CITY OF HARDINSBURG, KENTUCKY

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

CITY OF HARDINSBURG, KENTUCKY
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2023

CITY OF HARDINSBURG
220 S MAIN STREET
HARDINSBURG, KENTUCKY
(270) 756-2213

CITY OFFICIALS AND OFFICERS

MAYOR

Wayne Macy

MEMBERS OF COUNCIL

Jerry Dubree

RuthAnn Skillman

Nettie Parker

Morris Carman

Quentin Brown

Susan Shelman

OFFICERS

Tina Ford
City Clerk

Jessica Roberts
City Attorney

Jenny Ford
City Treasurer

Terry Laslie
Chief of Police

Nathan Smith
Fire Chief

Austin Weedman
P&Z Director

Darla Wethington
Planning & Zoning Chair

SK LEE CPAS, P.S.C.
Certified Public Accountants

208 Pauline Drive, Suite D
Berea, Kentucky 40403
(859) 986-3756
(859) 986-0103

Member of American Institute of CPA's *Member of Kentucky Society of CPA's*

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the City Council
City of Hardinsburg
Hardinsburg, Kentucky 40143

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hardinsburg, Kentucky (hereinafter called the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison General Fund and the Pension and OPEB schedules and related notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

SK LEE CPAs, P.S.C.

Berea, Kentucky
May 15, 2026

CITY OF HARDINSBURG, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Fund	Proprietary Funds	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 1,915,073	$ 1,520,757	$ 3,435,830
Investments	-	-	-
Receivables, net	138,915	1,083,353	1,222,268
Due from other funds	327,104	-	327,104
Prepaid expenses	1,218	14,695	15,913
Total Current Assets	**2,382,310**	**2,618,805**	**5,001,115**
Non-Current Assets			
Restricted cash	-	2,690,529	2,690,529
Unamortized bond discount	-	13,470	13,470
Capital assets:			
Non-depreciable	473,390	704,384	1,177,774
Depreciable, net	1,856,266	31,683,709	33,539,975
Total Non-Current Assets	**2,329,656**	**35,092,092**	**37,421,748**
Total Assets	**4,711,966**	**37,710,897**	**42,422,863**
Deferred Outflows of Resources			
Deferred amounts on debt refunding	-	7,183	7,183
Deferred amounts related to pension	215,571	72,560	288,131
Deferred amounts related to OPEB	100,280	48,979	149,259
Total Deferred Outflows of Resources	**315,851**	**128,722**	**444,573**
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	53,058	24,755	77,813
Employee benefits payable	23,730	-	23,730
Accrued interest	-	89,440	89,440
Unearned revenue	8,583	47,266	55,849
Due to other funds	-	327,104	327,104
Customer deposits payable	-	268,075	268,075
Bonds payable, net	-	462,100	462,100
Notes and leases payable, net	-	785,674	785,674
Total Current Liabilities	**85,371**	**2,004,414**	**2,089,785**
Non-Current Liabilities			
Due to greenshore customes	-	21,621	21,621
Unamortized bond premium	-	41,721	41,721
Bonds payable, net	-	9,320,700	9,320,700
Notes and leases payable, net	-	6,653,142	6,653,142
Net pension liability	936,214	473,710	1,409,924
Net OPEB liability	260,889	129,287	390,176
Total Non-Current Liabilities	**1,197,103**	**16,640,181**	**17,837,284**
Total Liabilities	**1,282,474**	**18,644,595**	**19,927,069**
Deferred Inflows of Resources			
Deferred amounts related to pension	265,278	25,300	290,578
Deferred amounts related to OPEB	152,495	83,779	236,274
Total Deferred Inflows of Resources	**417,773**	**109,079**	**526,852**
Net Position (Deficit)			
Net investment in capital assets	2,329,656	15,166,477	17,496,133
Restricted	-	2,690,529	2,690,529
Unrestricted (deficit)	997,914	1,228,939	2,226,853
Total Net Position	**$ 3,327,570**	**$ 19,085,945**	**$ 22,413,515**

The accompanying notes are an integral part of these financial statements.

CITY OF HARDINSBURG, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues			Net (Expense) Revenue and Change in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary Government							
Government Activities							
General government	$ (1,090,446)	$ 71,696	$ -	$ -	$ 1,162,142	$ -	$ 1,162,142
Police	1,866,826	-	-	-	(1,866,826)	-	(1,866,826)
Fire	347,389	-	-	-	(347,389)	-	(347,389)
Street	153,331	-	-	-	(153,331)	-	(153,331)
Total Primary Government Activities	**1,277,100**	**71,696**	**-**	**-**	**(1,205,404)**	**-**	**(1,205,404)**
Business-Type Activities							
Water utilities	4,418,686	4,684,765	-	-	-	266,079	266,079
Sewer utilities	514,259	770,059	-	-	-	255,800	255,800
Sanitation utilities	393,757	492,428	-	-	-	98,671	98,671
Total Business-Type Activities	**5,326,702**	**5,947,252**	**-**	**-**	**-**	**620,550**	**620,550**
Total Activities	**$ 6,603,802**	**$ 6,018,948**	**$ -**	**$ -**	**(1,205,404)**	**620,550**	**(584,854)**
		General Revenues					
		Taxes			1,096,690	-	1,096,690
		Licenses, permits, and other fees			31,308	-	31,308
		Intergovernmental			95,675	-	95,675
		Donations			1,236	-	1,236
		Rental income			19,670	-	19,670
		Miscellaneous			104,896	31,767	136,663
		Interest Income			5,136	41,079	46,215
		Total General Revenues and Transfers			1,354,611	72,846	1,427,457
		Change in Net Position			**149,207**	**693,396**	**842,603**
		Net Position, Beginning			**3,178,363**	**18,392,549**	**21,570,912**
		Net Position, Ending			**$ 3,327,570**	**$ 19,085,945**	**$ 22,413,515**

The accompanying notes are an integral part of these financial statements.

