

CITY OF HARDINSBURG, KENTUCKY
FINANCIAL STATEMENTS WITH ACCOMPANYING
INFORMATION
For the Year Ended June 30, 2022
and
REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS

CITY OF HARDINSBURG, KENTUCKY
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the City Council
City of Hardinsburg, Kentucky

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hardinsburg, Kentucky City as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Hardinsburg, Kentucky City (City)'s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hardinsburg, Kentucky City as of June 30, 2022, 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 33 through 34; and the pension and other post-employment benefit schedules and notes on pages 35 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

January 7, 2025

Charlottesville, Kentucky

Drane & Company, PLLC
Certified Public Accountants

Charlottesville, PLLC

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2025 on our consideration of City of Charlottesville, Kentucky City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City's audit performance over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City's audit performance over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City's internal control over financial reporting and compliance.

Other Reporting Required by Government Auditing Standards

CITY OF HARDINSBURG, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2022

	General Fund
Assets	
Cash and cash equivalents	\$ 2,404,929
Receivables, net:	
Franchise fees	4,831
Miscellaneous	8,148
Taxes	97,761
Intergovernmental	7,635
Prepaid expenses	846
Due from other funds	80,295
Total Assets	\$ 2,604,445
Liabilities	
Accounts payable	\$ 17,945
Accrued payroll	14,655
Due to employees	16,978
Unearned revenue	8,582
Total Liabilities	58,160
Fund Balance	
Nonspendable	846
Restricted	95,068
Assigned	117,188
Unassigned	2,333,183
Total Fund Balance	2,546,285
Total Liabilities and Fund Balance	\$ 2,604,445

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities

Total Governmental Fund Balance	\$ 2,546,285
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.	2,036,236
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore are not reported in the governmental funds.	33,817
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.	
Accrued vacation	(7,753)
Net pension liability	(1,097,161)
Net OPEB liability	(333,060)
Total Net Position of Governmental Activities	\$ 3,178,364

The accompanying notes are an integral part of this financial statement.

CITY OF HARDINSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund
<u>Revenues</u>	
Property taxes	\$ 625,224
Insurance premium taxes	355,763
Licenses and permits	33,366
Rental income	18,985
Interest income	3,131
Miscellaneous	5,446
Donations	500
Franchise fees	48,167
Fire department subscription fees and runs	74,137
Intergovernmental revenues	<u>116,331</u>
Total Revenues	<u>1,281,050</u>
<u>Expenditures</u>	
Current:	
General government:	
Salaries and benefits	61,199
Administrative travel	2,903
Utilities	20,351
Insurance	4,636
Office expense	7,750
Advertising and printing	2,996
Professional fees	9,498
Repairs and maintenance	6,044
Supplies	2,082
Miscellaneous	1,365
Police department	489,266
Fire department	67,510
Streets and maintenance	153,853
Capital outlay	<u>220,150</u>
Total Expenditures	<u>1,049,603</u>
Excess of Revenues Over Expenditures	<u>231,447</u>
<u>Other Financing Sources</u>	
Proceeds from sale of fixed assets	2,500
Insurance recoveries - impaired assets	<u>16,937</u>
Total Other Financing Sources	<u>19,437</u>
Net Changes in Fund Balance	250,884
Fund Balance - Beginning of Year	<u>2,295,401</u>
Fund Balance - End of Year	<u>\$ 2,546,285</u>

The accompanying notes are an integral part of this financial statement.

CITY OF HARDINSBURG, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND WITH THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net Changes in Fund Balance - Governmental Fund \$ 250,884

Amounts reported for governmental activities in the Statement of Activities are different because:

The governmental fund reports capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

(69,084)

The governmental funds report only the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the book value of the disposed assets.

(15,000)

In the Statement of Activities, the change in net pension and OPEB liabilities, deferred outflows of resources, and deferred inflows of resources are reported, while the changes in these accounts are not reported in the governmental funds. This is the net change in these accounts.

(106,389)

The Statement of Activities reports donated assets as revenues not included in the Statement of Activities. In the Statement of Activities, vacation leave is measured by the amount earned during the year. In the governmental fund, however, expenditures for this item are measured by the amount actually paid.

(532)

Changes in Net Position of Governmental Activities

\$ 59,879

The accompanying notes are an integral part of this financial statement.

CITY OF HARDINSBURG, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2022

	Enterprise Funds			
	Operations & Maintenance Fund	Wastewater Treatment Fund	Sanitation Fund	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,047,099	\$ 88,478	\$ 8,483	\$ 1,144,060
Investments	379,073	37,062	-	416,135
Receivables, net:				
Accounts - trade	710,377	118,803	24,606	853,786
Miscellaneous	28,586	1,440	34,212	64,238
Prepaid expenses	11,881	917	917	13,715
Total Current Assets	2,177,016	246,700	68,218	2,491,934
Noncurrent Assets				
Restricted cash	1,889,381	603,704	-	2,493,085
Capital assets:				
Land and construction in process	140,214	199,911	-	340,125
Other capital assets, net of depreciation	28,904,114	3,712,516	181,661	32,798,291
Total Noncurrent Assets	30,933,709	4,516,131	181,661	35,631,501
Total Assets	33,110,725	4,762,831	249,879	38,123,435
Deferred Outflows of Resources				
Deferred amount on debt refundings	6,441	1,771	-	8,212
Deferred amounts related to pensions	39,135	7,746	5,599	52,480
Deferred amounts related to OPEB	52,871	10,465	7,563	70,899
Total Deferred Outflows of Resources	98,447	19,982	13,162	131,591
Liabilities				
Current Liabilities				
Accrued expenses	10,947	-	180	11,127
Interest payable	90,036	6,267	-	96,303
Accrued vacation and payroll	15,857	2,117	2,431	20,405
Unearned revenue	47,265	-	-	47,265
Interfund payables	39,684	10,076	30,535	80,295
Current portion of long-term debt	1,080,315	157,474	33,178	1,270,967
Total Current Liabilities	1,284,104	175,934	66,324	1,526,362
Noncurrent Liabilities				
Customer deposits payable	253,115	-	-	253,115
Due to Greenshore customers	21,621	-	-	21,621
Loans payable	6,039,781	1,399,035	-	7,438,816
Revenue bonds payable	9,601,783	214,519	-	9,816,302
Net pension liability	329,988	65,319	47,170	442,477
Net OPEB liability	99,072	19,610	14,163	132,845
Total Noncurrent Liabilities	16,345,360	1,698,483	61,333	18,105,176
Total Liabilities	17,629,464	1,874,417	127,657	19,631,538
Deferred Inflows of Resources				
Deferred amounts related to pensions	92,539	18,317	13,229	124,085
Deferred amounts related to OPEB	79,687	15,772	11,395	106,854
Total Deferred Inflows of Resources	172,226	34,089	24,624	230,939
Net Position				
Net investment in capital assets	12,307,269	2,143,170	148,483	14,598,922
Restricted for capital and debt service	2,015,339	640,766	-	2,656,105
Unrestricted	1,084,874	90,371	(37,723)	1,137,522
Total Net Position	\$ 15,407,482	\$ 2,874,307	\$ 110,760	\$ 18,392,549

The accompanying notes are an integral part of this financial statement.

