

CITY OF HARRODSBURG, KENTUCKY

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

For the Year Ended June 30, 2020

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Independent Auditor's Report

Mayor and Board of Commissioners
City of Harrodsburg, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrodsburg, Kentucky (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, net pension liability information, and net other postemployment benefits information on pages III through X and 48 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining non-major fund financial statements and the combining statements-proprietary fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements and combining statements-proprietary fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements and combining statements-proprietary fund are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2021, 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 the City's internal control over financial reporting and compliance.

Kerbaugh, Rodes & Butler, PLLC

Kerbaugh, Rodes & Butler, PLLC
Certified Public Accountants

Danville, Kentucky
February 17, 2021

CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2020

OVERVIEW

The report on Audited Financial Statements and Supplementary information for the year ended June 30, 2020 for the City of Harrodsburg; Kentucky contains various financial statements and disclosures required by GASB (Governmental Accounting Standards Board) and other reporting required by Federal and State Governments.

BASIC FINANCIAL STATEMENTS

The basic financial statements include both government-wide financial statements and fund financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 1-4) and they provide information about the activities of the city as a whole and present a longer-term view of the City's finances. The fund financial statements (beginning on page 5) focus on governmental activities and how various services were financed in the short-term as well as the balance remaining for future spending. Fund financial statements also report the City's operations in more detail than government-wide statements by providing information about the City's most significant funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities report information on the City as a whole. These statements include assets and liabilities using the accrual basis of accounting, which is similar to the accounting basis used by most private sector companies. All the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and the changes in net position. The City's net position represents the difference between assets and liabilities, and is one way to measure the City's financial health or financial position, over time, in that increases or decreases in the City's net position is one indicator of whether its financial position is improving or deteriorating. Other factors, however, such as changes in the City's tax base, economy, demographics and the condition of the City's infrastructure need to be considered to assess the overall health of the City.

In the Statement of Net Position and Statement of Activities we divide the City into two kinds of activities:

Governmental Activities – Most of the City's basic services are reported here including general government, police, fire, streets, cemeteries, culture & recreation, and communications. Taxes, licenses, permits, fees, fines, and state and federal grants, and service charges finance most of these activities.

Business-type Activities – The City charges a fee to customers to help it recover all or most of the cost of certain services it provides. The City's water and sewer services are the primary services reported here.

CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2020

Our analysis primarily focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City's two types of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method referred to as the modified accrual basis of accounting which measures cash, and all other financial assets that can readily be converted to cash. The governmental fund statements provide a short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Proprietary Funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

The City is also the trustee (or fiduciary) for certain activities. We exclude these activities from the City's governmental-wide financial statements because the City's use of these assets to finance its operations is very restricted. All of the City's fiduciary activities are reported in the Statement of Net Position – Fiduciary Fund on page 12 and the Statement of Changes in Net Position- Fiduciary Fund on page 13. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The following are general comments regarding overall financial position and results of operations for the year.

GOVERNMENTAL ACTIVITIES

The change in the City's net position is one way to measure the City's financial health or financial position. As listed on Table 2, the City's net position related to governmental activities increased by \$261,142 or approximately 19%, indicating a positive change in the City's financial position. The largest portion of the City's net position (\$4,561,796) reflects its investment in capital assets (e.g. land, buildings, equipment, and infrastructure); less any related outstanding

CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2020

debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources. Debt outstanding as of June 30, 2020 was \$740,214 in capital leases and loans used for vehicle and equipment purchases, and for road resurfacing. This is a decrease of \$193,956 or approximately 21% from the prior year. During the fiscal year ended June 30, 2020, the City entered into one capital leases for the purchase of a leaf vacuum for \$57,725. Scheduled debt payments for all long-term debt of the City's governmental activities in the amount of \$251,681 were made during the year. As listed on Table I, the City's unreserved and unrestricted governmental fund net position (deficit) was (\$3,110,715) as of June 30, 2020.

BUSINESS-TYPE ACTIVITIES

The change in the City's net position is one way to measure the City's financial health or financial position. As listed in Table 2, the City's net position related to business-type activities decreased by \$1,892,882 or approximately 8.7%. The largest portion of the City's net position (\$15,675,119) or approximately 78.6% reflects its investment in capital assets (e.g. land, building, equipment, and water and sewer treatment plants and distribution and collection systems infrastructure), less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment is reported net of related debt it should be noted that resources needed to repay this debt must be provided from other sources. Debt outstanding as of June 30, 2020 was \$39,522,291 in capital leases for equipment and bonds and loans issued for major improvements to the utility infrastructure. This is a decrease of \$884,230 or approximately 2.2% over the prior year. During the fiscal year ended June 30, 2020, the City incurred the following new debt:

1. The City entered into a loan agreement in the amount of \$1,556,200 for the purchase of Water Meters. This loan bears an interest rate of 11.355%. Loan payments include principal and interest and are payable semi-annually through April 29, 2027.
2. The City entered into a capital lease in the amount of \$32,841 for the purchase of Chevy Silverado. This lease bears an interest rate of 1.811%. Lease payments include principal and interest and are payable monthly through December 15, 2024.
3. The City entered into a revenue lease in the amount of \$3,130,000 to redeem three bond issues. This lease bears interest at rates ranging from 2.25% to 3.00% per year. Lease payments include annual principal and semi-annual interest through February 1, 2043.

Scheduled debt payments and redemption of bonds refinanced for all long-term debt of the City's business-type activities in the amount of \$5,628,078 were made during the year. As listed on Table I, the City's business-type activities maintained unrestricted net position of \$1,186,150. This is a \$1,468,908 decrease over the prior year unrestricted net position.

**CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2020**

BUDGET AND OTHER REQUIRED SUPPLEMENTARY INFORMATION

Required supplemental information starting on page 48 provides budgetary comparison schedules for the General Fund, GASB 68 net pension liability information, GASB 75 other post-employment benefits information, and notes to the required supplementary information.

NET PENSION LIABILITY

The City's net pension liability is measured and reported in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which addresses financial reporting for state and local government employers whose employees are provided with pensions through pension plans that are covered under Statement No. 67, Financial Reporting for Pension Plans. The guidance contained in Statement No. 68 changed how governments calculate and report the costs and obligations associated with pensions. Under the new standards, GASB requires that cost-sharing governments report a net pension liability, pension expense, and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all governments in the plan. The City's net pension obligation was \$9,452,077 as of June 30, 2020, compared to \$8,389,015 as of June 30, 2019.

NET OPEB LIABILITY

The City's net OPEB liability is measured and reported in accordance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which addresses financial reporting for state and local government employers whose employees are provided with postemployment benefits other than pensions that are covered under Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The guidance contained in Statement No. 75 changed how governments calculate and report the costs and obligations associated with pensions. Under the new standards, GASB requires that cost-sharing governments report a net OPEB liability, OPEB expense, and OPEB related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all governments in the plan. The City's net OPEB liability was \$2,315,946 as of June 30, 2019, compared to \$2,452,791 as of June 30, 2019.

ECONOMIC OUTLOOK

The economy and its effects on local employment levels continue to be a major concern for collection of license, fee, and permit revenue. The City collects 71% of its payroll license fees and net profits and 24% of total revenues of the General Fund from ten employers within the City limits. The billings to twenty customers represent 60% of the Utility system's operating revenue. Improvements and expansions of infrastructure and past annexations provide the opportunity for continuous growth and development within the City. However, it is essential that effective and efficient economic development programs be pursued in order to ensure appropriately balanced development and to keep the community competitive in an increasing global market.

**CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2020**

The City currently has several commitments outstanding as of June 30, 2020. A discussion of these commitments can be found at footnote VII, page 46 of the financial statements.

The City's management assesses the financial health of the City's funds on an ongoing basis and will continue to do so going forward. The most significant economic factors identified by the City's management that will have a direct adverse effect on the financial condition of the City next year and beyond are the continued increases in retirement rates mandated by the state related to the hazardous and non-hazardous duty employees. The rates are expected to continue to increase at a significant pace and will make it necessary for management to allocate the necessary funds to meet these higher retirement costs in the future. The funded status of the CERS plan will have a significant impact on the required contributions and the City's proportionate share of the net pension and OPEB liabilities. House Bill 362 passed during the 2018 legislative session caps the CERS employer contribution rate increases to 12 percent per year over the prior fiscal year through 2028. During the 2020 Regular Session, Senate Bill 249 froze the CERS employer rate phase-in for one year.

REQUEST FOR INFORMATION

The financial statements of the City of Harrodsburg can be obtained from the City Clerk, City Hall, at 208 South Main Street, Harrodsburg, Kentucky, 40330.

TABLE 1**NET POSITION
June 30, 2020**

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 5,552,277	\$ 7,350,412	\$ 12,902,689
Capital assets, net	5,302,010	55,197,410	60,499,420
Total assets	\$ 10,854,287	\$ 62,547,822	\$ 73,402,109
Deferred outflow of resources	\$ 2,515,259	\$ 674,504	\$ 3,189,763
Long-term debt outstanding	\$ 740,214	\$ 39,522,291	\$ 40,262,505
Net pension obligation	7,501,250	1,950,827	9,452,077
Post employment benefits payable	1,849,467	466,479	2,315,946
Other liabilities	181,925	1,049,449	1,231,374
Total liabilities	\$ 10,272,856	\$ 42,989,046	\$ 53,261,902
Deferred inflows of resources	\$ 1,476,960	\$ 279,709	\$ 1,756,669
Net investment in capital assets	\$ 4,561,796	\$ 15,675,119	\$ 20,236,915
Restricted	168,649	3,092,302	3,260,951
Unrestricted	(3,110,715)	1,186,150	(1,924,565)
Total net position	\$ 1,619,730	\$ 19,953,571	\$ 21,573,301

**NET POSITION
June 30, 2019**

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 4,421,816	\$ 7,451,517	\$ 11,873,333
Capital assets, net	5,596,827	57,220,930	62,817,757
Total assets	\$ 10,018,643	\$ 64,672,447	\$ 74,691,090
Deferred outflow of resources	\$ 2,437,768	\$ 563,889	\$ 3,001,657
Long-term debt outstanding	\$ 934,170	\$ 40,406,521	\$ 41,340,691
Net pension obligation	6,764,788	1,624,227	8,389,015
Post employment benefits payable	1,979,306	473,485	2,452,791
Other liabilities	171,455	623,096	794,551
Total liabilities	\$ 9,849,719	\$ 43,127,329	\$ 52,977,048
Deferred inflows of resources	\$ 1,248,104	\$ 262,554	\$ 1,510,658
Net investment in capital assets	\$ 4,662,657	\$ 16,814,409	\$ 21,477,066
Restricted	138,527	2,376,986	2,515,513
Unrestricted	(3,442,596)	2,655,058	(787,538)
Total net position	\$ 1,358,588	\$ 21,846,453	\$ 23,205,041

TABLE 2
CHANGE IN NET POSITION
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 132,719	\$ 6,973,276	\$ 7,105,995
Operating grants and contributions	1,361,658		1,361,658
Capital grants and contributions		8,270	8,270
General revenues:			
Taxes	2,625,614		2,625,614
Licenses, permits and fees	3,030,719		3,030,719
Other	83,381	10,890	94,271
Transfer	459		459
	<u>7,234,550</u>	<u>6,992,436</u>	<u>14,226,986</u>
Total revenues			
	<u>7,234,550</u>	<u>6,992,436</u>	<u>14,226,986</u>
Program Expenses			
General government	593,694		593,694
Police department	1,987,562		1,987,562
Fire department	1,601,060		1,601,060
Street department	879,308		879,308
Cemeteries	363,706		363,706
Culture and recreation	327,464		327,464
Communications	401,724		401,724
Non-departmentalized	818,890		818,890
Water		5,413,486	5,413,486
Sewer		3,471,832	3,471,832
	<u>6,973,408</u>	<u>8,885,318</u>	<u>15,858,726</u>
Total expenses			
	<u>6,973,408</u>	<u>8,885,318</u>	<u>15,858,726</u>
Change in net position	261,142	(1,892,882)	(1,631,740)
Net position, beginning of year	1,358,588	21,846,453	23,205,041
Net position, end of year	<u>\$ 1,619,730</u>	<u>\$ 19,953,571</u>	<u>\$ 21,573,301</u>