CITY OF HARDINSBURG, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund
Assets	
Cash and cash equivalents	$ 1,915,073
Receivables, net:	
Franchise fees	4,341
Miscellaneous	17,240
Taxes	111,932
Intergovernmental	5,402
Prepaid expenses	1,218
Due from other funds	327,104
Total Assets	**$ 2,382,310**
Liabilities and Fund Balances	
Liabilities	
Accounts payable and accrued expenses	$ 53,058
Employee benefits payable	23,730
Unearned revenue	8,583
Total Liabilities	**85,371**
Fund Balances	
Nonspendable	1,218
Restricted	87,661
Assigned	125,883
Unassigned	2,082,177
Total Fund Balances	**2,296,939**
Total Liabilities and Fund Balances	**$ 2,382,310**

Amounts reported for *governmental activities* in the Statement of Net Position are different because:

Fund balances reported above	**$ 2,296,939**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,329,656
Net deferred inflows/outflows related to the long-term net pension liability and long-term net OPEB liability are not reported in the funds.	(101,922)
All long-term liabilities are reported in the Statement of Net Position whereas in governmental funds, long-term liabilities are not due and payable in the current period and therefore are not reported.	
Net pension liability	(936,214)
Net OPEB liability	(260,889)
Net Position of Governmental Activities	**$ 3,327,570**

The accompanying notes are an integral part of these financial statements.

CITY OF HARDINSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Total Governmental Funds
Revenues	
Property taxes	$ 653,530
Insurance premium taxes	389,780
License and permits	31,308
Rental income	19,670
Interest income	5,136
Miscellaneous income	104,895
Donations	1,236
Franchise fees	53,380
Fire department subscription fees and runds	71,696
Intergovernmental revenues	95,675
Total Revenues	**1,426,306**
Expenditures	
General government:	322,448
Police department	463,301
Fire department	178,899
Streets and Maintenance	113,845
Capital outlay	597,159
Total Expenditures	**1,675,652**
Excess (deficit) of revenues over (under) expenditures	(249,346)
Net Change in Fund Balance	**(249,346)**
Fund Balance, Beginning	**2,546,285**
Fund Balance, Ending	**$ 2,296,939**

The accompanying notes are an integral part of these financial statements.

CITY OF HARDINSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

Net Changes in Fund Balances - Total Governmental Funds	**$**	**(249,346)**
Amounts reported for *government activities* in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.		293,419
Reconciliation differences of expenses		(127,984)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. Change in pension liability and OPEB liability of governmental activities		233,118
Change in Net Position of Governmental Activities	**$**	**149,207**

The accompanying notes are an integral part of these financial statements.

CITY OF HARDINSBURG, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2023

	Operations & Maintenance Fund	Wastewater Treatment Fund	Sanitation Fund	Total Proprietary Funds
Assets				
Current Assets				
Cash and cash equivalents	$ 1,091,664	$ 349,953	$ 79,140	$ 1,520,757
Receivables, net	924,369	82,624	76,360	1,083,353
Prepaid insurance	12,881	907	907	14,695
Total Current Assets	**2,028,914**	**433,484**	**156,407**	**2,618,805**
Non-Current Assets				
Restricted cash	2,322,635	367,894	-	2,690,529
Unamorized bond discount	13,470	-	-	13,470
Capital assets:				
Non-depreciable	229,159	475,225	-	704,384
Depreciable, net	27,804,626	3,700,705	178,378	31,683,709
Total Non-Current Assets	**30,369,890**	**4,543,824**	**178,378**	**35,092,092**
Total Assets	**32,398,804**	**4,977,308**	**334,785**	**37,710,897**
Deferred Outflows of Resources				
Deferred amount on debt refunding	5,855	1,328	-	7,183
Deferred amounts related to pension	48,374	12,093	12,093	72,560
Deferred amounts related to OPEB	32,653	8,163	8,163	48,979
Total Deferred Outflows of Resources	**86,882**	**21,584**	**20,256**	**128,722**
Liabilities				
Current Liabilities				
Accrued expenses	21,538	1,340	1,877	24,755
Accrued interest	84,383	5,057	-	89,440
Unearned revenue	47,266	-	-	47,266
Due to other funds	180,561	121,510	25,033	327,104
Customer deposits payable	268,075	-	-	268,075
Bonds payable, net	402,100	60,000	-	462,100
Notes and leases payable, net	682,326	103,348	-	785,674
Total Current Liabilities	**1,686,249**	**291,255**	**26,910**	**2,004,414**
Non-Current Liabilities				
Due to Greenshore customers	21,621	-	-	21,621
Unamortized bond premium	34,580	7,141	-	41,721
Bonds payable,net	9,175,700	145,000	-	9,320,700
Notes and leases payable, net	5,350,315	1,302,827	-	6,653,142
Net pension liability	315,806	78,952	78,952	473,710
Net OPEB liability	86,191	21,548	21,548	129,287
Total Non-Current Liabilities	**14,984,213**	**1,555,468**	**100,500**	**16,640,181**
Total Liabilities	**16,670,462**	**1,846,723**	**127,410**	**18,644,595**
Deferred Inflows of Resources				
Deferred amounts related to pension	16,866	4,217	4,217	25,300
Deferred amounts related to OPEB	55,853	13,963	13,963	83,779
Total Deferred Inflows of Resources	**72,719**	**18,180**	**18,180**	**109,079**
Net Position				
Net investment in capital assets	12,423,344	2,564,755	178,378	15,166,477
Restricted	2,322,635	367,894	-	2,690,529
Unrestricted (deficit)	996,526	201,340	31,073	1,228,939
Total Net Position	**$ 15,742,505**	**$ 3,133,989**	**$ 209,451**	**$ 19,085,945**

The accompanying notes are an integral part of these financial statements.

CITY OF HARDINSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Operations and Maintenance Fund	Wastewater Treatment Fund	Sanitation Fund	Total Proprietary Funds
Operating Revenues				
Charges for services	$ 4,382,542	$ 752,373	$ 485,458	$ 5,620,373
Penatly charges	56,109	9,431	4,521	70,061
Connection fees	204,660	1,000	-	205,660
Other Income	26,405	7,255	2,449	36,109
Total Operating Revenues	**4,669,716**	**770,059**	**492,428**	**5,932,203**
Operating Expenses				
Salaries and benefits	232,559	12,683	47,165	292,407
Maintenance and supplies	129,234	7,869	14,258	151,361
Chemicals	45,134	26,263	-	71,397
Contract operations	1,784,155	119,945	166,648	2,070,748
Professional fees	6,295	1,179	-	7,474
Office and advertising	87,281	6,805	7,339	101,425
Landfill fees	-	-	96,605	96,605
Depreciation	1,216,520	207,999	44,917	1,469,436
Rental expense	6,000	3,600	5,100	14,700
Insurance	74,073	27,744	3,239	105,056
Utilities	442,469	58,092	1,090	501,651
Miscellaneous	6,705	3,952	6,852	17,509
Total Operating Expenses	**4,030,425**	**476,131**	**393,213**	**4,899,769**
Operating Income	**639,291**	**293,928**	**99,215**	**1,032,434**
Non-Operating Revenues (Expenses)				
Interest income	37,177	3,882	20	41,079
Interest expense	(388,261)	(23,079)	(544)	(411,884)
Insurance proceeds	31,767	-	-	31,767
Grant proceeds	-	-	-	-
Total Non-Operating Revenue (Expenses)	**(319,317)**	**(19,197)**	**(524)**	**(339,038)**
Other Financing Sources (Uses)				
Transfer in (out)	**15,049**	**(15,049)**	**-**	**-**
Change in Net Position	335,023	259,682	98,691	693,396
Total Net Position, Beginning	**15,407,482**	**2,874,307**	**110,760**	**18,392,549**
Total Net Position, Ending	**$ 15,742,505**	**$ 3,133,989**	**$ 209,451**	**$ 19,085,945**

The accompanying notes are an integral part of these financial statements.