CITY OF HARDINSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Enterprise Funds			
	Operations & Maintenance Fund	Wastewater Treatment Fund	Sanitation Fund	Total
<u>Operating Revenues</u>				
Charges for services	\$ 4,392,020	\$ 790,405	\$ 402,795	\$ 5,585,220
Penalty charges	49,157	8,374	3,505	61,036
Connection fees	233,931	3,600	-	237,531
Total Operating Revenues	4,675,108	802,379	406,300	5,883,787
<u>Operating Expenses</u>				
Salaries and benefits	197,327	92,832	14,542	304,701
Maintenance and supplies	66,088	89,585	5,320	160,993
Chemicals	56,379	-	-	56,379
Contract operations	1,225,222	228,056	216,429	1,669,707
Professional fees	23,100	1,916	-	25,016
Office and advertising	39,328	14,738	14,691	68,757
Landfill fees	-	-	85,266	85,266
Depreciation	1,198,848	196,407	52,478	1,447,733
Rental expense	5,400	3,300	4,800	13,500
Insurance	35,132	11,427	2,003	48,562
Utilities	388,286	59,799	1,110	449,195
Miscellaneous	852	119	243	1,214
Total Operating Expenses	3,235,962	698,179	396,882	4,331,023
Operating Income	1,439,146	104,200	9,418	1,552,764
<u>Non-Operating Revenues (Expenses)</u>				
Interest income	29,798	2,481	5	32,284
Rental income	53,109	-	-	53,109
Other income	2,377	616,026	1,567	619,970
Loss on disposal of fixed assets	-	-	(2,119)	(2,119)
Insurance recoveries - impaired assets	77	16,806	24	16,907
Interest expense	(393,055)	(28,400)	(1,939)	(423,394)
Total Non-Operating Revenues (Expenses)	(307,694)	606,913	(2,462)	296,757
Changes in Net Position				
Net Position - Beginning of Year	1,131,452	711,113	6,956	1,849,521
Net Position - End of Year	\$ 15,407,482	\$ 2,874,307	\$ 110,760	\$ 18,392,549

The accompanying notes are an integral part of this financial statement.

CITY OF HARDINSBURG, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Enterprise Funds			
	Operations & Maintenance Fund	Wastewater Treatment Fund	Sanitation Fund	Total
Cash Flows from Operating Activities:				
Cash received from customers and others	\$ 4,200,831	\$ 731,083	\$ 381,403	\$ 5,313,317
Cash payments to suppliers for goods and services	(1,846,324)	(400,975)	(329,405)	(2,576,704)
Cash payments to employees for services	(275,075)	(40,530)	(52,385)	(367,990)
Net Cash Provided (Used) by Operating Activities	2,079,432	289,578	(387)	2,368,623
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(323,351)	(115,081)	(17,850)	(456,282)
Proceeds from sale of capital assets	-	-	308	308
Insurance recoveries	77	16,806	24	16,907
Principal paid on debt	(1,077,571)	(153,634)	(32,274)	(1,263,479)
Interest paid on debt	(415,571)	(27,763)	(1,759)	(445,093)
Net Cash Used by Capital and Related Financing Activities	(1,816,416)	(279,672)	(51,551)	(2,147,639)
Cash Flows from Noncapital Financing Activities:				
Interfund activity	(20,084)	5,437	25,508	10,861
Net Cash Provided (Used) by Noncapital Financing Activities	(20,084)	5,437	25,508	10,861
Cash Flows from Investing Activities:				
Interest income	29,798	2,481	5	32,284
Other non-operating income and expenses	55,486	616,026	1,567	673,079
Net Cash Provided by Investing Activities	85,284	618,507	1,572	705,363
Net Increase (Decrease) in Cash and Cash Equivalents	328,216	633,850	(24,858)	937,208
Cash and Cash Equivalents - Beginning of Year	2,987,337	95,394	33,341	3,116,072
Cash and Cash Equivalents - End of Year	\$ 3,315,553	\$ 729,244	\$ 8,483	\$ 4,053,280
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 1,439,146	\$ 104,200	\$ 9,418	\$ 1,552,764
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,198,848	196,407	52,478	1,447,733
Change in assets and liabilities:				
Receivables, net	(412,625)	(71,296)	(24,897)	(508,818)
Prepaid expenses	1,891	7,965	457	10,313
Deferred outflows related to pensions and OPEB	14,149	30,727	11,219	56,095
Accrued expenses	(8,428)	-	-	(8,428)
Other liabilities	(61,652)	699	444	(60,509)
Net pension and OPEB liabilities	(93,240)	10,981	(40,735)	(122,994)
Deferred inflows related to pensions and OPEB	1,343	9,895	(8,771)	2,467
Total Adjustments	640,286	185,378	(9,805)	815,859
Net Cash Provided by Operating Activities	\$ 2,079,432	\$ 289,578	\$ (387)	\$ 2,368,623

The accompanying notes are an integral part of this financial statement.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hardinsburg (City) is a home rule city located in Breckinridge County, Kentucky. It operates under a councilmanic form of government providing the following types of services: police, fire, water, sewage, sanitation, and street maintenance. Primary revenue sources are property taxes, insurance premium taxes, license fees, and water, wastewater, and sanitation receipts.

The accounting policies of the City of Hardinsburg conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

Reporting Entity

The City's financial statements include the operations of all organizations for which the City Council exercises oversight. Responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The governmental activities reported in the statements are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed mostly by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are therefore clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipient of the goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - Fund financial statements report detailed information about the City's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Concluded)

The City reports the following major governmental fund:

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

The City reports the following major enterprise funds:

- Operations & Maintenance (O&M) Fund - This fund accounts for the operation, maintenance, and development of the water plant and water distribution lines.
- Wastewater Treatment (WWT) Fund - This fund accounts for the operation, maintenance, and development of the sewage treatment plant and sewer lines.
- Sanitation Fund - This fund accounts for the operation and maintenance of the sanitation department.

Measurement Focus and Basis of Accounting

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

The government-wide and proprietary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers revenues reported in the governmental funds to be available if collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures, and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources in the governmental funds.

Capital Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Concluded)

For the government-wide and proprietary fund financial statements, 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 acquisition value. The City maintains a capitalization threshold of \$2,500. Improvements are capitalized, but the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The City received \$61,276 in insurance proceeds for impaired assets. The City's infrastructure consists of curbs, sidewalks, and streets constructed or improved after July 1, 2003.

Depreciation is provided in the government-wide and proprietary fund financial statements in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The City capitalizes construction period interest as part of the cost of the assets in the proprietary funds. The service lives by type of asset are typically as follows:

Vehicles and equipment	5 - 20 years
Improvements	10 - 40 years
Infrastructure	10 - 30 years
Buildings	10 - 40 years
Plant	10 - 40 years

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported in the year in which services are consumed.

Accounts Receivable

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. At June 30, 2022, the allowances for uncollectible trade and property tax receivables were \$242,980 and \$17,030, respectively. Delinquent property taxes are stated net of an allowance for estimated uncollectible taxes equal to the delinquent taxes over one year old; therefore, these amounts have not been recorded as revenue. Delinquent taxes over ten years old are not included in the receivable or allowance.