CHANGE IN NET POSITION
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 141,571	\$ 6,410,642	\$ 6,552,213
Operating grants and contributions	655,448		655,448
Capital grants and contributions		1,809,406	1,809,406
General revenues:			
Taxes	2,392,083		2,392,083
Licenses, permits and fees	3,432,995		3,432,995
Other	70,691	10,649	81,340
Transfer	609		609
 Total revenues	 <u>6,693,397</u>	 <u>8,230,697</u>	 <u>14,924,094</u>
 Program Expenses			
General government	608,952		608,952
Police department	2,037,805		2,037,805
Fire department	1,457,824		1,457,824
Street department	1,017,048		1,017,048
Cemeteries	466,703		466,703
Culture and recreation	327,802		327,802
Communications	368,351		368,351
Non-departmentalized	1,100,105		1,100,105
Water		4,687,533	4,687,533
Sewer		2,819,045	2,819,045
 Total expenses	 <u>7,384,590</u>	 <u>7,506,578</u>	 <u>14,891,168</u>
 Change in net position	 (691,193)	 724,119	 32,926
 Net position, beginning of year	 <u>2,049,781</u>	 <u>21,122,334</u>	 <u>23,172,115</u>
 Net position end of year	 <u><u>\$ 1,358,588</u></u>	 <u><u>\$ 21,846,453</u></u>	 <u><u>\$ 23,205,041</u></u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 3,359,622	\$ 2,746,844	\$ 6,106,466
Certificates of deposit		385,152	385,152
Receivables:			
Taxes and licenses	1,036,907		1,036,907
Intergovernmental	702,282		702,282
User fees (net)		640,966	640,966
Other	87,501	5,500	93,001
Due from other funds	(27,562)	27,562	
Prepaid expenses	268,989	251,429	520,418
Total unrestricted current assets	<u>5,427,739</u>	<u>4,057,453</u>	<u>9,485,192</u>
Restricted cash and certificates of deposit	<u>124,538</u>	<u>3,092,302</u>	<u>3,216,840</u>
Non-current assets:			
Capital assets, net	5,302,010	55,197,410	60,499,420
Bond issuance costs		200,657	200,657
Total non-current assets	<u>5,302,010</u>	<u>55,398,067</u>	<u>60,700,077</u>
Total assets	<u>\$ 10,854,287</u>	<u>\$ 62,547,822</u>	<u>\$ 73,402,109</u>
Deferred outflows of resources	<u>\$ 2,515,259</u>	<u>\$ 674,504</u>	<u>\$ 3,189,763</u>

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 77,748	\$ 95,593	\$ 173,341
Accounts payable, construction		443,005	443,005
Payroll liabilities	104,177	110,974	215,151
Customer deposits		298,842	298,842
Leases and loans payable	240,290	186,104	426,394
Total liabilities payable from unrestricted assets	<u>422,215</u>	<u>1,134,518</u>	<u>1,556,733</u>
Payable from restricted assets:			
Accrued interest payable		101,035	101,035
Loans payable		1,055,188	1,055,188
Bonds payable		310,000	310,000
Total liabilities payable from restricted assets		<u>1,466,223</u>	<u>1,466,223</u>
Total current liabilities	<u>422,215</u>	<u>2,600,741</u>	<u>3,022,956</u>
Non-current liabilities:			
Bonds, leases, and loans payable	499,924	37,970,999	38,470,923
Net pension obligation	7,501,250	1,950,827	9,452,077
Post employment benefits payable	1,849,467	466,479	2,315,946
Total non-current liabilities	<u>9,850,641</u>	<u>40,388,305</u>	<u>50,238,946</u>
Total liabilities	<u>\$ 10,272,856</u>	<u>\$ 42,989,046</u>	<u>\$ 53,261,902</u>
Deferred inflows of resources	<u>\$ 1,476,960</u>	<u>\$ 279,709</u>	<u>\$ 1,756,669</u>
NET POSITION			
Net investment in capital assets	\$ 4,561,796	\$ 15,675,119	\$ 20,236,915
Restricted	168,649	3,092,302	3,260,951
Unrestricted	<u>(3,110,715)</u>	<u>1,186,150</u>	<u>(1,924,565)</u>
Total net position	<u>\$ 1,619,730</u>	<u>\$ 19,953,571</u>	<u>\$ 21,573,301</u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 593,694	\$	\$ 30,436	\$	\$ (563,258)
Police department	1,987,562	2,631	466,169		(1,518,762)
Fire department	1,601,060		387,971		(1,213,089)
Street department	879,308		172,292		(707,016)
Cemeteries	363,706	116,824			(246,882)
Culture and recreation	327,464	13,264			(314,200)
Communications	401,724		304,790		(96,934)
Non-departmentalized	818,890				(818,890)
Total Governmental Activities	6,973,408	132,719	1,361,658		(5,479,031)
Business-Type Activities:					
Water	5,413,486	3,907,869			(1,505,617)
Sewer	3,471,832	3,065,407		8,270	(398,155)
Total Business-Type Activities	8,885,318	6,973,276		8,270	(1,903,772)
Total	\$ 15,858,726	\$ 7,105,995	\$ 1,361,658	\$ 8,270	\$ (7,382,803)

(Continued)

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in Net Position:			
Net (expense)/revenue	\$ (5,479,031)	\$ (1,903,772)	\$ (7,382,803)
General revenues:			
Taxes:			
Real property	298,137		298,137
Motor vehicle	114,028		114,028
Tangible personal property	37,875		37,875
Public service company	15,986		15,986
Insurance premium	1,592,500		1,592,500
Restaurant tax	266,211		266,211
Bank deposits	53,412		53,412
Payments in lieu of taxes	16,830		16,830
Alcohol fees	230,635		230,635
Licenses, permits, and fees:			
Payroll license fees	2,232,790		2,232,790
Net profits license fees	205,409		205,409
Business license fees	19,275		19,275
Street license fees	1,425		1,425
Franchise fees - cable television	58,595		58,595
Franchise fees - electric	439,173		439,173
Franchise fees - natural gas	74,052		74,052
Other:			
Penalties and interest	11,614		11,614
Interest earned	3,139	10,890	14,029
Sale of surplus property	27,649		27,649
Insurance claim receipts	18,937		18,937
Miscellaneous	22,042		22,042
Transfer from other funds	459		459
Total general revenues and transfers	<u>5,740,173</u>	<u>10,890</u>	<u>5,751,063</u>
Change in net position	261,142	(1,892,882)	(1,631,740)
Net position, beginning of year	<u>1,358,588</u>	<u>21,846,453</u>	<u>23,205,041</u>
Net position, end of year	<u>\$ 1,619,730</u>	<u>\$ 19,953,571</u>	<u>\$ 21,573,301</u>

CITY OF HARRODSBURG, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 3,375,173	\$ 108,988	\$ 3,484,161
Receivables:			
Taxes and licenses	987,296	49,611	1,036,907
Intergovernmental	702,282		702,282
Other	12,501		
	<u>5,077,252</u>	<u>158,599</u>	<u>5,223,350</u>
Total assets	<u>\$ 5,077,252</u>	<u>\$ 158,599</u>	<u>\$ 5,223,350</u>
LIABILITIES			
Accounts payable	\$ 72,248	\$ 5,500	\$ 77,748
Payroll liabilities	104,177		104,177
Due to other funds	27,562		27,562
	<u>203,987</u>	<u>5,500</u>	<u>209,487</u>
Total liabilities	<u>203,987</u>	<u>5,500</u>	<u>209,487</u>
FUND BALANCE			
Fund balance:			
Restricted for:			
Roads		101,391	101,391
Tourism		49,245	49,245
Police	15,550	2,463	18,013
Unassigned	4,857,715		4,857,715
	<u>4,873,265</u>	<u>153,099</u>	<u>5,026,364</u>
Total fund balance	<u>4,873,265</u>	<u>153,099</u>	<u>5,026,364</u>
Total liabilities and fund balance	<u>\$ 5,077,252</u>	<u>\$ 158,599</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Loans made and not repaid within 60 days of year end are a use of funds and are not reported as an asset in the fund financial statements.	75,000
Prepaid expenses are a use of financial resources and therefore are not reported as an asset in the fund financial statements	268,989
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements, net of accumulated depreciation of \$6,052,344	5,302,010
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(740,214)
Certain items related to the City's net pension liability do not affect available financial resources and therefore are not reported in the funds	(6,425,606)
Certain items related to the City's post employment benefits liability do not affect available financial resources and therefore are not reported in the funds	(1,886,813)
Net position of governmental activities	<u>\$ 1,619,730</u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Non-Major Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 2,128,768	\$ 266,211	\$ 2,394,979
Licenses, permits, and fees	3,045,361		3,045,361
Intergovernmental revenue	1,114,278	166,010	1,280,288
Alcohol license fee		215,993	215,993
Service charges	132,719		132,719
Other	132,856	6,272	139,128
Total revenues	6,553,982	654,486	7,208,468
Expenditures:			
General government	500,237		500,237
Police department	1,685,585	4,634	1,690,219
Fire department	1,381,088		1,381,088
Street department	733,931	132,385	866,316
Cemeteries	307,283		307,283
Culture and recreation	226,290		226,290
Communications	339,322		339,322
Non-departmentalized	543,512	311,788	855,300
Total expenditures	5,717,248	448,807	6,166,055
Excess (deficiency) of revenues over expenditures before other financing sources	836,734	205,679	1,042,413
Other financing sources (uses):			
Transfers (to) from other funds	191,566	(191,107)	459
Lease proceeds	57,725		57,725
Total other financing sources (uses)	249,291	(191,107)	58,184
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	1,086,025	14,572	1,100,597
Fund balance, beginning of year	3,787,240	138,527	3,925,767
Fund balance, end of year	\$ 4,873,265	\$ 153,099	\$ 5,026,364

CITY OF HARRODSBURG, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds	\$ 1,100,597
Governmental funds do not report capital contributions as revenue	25,623
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases	131,536
Depreciation expense	(451,976)
Governmental funds report prepayments of expenditures as an expense while governmental activities report prepaid expenses as an asset	34,876
Governmental funds report debt proceeds as revenues and debt service payments as expenditures:	
Capital lease and note obligation principal payments	236,169
Capital lease proceeds	(57,725)
In the fund financial statements, pension costs are recognized as payments are made to the pension plan; however, in the government-wide financial statements, pension costs are recognized based on the overall changes in the net pension liability and deferred inflows and outflows of resources.	(709,785)
In the fund financial statements, post employment benefits payable are recognized as payments are made, however, in the government-wide financial statements, post employment benefit obligations are recognized based on the overall changes in the net post employment benefits payable and deferred inflows and outflows of resources.	(48,173)
Change in net position of governmental activities	\$ 261,142

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2020

	<u>Municipal Waterworks & Sewer System</u>
ASSETS	
Current assets:	
Cash	\$ 2,746,844
Certificates of deposit	385,152
Accounts receivable, customers (net)	640,966
Accounts receivable, other	5,500
Due from other funds	27,562
Prepaid expenses	251,429
Total unrestricted current assets	<u>4,057,453</u>
Restricted cash and certificates of deposit	<u>3,092,302</u>
Non-current assets:	
Capital assets, net	55,197,410
Bond issuance costs	200,657
Total non-current assets	<u>55,398,067</u>
Total assets	<u>\$ 62,547,822</u>
Deferred outflow of resources	<u>\$ 674,504</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 95,593
Accounts payable, construction	443,005
Accrued liabilities	110,974
Customer deposits	298,842
Leases payable	186,104
Total liabilities payable from unrestricted assets	<u>1,134,518</u>
Payable from restricted assets:	
Accrued interest payable	101,035
Loans payable	1,055,188
Bonds payable	310,000
Total liabilities payable from restricted assets	<u>1,466,223</u>
Total current liabilities	<u>2,600,741</u>
Non-current liabilities:	
Bonds, leases, and loans payable	37,970,999
Net pension obligation	1,950,827
Post employment benefits payable	466,479
Total long term liabilities	<u>40,388,305</u>
Total liabilities	<u>\$ 42,989,046</u>
Deferred inflow of resources	<u>\$ 279,709</u>
NET POSITION	
Net investment in capital assets	\$ 15,675,119
Restricted	3,092,302
Unrestricted	1,186,150
Total net position	<u>\$ 19,953,571</u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2020