CITY OF HARDINSBURG, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Operation & Maintenance Fund	Wastewater Treatment Fund	Sanitation Fund	Total Proprietary Funds
Cash Flows from Operating Activities				
Cash received from customers	$ 4,514,460	$ 789,992	$ 467,916	$ 5,772,368
Cash received from other sources	287,174	17,686	6,970	311,830
Cash payments to suppliers for goods and services	(2,849,228)	(149,664)	(311,431)	(3,310,323)
Cash payments to employees	(226,592)	(10,951)	(15,031)	(252,574)
Net Cash Provided by Operating Activities	**1,725,814**	**647,063**	**148,424**	**2,521,301**
Cash Flows from Capital and Related Financing Activities				
Transfer to other funds	7,908	(7,908)	-	-
Principal, interest, and related fees paid on long-term debt	(1,468,576)	(180,553)	(36,134)	(1,685,263)
Acquisition and construction of capital assets	(203,577)	(473,881)	(41,653)	(719,111)
Net Cash Used in Capital and Related Financing Activities	**(1,664,245)**	**(662,342)**	**(77,787)**	**(2,404,374)**
Cash Flows from Investing Activities				
Cash received from interest income	37,177	3,882	20	41,079
Net Cash Provided by Investing Activities	**37,177**	**3,882**	**20**	**41,079**
Net (Decrease) Increase in Cash and Cash Equivalents	**98,746**	**(11,397)**	**70,657**	**158,006**
Cash and Cash Equivalents at July 1, 2022	**3,315,553**	**729,244**	**8,483**	**4,053,280**
Cash and Cash Equivalents at June 30, 2023	**$ 3,414,299**	**$ 717,847**	**$ 79,140**	**$ 4,211,286**

(1) Cash and cash equivalents are reflected in the Statement of Net Position as follows:

	Operation & Maintenance Fund	Wastewater Treatment Fund	Sanitation Fund	Total Proprietary Funds
Cash and cash equivalents	$ 1,091,664	$ 389,610	$ 79,140	$ 1,560,414
Restricted cash and cash equivalents	2,322,635	328,237	-	2,650,872
Subtotal	**$ 3,414,299**	**$ 717,847**	**$ 79,140**	**$ 4,211,286**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	**$ 639,291**	**$ 293,928**	**$ 99,215**	**$ 1,032,434**
Adjustments to reconcile operating Income to net cash provided by operating activities:				
Depreciation	1,216,520	207,999	44,917	1,469,436
Changes in assets and liabilities:				
(Increase) decrease in customer accounts receivable	(170,216)	37,619	(17,542)	(150,139)
(Increase) decrease in prepaid insurance	(1,000)	10	10	(980)
(Increase) decrease in outflows of resources	11,565	(1,602)	(7,094)	2,869
Increase (decrease) in accrued expenses	(5,266)	(777)	1,697	(4,346)
Increase (decrease) in accrued interest	5,653	(1,210)	-	4,443
Increase (decrease) in customer deposits	14,960	-	-	14,960
Increase (decrease) in due to other funds	140,877	111,434	(5,502)	246,809
Increase (decrease) in net pension and OPEB liability	(27,063)	15,571	39,167	27,675
Increase (decrease) in inflows of resources	(99,507)	(15,909)	(6,444)	(121,860)
Total adjustments	**1,086,523**	**353,135**	**49,209**	**1,488,867**
Net Cash Provided by Operating Activities	**$ 1,725,814**	**$ 647,063**	**$ 148,424**	**$ 2,521,301**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hardinsburg, Kentucky (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, 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

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and user charges.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental funds, and proprietary funds, even though the latter are excluded from the government-wide financial statements. The focus on the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category) and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the business-type activities/enterprise funds and the general fund. Charges are allocated as reimbursement for services provided by the general fund in support of those functions based on levels or services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

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.

Budgeting

The City Council adopts an annual budget for the General and Proprietary Funds. Any revisions that alter the budget must be approved by the City Council. For 2023, the original budget was approved in June 2022. The budget for the General Fund is presented in the Budgetary Comparison General Fund. All annual appropriations lapse at fiscal year-end. Budgets for all funds are adopted on a consistent basis with generally accepted accounting principles.

Cash and Certificates of Deposit

The City considers demand deposits, money market funds, and other deposits with an original maturity of 90 days or less, to be cash equivalents. The City considers all cash, both restricted and unrestricted, as cash and cash equivalents for purposes of the Statement of Cash Flows. The City has restricted cash and or certificates of deposits to satisfy bond issue requirements, including cash restricted for bond payments. Certificates of deposit are reported at cost which approximates fair value. These funds are invested for periods that comply with cash flow requirements of bond ordinances and general government services.

Receivables

Recorded property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. An allowance for doubtful accounts is not deemed necessary by management, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Other receivables consist of amounts due at year end from other state, local and federal governments. Interest revenue receivable in all funds consist of revenue due on each certificate of deposit. Allowances for uncollectible accounts are maintained on all types of receivables that historically experience uncollectible amounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

Internal Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds," Short-term inter-fund loans are reported as "inter-fund receivables and payables." Long-term inter-fund loans (non-current portion) are reported as "advances from and to other funds." Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Tax Calendar

Property taxes for fiscal year 2023 were levied in September 2022, respectively, on the assessed property located in the City of Hardinsburg as of the preceding January 1. The rate for real estate was 28.2 cents per one hundred dollars of assessed value. The rate for auto and boats was 24.2 cents and other tangible property was 30.7 cents per one hundred dollars, respectively. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

1. Due date for payment of taxes, 2% discount	November 30
2. Face value payment period	December 1 to December 31
3. Past due date, 10% penalty	January 1
4. Interest charge	12% per annum from January 1

These taxes are collected by the City Clerk. Vehicle taxes are collected by the County Clerks of Whitley and Knox Counties and are due and collected in the birth month of the licensee.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Cash and certificates of deposit which may only be used for construction of capital assets or debt service principal and interest payments in accordance with applicable laws and regulations have been reported as restricted cash and certificates of deposit on the Government-Wide Statement of Net Position.