Net Position

The City classifies net position in three categories. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position consists of those assets that do not meet the definition of restricted or net investment in capital assets.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions and Post-employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) for each, and additions to/deductions from fiduciary net position for each have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the deferred charge on refunding and deferred amounts related to pensions and OPEB in the Statement of Net Position in this category. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred amounts related to pensions and OPEB include pension and OPEB contributions made during the current fiscal year but applicable to a future measurement period of the net pension and OPEB liabilities, respectively.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City reports the deferred amount related to pensions and OPEB in the Statement of Net Position in this category.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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 reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Balance

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Fund Balance (Concluded)

- Nonspendable fund balance - amounts that are not in a spendable form (such as prepayments) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

The City did not establish any fund balance commitments for the fiscal year. Assigned fund balance is established by the Mayor through adoption or amendment of the budget as intended for a specific purpose. Unrestricted and unassigned fund balances are reduced first, unless expenditures are incurred for a specific purpose for which fund balance has been restricted, committed, or assigned.

Property Tax Calendar

The City's property taxes are levied before the first day of November on the assessed values as of January 1 for all real and personal property located in the city, including vehicles. Property taxes are due December 31 and become delinquent January 1 of the following year. The delinquent tax claims become a lien on the property when sold (usually the following May). The City's real and personal property tax rate is \$.33 per \$100 valuation for general fund purposes and \$.03 per \$100 valuation for fire department purposes. The City's vehicle tax rate is \$.28 per \$100 of assessed value.

NOTE B - BUDGETARY PROCEDURES AND BUDGETARY ACCOUNTING

Normally, prior to June 30, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means for financing them. Deficit budgets are contrary to state law. Public hearings are conducted to obtain citizen comments on the proposed budget and the budget is legally adopted through passage of an appropriation ordinance by City Council. The City Council approves, by ordinance, total budget appropriations only. Budget amendments are made as needed throughout the year.

Actual expenditures and operating transfers may not legally exceed "budget" appropriations at the individual fund level. Budgetary control, however, is maintained at the departmental level. Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE C - CASH AND INVESTMENTS

The City considers cash and cash equivalents to be cash on hand, demand deposits, and certificates of deposit. At June 30, 2022, the reported amount of the City's cash and cash equivalents was \$6,457,849 and the bank balance was \$6,761,063. The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year-end, \$750,000 of the City's deposits was insured and \$5,773,313 was collateralized with securities held by the pledging financial institution on behalf of the City, but not in the City's name. \$77,907 was uninsured and uncollateralized. The governing body has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed.

Short-Term Investments

The City transfers monthly amounts for bond principal and interest payments into common trust funds, which consist entirely of federated treasury obligations. The City does not have an investment policy for custodial credit risk. Regarding credit risk, \$37,052 of these funds is uninsured and unregistered, with securities held by the counterparty, or by the counterparty's trust department or agent, but not in the City's name. The remaining \$379,084 is uninsured and unregistered. These investments are valued using quoted market prices (Level 1 input), which was \$416,136 at year-end, and the balance is subject to investment risks, including possible loss of principal.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Restricted Cash

Cash is restricted for various legal requirements, such as sinking and reserve accounts, as established by bond ordinances or loan agreements and may be expended only for disbursements allowed under the terms of such. Other cash accounts are reserved for specific projects and customer deposits, and the federated treasury obligations (investments) are restricted for bond principal and interest payments.

Reconciliation of Cash

For purposes of the Statement of Cash Flows on page 11, cash and cash equivalents as of June 30, 2022 consisted of the following:

	O&M Fund	WWT Fund	Sanitation Fund	Total
Cash	\$ 1,047,099	\$88,478	\$8,483	\$1,144,060
Restricted cash	1,889,381	603,704	-	2,493,085
Investments	379,073	37,062	-	416,135
Total	\$3,315,553	\$729,244	\$8,483	\$4,053,280

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE D - LONG-TERM DEBT

Bonds Payable

The construction costs of the City's water and sewer facilities have been financed by the issuance of the revenue bonds listed below, with the exception of the 2012 issue, which was for the purchase of a garbage truck. The bonds are secured by and payable on parity from the gross revenues of the utilities system and sanitation fund, as applicable, and are secured by the statutory mortgage lien as provided and authorized by the Kentucky Revised Statutes. In the event of default, any owner of current bonds may file suit and the court may appoint a receiver with power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest on the outstanding bonds.

The original amount of the bond issues, the issue dates, interest rates, and outstanding balances at June 30, 2022 are summarized in the following table.

Bond Series	Issue Date	Interest Rates	Bond Maturity	Original Issue	Outstanding Balance
2009	10/1/09	3.375%	6/1/48	\$1,350,000	\$1,099,000
2011	11/1/11	3%	6/1/50	\$2,000,000	\$1,669,000
2015 (R)	5/12/15	2.1% to 4.1%	1/1/33	\$2,395,000	\$1,225,000
2019 (R)	11/6/19	2.25% to 3%	2/1/46	\$6,675,000	\$6,235,000

R – Denotes refunding bond

* – Refunded with 2019 bond

On November 6, 2019 the City obtained \$6,675,000 in refunding bonds with interest rates ranging between 2.25% and 3% from the Kentucky Bond Corporation bond pool. The City obtained the bonds to refund \$3,981,000 of outstanding 2006A bonds and \$2,213,000 of outstanding 2006B bonds with 4.125% interest rates. The current refunding reduced total debt service over the next twenty-seven years by \$629,602. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$439,221.

Loans Payable

During the year ended June 30, 2003, the City finalized a \$500,000 KIA loan used to help fund the Highway 86 Water Project. The financing arrangement calls for forty semi-annual payments of \$14,940, which include interest at 1.8%, and ten annual transfers of \$16,130 to the replacement and maintenance reserve account. The loan balance at year-end was \$44,026.

In 2008, the City finalized a KIA loan in the amount of \$4.4 million to aid in financing the cost of the new water plant. The agreement requires the loan to be repaid in forty semi-annual payments of \$121,672, which include interest at 1%, and ten annual transfers of \$75,000 to the replacement and maintenance reserve account. The loan balance at year-end was \$1,527,736.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE D - LONG-TERM DEBT (CONCLUDED)

Loans Payable (Concluded)

During the year ended June 30, 2010, the City completed a funding agreement with KIA in the amount of \$1,999,250 to help finance the cost of additional water lines. The loan terms include forty semi-annual payments of \$55,270, which include interest at 1%, and ten annual transfers of \$16,750 to the replacement and maintenance reserve account. The loan balance at year-end was \$949,144.

During the year ended June 30, 2011, the City secured a \$4 million loan from KIA for major water line expansion projects, with 40% principal forgiveness of \$1,600,000, leaving a principal balance of \$2,400,000, which was finalized in 2015. The loan calls for forty semi-annual payments of \$66,349, which include interest at 1%, and ten annual transfers of \$10,000 to the replacement and maintenance reserve account. The loan balance at year-end was \$1,671,870.