	Municipal Waterworks & Sewer System
Operating revenues:	
Water sales	\$ 2,649,150
Water taps	27,350
Water surcharge	53,460
Sewer charges	2,729,419
Sewer taps	15,560
Sewer surcharge	58,394
Wastewater surcharge	6,003
Pre-treatment charges	150,326
Penalties	119,311
Other revenue	20,973
Total operating revenues	<u>5,829,946</u>
Operating expenses:	
Water operations	2,072,013
Sewer operations	1,229,689
Total operating expenses	<u>3,301,702</u>
Operating income before depreciation, amortization, and bad debts	<u>2,528,244</u>
Depreciation expense	3,579,852
Amortization expense	15,264
Bad debts	60,000
Total depreciation, amortization, and bad debts	<u>3,655,116</u>
Operating income (loss)	<u>(1,126,872)</u>
Non-operating revenues (expenses):	
Interest income	10,890
Garbage service	663,193
Sales tax	136,987
Utility tax	56,001
KY River withdrawal fee	216,023
Other income	71,126
Interest expense	(829,170)
Garbage service	(619,000)
Sales tax paid	(142,762)
Utility tax paid	(61,701)
KY River withdrawal fee	(275,867)
Non-operating revenues (expenses), net	<u>(774,280)</u>
Income (loss) before other revenues, expenses, gains and losses and transfers	(1,901,152)
Capital grant proceeds	<u>8,270</u>
Increase (decrease) in net position	(1,892,882)
Net position, beginning of year	<u>21,846,453</u>
Net position, end of year	<u><u>\$ 19,953,571</u></u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2020

	Municipal Waterworks & Sewer System
Cash Flows from Operating Activities:	
Receipts from customers	\$ 5,676,997
Payments to suppliers	(1,793,630)
Payments to employees	(1,285,377)
	<u>2,597,990</u>
Net cash provided by (used in) operating activities	<u>2,597,990</u>
Cash Flows from Non-Capital Financing Activities:	
Security deposit receipts	47,725
Security deposit refunds	(38,782)
Non-operating receipts	1,113,851
Non-operating disbursements	(1,098,775)
	<u>24,019</u>
Net cash provided by (used in) non-capital financing activities	<u>24,019</u>
Cash Flows from Capital and Related Financing Activities:	
Capital asset purchases	(1,171,309)
Principal paid on bonds, leases, and loans	(5,628,081)
Capital grant proceeds	8,270
Bond, lease, and loan proceeds	4,743,851
Loan fees paid	(118,338)
Interest paid on bonds, leases, and loans	(797,940)
	<u>(2,963,547)</u>
Net cash provided by (used in) capital and related financing activities	<u>(2,963,547)</u>
Cash Flows from Investing Activities:	
Purchase of investments	(536,304)
Sale of investments	439,942
Interest on investments	10,890
	<u>(85,472)</u>
Net cash provided by (used in) investing activities	<u>(85,472)</u>
Net increase (decrease) in cash	(427,010)
Cash, beginning of year	<u>5,700,242</u>
Cash, end of year	<u>\$ 5,273,232</u>
Cash is Classified as:	
Unrestricted	\$ 2,746,844
Restricted	<u>2,526,388</u>
	<u>\$ 5,273,232</u>

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2020

	<u>Municipal Waterworks & Sewer System</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	<u>\$ (1,126,872)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	3,579,852
Amortization	15,264
Bad debts	60,000
Change in assets and liabilities:	
Accounts receivable	(152,950)
Prepaid expenses	(16,484)
Due from other funds	(17,033)
Accounts payable	24,192
Accrued liabilities	5,885
Net pension obligation	221,311
Net post employment benefits payable	<u>4,825</u>
Total adjustments	<u>3,724,862</u>
Net cash provided by (used in) operating activities	<u><u>\$ 2,597,990</u></u>
 Supplemental Schedule of Non-Cash Investing Activities	
Write-off of fully depreciated fixed assets	<u><u>\$ 1,998,031</u></u>
Write-off of accumulated depreciation	<u><u>\$ 1,998,031</u></u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2020

	<u>Cemetery Fund</u>
ASSETS	
Cash	\$ 223,631
Certificates of deposit	<u>219,752</u>
Total assets	<u>\$ 443,383</u>
 NET POSITION	
Net position	<u>\$ 443,383</u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2020

	Cemetery Fund
Revenues:	
Perpetual care	\$ 59,400
Interest	3,306
Miscellaneous	<u>106</u>
Total revenues	<u>62,812</u>
Expenditures:	
Capital outlay	<u>11,195</u>
Excess (deficiency) of revenues over expenditures	51,617
Other financing sources (uses):	
Transfers (to) from other funds	<u>(459)</u>
Excess (deficiency) of revenues over expenditures and transfers	51,158
Net position, beginning of year	<u>392,225</u>
Net position, end of year	<u><u>\$ 443,383</u></u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Harrodsburg, Kentucky (City) operates under a City Commission form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, social services, culture and recreation, planning and zoning, and general administrative services.

The basic financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below, and where appropriate, subsequent pronouncements will be referenced.

A. Reporting Entity.

The City's financial reporting entity is comprised of the following:

Primary Government: City of Harrodsburg, Kentucky

Blended Component Units: Harrodsburg Municipal Waterworks and Sewer System

In determining the financial reporting entity, the City complies with the provisions of section 2100 of the GASB Codification and includes all component units of which the City appointed a voting majority or an equal number of the component units' Governing Board, and the City has the ability to control the activities of the component unit or a financial benefit or burden relationship exists between the City and the component unit.

B. Basis of Presentation

Government-Wide Financial Statements. The statement of net position and statement of activities display information about the City as a whole. These statements include all funds of the City, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements. Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

The following fund types are used by the City:

Governmental Funds

General Fund. The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities, except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes. The City's Special Revenue Funds consist of the following:

- a. Municipal Aid Fund, accounts for proceeds from the Commonwealth of Kentucky Department for Local Government and are to be used to maintain public roads.
- b. Tourism Development Fund, accounts for proceeds from a restaurant tax and are to be used to promote and fund tourism activities within the City.
- c. Alcohol Beverage Control fund, accounts for proceeds from a tax on the sale of alcohol beverages and these funds are to be used by the police department.

Proprietary Funds

Enterprise Funds. Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City's Enterprise Fund consists of the Harrodsburg Municipal Waterworks and Sewer System, which was established to account for the operation and maintenance of the City's water and sewer facilities, which are entirely or predominantly self-supported by user charges.

Internal Service Funds. Internal Service Funds are used to account for business-like activities provided by one governmental department or agency to another. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City does not have any Internal Service Funds.

Fiduciary Funds (Not Included in Government-Wide Statements)

Trust Funds. Trust funds were established to account for assets held by the City in a trustee capacity for individuals, private organizations, and other governmental units. The City's Trust Fund consists of the Harrodsburg Cemetery Trust Fund, which was established to provide perpetual cemetery care.

Major and Non-Major Funds. The funds are further classified as major or non-major as follows:

Fund	Fund Type	Major/ Non-Major
General Fund	Governmental	Major
Municipal Aid Fund	Special Revenue	Non-Major
Tourism Development Fund	Special Revenue	Non-Major
Alcohol Beverage Control Fund	Special Revenue	Non-Major
Harrodsburg Municipal Waterworks and Sewer System	Enterprise	Major

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

C. Measurement Focus and Basis of Accounting

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

Measurement Focus. In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item 2 below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

1. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported.

Basis of Accounting. In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, government funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period (generally 60 days) or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used.

Estimates and Assumptions. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

Subsequent Events. Events that occur after the Statement of Net Position date, but before the financial statements, were available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

City through February 17, 2021 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

D. Assets, Liabilities, and Net Position

Cash. For the purpose of the Statement of Net Position, cash includes all demand and savings account balances of the City on deposit with financial institutions. For the purposes of the proprietary fund, Statement of Cash Flows, cash is defined in the same manner.

Internal Balances. During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "internal balances." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Accounts Receivable. In the fund financial statements, material receivables in governmental funds include revenue accruals, such as taxes and licenses, grants, and similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions earned, but not collected within 60 days of the end of the fiscal year, are not included in the fund financial statements in accordance with the modified accrual basis of accounting. Receivables related to interest and other investment earnings are recorded using the modified accrual basis of accounting in the same manner as non-exchange transactions. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable, which total \$600,000, are based upon historical trends and the periodic aging of accounts receivable.

Inventories. Purchases of supplies in the General Fund and Municipal Waterworks and Sewer System Fund are expensed when purchased and are not inventoried and reflected in the balance sheet of either fund. Generally, supplies are purchased as needed. This departure from GAAP is not considered material to the financial statements.

Capital Assets. The accounting treatment for capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at the estimated fair value at the date of donation. Assets with an estimated life of greater than one year are capitalized.

Depreciation of all exhaustible capital assets are recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the asset's estimated useful life, using the straight-line method of depreciation. The range of estimated useful lives by type of asset for the General Fund is as follows:

Land improvements.....	20 - 30 years
Vehicles and equipment.....	7 - 15 years
Buildings.....	30 - 40 years

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

The range of estimated useful lives by type of asset for the Municipal Waterworks and Sewer System is as follows:

Water utility system.....	10 - 99 years
Sewer utility system.....	10 - 50 years
Water and sewer treatment plant.....	10 - 50 years
Buildings.....	40 - 50 years
Equipment and vehicles.....	3 - 15 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements. The City did not report its infrastructure assets in the basic financial statements as of June 30, 2004. In accordance with section 1400 of the GASB Codification, the estimated historical cost of infrastructure assets, including streets, roads, bridges, curbs, gutters, and flood walls is not required to be included. Infrastructure assets constructed after June 30, 2004 are capitalized.

Restricted Assets. Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the Statement of Net Position since their use is limited by applicable bond indentures. Some expenditures of the City may be paid with restricted and non-restricted resources. The City has determined that when both resources are available that they will use the restricted resources first.

In 2020, the City Commission passed ordinances requiring a monthly surcharge of \$1.50 to each water and sewer customer's bill. This surcharge is to be used to fund future infrastructure projects.

Bond Issuance Costs. Issuance costs on the sale of the water and sewer revenue bonds, notes and leases are amortized on the straight-line method over the life of the bonds, notes and leases. These costs are reported in the proprietary fund and are accounted for the same in the government-wide and fund financial statements.

Long-Term Liabilities. The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds, lease obligations, loans payable, net pension obligation, and post employment benefits payable.

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

Compensated Absences. Unused vacation leave is converted to sick leave at the end of the calendar year. Employees must carry forward all unused sick leave at the end of the calendar year. Upon retirement, employees may utilize unused sick leave to receive additional service-credit. These costs are not measurable; thus, the financial statements do not reflect a liability for compensated absences.

CITY OF HARRODSBURG, KENTUCKY
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For the Year Ended June 30, 2020

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Plan (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Other Post Employment Benefits. For purposes of measuring other post employment benefits, deferred outflows of resources and deferred inflows of resources related to other post employment benefits and benefit expenses, information about the fiduciary net position of the CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Equity Classifications. Government-wide financial statements classify equity as net position and is displayed in three components:

1. ***Net investment in capital assets*** consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. ***Restricted net position*** consists of net position with constraints placed on the use either by:
 - a. External groups such as creditors, grantors, contributors, or laws or regulations of other governments, and
 - b. Law through constitutional provisions or enabling legislation.
3. ***Unrestricted net position*** consists of all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund financial statements report governmental fund equity as fund balance. Fund balance is further classified:

1. ***Non-spendable fund balance*** includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. ***Restricted fund balance*** includes amounts that are restricted to specific purposes either (a) by externally imposed creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
3. ***Committed fund balance*** includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The City's highest level of decision making authority is the City Commission. Any committed fund balance would require the City Commission to adopt a resolution approving the commitment.
4. ***Assigned fund balance*** includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City's Mayor is authorized to assign the fund balance. The City has not adopted formal procedures to show that the mayor has assigned the fund balance.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

5. *Unassigned fund balance* represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The City has determined that when both restricted and unrestricted funds are available, that they will use the restricted resources first. In addition, when expenditures could be deemed to have been expended by using committed, assigned or unassigned funds, the City has determined that the funds will be first categorized as assigned, second as committed and third as unassigned.