Capital Assets

Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The City defines capital assets as assets with an individual cost of more than $5,000, and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized. When assets are retired or otherwise disposed of, the costs are removed from the asset accounts and a gain or loss is recorded. In the fund financial statements, capital assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

Compensated Absences

Compensated absences, vacation, and sick pay, for all City employees are paid by the City's general fund. It is the policy of the City to pay all accumulated vacation pay when an employee retires or terminates. Vested vacation and sick pay benefits are accrued when incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The City has two items that meets this criterion, as related to pensions and other postemployment benefits (OPEB) reported in the Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension and OPEB liabilities and difference during the measurement period between the City's contributions and its proportion share of total contributions to the pension systems not included in pension expense. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category as related to pensions and OPEB reported in the Statement of Net Position.

Pensions and Other Postemployment Benefits

The City participates in a cost-sharing multiple-employer plan to provide pension and OPEB benefits to employees. Each cost-sharing government reports its proportionate share of the cumulative net pension and OPEB liability. For the purposes of measuring the net pension and OPEB liability, deferred outflows or inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net positions of the Kentucky “County Employer Retirement System” (CERS), have been determined by the same basis as they are reported by CERS. Former employees are also members of the Police and Firefighters’ Pension Fund. The City funds the Police and Firefighters’ Pension Fund through allocation of tax collections.

Lease Obligations

The City may have various assets under lease agreements. The lease standard has changed for the current year. In the government-wide financial statements, which will be under the primary lease note. Capital leases are now called financing leases, and the related lease obligations are reported as liabilities in the governmental activities of the statement of net assets.

Unearned Revenue

Unearned revenue represents resources received by the City prior to satisfying the eligibility requirements or performing the services for which the resources were provided. Accordingly, such amounts have been recorded as a liability in the accompanying financial statements and will be recognized as revenue in the period in which the applicable eligibility requirements are met or services are provided.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Position/Fund Balances

Net position in government-wide financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through state statute. In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Non-spendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

Committed – Portion of fund balance that can only be used for specific purposes imposed by majority vote of the City Council Members. Any changes or removal of specific purposes requires majority action by them.

Assigned – Portion of fund balance that has been budgeted by the City Council.

Unassigned – Portion of fund balance that has not been restricted, committed or assigned for specific purpose.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing and producing goods and/or services in connection with the enterprise funds. Operating expenses include administrative expenses, supplies, personnel costs, utilities, professional fees, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses and may include interest, grants, and gain or loss on disposition of capital assets.

Use of Estimates

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

NOTE 2 – 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.

NOTE 3 – CASH AND CERTIFICATES OF DEPOSIT

Credit Risk

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency. As of June 30, 2023, none of the City's deposits were subject to credit risk.

Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the deposits that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

The City's bank deposits were entirely covered by federal depository insurance or by collateral held by the custodial bank in the City's name. The carrying amount of the City's deposits and certificates of deposit totaled $6,126,359 and the bank balances totaled $5,566,332. At June 30, 2023, the City was fully covered by FDIC insurance and securities held by the pledging financial institutions.

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, none of these funds are 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. These investments are valued using quoted market prices (Level 1 input), which was $426,364 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.

NOTE 4 – RECEIVABLES

Receivables as of fiscal year-end for the City's individual major and non-major funds in the aggregate, including applicable allowances for doubtful accounts are as follows:

	General	O&M Fund	WWT Fund	Sanitation	Total
Receivables					
Taxes	$ 148,761	$ -	$ -	$ -	$ 148,761
Customers	-	1,151,085	168,698	101,643	1,421,426
Other	6,911	4,607	1,440	1,440	14,398
Gross receivables	155,672	1,155,692	170,138	103,083	1,584,585
Less allowance for bad debt	16,757	231,323	87,514	26,723	362,317
Net total receivables	**$ 138,915**	**$ 924,369**	**$ 82,624**	**$ 76,360**	**$ 1,222,268**

NOTE 5 – INTER-FUND RECEIVABLE/PAYABLE AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Such inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Reallocation of resources between funds of the reporting entity is classified as inter-fund transfers. Such inter-fund transfers between funds are eliminated in the Statement of Activities.

NOTE 6 – CAPITAL ASSETS

Capital assets for the governmental activities during the year ended June 30, 2023 are as follows:

Governmental Activities	Beginning Balance 7/1/2022	Increases	Decreases	Ending Balance 6/30/2023
Capital assets, not being depreciated:				
Land	$ 309,645	$ -	$ -	$ 309,645
Construction in process	-	163,745	-	163,745
Total capital assets, not being depreciated:	**309,645**	**163,745**	**-**	**473,390**
Capital assets, being depreciated:				
Office Equipment	-	7,098	-	7,098
Buildings	1,047,833	-	-	1,047,833
machinery and equipment	888,699	78,275	-	966,974
Furniture and fixtures	54,371	-	-	54,371
Infrastructure	2,138,866	182,587	-	2,321,453
Vehicles	1,243,266	165,454	-	1,408,720
Parks	168,531	-	-	168,531
Total capital assets, being depreciated:	**5,541,566**	**433,414**	**-**	**5,974,980**
Less accumulated depreciation for:				
Office Equipment	-	591	-	591
Buildings	576,517	30,613	-	607,130
machinery and equipment	613,183	62,842	-	676,025
Furniture and fixtures	48,553	990	-	49,543
Infrastructure	1,489,162	131,613	-	1,620,775
Vehicles	951,634	72,808	-	1,024,442
Parks	135,925	4,283	-	140,208
Total accumulated depreciation:	**3,814,974**	**303,740**	**-**	**4,118,714**
Total capital assets, being depreciated, net:	**1,726,592**			**1,856,266**
Government activities capital assets, net:	**$ 2,036,237**			**$ 2,329,656**

Depreciation expense for governmental activities is charged to functions as follows:

	2023
Police	45,561
Fire	218,693
Street	39,486
Total	**$ 303,740**

NOTE 6 – CAPITAL ASSETS – CONTINUED

Capital assets for the business-type activities during the year ended June 30, 2023 are as follows:

Business-Type Activities	Beginning Balance 7/1/2022	Increases	Decreases	Ending Balance 6/30/2023
Capital assets, not being depreciated:				
Land	$ 275,161	$ -	$ -	$ 275,161
Construction in process	64,964	364,259	-	429,223
Total capital assets, not being depreciated:	**340,125**	**364,259**	**-**	**704,384**
Capital assets, being depreciated:				
Administrative equipment	445,522	2,793	-	448,315
Buildings and improvements	122,276	-	-	122,276
Distribution system	28,645,112	114,220	-	28,759,332
RO treatment Plant	15,790,401	-	-	15,790,401
Vehicles	199,927	-	-	199,927
WWT equipment	125,251	82,674	-	207,925
WWT facility	7,374,385	113,512	-	7,487,897
Sanitation buildings and improvement	188,850	-	-	188,850
Sanitation equipment	445,083	41,653	-	486,736
Total capital assets, being depreciated:	**53,336,807**	**354,852**	**-**	**53,691,659**
Less accumulated depreciation for:				
Administrative equipment	291,317	31,325	-	322,642
Buildings and improvements	217,480	9,993	-	227,473
Distribution system	9,965,996	715,634	-	10,681,630
RO treatment Plant	5,863,907	437,269	-	6,301,176
Vehicles	83,244	29,655	-	112,899
WWT equipment	96,092	12,318	-	108,410
WWT facility	3,702,424	194,689	-	3,897,113
Sanitation buildings and improvement	-	-	-	-
Sanitation equipment	318,054	38,553	-	356,607
Total accumulated depreciation:	**20,538,514**	**1,469,436**	**-**	**22,007,950**
Total capital assets, being depreciated, net:	**32,798,293**			**31,683,709**
Business-type activities capital assets, net:	**$ 33,138,418**			**$ 32,388,093**

Depreciation expense for governmental activities is charged to functions as follows:

	2023
O&M	$ 1,216,520
WWTP	207,999
Sanitation	44,917
Total	**$ 1,469,436**

NOTE 7 – LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2023:

	Balance 7/1/2022	Additions	Deletions	Balance 6/30/2023	Due Within One Year
Governmental-Type					
Net Pension Liability	$ 1,097,161	$ -	$ 160,947	$ 936,214	$ -
Net OPEB Liability	333,060	-	72,171	260,889	-
Business-Type					
Notes Payable	8,264,583	-	825,767	7,438,816	785,674
Bonds Payable	10,228,000	-	445,200	9,782,800	462,100
Net Pension Liability	442,477	31,233	-	473,710	-
Net OPEB Liability	132,845	-	3,558	129,287	-
Unamortized Bond Premium	47,558	-	5,837	41,721	-
Total	**$ 20,545,684**	**$ 31,233**	**$ 1,513,480**	**$ 19,063,437**	**$ 1,247,774**

Revenue Bonds and Covenants

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, and interest rates, and outstanding balance at June 30, 2023 are summarized in the following table:

Issue	Interest Rates	Issue Date	Maturity Date	Original Amount	Bonds Outstanding 6/30/2023
2009	3.4%	10/1/2009	6/1/2048	$ 1,350,000	$ 1,072,800
2011	3.0%	11/1/2011	6/1/1950	2,000,000	1,630,000
2015	2.1%-4.1%	5/12/2015	1/1/2033	2,395,000	1,040,000
2019	2.25%-3%	11/6/2019	2/1/2046	6,675,000	6,040,000
			Total	**$ 12,420,000**	**$ 9,782,800**

NOTE 7 – LONG-TERM DEBT – CONTINUED

Revenue Bonds and Covenants – Continued

The bond maturities and interest as of June 30, 2023, are as follows:

Year Ending	Principal	Interest	Total Annual
2024	$ 462,100	$ 160,735	$ 622,835
2025	484,100	149,432	633,532
2026	501,600	139,526	641,126
2027	433,700	128,214	561,914
2028	356,200	121,058	477,258
2029-2033	1,815,300	522,224	2,337,524
2034-2028	1,859,100	378,431	2,237,531
2039-2043	2,179,200	230,647	2,409,847
2044-2048	1,520,000	61,320	1,581,320
2049-2050	171,500	3,885	175,385
Total	**$ 9,782,800**	**$ 1,895,472**	**$ 11,678,272**

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 matured during the year.

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 $1,068,169.

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 waterlines. 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 $745,524.

During the year ended June 30, 2011, the City secured a $4,000,000 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 $1,438,163.

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 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 balance at year-end were $260,920 and $131,218, respectively.

NOTE 7 – LONG-TERM DEBT – CONTINUED

Loans Payable – Continued

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 $1,728,244.

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 $3,00 to the replacement and maintenance reserve account. The loan balance at year-end was $381,968.

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 $1,006,897.

During the year ended June 30, 2020, the City secured a $756,644 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 $677,711.

The loan maturities and interest as of June 30, 2023, are as follows:

Year Ending	Principal	Interest	Total Annual
2024	785,674	97,000	882,674
2025	793,653	83,037	876,690
2026	801,715	73,170	874,885
2027	809,865	53,225	863,090
2028	620,027	46,457	666,484
2029-2033	2,444,380	151,439	2,595,819
2034-2038	820,427	37,860	858,287
2039-2043	363,075	38,281	401,356
Total	**$ 7,438,816**	**$ 580,469**	**$ 8,019,285**

NOTE 8 – RETIREMENT PLAN

The City of Hardinsburg is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statue 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

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

NOTE 8 – RETIREMENT PLAN – CONTINUED

Contributions – Plan members were required to contribute 5% of their annual creditable compensation for non-hazardous job classifications, and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined, on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2023, participating employers contributed 26.79% (non-hazardous) and 49.59% (hazardous) of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous job classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each members' salary. Each member's account is credited with a 4% employer pay credit for non-hazardous members. The employer pay credit represents a portion of the employer contribution. For the fiscal year ended June 30, 2023 the contributions for hazardous and non-hazardous positions were $140,265 and $66,566, respectively.

Benefits – 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:

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and $10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

NOTE 8 – RETIREMENT PLAN – CONTINUED

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023 the City reported a liability of $1,409,924 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2022, was .007281 percent for non-hazardous and .028956 percent for hazardous. For the year ended June 30, 2023, the City recognized pension expenses of $8,505.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual results	$ 25,897	$ 4,687
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	33,903	-
Changes in proportion and differences between employer contribution and proportionate share of contribution	21,500	285,891
City's contributions subsequent to the measurement date	206,831	-
Total	**$ 288,131**	**$ 290,578**

The $206,831 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2023	$ (71,143)
2024	(76,331)
2025	(80,326)
2026	18,525
2027	-
Thereafter	-

Actuarial Methods and Assumptions for determining the Total Pension Liability and Net Pension Liability – The total pension liability, net pension liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021, and was performed by Gabriel Roeder Smith (GRS). The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles.