During the year ended June 30, 2013, the City finalized funding from KIA for two sewer projects. The first loan of \$549,594 was used to fund a sewer rehab project within the City. The loan calls for forty semi-annual payments of \$15,194, which include interest at 1%, and ten annual transfers of \$1,400 to the replacement and maintenance reserve account. The second loan of \$276,394 was used to provide sewer services to a trailer park within the City. The loan calls for forty semi-annual payments of \$7,641, which include interest at 1%, and ten annual transfers of \$1,500 to the replacement and maintenance reserve account. The loan balances at year-end were \$315,789 and \$158,812, respectively.

In 2013, the City secured a loan in the amount of \$3,250,606 from KIA for water line expansion projects. The loan calls for forty semi-annual payments of \$91,021, which include interest at 1%, and ten annual transfers of \$8,150 to the replacement and maintenance reserve account. The loan balance at year-end was \$2,053,684.

During the year ended June 30, 2016, the City secured a \$1.19 million loan with 50% principal forgiveness of \$594,567 from KIA for the construction of a new water tank. The loan calls for forty semi-annual payments of \$16,035, which include interest at .75%, and ten annual transfers of \$3,000 to the replacement and maintenance reserve account. The loan balance at year-end was \$439,833.

During the year ended June 30, 2017, the City secured a \$1.28 million loan from KIA for phosphorus removal and effluent monitoring. The loan calls for forty semi-annual payments of \$34,466, including interest at .75%, and ten annual transfers of \$3,200 to the replacement and maintenance reserve account. The loan balance at year-end was \$1,128,515.

In April 2018, the City obtained a \$156,749 loan from Cecilian Bank for a 2018 Freightliner garbage truck, which serves as collateral. The loan calls for ten semi-annual payments of \$17,017, which include interest at 3%. The loan balance at year-end was \$65,453.

During the year ended June 30, 2020, the City secured a \$756,664 loan from KIA for water line expansion projects. The estimated annual payments are \$19,127, including interest at 2%, and twenty annual transfers of \$1,900 to the replacement and maintenance reserve account. The loan balance at year-end was \$741,186.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE D - LONG-TERM DEBT (CONTINUED)

All loans are notes from direct borrowings.

Debt Service Requirements

The annual requirements to amortize revenue bonds and loans payable outstanding as of June 30, 2022, including interest payments are as follows:

Fiscal Year Ending June 30,	Interest	Principal	Total
2023	\$ 1,270,967	\$ 419,060	\$1,690,027
2024	1,247,775	393,746	1,641,521
2025	1,277,754	368,741	1,646,495
2026	1,303,317	344,927	1,648,244
2027	1,243,565	320,495	1,564,060
2028 - 2032	4,616,877	1,316,526	5,933,403
2033 - 2037	3,008,953	911,649	3,920,602
2038 - 2042	2,368,676	564,885	2,933,561
2043 - 2047	1,839,300	201,033	2,040,333
2048 - 2052	315,400	17,466	332,866
Totals	\$18,492,584	\$4,858,528	\$23,351,112

Changes in Noncurrent Liabilities

Changes in noncurrent liabilities, including current portions of long-term debt, for the year ended June 30, 2022 were as follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due In One Year
Business-Type Activities					
Bonds payable	\$10,655,700	\$	-	\$10,228,000	\$ 825,767
Loans payable	9,096,048	-	831,465	8,264,583	445,200
Premium	53,396	-	5,838	47,558	-
Discount	(14,643)	-	(587)	(14,056)	-
Net bonds and loans payable	19,790,501	-	1,264,416	18,526,085	1,270,967
Customer deposits	314,767	12,591	74,243	235,115	-
Due to Greenshore	21,621	-	-	21,621	-
	\$20,126,889	\$ 12,591	\$1,338,659	\$18,800,821	\$1,270,967

The Enterprise Funds are primarily responsible for paying bond and loan obligations, customer deposits, and the Greenshore liability.

NOTE E - RESTRICTED NET POSITION

Restricted net position of the Governmental Activities included \$88,752 for road aid and \$6,316 for drug enforcement activities, while restricted net position of the Business-Type Activities included \$1,878,392 for capital and debt service.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE F - FUND BALANCE

The fund balance for the General Fund was classified as follows:

Fund Balance	General Fund
Nonspendable:	
Prepaid expenses	\$ 846
Restricted:	
Road aid	88,752
Drug enforcement	6,316
Total Restricted	<u>95,068</u>
Assigned:	
Industrial development	111,094
Fire department	6,094
Total Assigned	<u>117,188</u>
Unassigned	<u>2,333,183</u>
Total Fund Balance	<u><u>\$2,546,285</u></u>

NOTE G - PENSION PLANS

General Information about the County Employees Retirement System

Plan Description – Full-time employees are covered by the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of KPPA administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to the Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or from the website at www.kyret.ky.gov.

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

CERS Non-hazardous

<u>Tier 1</u>	Participation date:	Before September 1, 2008
Defined Benefit	Unreduced retirement:	27 years service or 65 years old with 4 years service
	Reduced retirement:	At least 5 years service and 55 years old
		At least 25 years service and any age
<u>Tier 2</u>	Participation date:	September 1, 2008 – December 31, 2013
Defined Benefit	Unreduced retirement:	At least 5 years service and 65 years old
	Reduced retirement:	Age 57+ and sum of service years plus age = 87 At least 10 years service and 60 years old
<u>Tier 3</u>	Participation date:	After December 31, 2013
Cash Balance	Unreduced retirement:	At least 5 years service and 65 years old Age 57+ and sum of service years plus age = 87
	Reduced retirement:	Not available

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE G - PENSION PLANS (CONTINUED)

CERS Hazardous

<u>Tier 1</u>	Participation date:	Before September 1, 2008
Defined Benefit	Unreduced retirement:	20 years service or 55 years old with 5 years service
	Reduced retirement:	At least 15 years service and 50 years old
<u>Tier 2</u>	Participation date:	September 1, 2008 – December 31, 2013
Defined Benefit	Unreduced retirement:	25 years service or 60 years old with 5 years service
	Reduced retirement:	At least 15 years service and 50 years old
<u>Tier 3</u>	Participation date:	After December 31, 2013
Cash Balance	Unreduced retirement:	25 years service or 60 years old with 5 years service
	Reduced retirement:	Not available

Contributions – Employees in all tiers contributed 5% of their salaries for non-hazardous and 8% for hazardous, and those in Tiers 2 and 3 also contributed an additional 1% of their salaries for insurance. Participating employers contributed 26.95% (22.78% for pension and 4.17% for health insurance) and 44.33% (35.60% pension; 8.73% insurance) of members' non-hazardous and hazardous compensation, respectively, for the year ended June 30, 2022.

Medical Insurance Plan

Plan Description – In addition to the pension benefits described above, Kentucky Revised Statute 61.702 requires CERS to provide post-retirement healthcare benefits to eligible members and dependents. Changes made to the medical plan may be made by the Kentucky Retirement Systems' Board of Trustees and the General Assembly. Additional information can be obtained in the aforementioned financial statements and required supplementary information for CERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the City reported a liability of \$1,539,638 for its proportionate share of the net pension liability for CERS, which included \$489,469 for non-hazardous and \$1,050,169 for hazardous. The total pension liability, net pension liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date of June 30, 2020 to the plan's fiscal year ended June 30, 2021, using generally accepted actuarial principles. The City's proportion of the net pension liability was based on the actual contributions of the City relative to the total contributions of all participating members of CERS during the measurement period July 1, 2020 through June 30, 2021. At June 30, 2021, the City's proportion was 0.007677% non-hazardous and 0.039448% hazardous, a decrease of 0.000539% and a decrease of 0.02557%, respectively, over the prior year.