Proprietary fund equity is classified the same as in government-wide statements.

E. Revenues, Expenditures, and Expenses

Payroll License Fee. The City levies a payroll tax of 1% of gross payroll on all individuals who work within the City limits. This tax is withheld by an employee's employer and remitted to the City monthly or quarterly. The payroll license fee is recorded in the General Fund and is used to pay the general operations of the City.

Insurance Premium Tax. The City levies an insurance premium tax of 10% on all insurance sold within the City limits. Insurance companies are required to collect this tax from policy holders and to remit this fee quarterly. The insurance premium tax is recorded in the General Fund and is used to pay the general operations of the City.

Occupational License Fee. The City levies an occupational license fee of 1% on net profits of all companies within the City limits. Companies are required to report and remit this fee quarterly or annually. The occupational license fee is recorded in the General Fund and is used to pay the general operations of the City.

Operating Revenues and Expenses. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Real and Personal Property Taxes. The City levies a tax on all real and personal property within the City in accordance with state laws. All real and personal property was taxed at \$0.668 per \$100 of assessed value for the year ended June 30, 2020. Motor vehicles were taxed at \$0.23 per \$100 of assessed value. These taxes are collected annually and are recorded in the General Fund and are used to pay the general operations of the City.

Non-Operating Revenues and Expenses. Proprietary funds report all revenue and expenses as operating, except grant revenue, interest income, interest expense, garbage income, garbage expense, tax income, tax expense, withdrawal fee income, and withdrawal fee expense.

Expenditures/Expenses. In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. All expenses other than insurance and outside agency grants and subsidy costs have been charged as a direct cost to the program in which it benefits.

In the fund financial statements, expenditures in the Governmental Funds are reported by character and in the Proprietary Funds by operating and non-operating.

In the fund financial statements, Governmental Funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Interfund Transfers. Permanent re-allocation of resources between funds of the City are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual Governmental Funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

- A. **Insured Deposits.** Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth and its agencies, insured savings and loans, or interest-bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. In addition, trust funds may invest in uninsured corporate securities. At June 30, 2020, all of the City's deposits in financial institutions, were insured or collateralized. Funds collateralized with securities held by the pledging financial institution totaled \$8,928,036.

- B. **Property Tax Calendar.** Property taxes for fiscal year 2020 were levied on October 1, 2019 on the assessed valuation of property, located in the City as of the preceding January 1, the lien date. The due date and collection periods for all taxes, exclusive of vehicle taxes and local deposit franchise taxes, are as follows:

Due date for payment of taxes.....	October 31
Face value amount payment dates.....	October 1 to October 31
Delinquent date, 12% penalty	November 30
Delinquent date, 1% per month penalty.....	December 31

- C. **Expenditures Exceeding Budget.** Expenditures exceeded budget amounts as follows:

<u>Department/Classification</u>	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Street department	\$ 725,264	\$ 733,931	\$ 8,667

- D. **Bonds and Notes Payable.** The loan agreements relating to the bonds and notes payable issues of the Harrodsburg Municipal Waterworks and Sewer System contain some restrictions or covenants that are financial related, including covenants for required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the City's level of compliance thereon as of June 30, 2020:

1. **2013B Kentucky Rural Water (KRW) Bond Issue.** The gross incomes and revenues of the System are to be deposited into the Revenue Fund and apportioned as follows:
 - a. **Sinking Fund.** Monthly deposits of 1/6th of the interest and 1/12th of the principal coming due on the 2013B bonds on the next succeeding payment date are to be deposited. This fund was properly funded at June 30, 2020.
2. **Kentucky Infrastructure Authority (KIA) Note Payable.** Under terms of the loan agreements with Kentucky Infrastructure Authority, the City is required to set aside the following:
 - a. **Repairs and Maintenance Reserve.**
 1. Annual deposits of \$1,100 are to be deposited until \$11,000 has been received under Loan F 11-17. This reserve was properly funded at June 30, 2020.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

2. Annual deposits of \$1,000 are to be deposited until \$10,000 has been received under Loan A 11-21. This reserve was properly funded at June 30, 2020.
 3. Annual deposits of \$1,800 are to be deposited until \$18,000 has been received under Loan A 12-07. This reserve was properly funded at June 30, 2020.
 4. Annual deposits of \$6,800 are to be deposited until \$68,000 has been received under Loan F 13-002. This reserve was properly funded at June 30, 2020.
 5. Annual deposits of \$800 are to be deposited until \$8,000 has been received under Loan F 15-031. This reserve was properly funded at June 30, 2020.
 6. Annual deposits of \$3,600 are to be deposited until \$36,000 has been received under Loan A 15-046. This reserve was properly funded at June 30, 2020.
 7. Annual deposits of \$2,000 are to be deposited until \$20,000 has been received under Loan A15-075. This reserve was properly funded at June 30, 2020.
 8. Annual deposits of \$3,900 are to be deposited until \$39,000 has been received under Loan A16-033. This reserve was properly funded at June 30, 2020.
 9. Annual deposits of \$7,200 are to be deposited until \$72,000 has been received under Loan F16-049. This reserve was properly funded at June 30, 2020.
 10. Annual deposits of \$25,000 are to be deposited until \$250,000 has been received under Loan A15-074. This reserve was properly funded at June 30, 2020.
3. **Revenue Bonds.** Under terms of the revenue bond agreements, the City is required to set aside the following:
- a. *Sinking Reserve.* Monthly deposits of 1/6th of the interest and 1/12th of the principal coming due on the bonds on the next succeeding payment date are to be deposited. This reserve was properly funded at June 30, 2020.
 - b. *Debt Reserve Fund.* Monthly deposits of \$6,775 are to be deposited until the balance reaches \$812,600. Funds from the reserve may be withdrawn and used by the City upon appropriate certification of the City Commission for the purpose of paying the costs of unusual or extraordinary maintenance, repairs, renewals, and replacements not included in the annual budget of current expenses, or for paying the cost of constructing future extensions, additions, and improvements of the system. This reserve was properly funded at June 30, 2020.
4. **Lease Agreement.** Under terms of the lease agreement with Kentucky Bond Corporation, the City is required to set aside the following:
- a. *Sinking Reserve.* Monthly deposits of 1/6th of the interest and 1/12th of the principal coming due on the lease on the next succeeding payment date are to be deposited. This reserve was properly funded at June 30, 2020. This reserve was properly funded at June 30, 2020
 - b. *Debt Reserve Fund.* Monthly deposits of one-forty-eighth (1/48) of the maximum debt service requirements for any parity obligations (\$31,300), until such amount shall have been accumulated or restored. This reserve was properly funded at June 30, 2020.
 - c. *Depreciation Reserve Fund.* Monthly deposits of one-thirty-sixth (1/36) of the depreciation reserve requirement. The depreciation reserve requirement shall be determined by the consulting engineers. This reserve has not been established at June 30, 2020

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

- E. **Security Deposits.** Customers of the Harrodsburg Municipal Waterworks and Sewer System are required by ordinance to make a security deposit when they are provided water or sewer services. These deposits are required by state law to be fully funded in a separate account for the benefit of customers. At June 30, 2020 this account was properly funded.

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

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

As of June 30, 2020, the City's funds on deposit in financial institutions, were properly insured or collateralized. Funds collateralized with securities held by pledging financial institutions totaled \$8,928,036.

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

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

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

The City's investments at June 30, 2020 are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<i>Business-Type Activities:</i>				
First Financial Bank				
Savings	\$ 31,062	\$ 31,062	0.05 %	N/A
Community Trust Bank				
Certificate of Deposit	534,852	534,852	2.15 %	1/14/22
Whitaker Bank & Trust Co.				
Certificate of Deposit	12,072	12,072	0.20 %	2/14/21
Certificate of Deposit	181,854	181,854	0.40 %	4/17/21
Certificate of Deposit	191,226	191,226	0.40 %	9/28/21
	<u>\$ 951,066</u>	<u>\$ 951,066</u>		

- B. **Restricted Assets.** The amounts reported as restricted assets are comprised of cash and certificates of deposit held by the City, related to their required reserves. The restricted assets as of June 30, 2020 are as follows:

	<u>Type of Restricted Assets</u>		
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
<i>Governmental Activities:</i>			
General fund	\$ 15,550	\$	\$ 15,550
Municipal aid fund	101,391		101,391
Tourism development fund	5,134		5,134
Alcohol beverage control fund	2,463		2,463
	<u>\$ 124,538</u>	<u>\$</u>	<u>\$ 124,538</u>
<i>Business-Type Activities:</i>			
Bond sinking fund	\$ 546,273	\$ 31,062	\$ 577,335
Note sinking fund	580,542		580,542
Lease sinking fund	158,910		158,910
Water and sewer surcharge	111,854		111,854
Bond debt reserve fund	361,119		361,119
Lease debt reserve fund	31,300		31,300
Repairs and maintenance fund	736,390	534,852	1,271,242
	<u>\$ 2,526,388</u>	<u>\$ 565,914</u>	<u>\$ 3,092,302</u>

- C. **Receivables.** Receivables included as current assets on the Statement of Net Position, as of June 30, 2020, consists of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<i>Taxes and Licenses:</i>			
Payroll license	\$ 495,354	\$	\$ 495,354
Insurance license	468,516		468,516
Auto taxes	15,313		15,313
Net profits license	8,113		8,113
Restaurant tax	49,611		49,611
	<u>1,036,907</u>		<u>1,036,907</u>

CITY OF HARRODSBURG, KENTUCKY
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For the Year Ended June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<i>Intergovernmental:</i>			
Transportation grants	35,988		35,988
Police grants	23,730		23,730
911 Reimbursement	27,166		27,166
Department of Treasury - coronavirus relief funds	610,629		610,629
Miscellaneous	4,769		4,769
	<u>702,282</u>		<u>702,282</u>
<i>Other:</i>			
Wilderness Trace YMCA	75,000		75,000
Returned checks	2,441		2,441
Miscellaneous	10,060	5,500	15,560
	<u>87,501</u>	<u>5,500</u>	<u>93,001</u>
<i>User Fees:</i>			
User fees		1,240,966	1,240,966
Less allowance for doubtful accounts		600,000	600,000
		<u>640,966</u>	<u>640,966</u>
Total receivables	<u>\$ 1,826,690</u>	<u>\$ 646,466</u>	<u>\$ 2,473,156</u>

- D. **Internal Balances.** The following interfund payables and receivables occurred as of June 30, 2020:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<i>Major Funds:</i>		
General fund	\$	\$ 27,562
<i>Major Fund:</i>		
Municipal Waterworks and Sewer System	<u>27,562</u>	
	<u>\$ 27,562</u>	<u>\$ 27,562</u>

The receivable due to the Municipal Waterworks and Sewer System was due to the June 30, 2020 payroll deposited into the general fund bank account for \$25,967 but not yet expensed; the transfer of \$9,750 to the payroll account made in error, offset by a receivable due to the general fund for the Municipal Waterworks and Sewer System prepaid medical insurance of \$8,155.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