NOTE 8 – RETIREMENT PLAN – CONTINUED

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

Non-Hazardous

Inflation	2.30%
Payroll growth rate	2.00%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%

Hazardous

Inflation	2.30%
Payroll growth rate	2.00%
Salary increase	3.55% to 19.05%, varies by service
Investment rate of return	6.25%

Mortality rates were based on the Pub-2010 General Mortality Table 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 2020. The Mortality Table used for 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 MP-2014 Mortality Improvement Scale using a base year of 2019. The actuarial assumptions used in the June 30, 2021, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2022. 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.

For the year end June 30, 2023 the target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equity	**60.00%**	
US Equity	50.00%	4.45%
Non-US Equity	10.00%	10.15%
Fixed Income	**20.00%**	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	**20.00%**	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return		**4.28%**
Long Term Nominal Return for Portfolio		**2.30%**
Expected Nominal Return for Portfolio		**6.58%**

NOTE 8 – RETIREMENT PLAN – CONTINUED

Discount Rate – The projection of cash flows used to determine the discount rate of 6.25% for Non-Hazardous and Hazardous assumes 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 the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the new pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	Discount Rate	City's Proportionate Share of Net Pension Liability
1% Decrease	5.25%	$ 1,758,508
Current discount rate	6.25%	$ 1,409,924
1% Increase	7.25%	$ 1,124,361

Payable to the Pension Plan – At June 30, 2023, the City did not report a payable for the outstanding amount of contributions to the pension and OPEB plans.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description – Employees of the City are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under the Kentucky revised Statue Section 61.645. The KRS board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits Provided – The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. Because of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn $15 per month for insurance benefits at retirement for every year of earned services without regard to a maximum dollar amount.

Contributions – Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. For the years ended June 30, 2023, participating employers contributed 3.39% (non-hazardous) and 6.78% and (hazardous) of covered payroll. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). For the fiscal year ended June 30, 2023, the contributions for hazardous and non-hazardous positions were $22,214 and $9,643, respectively.

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023 the City reported a liability of $390,176 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2022, was .007279 percent for non-hazardous and .028942 percent for hazardous. For the year ended June 30, 2023, the City recognized OPEB expenses of $35,006.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual results	$ 19,907	$ 47,544
Changes of assumptions	63,872	61,139
Net difference between projected and actual earnings on plan investments	14,828	-
Changes in proportion and differences between employer contribution and proportionate share of contribution	18,794	127,591
City's contributions subsequent to the measurement date	31,858	-
Total	**$ 149,259**	**$ 236,274**

The $31,858 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2023	$ (22,077)
2024	(32,008)
2025	(32,212)
2026	(12,782)
2027	(19,795)
Thereafter	-

Actuarial Assumptions – The total OPEB liability reported at June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-Hazardous

Inflation	2.30%
Payroll growth rate	2.00%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post - 65	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Hazardous

Inflation	2.30%
Payroll growth rate	2.00%
Salary increase	3.55% to 19.05%, varies by service
Investment rate of return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post - 65	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Mortality rates were based on the Pub-2010 General Mortality Table 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 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 MP-2014 Mortality Improvement Scale using a base year of 2019. 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 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equity	**60.00%**	
US Equity	50.00%	4.45%
Non-US Equity	10.00%	10.15%
Fixed Income	**20.00%**	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	**20.00%**	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return		**4.28%**
Long Term Nominal Return for Portfolio		**2.30%**
Expected Nominal Return for Portfolio		**6.58%**

Discount Rate – The discount rate used to measure the total OPEB liability was 5.70% for non-hazardous classifications. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20- Year Municipal GO AA Index" as of June 30, 2022. 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 is not currently being included in the calculation of the System's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate for June 30, 2023

Nonhazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.70%) or one percentage point higher (6.70%) follows:

	Discount Rate	City's Proportionate Share of Net OPEB Liability
1% Decrease	4.70%	$ 192,040
Current discount rate	5.70%	$ 143,652
1% Increase	6.70%	$ 103,651

Hazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.61%) or one percentage point higher (6.61%) follows:

	Discount Rate	City's Proportionate Share of Net OPEB Liability
1% Decrease	4.61%	$ 342,538
Current discount rate	5.61%	$ 246,524
1% Increase	6.61%	$ 168,543

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates for June 30, 2023

Nonhazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.70%) or one percentage point higher (6.70%) than current healthcare cost trend rates follows:

City's Net OPEB Liability Healthcare Cost		
Trend Rate -1%	Trend Rate	Trend Rate +1%
4.70%	5.70%	6.70%
$ 106,802	**$ 143,652**	**$ 187,902**

Hazardous – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.61%) or one percentage point higher (6.61%) than current healthcare cost trend rates follows:

City's Net OPEB Liability Healthcare Cost		
Trend Rate -1%	Trend Rate	Trend Rate +1%
4.61%	5.61%	6.61%
$ 172,144	**$ 246,524**	**$ 337,188**

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2023 several number of claims and suits are pending against the City for alleged damages to persons and/or property and for other alleged liabilities arising out of the matters usually incident to the operations of a city. In the opinion of City management, the City has strong defenses against such claims, and thus the ultimate loss, if any, relating to these claims and suits not covered by insurance, will not materially affect the financial position of the City.

The City is not involved in lawsuits or matters which require disclosure with the ABA Statement policy regarding Lawyer's Responses to Auditor's Request per the opinion of counsel.

NOTE 11 – RISK MANAGEMENT

The City is exposed to various forms of asset losses associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. As of June 30, 2023, the City was sufficiently insured.

NOTE 12 – DATE OF MANAGEMENT'S REVIEW

Subsequent events were evaluated through May 15, 2026, which is the date the financial statements were available to be issued.