For the year ended June 30, 2022, the City recognized total pension expense of \$136,249 for CERS, which included \$(38,425) for non-hazardous and \$174,674 for hazardous.

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE G - PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,581	\$ -
Changes of assumptions	19,685	-
Changes in proportion and differences between City contributions and proportionate share of contributions	63,471	301,792
City contributions subsequent to the measurement date	<u>116,889</u>	<u>-</u>
	<u><u>\$234,626</u></u>	<u><u>\$301,792</u></u>

Deferred outflows of resources resulting from City contributions subsequent to the measurement date of \$116,889 (\$45,862 for non-hazardous and \$71,027 for hazardous will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred inflows and outflows related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Non- Hazardous	Hazardous
2023	\$(68,348)	\$22,926
2024	(21,619)	(13,681)
2025	(14,677)	(28,139)
2026	(20,429)	(40,088)
Total	<u><u>\$(125,073)</u></u>	<u><u>\$(58,982)</u></u>

Actuarial assumptions – The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions (updated from the actuarial assumptions used for June 30, 2020):

Inflation Rate:	2.30%
Payroll Growth Rate:	2.00%
Projected Salary Increases:	3.30% to 10.30%, varies by service for CERS non-hazardous 3.55% to 19.05%, varies by service for CERS hazardous
Investment Rate of Return:	6.25%

The mortality table used for active members was a Pub-2010 General Mortality table, for the non-hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE G - PENSION PLANS (CONCLUDED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)

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

The target allocation and best estimates of arithmetic real rate of return for each major asset class, as provided by KRS, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60)%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
Expected Real Return	100.00%	5.00%
Long-term Inflation Assumption		2.30%
		7.30%

Discount Rate – The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that the funds receive the 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). The discount rate determination does not use a municipal bond rate.

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

	1% Decrease 5.25%	Current Discount 6.25%	1% Increase 7.25%
Non-hazardous	\$627,767	\$489,469	\$375,030
Hazardous	\$1,338,586	\$1,050,169	\$815,110

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE H - OTHER POST-EMPLOYMENT BENEFITS

County Employees Retirement System Insurance Fund

General Information about the County Employees Retirement System Insurance Fund

Plan Description – County Employees Retirement System (CERS) Non-hazardous and Hazardous Insurance Funds are cost-sharing multiple-employer defined benefit other post-employment benefits (OPEB) plans for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plan provides for health insurance benefits to plan members, and it may be extended to beneficiaries of plan members under certain circumstances. It is administered by the Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers OPEB and has the authority to establish and amend benefit provisions. The KRS issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or from the KRS website at www.kyret.ky.gov.

Benefits Provided – CERS provides health insurance benefits to plan employees and beneficiaries when applicable. For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KPPA submits the premium payments to DEI. The KPPA Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan.

Contributions – Employees in Tiers 2 and 3 (see Note G) contribute an additional 1% of their salaries for health insurance. This amount is credited to the Insurance Fund and is non-refundable to the member. Participating employers contributed 26.95% (22.78% for pension and 4.17% for health insurance) and 44.33% (35.60% pension; 8.73% insurance) of members' non-hazardous and hazardous compensation, respectively, for the year ended June 30, 2022.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE H - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the City reported a liability of \$465,905 for its proportionate share of the net OPEB liability for CERS, which included \$146,953 for non-hazardous and \$318,952 for hazardous. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled forward from the valuation date of June 30, 2020 to the plan's fiscal year ended June 30, 2021, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on the actual contributions of the City relative to the total contributions of all participating members of CERS during the measurement period July 1, 2020 through June 30, 2021. At June 30, 2021, the City's proportion was 0.007676% non-hazardous and 0.039447% hazardous, a decrease of 0.000539% and a decrease of 0.02557%, respectively, over the prior year.

For the year ended June 30, 2022, the City recognized total OPEB expense of \$54,753 for CERS, which included \$3,924 for non-hazardous and \$50,829 for hazardous. The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,076	\$78,189
Changes of assumptions	118,946	256
Difference between expected and actual earnings on plan investments	-	83,023
Changes in proportion and differences between City contributions and proportionate share of contributions	38,869	68,918
City contributions subsequent to the measurement date	32,918	-
	<u><u>\$223,809</u></u>	<u><u>\$230,386</u></u>

\$38,869 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Non- Hazardous	Hazardous
2023	\$(11,377)	\$9,151
2024	(14,840)	8,925
2025	(15,699)	(467)
2026	(11,091)	(7,535)
2027	-	3,438
Total	<u><u>\$(53,007)</u></u>	<u><u>\$13,512</u></u>

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE H - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date:	June 30, 2020
Inflation Rate:	2.30%
Payroll Growth Rate:	2.00%
Projected Salary Increases:	3.30% to 10.30%, varies by service for CERS non-hazardous 3.55% to 19.05%, varies by service for CERS hazardous
Investment Rate of Return:	6.25%
Healthcare Trend Rates (under age 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 (age 65 and over):	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years

The mortality table used for active members was a Pub-2010 General Mortality table, for the non-hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KRS, are summarized in the table in Note G (target allocations and real rates of return are the same for the CERS Pension and Insurance Funds).

Discount Rate – The discount rate used to measure the total OPEB liability was 5.34% for non-hazardous and 5.30% for hazardous. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. 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 the future benefit payments of the 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 was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE H - OTHER POST-EMPLOYMENT BENEFITS (CONCLUDED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Concluded)

the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. The future contributions are projected in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 legislative session. If there is a pattern of legislation that has a resulting effect of employers making contributions less than the actuarially determined rate, the actuary may be required to project contributions that are reflective of recent actual contribution efforts regardless of the stated funding policy (as required by paragraph 50 of GASB Statement No. 74).

Sensitivity of Proportionate Share of Net OPEB Liability to Changes in the Discount Rate – The following table presents the City's proportionate share of the net OPEB liability calculated using the discount rate of 5.20% for non-hazardous and 5.05% for hazardous, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 4.20%	Current Discount 5.20%	1% Increase 6.20%
Non-hazardous	\$201,765	\$146,953	\$101,970
Hazardous	4.05%	5.05%	6.05%
	\$462,420	\$318,952	\$203,684

Sensitivity of Proportionate Share of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following table presents the City's proportionate share of the net OPEB liability calculated using the healthcare cost trend rate, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Non-hazardous	\$105,789	\$146,953	\$196,639
Hazardous	\$208,995	\$318,952	\$453,624