- E. **Capital Assets.** The activity related to capital assets for the fiscal year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental Activities:				
Land	\$ 695,429	\$	\$	\$ 695,429
Land improvements	1,695,878			1,695,878
Vehicles and equipment	4,540,958	102,394	120,189	4,523,163
Buildings	3,291,071			3,291,071
Infrastructure	994,913	25,623		1,020,536
Construction in progress	99,135	29,142		128,277
Total cost	<u>11,317,384</u>	<u>157,159</u>	<u>120,189</u>	<u>11,354,354</u>
Accumulated depreciation:				
Land improvements	1,157,822	46,315		1,204,137
Vehicles and equipment	2,983,162	297,130	120,189	3,160,103
Buildings	1,300,280	87,593		1,387,873
Infrastructure	279,293	20,938		300,231
Total accumulated depreciation	<u>5,720,557</u>	<u>451,976</u>	<u>120,189</u>	<u>6,052,344</u>
Total capital assets, net	<u>\$ 5,596,827</u>	<u>\$ (294,817)</u>	<u>\$</u>	<u>\$ 5,302,010</u>
Business-Type Activities:				
Land	\$ 662,164	\$	\$	\$ 662,164
Vehicles and equipment	4,532,321	1,309,966	1,998,031	3,844,256
Buildings	172,985			172,985
Water utility system	14,855,563			14,855,563
Sewer utility system	12,154,695	222,275		12,376,970
Water and sewer treatment plant	61,060,857	1,395,613		62,456,470
Construction in progress	1,371,522	246,366	1,617,888	
Total cost	<u>94,810,107</u>	<u>3,174,220</u>	<u>3,615,919</u>	<u>94,368,408</u>
Accumulated depreciation:				
Vehicles and equipment	2,473,217	1,133,906	1,998,031	1,609,092
Buildings	54,299	4,324		58,623
Water utility system	7,657,666	584,578		8,242,244
Sewer utility system	8,026,230	388,462		8,414,692
Water and sewer treatment plant	19,377,765	1,468,582		20,846,347
Total accumulated depreciation	<u>37,589,177</u>	<u>3,579,852</u>	<u>1,998,031</u>	<u>39,170,998</u>
Total capital assets, net	<u>\$ 57,220,930</u>	<u>\$ (405,632)</u>	<u>\$ 1,617,888</u>	<u>\$ 55,197,410</u>

CITY OF HARRODSBURG, KENTUCKY
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Depreciation expense was charged to governmental activities as follows:

General government	\$ 8,483
Police department	155,913
Fire department	84,187
Street department	79,750
Cemeteries	25,313
Culture and recreation	94,446
Communications	3,884
Total depreciation expense	<u>\$ 451,976</u>

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

Capital Leases

1. In 2017, the City obtained \$398,996 financing for the purchase of a fire truck, which cost \$398,996. The 84-month capital lease agreement requires annual lease payments of \$64,058, including interest at 3.25% per annum. The lease is payable through 2024 and has a balance of \$196,115 as of June 30, 2020.
2. In 2008, the City obtained \$1,800,671 financing for the purchase of water meters, which cost \$1,819,122. The 15-year capital lease agreement requires quarterly payments of \$41,749, including interest at 4.3% per annum. This lease was paid in full during 2020.
3. In 2017, the City obtained \$30,900 financing for the purchase of a Ford F-150 truck for the fire department, which cost \$30,900. The 48-month capital lease agreement requires annual payments of \$8,464, including interest at 6.45% per annum. This lease was paid in full during 2020.
4. In 2018, the City obtained \$44,115 financing for the purchase of a dump truck, which cost \$44,115. The 5-year capital lease agreement requires annual payments of \$10,047, including interest at 6.95% per annum. This lease is payable through 2022 and has a balance of \$18,177 as of June 30, 2020.
5. In 2015, the City obtained \$62,430 financing for the purchase of two police cruisers, which cost \$62,430. The 5-year capital lease agreement requires annual payments of \$11,326, including interest at 3.801% per annum. This lease was paid in full during 2020.
6. In 2015, the City obtained \$40,214 financing for the purchase of a dump truck, which cost \$40,214. The 5-year capital lease agreement requires monthly payments of \$773, including interest at 5.95% per annum. This lease was paid in full during 2020.
7. In 2015, the City obtained \$42,485 financing for an excavator, which cost \$42,485. The 5-year capital lease agreement requires monthly payments of \$761, including interest at 2.14% per annum. This lease was paid in full during 2020.
8. In 2016, the City obtained \$105,049 financing for the purchase of four police cruisers, which cost \$128,360. The 5-year capital lease agreement requires annual payments of \$23,311, including interest at 3.567% per annum. The lease is payable through 2021 and has a balance of \$22,508 as of June 30, 2020.

CITY OF HARRODSBURG, KENTUCKY
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For the Year Ended June 30, 2020

9. In 2017, the City obtained \$53,092 financing for the purchase of a Ford F550 dump truck and snow plow for the street department which cost \$53,092. The 48-month capital lease agreement requires monthly payments of \$1,228, including interest at 5.45% per annum. The lease is payable through 2021 and has a balance of \$3,651 as of June 30, 2020.
10. In 2018, the City obtained \$226,337 financing for the purchase of four police cruisers and two police trucks for the police department which cost \$226,337. The 6-year capital lease agreement requires annual payments of \$41,131 including interest at 3.73% per annum. The lease is payable through 2023 and has a balance of \$114,730 as of June 30, 2020.
11. In 2018, the City obtained \$73,440 financing for the purchase of police equipment for the police department which cost \$73,440. The 5-year capital lease agreement requires annual payments of \$15,480, including interest at 5% per annum. The lease is payable through 2022 and has a balance of \$42,156 as of June 30, 2020.
12. In 2019, the City obtained \$51,696 financing for the purchase of a dump truck for the water and sewer department which cost \$51,696. The 5-year capital lease agreement requires monthly payments of \$1,029, including interest at 7.469% per annum. The lease is payable through 2024 and has a balance of \$39,646 as of June 30, 2020.
13. In 2019, the City obtained \$45,852 financing for the purchase of a Chevy Tahoe for the fire department, which cost \$45,852. The 5-year capital lease agreement requires monthly payments of \$935, including interest at 8.248% per annum. The lease is payable through 2024 and has a balance of \$38,412 as of June 30, 2020.
14. In 2019, the City obtained \$284,372 financing for the purchase of six police cruisers for the police department, which cost \$284,372. The 5-year capital lease agreement requires monthly payments of \$5,485, including interest at 5.909% per annum. The lease is payable through 2024 and has a balance of \$227,252 as of June 30, 2020.
15. In 2019, the City obtained \$53,447 financing for the purchase of a Ford F-250 pickup truck for the street department, which cost \$53,447. The 5-year capital lease agreement requires annual payments of \$12,119, including interest at 6.7% per annum. The lease is payable through 2023 and has a balance of \$31,978 as of June 30, 2020.
16. In 2020, the City obtained \$57,725 financing for the purchase of a leaf vacuum for the street department, which cost \$57,725. The 5-year capital lease agreement requires annual payments of \$12,718, including interest at 4.76% per annum. The lease is payable through 2025 and has a balance of \$45,235 as of June 30, 2020.
17. In 2020, the City obtained \$32,841 financing for the purchase of a Chevy Silverado truck for the water and sewer department, which cost \$32,841. The 5-year capital lease agreement requires annual payments of \$6,875, including interest at 1.811% per annum. The lease is payable through 2025 and has a balance of \$29,689 as of June 30, 2020.
18. In 2020, the City obtained a \$3,130,000 revenue lease from the Kentucky Bond Corporation. Proceeds from the lease were used to redeem three bond issues of the Municipal Waterworks & Sewer System. The 24-year lease agreement requires annual payments of approximately \$185,000 including interest between 2.25% per annum and 3.00% per annum. The lease is payable through 2043 and has a balance of \$3,130,000 as of June 30, 2020.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

The following is a schedule of property and equipment and outstanding liabilities relating to capital lease agreements at June 30, 2020:

Governmental Funds:

Property Leased	Asset Cost	Accumulated Depreciation	Net Book Value	Lease Payable		
				Current Portion	Long-Term Portion	Total
Street trucks	\$ 106,538	\$ 37,999	\$ 68,539	\$ 13,627	\$ 22,002	\$ 35,629
Street equipment	57,725	8,246	49,479	10,515	34,720	45,235
Cemetery truck	44,115	7,353	36,762	8,783	9,394	18,177
Fire trucks	444,848	102,924	341,924	66,757	167,770	234,527
Police vehicles	639,068	224,289	414,779	113,195	251,295	364,490
Police equipment	73,440	36,720	36,720	27,413	14,743	42,156
	<u>\$1,365,734</u>	<u>\$ 417,531</u>	<u>\$ 948,203</u>	<u>\$ 240,290</u>	<u>\$ 499,924</u>	<u>\$ 740,214</u>

Business Activity Funds:

Property Leased	Asset Cost	Accumulated Depreciation	Net Book Value	Lease Payable		
				Current Portion	Long-Term Portion	Total
Dump truck	\$ 51,696	\$ 11,078	\$ 40,618	\$ 9,714	\$ 29,932	\$ 39,646
Chevy truck	32,841		32,841	6,390	23,299	29,689
Loan refinance lease				170,000	2,960,000	3,130,000
	<u>\$ 84,537</u>	<u>\$ 11,078</u>	<u>\$ 73,459</u>	<u>\$ 186,104</u>	<u>\$ 3,013,231</u>	<u>\$ 3,199,335</u>

- G. **Bonds, Leases, and Loans Payable.** The City's bonds, leases, and loans payable is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities:

Governmental Activities. As of June 30, 2020, the governmental bonds, leases and loans payable consisted of the following:

Capital leases payable:

60-month lease for the purchase of police cruisers. The lease bears interest at 3.567%.	\$ 22,508
60-month lease for the purchase of police equipment. The lease bears interest at 5%.	42,156
72-month lease for the purchase of police cruisers. The lease bears interest at 3.73%.	114,730
60-month lease for the purchase a dump truck. The lease bears interest at 6.95%.	18,177
48-month lease for the purchase a dump truck. The lease bears interest at 5.45%.	3,651
84-month lease for the purchase of a fire truck. The lease bears interest at 3.25%.	196,115
60-month lease for the purchase of a truck for the street department. The lease bears interest at 6.7%.	31,978
60-month lease for the purchase of police cruisers. The lease bears interest at 5.909%.	227,252
60-month lease for the purchase of a vehicle for the fire department. The lease bears interest at 8.248%.	38,412
60-month lease for the purchase of a leaf vacuum. The lease bears interest at 4.76%.	45,235
	<u>\$ 740,214</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Included as liability on Statement of Net Position:

Current liability	\$ 240,290
Non-current liability	499,924
	<u>\$ 740,214</u>

Business-Type Activities. As of June 30, 2020, the proprietary fund bonds, leases, and loans payable consisted of the following:

Capital leases payable:

24-year lease for the refinance of three bond issues. The lease bears interest between 2.25% and 3.11%.	\$ 3,130,000
5-year lease for the purchase of a Chevy Silverado truck. The lease bears interest at 1.811%.	29,689
5-year lease for the purchase of a dump truck. The lease bears interest at 7.469%.	39,646
	<u>\$ 3,199,335</u>

Loans payable:

Loan A-12-07 for pump station upgrades. The uncollateralized \$706,000 loan from Kentucky Infrastructure Authority bears interest at 1.0% and is due 20 years from the date the loan is closed. Principal and interest payments of approximately \$17,500 are to be paid semi-annually through June 1, 2035.	\$ 474,090
Loan F11-17 for water main improvements. The uncollateralized \$336,700 loan from Kentucky Infrastructure Authority bears interest at 1.0%. and is due 20 years from the date the loan is closed. Principal and interest payments of approximately \$9,500 are to be paid semi-annually through December 1, 2033.	234,550
Loan A11-21 for sewer rehabilitation project. The uncollateralized \$376,650 loan from Kentucky Infrastructure Authority bears interest at 1.0% and is due 20 years from the date the loan is closed. Principal and interest payments of approximately \$10,000 are to be paid semi-annually through December 1, 2033.	262,379
Loan F13-002 is for Water Distribution Improvements, North Main Water Storage Tank Improvements. The uncollateralized \$2,433,080 loan from Kentucky Infrastructure Authority bears interest at 1.75% and is due 20 years from the date the loan is closed. Principal and interest payments of approximately \$75,000 are to be paid semi-annually through December 1, 2035.	1,955,717
Loan A15-074 is for the expansion of the City's Waste Water Treatment Plant. The uncollateralized \$10,000,000 loan from Kentucky Infrastructure Authority bears interest at .75% and is due 20 years from the date the loan is closed. Principal and interest payments of approximately \$280,000 are to be paid semi-annually through June 1, 2039.	9,534,757
Loan F15-031 is for the College and Chestnut Street Water Lines Project. The uncollateralized \$326,660 loan from Kentucky Infrastructure Authority bears interest at .75% and is due 20 years from the date the loan is closed. Principal and interest payments of approximately \$9,200 are to be paid semi-annually through December 2037.	272,962