CITY OF HARDINSBURG, KENTUCKY
REQUIRED SUPPLEMENTAL
BUDGETARY COMPARISON GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	$ 623,915	$ 635,853	$ 653,530	$ 17,677
Insurance premium taxes	375,000	375,000	389,780	14,780
License and permits	32,227	30,084	31,308	1,224
Rental income	20,185	19,670	19,670	-
Interest Income	1,171	2,556	5,136	2,580
Miscellaneous	685,300	666,188	104,895	(561,293)
Donations	-	1,236	1,236	-
Franchise Fees	46,930	51,645	53,380	1,735
Fire department subscription fees and runs	74,900	71,647	71,696	49
Intergovernmental revenues	98,581	100,100	95,675	(4,425)
Total Revenues	**1,958,209**	**1,953,979**	**1,426,306**	**(527,673)**
Expenditures				
General and administrative	621,128	412,157	322,448	89,709
Police	654,725	779,490	463,301	316,189
Fire	325,900	314,800	178,899	135,901
Street	356,456	447,532	113,845	333,687
Capital outlay	-	-	597,159	(597,159)
Total Expenditures	**1,958,209**	**1,953,979**	**1,675,652**	**278,327**
Excess (deficit) of revenues over (under) expenditures	**-**	**-**	**(249,346)**	**(806,000)**
Net Change in Fund Balance	**-**	**-**	**(249,346)**	**(249,346)**
Fund Balance, Beginning	**2,546,285**	**2,546,285**	**2,546,285**	**2,546,285**
Fund Balance, Ending	**$ 2,546,285**	**$ 2,546,285**	**$ 2,296,939**	**$ 2,296,939**

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 an other comprehensive basis of accounting other than GAAP.

The budget is presented in accordance with the City's budgetary basis in the Budgetary Comparison 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 to prepare the City's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures, and Change in Fund Balance - Governmental Fund because of the cumulative effect of transactions such as those described above

CITY OF HARDINSBURG, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST NINE FISCAL YEARS

HAZARDOUS	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
City's proportion of the net pension liability (asset)	0.02%	0.02%	0.03%	0.03%	0.03%	0.04%	0.04%	0.04%	0.03%
City's proportionate share of the net pension liability (asset)	$ 278,000	$ 313,604	$ 469,559	$ 616,997	$ 685,536	$ 1,086,107	$ 1,266,463	$ 1,050,169	$ 883,580
City's covered-employee payroll	$ 116,989	$ 104,496	$ 142,266	$ 151,388	$ 157,904	$ 223,929	$ 245,412	$ 236,879	$ 327,646
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	237.63%	300.11%	330.06%	407.56%	434.15%	485.02%	516.06%	443.34%	269.68%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%

NON-HAZARDOUS	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
City's proportion of the net pension liability (asset)	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
City's proportionate share of the net pension liability (asset)	$ 408,000	$ 552,942	$ 524,876	$ 714,747	$ 778,645	$ 692,755	$ 590,814	$ 489,469	$ 526,344
City's covered-employee payroll	$ 288,467	$ 300,054	$ 254,305	$ 297,320	$ 316,882	$ 248,458	$ 197,326	$ 196,098	$ 284,468
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	141.44%	184.28%	206.40%	240.40%	245.72%	278.82%	299.41%	249.60%	185.03%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.30%	53.54%	50.45%	47.81%	57.33%	52.42%

Note: The above schedules will present 10 years of historical data, once available.

CITY OF HARDINSBURG, KENTUCKY
SCHEDULE OF CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST NINE FISCAL YEARS

HAZARDOUS	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Contractually required contribution	$ 21,662	$ 28,823	$ 32,866	$ 35,055	$ 55,691	$ 73,771	$ 71,206	$ 71,027	$ 66,565
Contributions in relation to the contractually required contribution	(21,662)	(28,823)	(32,866)	(35,055)	(55,691)	(73,771)	(71,206)	(71,027)	(66,565)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 116,989	$ 104,496	$ 142,266	$ 151,388	$ 157,904	$ 223,929	$ 245,412	$ 236,879	$ 327,646
Contributions as a percentage of covered-employee payroll	18.52%	27.58%	23.10%	23.16%	35.27%	32.94%	29.01%	29.98%	20.32%

NON-HAZARDOUS	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Contractually required contribution	$ 38,257	$ 31,585	$ 41,476	$ 45,884	$ 40,300	$ 38,084	$ 37,847	$ 45,862	$ 140,265
Contributions in relation to the contractually required contribution	(38,257)	(31,585)	(41,476)	(45,884)	(40,300)	(38,084)	(37,847)	(45,862)	(140,265)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 288,467	$ 300,054	$ 254,305	$ 297,320	$ 316,882	$ 248,458	$ 197,326	$ 196,098	$ 284,468
Contributions as a percentage of covered-employee payroll	13.26%	10.53%	16.31%	15.43%	12.72%	15.33%	19.18%	23.39%	49.31%

Note: The above schedules will present 10 years of historical data, once available.

CITY OF HARDINSBURG, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST SIX FISCAL YEARS

HAZARDOUS	2018	2019	2020	2021	2022	2023
City's proportion of the net OPEB liability	0.03%	0.03%	0.04%	0.04%	0.04%	0.03%
City's proportionate share of the net OPEB liability	$ 227,979	$ 202,110	$ 290,854	$ 388,050	$ 318,952	$ 246,524
City's covered-employee payroll	$ 151,388	$ 157,904	$ 223,929	$ 245,412	$ 236,879	$ 327,646
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	150.59%	128.00%	129.89%	158.12%	134.65%	75.24%
Plan fiduciary net position as a percentage of the total OPEB liability	58.99%	64.24%	64.44%	58.84%	66.81%	64.13%

NON-HAZARDOUS	2018	2019	2020	2021	2022	2023
City's proportion of the net OPEB liability	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
City's proportionate share of the net OPEB liability	$ 245,483	$ 226,995	$ 165,622	$ 185,956	$ 146,953	$ 143,652
City's covered-employee payroll	$ 297,320	$ 316,882	$ 248,458	$ 197,326	$ 196,098	$ 284,468
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	82.57%	71.63%	66.66%	94.24%	74.94%	50.50%
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%

Note: The above schedules will present 10 years of historical data, once available.

CITY OF HARDINSBURG, KENTUCKY
SCHEDULE OF CONTRIBUTIONS TO THE
OTHER POST EMPLOYMENT BENEFITS
LAST SIX FISCAL YEARS

HAZARDOUS	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Contractually required contribution	$ 14,764	$ 23,445	$ 23,363	$ 22,551	$ 17,417	$ 22,214
Contributions in relation to the contractually required contribution	(14,764)	(23,445)	(23,363)	(22,551)	(17,417)	(22,214)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 151,388	$ 157,904	$ 223,929	$ 245,412	$ 236,879	$ 327,646
Contributions as a percentage of covered-employee payroll	9.75%	14.85%	10.43%	9.19%	7.35%	6.78%

NON-HAZARDOUS	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Contractually required contribution	$ 14,893	$ 13,069	$ 9,393	$ 9,334	$ 8,395	$ 9,643
Contributions in relation to the contractually required contribution	(14,893)	(13,069)	(9,393)	(9,334)	(8,395)	(9,643)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 297,320	$ 316,882	$ 248,458	$ 197,326	$ 196,098	$ 284,468
Contributions as a percentage of covered-employee payroll	5.01%	4.12%	3.78%	4.73%	4.28%	3.39%

Note: The above schedules will present 10 years of historical data, once available.