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE I - CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	July 1, 2021	Additions	Deletions	June 30, 2022
Governmental Activities				
Not Depreciated:				
Land	\$ 294,645	\$ 15,000	\$ -	\$ 309,645
Subtotal	<u>294,645</u>	<u>15,000</u>	<u>-</u>	<u>309,645</u>
Depreciated:				
Buildings and improvements	989,796	58,037	-	1,047,833
Furniture and fixtures	54,371	-	-	54,371
Equipment	814,181	75,430	(912)	888,699
Vehicles	1,252,665	57,067	(66,466)	1,243,266
Parks	168,530	-	-	168,530
Infrastructure	2,124,250	14,616	-	2,138,866
Subtotal	<u>5,403,793</u>	<u>205,150</u>	<u>(67,378)</u>	<u>5,541,565</u>
Accumulated Depreciation	<u>3,578,118</u>	<u>289,234</u>	<u>(52,378)</u>	<u>3,814,974</u>
Net Capital Assets	<u><u>\$ 2,120,320</u></u>	<u><u>\$ (69,084)</u></u>	<u><u>\$ (15,000)</u></u>	<u><u>\$ 2,036,236</u></u>
Business-Type Activities				
Not Depreciated:				
Land	\$ 275,161	\$ -	\$ -	\$ 275,161
Construction in process	-	64,964	-	64,964
Subtotal	<u>275,161</u>	<u>64,964</u>	<u>-</u>	<u>340,125</u>
Depreciated:				
Buildings and improvements	311,125	-	-	311,125
Equipment	996,013	25,443	(5,600)	1,015,856
Vehicles	103,506	96,421	-	199,927
Treatment plants	15,667,960	122,441	-	15,790,401
Distribution system	28,551,431	93,682	-	28,645,113
Wastewater plant	7,321,054	53,331	-	7,374,385
Subtotal	<u>52,951,089</u>	<u>391,318</u>	<u>(5,600)</u>	<u>53,336,807</u>
Accumulated Depreciation	<u>19,093,957</u>	<u>1,447,733</u>	<u>(3,174)</u>	<u>20,538,516</u>
Net Capital Assets	<u><u>\$ 34,132,293</u></u>	<u><u>\$ (991,451)</u></u>	<u><u>\$ (2,426)</u></u>	<u><u>\$ 33,138,416</u></u>

Depreciation expense and related accumulated depreciation are detailed as follows:

	July 1, 2021	Additions	Deletions	June 30, 2022
Governmental Activities				
Buildings and improvements	\$ 546,344	\$ 30,172	\$ -	\$ 576,516
Furniture and fixtures	47,563	990	-	48,553
Equipment	559,299	54,798	(912)	613,185
Vehicles	933,083	70,018	(51,466)	951,635
Parks	129,513	6,411	-	135,924
Infrastructure	1,362,316	126,845	-	1,489,161
Total	<u>\$ 3,578,118</u>	<u>\$ 289,234</u>	<u>\$ (52,378)</u>	<u>\$ 3,814,974</u>

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE I - CAPITAL ASSETS (CONCLUDED)

<u>Business-Type Activities</u>	July 1, 2021	Additions	Deletions	June 30, 2022
Buildings and improvements	\$ 207,040	\$ 10,440	\$ -	\$ 217,480
Equipment	623,243	85,394	(3,174)	705,463
Vehicles	63,765	19,479	-	83,244
Treatment plants	5,432,606	431,300	-	5,863,906
Distribution system	9,254,946	711,052	-	9,965,998
Wastewater plant	3,512,357	190,068	-	3,702,425
Total	<u>\$19,093,957</u>	<u>\$1,447,733</u>	<u>\$ (3,174)</u>	<u>\$20,538,516</u>

Depreciation expense was charged to functions in the Statement of Activities as follows:

Governmental Activities	Business-Type Activities
General government	O&M \$1,198,848
Streets and maintenance	Wastewater 196,407
Police department	Sanitation 52,478
Fire department	<u>\$1,447,733</u>
	<u>\$289,234</u>

NOTE J - UNEARNED REVENUE

The City has two five-year tower lease agreements, for which it receives annual rent in advance of the term of the lease. Accordingly, \$47,265 is reported as unearned revenue on the Statements of Net Position for the O&M Fund and business-type activities.

The General Fund and governmental activities reported \$8,582 in unearned revenue for insurance premium taxes received but not yet earned.

NOTE K - INTERFUND ACTIVITY

During the year ended June 30, 2022, the O&M Fund reduced its operating loan to the General Fund by \$98,650. The remaining balances owed to the General Fund are for accounts payable paid on behalf of the proprietary funds but not reimbursed. The following interfund balances existed at year-end:

Due From	Due To	Amount	Purpose
O&M Fund	General Fund	\$25,000	Operating loan
O&M Fund	General Fund	14,684	Accounts payable
Sanitation Fund	General Fund	30,535	Accounts payable
WWF Fund	General Fund	10,076	Accounts payable
		<u>\$80,295</u>	

NOTE L - COMMITMENTS AND CONTINGENCIES

The City receives state grants for specific purposes that are subject to review and audit by state agencies. Such audits could result in a request for reimbursement by the State for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of city management, such disallowances, if any, will not be significant.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE L - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

The City received surplus military equipment as part of a federal government program that disburses the equipment to authorized entities. Under the terms of the program, the City must retain the equipment for use in the police department or return the equipment to the federal government. Due to the restrictions on disposition, these items have not been booked as City assets.

The City, Professional Services Group, Inc. (PSG), and Veolia Water North America – South, LLC (Veolia) entered into an agreement to employ the services of PSG through June 30, 2022 for the management of the water plant, water distribution system, wastewater plant, wastewater collection system, street network, and garbage collection service. The annual fee for the current fiscal year was \$1,555,194, which included an annual repair and maintenance allowance of \$224,400. Billings by PSG were in accordance with rates established by the contract. The annual fee for 2020-2021 is \$1,588,464, which includes an estimated repair and maintenance allowance of \$224,400.

The City has a contract with the City of Irvington, Kentucky (Irvington), whereby Irvington pays the City for water usage at a rate that is adjustable annually based on the costs of operating the water plant. Irvington currently pays \$2.35 per thousand gallons of consumption, subject to a minimum of 3 million gallons per month. For the year ended June 30, 2022, the City billed \$143,757 in water revenue from Irvington.

In February 2009, the City entered into a forty-year contract with the City of Cloverport, Kentucky (Cloverport), whereby the City will sell water to Cloverport as a wholesale water customer. The initial rate was \$2.14 per thousand gallons of consumption, subject to a minimum of 3.6 million gallons per month or \$7,704. The wholesale rate is subject to annual adjustments, but no changes have been made. For the year ended June 30, 2022, the City billed Cloverport \$118,592 for water.

Early in 2020, the United States was struck with the COVID-19 virus. It has severely impacted economies around the globe, as businesses were forced to cease or limit operations for long or indefinite periods of time. The measures taken to contain the spread of the virus have resulted in an economic slowdown. While some steps have been taken to stabilize economic conditions, the effectiveness of these responses remains unclear at this time. It is not possible to reliably estimate the duration and severity of the consequences of the pandemic, as well as their impact on the financial position of the City for future periods.

NOTE M - COMMITMENTS UNDER LEASES

The City incurred \$2,665 in lease expense for the fiscal year for an operating lease for office equipment. Commitments under the operating lease agreement provide the minimum future rental payments of \$2,665 for the next year.