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Loan A15-046 is for Sewer Line Rehabilitation. The uncollateralized \$1,420,000 loan from Kentucky Infrastructure Authority bears interest at .75% and is due 20 years from the date the loan is closed. Principal and interest payments of approximately \$39,500 are to be paid semi-annually through December 2037.	1,186,594
Loan A15-075 is for the Harrodsburg Corning Pump Station and Force Main Project. The uncollateralized \$810,000 loan from Kentucky Infrastructure Authority bears interest at .75% and is due 20 years from the date the loan is closed. Payments of approximately \$17,000 are to be paid semi-annually through December 2037.	543,250
Loan A16-033 is for Sewer Rehabilitation 2015 Project. The uncollateralized \$1,223,520 loan from Kentucky Infrastructure Authority bears interest at .75% and is due 20 years from the date the loan is closed. The annual payment of principal and interest has yet to be determined and will commence within 12 months from completion of the project. Interest is to begin accruing on the draws at the time of the first draw.	1,007,343
2020 Master Installment loan received for the replacement of water meters. The uncollateralized \$1,556,200 loan from Holman Capital Corporation bears interest at 11.355% and is due 7 years from the date the loan is closed. Payments of approximately \$125,000 are to be paid semi-annually through April 2027.	1,556,200
Loan F16-049 is for the Water Distribution Main Replacement 2015 Project. The uncollateralized \$2,877,200 loan from Kentucky Infrastructure Authority bears interest at .75% and is due 20 years from the date the loan is closed. Payments of approximately \$58,000 are to be paid semi-annually through December 1, 2038.	1,923,115
	<u>\$ 18,950,957</u>

Bonds payable:

Bonds were issued in 2013 to pay off the remaining balances of the 2004 bond issue. The bonds bear interest at 2.3%. Principal payments are paid annually and interest payments are paid semi-annually through January 2021.	\$ 14,999
Bonds were issued in 2012 for the construction of extensions, additions and improvements to the existing waterworks system. The bonds bear interest at 2.75%. Principal is paid annually through December 2050, and interest is paid semi-annually.	7,013,000
Series 2014 A & B bonds were issued in 2015 to finance the wastewater treatment plant. The bonds bear interest at 3.25%. Principal is paid annually through December 2053 and interest is paid semi-annually.	1,639,000
Series 2016 bonds were issued in 2018 to finance the cost of extensions, additions and improvements to the existing sewer system of the City. The bonds bear interest at 2.75%. Principal is paid annually through December 2056 and interest is paid semi-annually.	8,705,000
	<u>\$ 17,371,999</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Included as liability on Statement of Net Position:

	<u>Leases Payable</u>	<u>Loans Payable</u>	<u>Bonds Payable</u>	<u>Total</u>
Current liability	\$ 186,104	\$	\$	\$ 186,104
Current liability payable from restricted resources		1,055,188	310,000	1,365,188
Non-current liability	<u>3,013,231</u>	<u>17,895,769</u>	<u>17,061,999</u>	<u>37,970,999</u>
	<u>\$ 3,199,335</u>	<u>\$ 18,950,957</u>	<u>\$ 17,371,999</u>	<u>\$ 39,522,291</u>

- H. **Changes in Bonds, Leases, and Loans Payable.** The following is a summary of changes in bonds, leases, and loans payable for the year ended June 30, 2020:

<u>Type of Debt</u>	<u>Balance July 1, 2019</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance June 30, 2020</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Capital leases payable	<u>\$ 934,170</u>	<u>\$ 57,725</u>	<u>\$ 251,681</u>	<u>\$ 740,214</u>	<u>\$ 240,290</u>
Business-Type Activities:					
Bonds payable	\$ 20,798,500	\$	\$ 3,426,501	\$ 17,371,999	\$ 310,000
Capital leases payable	587,162	3,162,841	550,668	3,199,335	186,104
Loans payable	<u>19,020,859</u>	<u>1,581,010</u>	<u>1,650,912</u>	<u>18,950,957</u>	<u>1,055,188</u>
Total business-type activities	<u>\$ 40,406,521</u>	<u>\$ 4,743,851</u>	<u>\$ 5,628,081</u>	<u>\$ 39,522,291</u>	<u>\$ 1,551,292</u>

- I. **Annual Debt Service Requirements.** The annual debt service requirements to maturity, including principal and interest, for bonds, leases, and loans payable as of June 30, 2020 are as follows:

	<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities:				
	2021	\$ 240,290	\$ 34,782	\$ 275,072
	2022	210,533	22,063	232,596
	2023	195,302	11,768	207,070
	2024	93,687	2,817	96,504
	2025	402	3	405
		<u>\$ 740,214</u>	<u>\$ 71,433</u>	<u>\$ 811,647</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

	Year Ending June 30	Principal	Interest	Total
<i>Proprietary Activities:</i>				
	2021	\$ 1,551,292	\$ 796,164	\$ 2,347,456
	2022	1,489,856	766,311	2,256,167
	2023	1,519,268	738,023	2,257,291
	2024	1,541,090	709,004	2,250,094
	2025	1,559,155	679,999	2,239,154
	2026 - 2030	7,419,349	2,977,424	10,396,773
	2031 - 2035	7,458,893	2,345,315	9,804,208
	2036 - 2040	6,011,550	1,700,181	7,711,731
	2041 - 2045	3,350,000	1,151,371	4,501,371
	2046 - 2050	3,277,500	694,475	3,971,975
	2051 - 2055	2,612,000	251,471	2,863,471
	2056 - 2058	724,995	25,120	750,115
		<u>\$ 38,514,948</u>	<u>\$ 12,834,858</u>	<u>\$ 51,349,806</u>

Kentucky Infrastructure Authority note A16-033 totaling \$1,007,343 is not included in the proprietary activities debt service schedule above since the due dates, and payment amounts have not yet been determined.

J. **Conduit Debt.** Industrial Revenue Bonds have been issued through the City to assist various private enterprises in construction of manufacturing plants and educational facilities. These bonds do not constitute an indebtedness or pledge of faith and credit by the City. The balance outstanding at June 30, 2020 for Industrial Revenue Bonds is not available.

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

Governmental Activities:

Police department	\$ 24,869
Fire department	11,415
Street department	3,617
Cemetery department	1,834
	<u>41,735</u>

Proprietary Activities:

Water	414,585
Sewer	414,585
	<u>829,170</u>
Total interest expense	<u>\$ 870,905</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

L. **Net Position.** Net position at June 30, 2020 is identified as follows:

Governmental Funds:

Restricted for:

Police department	\$ 18,013
Roads	101,391
Tourism	<u>49,245</u>
Total net position, restricted	<u>\$ 168,649</u>

Proprietary Funds:

Bond sinking fund	\$ 577,335
Note sinking fund	580,542
Lease sinking fund	158,910
Bond debt reserve fund	361,119
Lease debt reserve fund	31,300
Water and sewer surcharge	111,854
Repairs and maintenance fund	<u>1,271,242</u>
Total net position, restricted	<u>\$ 3,092,302</u>

M. **Transfers.** The following operating transfers were made during fiscal year 2020:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 212,566	\$ 21,000
Municipal Waterworks and Sewer System		
Non-major Funds:		
Municipal Aid Fund	21,000	
Alcohol Beverage Control fund		212,107
Fiduciary Fund:		
Cemetery Fund		<u>459</u>
	<u>\$ 233,566</u>	<u>\$ 233,566</u>

The transfer of \$459 to the General Fund from the Cemetery Fund represents interest earnings on cemetery certificates of deposit, which was used for the maintenance of the cemetery.

The transfer of \$212,107 from the Alcohol Beverage Control Fund to the General Fund was to provide resources for the purchase of police equipment and reimbursement of payroll costs.

The transfer of \$21,000 from the General Fund to the Municipal Aid Fund was to assist with cash shortfall in the Municipal Aid Fund.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
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IV. PENSION PLAN

The City is a participating employer of the County Employees Retirement Systems (CERS). Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KRS) administers the CERS. CERS was created by the Kentucky General Assembly pursuant to the provisions of Kentucky Revised Statute 78.520. The plan issues publicly available financial statements, which may be downloaded from the Kentucky Retirement System's 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 any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions. For the year ended June 30, 2020, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% for hazardous job classifications (Tier 1 plan). Employees hired after September 1, 2008 and before January 1, 2014 (Tier 2 plan) 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 contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2020, participating employers contributed 24.06% of each employee's wages for non-hazardous job classifications and 39.58% for hazardous job classifications, which is equal to the actuarially determined rate set by the Board. Administrative costs of KRS are financed through employer contributions and investment earnings.

Plan members who began participating on, or after January 1, 2014 (Tier 3 plan), are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% for non-hazardous job classifications and 8% for hazardous job classifications of their annual creditable compensation to their own account and 1% to the health insurance fund which is not credited to the members account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit and hazardous job classifications receive 7.5% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Interest is paid into the Tier 3 member's account. The account currently earns 4% interest credit on the member's account balance as of June 30th of the previous year. The member's account may be credited with additional interest if the system's five-year geometric average net investment return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if the system's GANIR for the previous five years exceeds 4%, then the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30th of the

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

previous year (Upside Sharing Interest). It is possible that one system in KRS may get an upside sharing interest, while one may not. Upside sharing interest is credited to both the member contribution balance and employer pay credit balance. Upside sharing interest is an additional interest credit. Member accounts automatically earn 4% interest annually. The GANIR is calculated on an individual system basis.

The City contributed \$627,456 for the year ended June 30, 2020, or 100% of the required contribution. The contribution was allocated \$514,443 to the non-hazardous fund and \$113,013 to the hazardous fund.

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

A. Non-Hazardous Duty Employees:

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

B. Hazardous Duty Employees:

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources. At June 30, 2020, the City reported a liability of \$7,501,250 in the governmental activities fund and \$1,950,827 in the business-type activities fund for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
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contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's proportion was .106734% for non-hazardous job classifications and .070428 for hazardous job classifications. For 2018, the City's proportion was .1015689% for non-hazardous job classification and .091100% for hazardous job classifications.

For the year ended June 30, 2020, the City recognized pension expense of \$913,709 in the governmental activities fund and \$238,747 in the business-type activities fund. At June 30, 2020, the City of Harrodsburg had paid all amounts owed for the year ending June 30, 2020.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$ 223,997	\$ 23,390	\$ 50,327	\$ 8,328
Changes of assumptions	749,107		199,492	
Net difference between projected and actual earnings on Plan investments	136,189	252,958	37,836	69,611
Changes in proportion and differences between City contributions and proportionate share of contributions	169,375	419,054	59,550	21,877
City contributions subsequent to the measurement date	492,379		135,077	
Total	<u>\$ 1,771,047</u>	<u>\$ 695,402</u>	<u>\$ 482,282</u>	<u>\$ 99,816</u>

The \$492,379 and \$135,077 of deferred outflows of resources in the governmental activities funds and business-type activities funds, respectively, resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Year ending June 30,			
2021	\$ 422,409	\$ 148,637	\$ 571,046
2022	102,534	65,099	167,633
2023	52,754	28,885	81,639
2024	5,569	4,768	10,337
Total	<u>\$ 583,266</u>	<u>\$ 247,389</u>	<u>\$ 830,655</u>

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2019</u>	<u>2018</u>
Valuation date	June 30, 2019	June 30, 2018
Experience study	July 1, 2013 - June 30, 2018	July 1, 2008 - June 30, 2013
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	24 years	25 years
Asset valuation method	5-year smoothed marked	5-year smoothed marked
Inflation	2.30 %	2.30 %
Payroll growth	2.00 %	2.00 %
Salary increases	3.30% - 19.05% varies by service	3.05 %
Assumed investment rate of return	6.25 %	6.25 %

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the members's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2020 is determined using these updated benefit provisions.