NOTE 1 – BUDGETARY ACCOUNTING AND CONTROL

Budget Law

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

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

Budgetary Accounting

The annual operation budgets of governmental and proprietary funds are prepared and presented on the modified accrual basis of accounting. The City does not use an encumbrance accounting system; thus, the budgetary and GAAP presentation of the Statement of Revenues, Expenditures and Changes in Fund Balance, Budgetary and Actual are the same.

NOTE 2 – CERS

General Information

Contributions: Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll: The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

Changes of Assumptions

June 30, 2022 – Pension and OPEB Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The single discount rate increased from 5.20% to 5.70% for non-hazardous and from 5.30% to 5.05% for hazardous. The municipal bond rate increased from 1.92% to 3.39%

June 30, 2021 – Pension and OPEB Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for pension.

NOTE 2 – CERS – CONTINUED

Changes of Assumptions – Continued

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The single discount rate decreased from 5.34% to 5.20% for non-hazardous and from 5.30% to 5.05% for hazardous. The municipal bond rate decreased from 3.13% to 1.92%

June 30, 2020 – Pension and OPEB Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

June 30, 2017 – Pension and OPEB – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017, for both pension and OPEB:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.

June 30, 2015 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.

NOTE 2 – CERS – CONTINUED

Changes of Assumptions – Continued

- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

SK LEE CPAS, P.S.C.
Certified Public Accountants

208 Pauline Drive, Suite D
Berea, Kentucky 40403
_(859) 986-3756_

Member of American Institute of CPA's **_Member of Kentucky Society of CPA's_**

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

To the Mayor and Members of the City Council
City of Hardinsburg
Hardinsburg, Kentucky 40143

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hardinsburg, Kentucky (hereinafter called the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 15, 2026.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-006 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as items 2023-001, 2023-002, 2023-003, 2023-004, and 2023-005.

The City's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

SK LEE CPAs, P.S.C.

Berea, Kentucky
May 15, 2026

CITY OF HARDINSBURG, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

NON - COMPLIANCE

2023-001 Deposits Held in a Credit Union

Condition:
During our audit procedures, we noted the City had deposits held in a credit union.

Criteria:
Per KRS 66.480(1)(d), Certificates of deposit or other interest-bearing accounts issued through a bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4).

Cause:
The City had monies in a credit union, which is not considered a bank.

Effect:
The City is in non-compliance with Kentucky Revised Statutes.

Recommendation:
Management should move the money from the credit union and place the deposits in a bank.

Views of Responsible Officials:
Management agrees with the recommendation.

NON - COMPLIANCE

2023-002 Absence of a Local Government Economic Assistance Financial Account

Condition:
During our audit procedures, we noted the City had no bank account for local government economic assistance funds.

Criteria:
Per KAR 109 10:010(4)(2) each recipient government shall maintain a separate financial account for the receipt of any funds from the fund. Any expenditures or transfers shall be made from this account. Financial records shall include all earnings from investment of funds in accordance with KRS 42.455(4).

Cause:
The City does not have a financial account for local government economic assistance funds.

Effect:
The City is in non-compliance with Kentucky Administrative Regulations and Kentucky Revised Statutes.

Recommendation: The City should open a financial account for local government economic assistance funds.

Views of Responsible Officials:
Management agrees with the recommendation.

NON - COMPLIANCE

2023-003 Late Audit Report Submission

Condition:
During our audit procedures, we noted the City had not completed the audit report submission.

Criteria:
Per KRS 91A.040(1) Except as provided in subsection (2) and (3) of this section, each city shall, after the close of each fiscal year, cause each fund of the city to be audited by the Auditor of Public Accounts or a certified public accountant. The audit shall be completed by March 1 immediately following the fiscal year being audited. The city shall forward an electronic copy of the audit report to the Department of Local Government for information purposes by no later than April 1 immediately following the fiscal year being audited.

Cause:
The City could not find a certified public accountant timely enough after the prior auditor informed the City they would no longer be performing the services.

Effect:
The City is in non-compliance with Kentucky Revised Statutes.

Recommendation: The City should continue with the current certified public accountant to obtain compliance.

Views of Responsible Officials:
Management agrees with the recommendation.

NON - COMPLIANCE

2023-004 No Public Bidding Documentation

Condition:
During our audit procedures, we noted the City could not furnish bid documentation.

Criteria:
Per KRS 45A.370 (1) All contracts or purchases shall be awarded by competitive sealed bidding, which may include the use of a reverse auction, except as otherwise provided by KRS 45A.370 to 45A.385 and for the purchase of wholesale electric power by municipal utilities as provided by KRS 96.901(1).

Cause:
The City has had management turnover and could not locate documentation from bidding during the fiscal year from prior management.

Effect:
The City is in non-compliance with Kentucky Revised Statutes.

Recommendation: The City should maintain all documentation from bidding to ensure compliance with public bidding laws.

Views of Responsible Officials:
Management agrees with the recommendation.

NON - COMPLIANCE

2023-005 Ordinances are not signed

Condition:
During our audit procedures, we noted the City could not furnish signed ordinances.

Criteria:
Per KRS 83A.060(8) Every action of the city legislative body shall be made a part of the permanent records of the city and on passage of an ordinance the vote of each member of the city legislative body shall be entered on the official record of the meeting. The legislative body shall provide by ordinance for the maintenance and safekeeping of permanent records of the city. The person assigned this responsibility and the presiding officer shall sign the official record of the meeting. All ordinances of the city shall, at the end of each month, be indexed and maintained.

Cause:
The City has had management turnover and could not locate documentation of signed ordinances.

Effect:
The City is in non-compliance with Kentucky Revised Statutes.

Recommendation: The City should maintain all documentation from bidding to ensure compliance with public bidding laws.

Views of Responsible Officials:
Management agrees with the recommendation.

MATERIAL WEAKNESS

2023-006 Inadequate Invoice Support

Condition:
During our review of the City's credit card purchases, it was noted that there were incomplete or missing invoices to substantiate payments to vendors.

Criteria:
Complete supporting documentation should be available for all payments to vendors.

Cause:
Invoices were not maintained.

Effect:
Ineligible payments could be made.

Recommendation:
The City should implement internal controls requiring complete supporting documentation to be maintained for all payments. Management should provide invoices for all transactions for credit cards, check disbursements, and petty cash.

Views of Responsible Officials:
Management concurs with the finding and will take preventive steps to ensure all disbursements are supported by original invoices.