The City entered into a new copier lease agreement in May 2020, with minimum future rental payments totaling \$2,306 over five years. The monthly payments are \$38, and the City incurred \$456 in lease expense for the fiscal year.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE N - DEFICIT FUND BALANCE/NET POSITION

No funds ended the year with a deficit fund balance/net position; however, Governmental Activities, Business-Type Activities, and the O&M, Wastewater Treatment, and Sanitation Funds had operations that resulted in current year reductions of net position.

NOTE O - SUBSEQUENT EVENTS

In August 2022, the City was awarded a \$1,379,590 grant to expand water service to the Bewleyville area. A number of equipment purchases were made, including police and fire vehicles and a new tractor for the wastewater plant.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HARDINSBURG, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual (Budgetary Basis)	Variance from Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 606,635	\$ 620,369	\$ 625,224	\$ 4,855
Insurance premium taxes	335,000	335,000	355,763	20,763
Licenses and permits	48,040	32,856	33,366	510
Rental income	19,155	18,985	18,985	-
Interest income	4,531	1,051	3,131	2,080
Miscellaneous	4,156	5,319	5,446	127
Donations	-	500	500	-
Franchise fees	46,093	47,530	48,167	637
Fire department subscription fees and runs	64,850	74,137	74,137	-
Intergovernmental revenues	99,185	105,924	116,331	10,407
Total Revenues	1,227,645	1,241,671	1,281,050	39,379
Expenditures				
Current:				
General government	227,028	165,642	118,824	46,818
Police department	547,263	555,020	489,266	65,754
Fire department	137,271	117,060	67,510	49,550
Streets and maintenance	196,987	159,566	153,853	5,713
Capital outlay	479,225	263,046	220,150	42,896
Total Expenditures	1,587,774	1,260,334	1,049,603	210,731
Excess (Deficiency) of Revenues Over Expenditures	(360,129)	(18,663)	231,447	250,110
Other Financing Sources				
Proceeds from sale of fixed assets	-	2,500	2,500	-
Insurance recoveries	-	16,163	16,937	774
Total Other Financing Sources	-	18,663	19,437	774
Net Changes in Fund Balance	(360,129)	-	250,884	250,884
Fund Balance - Beginning of Year	-	-	2,295,401	2,295,401
Fund Balance - End of Year	\$ (360,129)	\$ -	\$ 2,546,285	\$ 2,546,285

See accompanying note to budgetary comparison schedule.

CITY OF HARDINSBURG, KENTUCKY
NOTE TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022

NOTE A - BASIS OF PRESENTATION

The City prepares its financial statements using accounting principles generally accepted in the United States of America (GAAP), but the budget is prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than GAAP.

The budget is presented in accordance with the City's budgetary basis in the Budgetary Comparison Schedule - General Fund to provide a comparison of actual results with the budget. No adjustments have been made to convert the actual data presented on the GAAP basis to the cash basis of accounting for revenues because any differences were deemed to be immaterial.

The amount reported as fund balance on the budgetary basis of accounting derives from the basis of accounting used in preparing the City's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund because of the cumulative effect of transactions such as those described above.

CITY OF HARDINSBURG, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY

COUNTY EMPLOYEES RETIREMENT SYSTEM	Last 8 Fiscal Years*							
	2022	2021	2020	2019	2018	2017	2016	2015
<u>Non-Hazardous</u>								
City's proportion of the net pension liability	0.00768%	0.00770%	0.00985%	0.01279%	0.01221%	0.01066%	0.01286%	0.01257%
City's proportionate share of the net pension liability	489,469	\$ 590,814	\$ 692,755	\$ 778,645	\$ 714,747	\$ 524,876	\$ 552,942	\$ 408,000
City's covered payroll	196,098	\$ 197,326	\$ 248,458	\$ 316,882	\$ 297,320	\$ 254,305	\$ 300,054	\$ 288,467
City's proportionate share of the net pension liability as a percentage of its covered payroll	249.60%	299.41%	278.82%	245.72%	240.40%	206.40%	184.28%	141.44%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%
<u>Hazardous</u>								
City's proportion of the net pension liability	0.03945%	0.04201%	0.03932%	0.02835%	0.02758%	0.02736%	0.02043%	0.02310%
City's proportionate share of the net pension liability	1,050,169	\$ 1,266,463	\$ 1,086,107	\$ 685,536	\$ 616,997	\$ 469,559	\$ 313,604	\$ 278,000
City's covered payroll	236,879	\$ 245,412	\$ 223,929	\$ 157,904	\$ 151,388	\$ 142,266	\$ 104,496	\$ 116,989
City's proportionate share of the net pension liability as a percentage of its covered payroll	443.34%	516.06%	485.02%	434.15%	407.56%	330.06%	300.11%	237.63%
Plan fiduciary net position as a percentage of the total pension liability	52.26%	44.11%	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

Note: The data provided in this schedule is based on the measurement date of the CERS net pension liability, which is as of June 30th of the prior fiscal year; therefore, the City's covered payroll reported above differs from the City's fiscal year payroll as reported in the Schedule of City Pension Contributions.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to pension and OPEB schedules.

CITY OF HARDINSBURG, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PENSION CONTRIBUTIONS

Last 8 Fiscal Years*

COUNTY EMPLOYEES RETIREMENT SYSTEM	2022	2021	2020	2019	2018	2017	2016	2015
Non-Hazardous								
Contractually required contribution	45,862	\$ 37,847	\$ 38,084	\$ 40,300	\$ 45,884	\$ 41,476	\$ 31,585	\$ 38,257
Contributions in relation to the contractually required contribution	(45,862)	(37,847)	(38,084)	(40,300)	(45,884)	(41,476)	(31,585)	(38,257)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	247,104	\$ 196,098	\$ 197,326	\$ 248,458	\$ 316,882	\$ 297,320	\$ 254,305	\$ 300,054
Contributions as a percentage of covered payroll	18.56%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%
Hazardous								
Contractually required contribution	71,027	\$ 71,206	\$ 73,771	\$ 55,691	\$ 35,055	\$ 32,866	\$ 28,823	\$ 21,662
Contributions in relation to the contractually required contribution	(71,027)	(71,206)	(73,771)	(55,691)	(35,055)	(32,866)	(28,823)	(21,662)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	246,578	\$ 236,879	\$ 245,412	\$ 223,929	\$ 157,904	\$ 151,388	\$ 142,266	\$ 104,496
Contributions as a percentage of covered payroll	28.81%	30.06%	30.06%	24.87%	22.20%	21.71%	20.26%	20.73%

Note: The data provided in this schedule is based on the corresponding fiscal year and differs from the covered payroll reported in the Schedule of the City's Proportionate Share of the Net Pension Liability.

Contractually required contributions listed above for CERS exclude the portion allocated to the CERS insurance fund.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to pension and OPEB schedules.