The mortality table used for active members is PUB-2010 general mortality table for non-hazardous systems and the PUB-2010 public safety mortality table for the hazardous systems projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is the 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. For disabled members, the PUB-2010 disabled mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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Projected future benefit payments for all current plan members were projected through 2019. The target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth:		
U.S. Equity	18.75 %	4.30 %
Non-U.S. Equity	18.75 %	4.80 %
Private Equity	10.00 %	6.65 %
Specialty Credit/High Yield	15.00 %	2.60 %
Liquidity:		
Core Bonds	13.50 %	1.35 %
Cash	1.00 %	0.20 %
Diversifying Strategies:		
Real Estate	5.00 %	4.85 %
Opportunistic	3.00 %	2.97 %
Real Return	15.00 %	4.10 %
Total	100.00 %	3.89 %

Discount Rate. The discount rate used to measure the total pension liability was 6.25%, which is the same as the prior year. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. 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 net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.25%) or 1 percentage point higher (7.25%) than the current rate:

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net Pension Liability- Non-Hazardous</u>	<u>City's Proportionate Share of Net Pension Liability- Hazardous</u>
1% decrease	5.25 %	\$ 9,388,690	\$ 2,432,223
Current discount rate	6.25 %	7,506,648	1,945,429
1% increase	7.25 %	5,937,988	1,546,329

V. POST-EMPLOYMENT BENEFITS

All eligible retired City of Harrodsburg employees participating in the CERS receive post employment health care benefits in conjunction with their pension service benefits. Retiree cost depends on length of service prior to retirement. Employer contribution rates are established annually by the KRS Board of Trustees. KRS issues separate stand-alone financial statements for the statewide multiple employer cost-sharing plan that provides other post-employment benefits for local government employees participating in CERS. The City of Harrodsburg has employees that

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

participate in CERS hazardous and nonhazardous plans. At the time of completion of these financial statements, KRS has not yet released their financial statements for the year ended June 30, 2020. The following information was extracted from the KRS financial statements for the year ended June 30, 2019.

Under the provisions of Kentucky Revised Statute Section 61.701, the board of trustees of KRS administers the KRS Insurance Fund. The KRS Insurance Fund was established as a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS: (1) Kentucky Employees Retirement System (KRS); (2) CERS; and (3) State Police Retirement System (SPRS). The assets of the KRS Insurance Fund are commingled for investment purposes.

Kentucky Revised Statute 61.650 grants the responsibility for the investment of plan assets to the KRS Board. The Board has established an investment committee which is specifically charged with the oversight and investment of plan assets. The investment committee has adopted a statement of investment policy that contains guidelines and restrictions for deposits and investments. By statute, all investments are to be registered and held in the name of KRS. The investment committee establishes specific investment guidelines for the following types of investments:

Equity Investments may be made in common stock; securities convertible into common stock; preferred stock of publicly traded companies on stock markets, asset class relevant exchange traded funds, or other type of securities contained in a manager's benchmark.

Specialty Credit Investments may include, but are not limited to, the following types of securities and investments: non-investment grade U.S. corporate credit including both bonds and bank loans; non-investment grade non-U.S. corporate credit including bonds and bank loans; private debt; municipal bonds; non-U.S. sovereign debt; mortgages, including residential mortgage backed securities; commercial mortgage backed securities and whole loans; asset-backed securities and emerging market debt (EMD), including both sovereign EMD and corporate EMD; and asset class relevant ETFs.

Core Fixed Income Investments may include, but are not limited to the following securities: U.S. government and agency bonds; investment grade U.S. corporate credit; investment grade non-U.S. corporate credit; mortgages, including residential mortgage backed securities; commercial mortgage backed securities and whole loans; asset-backed securities; and asset class relevant ETFs.

Private Equity Investments subject to the specific approval of the Investment Committee may be made to diversify the Private Equity portfolio. The Board may invest in, but not limited to and without limitation; venture capital and private equity investments.

Cash Equivalent Securities may be made in publicly traded investment grade corporate bonds; variable rate demand notes; government and agency bonds; mortgages, municipal bonds; short term investment funds; money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper); and repurchase agreements related to the above instruments.

Real Estate/Real Return/Absolute Return/Opportunistic Investments may be made to create a diversified portfolio of alternative investments. The Board may invest in real estate or alternative investments including, but not limited to and without limitation: Real return and absolute return investments. these investments may be made in real estate mortgages on a direct basis or in the form of mortgage pool instruments.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Derivative instruments are financial contracts that have various effective dates and maturity dates and whose values depend on the values of one or more underlying assets, reference rates, or financial indices. Investments may be made in derivative securities or strategies which make use of derivative instruments, only if such investments do not cause the portfolio to be in any way leveraged beyond a 100% invested position. Examples of such derivatives include, but are not limited to the following securities: foreign currency forward contracts; collateralized mortgage obligations; treasury inflation protected securities; futures; options; and, swaps. Investments in derivative securities are subject to large or unanticipated changes in duration or cash flows and can be interest only, principal only, inverse floater, or structured note securities. These are permitted only to the extent that they are authorized in a contract or an alternative investment offering memorandum of agreement.

The following table shows the investment allocation policy vs the actual investments as of June 30, 2019:

	Asset Allocation - Policy	Asset Allocation - Actual
Growth:		
U.S. Equity	18.75 %	4.30 %
Non-U.S. Equity	18.75 %	4.80 %
Private Equity	10.00 %	6.65 %
Specialty Credit/High Yield	15.00 %	2.60 %
Liquidity:		
Core Bonds	13.50 %	1.35 %
Cash	1.00 %	0.20 %
Diversifying Strategies:		
Real Estate	5.00 %	4.85 %
Opportunistic	3.00 %	2.97 %
Real Return	15.00 %	4.10 %
Total	<u>100.00 %</u>	<u>3.89 %</u>

The employer rates allocable to the health insurance benefits was 4.76% in 2020 and 5.26% in 2019 for nonhazardous employees and 9.52% in 2020 and 10.47% in 2019 for hazardous employees. The contribution rates were created by statute and were 100% funded during 2020, 2019, 2018, 2017, 2016 and 2015. At June 30, 2020, the City of Harrodsburg had contributed all of the required 2020 funding.

The KRS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the year ended June 30, 2019, insurance premiums withheld from benefit payments for members of the CERS non-hazardous and hazardous plans were \$24.3 million and \$2.8 million, respectively. For the year ended June 30, 2018, insurance premiums withheld from benefit payments for members of CERS non-hazardous and hazardous plans were \$23.8 million and \$2.8 million, respectively. The contribution by the City of Harrodsburg, Kentucky totaled \$162,670 for the year ended June 30, 2020. The KRS Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

The amount of contribution paid by the funds is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

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

As a result of House Bill 290 enacted by the 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 earn \$15 per month with the same participation dates. In addition, a hazardous employee's spouse receives \$10 per month for insurance benefits for each year of a deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually which is currently 1.5% based on Kentucky Revised Statutes. Health insurance benefits are not protected under the inviolable contract provisions of Kentucky Revised Statutes 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

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

Retirement System	Actuarial Value of Assets	AAL Entry Age Normal	Funded	Covered Payroll	Unfunded as Percent of Covered Payroll
KERS Non-Hazardous	\$ 991,427	\$ 2,733,065	36.3 %	\$ 1,437,647	121.1 %
KERS Hazardous	525,315	426,705	123.1 %	150,446	(65.5)%
CERS Non-Hazardous	2,523,249	3,567,947	70.7 %	2,521,860	41.4 %
CERS Hazardous	1,313,659	1,732,879	75.8 %	559,353	74.9 %
SPRS	197,395	276,809	71.3 %	47,752	166.3 %
Total Insurance Funds	\$ 5,551,045	\$ 8,737,405	63.5 %	\$ 4,717,058	67.5 %

Actuarial Methods and Assumptions. The total OPEB liability as of June 30, 2020 was calculated using the following actuarial assumptions based on the June 30, 2019, actuarial valuation report.:

	KERS Non- Hazardous	KERS Hazardous	CERS Non- Hazardous	CERS Hazardous	SPRS
Inflation	2.30 %	2.30 %	2.30 %	2.30 %	2.30 %
Payroll growth rate	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %
Salary increases	3.30% to 15.30%, varies by service	3.35% to 20.05%, varies by service	3.30% to 10.30%, varies by service	3.55% to 19.05%, varies by service	
Investment rate of return	6.25 %	6.25 %	6.25 %	6.25 %	6.25 %

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

	KERS Non-Hazardous	KERS Hazardous	CERS Non-Hazardous	CERS Hazardous	SPRS
Mortality - Pre-retirement	PUB-2000 general mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	PUB-2010 public safety mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	PUB-2000 general mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	PUB-2010 public safety mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	PUB-2010 public safety mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Mortality - Post - retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Mortality-Post-retirement (disabled)	PUB-2010 disabled mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the WP-2014 mortality improvement scale using a base year of 2010	PUB-2010 disabled mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the WP-2014 mortality improvement scale using a base year of 2010	PUB-2010 disabled mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the WP-2014 mortality improvement scale using a base year of 2010	PUB-2010 disabled mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the WP-2014 mortality improvement scale using a base year of 2010	PUB-2010 disabled mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the WP-2014 mortality improvement scale using a base year of 2010
Healthcare trend rates - pre 65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare trend rates - post 65	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

	KERS Non- Hazardous	KERS Hazardous	CERS Non- Hazardous	CERS Hazardous	SPRS
As of June 30, 2019					
Single discount rate	5.73 %	5.66 %	5.68 %	5.69 %	5.76 %
Long-term expected rate of return	6.25 %	6.25 %	6.25 %	6.25 %	6.25 %
Long-term municipal bond rate (1)	3.13 %	3.13 %	3.13 %	3.13 %	3.13 %
As of June 30, 2018					
Single discount rate	5.86 %	5.88 %	5.85 %	5.97 %	6.02 %
Long-term expected rate of return	6.25 %	6.25 %	6.25 %	6.25 %	6.25 %
Long-term municipal bond rate (1)	3.62 %	3.62 %	3.62 %	3.62 %	3.62 %

(1) Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year municipal GO AA Index" as of June 28, 2019 (or as of June 30, 2018).

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

	City's Proportionate Percentage of Net OPEB Liability - Non Hazardous	Discount Rate	City's Proportionate Share of Net OPEB Liability - Non- Hazardous	City's Proportionate Percentage of Net OPEB Liability - Hazardous	Discount Rate	City's Proportionate Share of Net OPEB Liability - Hazardous
1% decrease	0.106720 %	4.68 %	\$ 2,404,538	0.070414 %	4.69 %	\$ 726,851
Current discount rate	0.106720 %	5.68 %	1,794,981	0.070414 %	5.69 %	520,965
1% increase	0.106720 %	6.68 %	1,292,749	0.070414 %	6.69 %	353,845

The allocation of the employer's proportionate share of the net OPEB liability and OPEB expense was determined using the employer's actual contributions for FY 2019 compared to all employers in the plan. The total OPEB liability, net OPEB liability, and sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2019, using generally accepted actuarial principles. The single discount rates used in the reports are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2019. Certain benefit assumptions including the mortality assumptions are from the 2018 experience study. The City's decrease in OPEB cost for June 30, 2020 was \$136,845.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

	Discount Rate	City's Proportionate Share of Net OPEB Liability - Non-Hazardous	Discount Rate	City's Proportionate Share of Net OPEB Liability - Hazardous
1% decrease	4.68 %	\$ 1,334,938	4.69 %	\$ 362,495
Current discount rate	5.68 %	1,794,981	5.69 %	520,965
1% increase	6.68 %	2,352,841	6.69 %	714,289

The deferred outflows of resources and deferred inflows of resources related to the City's OPEB from the following sources are reflected below:

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience in the measurement of the total OPEB liability	\$	\$ 497,756	\$	\$ 140,748
Changes in assumptions or other inputs	550,549	3,615	138,036	923
Net difference between projected and actual earnings on plan investments	12,310	101,269	3,073	23,792
Changes in the employer's contributions and the employers proportionate share of plan contributions	51,656	178,918	18,140	14,430
The employer's contributions to the OPEB plan subsequent to the measurement date of the collective net OPEB liability	129,697		32,973	
Total	\$ 744,212	\$ 781,558	\$ 192,222	\$ 179,893

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

The \$129,697 and \$32,973 of deferred outflows of resources in the governmental activities funds and business-type activities funds, respectively, resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Governmental Activities	Business-Type Activities
2021	\$ (19,233)	\$ (3,443)
2022	(46,935)	(3,443)
2023	(38,672)	3,145
2024	(41,036)	(9,474)
2025	(19,203)	(6,743)
Thereafter	(1,964)	(686)
	<u>\$ (167,043)</u>	<u>\$ (20,644)</u>

VI. INSURANCE

The City participates in a public entity risk pool through the Kentucky Municipal Risk Management Association ("Association"). Insurance coverage under this plan transfers the risk of loss to the Association. However, should the Association's reserves become inadequate, they could charge a special assessment to the City and other participating entities in the Association. The Association maintains re-insurance for claims in excess of \$250,000. Coverage amounts are as follows:

Type of Coverage	Insured Amount	Deductible
General liability	\$ 5,000,000	\$
Public officials liability	5,000,000	10,000
Law enforcement liability	5,000,000	
Auto liability	5,000,000	
Workers compensation	4,000,000	
Property	59,409,309	1,000
Equipment	1,621,691	500

VII. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS

During the ordinary course of its operations, the City is a party to various claims, legal actions, and complaints. In the opinion of the City's management and legal counsel, these matters are not anticipated to have a material impact on the City. No liability has been recorded at June 30, 2020 related to these potential liabilities.

