fund financial statements and to draft the required notes to the financial statements.

**Effect:** The City does not have a system of internal control to enable management to conclude the financial statements and related disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America.

**Recommendation:** We recommend the City consider the cost versus the benefit of outsourcing the financial statement preparation as a part of the audit process.

**Management response:** We have considered the cost versus the benefit of outsourcing the financial statement preparation and have requested our auditor's prepare a draft of the financial statements, including related note disclosures.