CITY OF HARDINSBURG, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY

Last 5 Fiscal Years*

<u>COUNTY EMPLOYEES RETIREMENT SYSTEM</u>	2022	2021	2020	2019	2018
<u>Non-Hazardous</u>					
City's proportion of the net OPEB liability	0.00768%	0.00770%	0.00985%	0.01279%	0.01221%
City's proportionate share of the net OPEB liability	\$ 146,953	\$ 185,956	\$ 165,622	\$ 226,995	\$ 245,483
City's covered payroll	\$ 196,098	\$ 197,326	\$ 248,458	\$ 316,882	\$ 297,320
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.94%	94.24%	66.66%	71.63%	82.57%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.39%
<u>Hazardous</u>					
City's proportion of the net OPEB liability	0.03945%	0.04199%	0.03931%	0.02835%	0.02758%
City's proportionate share of the net OPEB liability	\$ 318,952	\$ 388,050	\$ 290,854	\$ 202,110	\$ 227,979
City's covered payroll	\$ 236,879	\$ 245,412	\$ 223,929	\$ 157,904	\$ 151,388
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	134.65%	158.12%	129.89%	128.00%	150.59%
Plan fiduciary net position as a percentage of the total OPEB liability	66.81%	58.84%	64.44%	64.24%	58.99%

Note: The data provided in this schedule is based on the measurement date of the CERS net OPEB liability, which is as of June 30th of the prior fiscal year; therefore, the City's covered payroll reported above differs from the City's fiscal year payroll as reported in the Schedule of City Of OPEB Contributions.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to pension and OPEB schedules.

CITY OF HARDINSBURG, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S OPEB CONTRIBUTIONS

Last 5 Fiscal Years*

<u>COUNTY EMPLOYEES RETIREMENT SYSTEM</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Non-Hazardous</u>					
Contractually required contribution	8,395	\$ 9,334	\$ 9,393	\$ 13,069	\$ 14,893
Contributions in relation to the contractually required contribution	<u>(8,395)</u>	<u>(9,334)</u>	<u>(9,393)</u>	<u>(13,069)</u>	<u>(14,893)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered payroll	\$ 247,104	\$ 196,098	\$ 197,326	\$ 248,458	\$ 316,882
Contributions as a percentage of covered payroll	3.40%	4.76%	4.76%	5.26%	4.70%
<u>Hazardous</u>					
Contractually required contribution	\$ 17,417	\$ 22,551	\$ 23,363	\$ 23,445	\$ 14,764
Contributions in relation to the contractually required contribution	<u>(17,417)</u>	<u>(22,551)</u>	<u>(23,363)</u>	<u>(23,445)</u>	<u>(14,764)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered payroll	\$ 246,578	\$ 236,879	\$ 245,412	\$ 223,929	\$ 157,904
Contributions as a percentage of covered payroll	7.06%	9.52%	9.52%	10.47%	9.35%

Note: The data provided in this schedule is based on the corresponding fiscal year and differs from the covered payroll reported in the Schedule of the City's Proportionate Share of the Net OPEB Liability.

Contractually required contributions listed above for CERS exclude the portion allocated to the CERS pension fund.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to pension and OPEB schedules.

CITY OF HARDINSBURG, KENTUCKY
NOTES TO PENSION AND OPEB SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2022

NOTE A - PENSIONS

Changes in benefit terms: There were no changes in benefit terms for fiscal years 2015 through 2020, except that during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability for CERS hazardous as of June 30, 2018 was determined using these updated benefit provisions.

Changes in assumptions:

- 2015 - For the measurement date of June 30, 2014, there was no change.
- 2016 - For the measurement date of June 30, 2015, the investment rate of return was changed from 7.75% to 7.50%. The projected salary increase was changed from 4.50% to 4.00%. The inflation rate was changed from 3.50% to 3.25%. The assumed rate of wage inflation was changed from 1.00% to 0.75%. The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.
- 2017 - For the measurement date of June 30, 2016, there was no change.
- 2018 - For the measurement date of June 30, 2017, the investment rate of return was changed from 7.50% to 6.25%. The projected salary increase was changed from 4.00% to 3.05%. The inflation rate was changed from 3.25% to 2.30%. The payroll growth rate changed from 4.00% to 2.00%.
- 2019 - For the measurement date of June 30, 2018, there was no change.
- 2020 - For the measurement date of June 30, 2019, the projected salary increase was changed from 3.05% average to a range of 3.30% to 10.30%, depending on service for CERS nonhazardous and from 3.55% to 19.05% for hazardous.
- 2021 - For the measurement date of June 30, 2020, there was no change.
- 2022 - For the measurement date of June 30, 2021, there was no change.

**CITY OF HARDINSBURG, KENTUCKY
NOTES TO PENSION AND OPEB SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE B - OPEB

Changes in benefit terms: There were no changes in benefit terms for fiscal years 2018 through 2022.

Changes in assumptions:

- 2018 - For the measurement date of June 30, 2017, the investment rate of return was changed from 7.50% to 6.25%. The projected salary increase was changed from 4.00% to 3.05%. The inflation rate was changed from 3.25% to 2.30%. The payroll growth rate changed from 4.00% to 2.00%.
- 2019 - For the measurement date of June 30, 2018, the healthcare initial trend rates for those under age 65 changed from 7.25% to 7.00%, and the healthcare initial trend rates for those age 65 and over changed from 5.10% to 5.00%.
- 2020 - For the measurement date of June 30, 2019, the projected salary increase was changed from 3.05% average to a range of 3.30% to 10.30%, depending on service for CERS nonhazardous and from 3.55% to 19.05% for hazardous.
- 2021 - For the measurement date of June 30, 2020, the healthcare initial trend rates for those under age 65 changed from 7.00% to 6.40%, and the healthcare initial trend rates for those age 65 and over changed from 5.00% to 2.90%.
- 2022 - For the measurement date of June 30, 2020, the healthcare initial trend rates for those under age 65 changed from 6.40% to 6.30%, and the healthcare initial trend rates for those age 65 and over changed from 2.90% to 6.30%.

INDEPENDENT AUDITOR'S REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS



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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the City Council
City of Hardinsburg, 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, and each major fund of the City of Hardinsburg, Kentucky (City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 7, 2025.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

We noted certain additional matters that we have reported to management in a separate letter dated January 7, 2025.

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.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

January 7, 2025

MANAGEMENT LETTER

January 7, 2025

Hardinsburg, Kentucky

Certified Public Accountants
Drane & Company, PLLC

John & Company, PLLC

than these specified parties.

We will be pleased to discuss any of these matters with you and, if desired, assist you in implementing any of these suggestions. This report is intended for the information of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties.

As in the prior year, we noted some issues during the testing of seventy-five disbursements. Two disbursements were not supported by purchase orders, six invoices appeared to lack proper approval, two invoices were not canceled, three disbursements were not supported by receiving reports, one had no supporting invoice, and five were not paid within thirty days. In one instance, the purchase order was after-the-fact. The person receiving the goods or services should sign the invoice to indicate receipt, and every effort should be made to obtain a purchase order from an authorized individual prior to the purchase. Payments should only be made from supporting invoices that are properly approved, and invoices should be canceled to prevent duplicate payment.

However, during our audit we became aware of matters that are an opportunity for strengthening internal control and operating efficiency. The paragraphs below summarize our comments and suggestions regarding the matters. A separate report dated January 7, 2025, contains our report on the City of Hardinsburg's internal control. This letter does not affect our report dated January 7, 2025, on the basic financial statements of the City of Hardinsburg.

In planning and performing our audit of the basic financial statements of the City of Hardinsburg, Kentucky (City), as of and for the year ended June 30, 2022, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control.

Honorable Mayor and Members of
the City Council
City of Hardinsburg, Kentucky

MANAGEMENT LETTER

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