During 2020, the World Health Organization characterized an outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. Multiple jurisdictions in the U.S. have declared a state of emergency, including the Commonwealth of Kentucky. As a result of this pandemic, many businesses within the City of Harrodsburg choose to discontinue operations for a period of time or have cutback on their operations. This has caused these businesses to cut back on employment and thus the City of Harrodsburg has been and will continue to see its revenue from payroll license fee to decrease from previous years. The City did obtain a Coronavirus Relief Fund grant from the U.S. Department of Treasury for \$610,629 to assist with payroll costs for Police and Firefighters. There is no assurance that future grant funds will be received by the City.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

During 2019, the City has entered into a memorandum of agreement with Campbellsville University, Inc. (University) to reimburse the University a total sum, not to exceed \$1,000,000 for the costs of construction of a road from Legion Drive to Sparrow Lane in the city. Reimbursement will not exceed \$200,000 annually. The reimbursement is subject to the City's financial condition and legality on an annual basis, its revenues and expenditures, and the feasibility of these reimbursements. No payment was made for the year ending June 30, 2020 due to the financial condition of the general fund.

In addition, the City previously committed to provide the University funding of \$10,000 annually over the next three years for operations at the University's Harrodsburg branch. No payment was made for the year ending June 30, 2020.

At June 30, 2020, the City has entered into a contract for \$405,946 to blacktop streets.

VIII. ECONOMIC DEPENDENCY

General Government Revenue. The City collected approximately \$1,578,000 representing 71%, of its payroll license fees and 24% of the total revenues of the General Fund from ten employers within the City limits.

Municipal Waterworks and Sewer System Revenue. The billings to twenty customers totaled approximately \$3,504,000 which represented 60.1% of the System's operating revenues.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Last Seven Fiscal Years*

Non-Hazardous						Hazardous				
	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Employee Payroll	City's Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Employee Payroll	City's Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.106734%	\$ 7,506,648	\$ 2,659,442	282.26%	50.45%	0.070428%	\$ 1,945,429	\$ 375,963	517.45%	46.63%
2019	0.101569%	6,185,801	2,677,145	231.06%	53.54%	0.091100%	2,203,214	399,991	550.82%	49.26%
2018	0.105664%	6,184,839	2,507,438	246.66%	53.32%	0.100552%	2,249,628	477,009	471.61%	49.78%
2017	0.103151%	5,078,759	2,569,834	197.63%	55.50%	0.099689%	1,710,600	551,977	309.90%	53.95%
2016	0.096361%	4,143,084	2,411,969	171.77%	59.97%	0.112177%	1,722,032	505,362	340.75%	57.52%
2015	0.084193%	3,244,376	2,232,126	145.35%	66.80%	0.152137%	1,201,824	581,643	206.63%	63.46%
2014	0.084193%	3,083,695	1,912,164	161.27%	61.22%	0.152137%	2,033,902	753,520	269.92%	57.74%

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2019.

1. Change in rates of salary increases for individuals.
2. New post-retirement mortality assumption based on KRS retiree experience and the inclusion of an explicit assumption for future improvement in mortality.
3. Updated mortality assumptions for members during employment and for disabled retirees.
4. Change in the rates of retirements.
5. Change in the rates that an active member is assumed to become an inactive member in the system prior to retirement.
6. Updated rates of disability incidence.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2018.

1. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2017.

1. The assumed investment rate of return was decreased from 7.50% to 6.25%.
2. The assumed rate of inflation was reduced from 3.25% to 2.30%.
3. Payroll growth assumption was reduced from 4.00% to 2.00%.

There were no changes to plan assumptions for the measurement period ending June 30, 2016.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2015.

1. The assumed investment rate of return was decreased from 7.75% to 7.50%.
2. The assumed rate of inflation was reduced from 3.50% to 3.25%.
3. The assumed rate of wage inflation was reduced from 1.00% to .75%.
4. Payroll growth assumption was reduced from 4.50% to 4.00%.
5. The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
6. For healthy retired members and beneficiaries, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
7. The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience.

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

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF PENSION CONTRIBUTIONS
Last Eight Fiscal Years*

Year	Retirement Plan	Contractually Required Employer Contribution	Contributions Relative to Contractually Required Employer Contribution	Contribution deficiency (excess)	City Covered Employee Payroll	Employer Contributions as a Percentage of Covered- Employee Payroll
2020	CERS Non-Hazardous	\$ 514,445	\$ 514,445	\$0	\$2,659,442	19.34%
	CERS Hazardous	113,013	113,013	0	\$375,963	30.06%
2019	CERS Non-Hazardous	440,318	440,318	0	2,677,145	16.45%
	CERS Hazardous	128,258	128,258	0	399,991	32.07%
2018	CERS Non-Hazardous	376,808	376,808	0	2,507,438	15.03%
	CERS Hazardous	103,797	103,797	0	477,009	21.76%
2017	CERS Non-Hazardous	360,034	360,034	0	2,569,834	14.01%
	CERS Hazardous	120,011	120,011	0	551,977	21.74%
2016	CERS Non-Hazardous	444,236	444,236	0	2,411,969	18.42%
	CERS Hazardous	171,803	171,803	0	505,362	34.00%
2015	CERS Non-Hazardous	414,209	414,209	0	2,232,126	18.56%
	CERS Hazardous	200,220	200,220	0	581,643	34.42%
2014	CERS Non-Hazardous	364,902	364,902	0	1,912,164	19.08%
	CERS Hazardous	275,121	275,121	0	753,520	36.51%
2013	CERS Non-Hazardous	359,339	359,339	0	1,838,053	19.55%
	CERS Hazardous	294,336	294,336	0	782,810	37.60%

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

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2018:

1. Change in rates of salary increases for individuals
2. New post-retirement mortality assumption based on KRS retiree experience and the inclusion of an explicit assumption for future improvement in mortality
3. Updated mortality assumptions for members during employment and for disabled retiree:
4. Change in the rates of retirements
5. Change in the rates that an active member is assumed to become an inactive member in the System prior to retirement
6. Updated rates of disability incidence

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2017:

1. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final rate of pay to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2016:

1. The assumed investment rate of return was decreased from 7.50% to 6.25%.
2. The assumed rate of inflation was reduced from 3.25% to 2.30%.
3. Payroll growth assumption was reduced from 4.00% to 2.90%.

There were no changes to plan assumptions for the measurement period ending June 30, 2015.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2014:

1. The assumed investment rate of return was decreased from 7.75% to 7.50%
2. The assumed rate of inflation was reduced from 3.50% to 3.25%
3. The assumed rate of wage inflation was reduced from 1.00% to .75%
4. Payroll growth assumption was reduced from 4.50% to 4.00%
5. The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for female)
6. For healthy retired members and beneficiaries, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
7. The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
Last Three Fiscal Year's

Actuarial Valuation Date	Non-Hazardous		Hazardous		Covered Payroll		Unfunded liability as A Percentage of Covered Payroll	
	Employer Proportion of Collective Net OPEB Liability		Employer Proportion of Collective Net OPEB Liability		Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
	Percentage	Amount	Percentage	Amount				
6/30/2020	0.106720	\$1,794,981	0.070414	\$520,965	\$2,659,442	\$375,963	67.49%	138.57%
6/30/2019	0.101564	1,803,249	0.091105	649,542	2,677,145	399,991	67.36%	162.39%
6/30/2018	0.105664	2,124,208	0.100552	831,235	2,507,438	477,009	84.72%	174.26%

Notes:

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

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2019.

1. Change in rates of salary increases for individuals.
2. New post-retirement mortality assumption based on KRS retiree experience and the inclusion of an explicit assumption for future improvement in mortality.
3. Updated mortality assumptions for members during employment and for disabled retirees.
4. Change in the rates of retirements.
5. Change in the rates that an active member is assumed to become an inactive member in the System prior to retirement.
6. Updated rates of disability incidence.

There were no changes to plan assumptions for the measurement period ending June 30, 2018.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2017.

1. The assumed investment rate of return was 6.25%.
2. The assumed rate of inflation was 2.30%.
3. Payroll growth assumption was 3.05%.
4. The healthcare trend rate starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years for pre-65. The healthcare trend rate starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years for post-65.
5. The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
6. For healthy retired members and beneficiaries, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS
Last Four Fiscal Year's

Non-Hazardous			Hazardous		
Fiscal Year Ended 30-June	Annual Required Contribution	Percentage Contributed	Fiscal Year Ended 30-June	Annual Required Contribution	Percentage Contributed
2020	\$ 126,879	100%	2020	\$ 35,791	100%
2019	139,048	100%	2019	54,967	100%
2018	123,342	100%	2018	46,700	100%
2017	121,687	100%	2017	51,610	100%

Notes:

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

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2019.

1. Change in rates of salary increases for individuals.
2. New post-retirement mortality assumption based on KRS retiree experience and the inclusion of an explicit assumption for future improvement in mortality.
3. Updated mortality assumptions for members during employment and for disabled retirees.
4. Change in the rates of retirements.
5. Change in the rates that an active member is assumed to become an inactive member in the System prior to retirement.
6. Updated reates of disability incidence.

There were no changes to plan assumptions for the measurement period ending June 30, 2018.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2017.

1. The assumed investment rate of return was 6.25%.
2. The assumed rate of inflation was 2.30%.
3. Payroll growth assumption was 3.05%.
4. The healthcare trend rate starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years for pre-65. The healthcare trend rate starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years for post-65.
5. The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
6. For healthy retired members and beneficiaries, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
For the Year Ending June 30, 2020

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

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

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

Budgetary Accounting

The annual operating budget of governmental funds are prepared and presented on the modified accrual basis of accounting.

The City does not use an encumbrance accounting system; thus, the budgetary and GAAP presentation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Budgetary and Actual are the same.

Expenditures Exceeding Budget

Expenditures exceeded budgeted amounts as follows:

<u>Department/Classification</u>	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Street department	\$ 725,264	\$ 733,931	\$ 8,667

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 1,945,984	\$ 1,914,984	\$ 2,128,768	\$ 213,784
Licenses, permits, and fees	3,500,522	3,500,522	3,045,361	(455,161)
Intergovernmental revenue	953,259	1,276,143	1,114,278	(161,865)
Service charges	127,800	127,800	132,719	4,919
Other	363,332	353,582	132,856	(220,726)
Total revenues	<u>6,890,897</u>	<u>7,173,031</u>	<u>6,553,982</u>	<u>(619,049)</u>
Expenditures:				
General government	496,675	509,425	500,237	9,188
Police department	2,136,470	2,064,508	1,685,585	378,923
Fire department	1,525,582	1,525,782	1,381,088	144,694
Street department	717,624	725,264	733,931	(8,667)
Cemeteries	480,125	480,625	307,283	173,342
Culture and recreation	235,044	237,602	226,290	11,312
Communications		349,946	339,322	10,624
Non-departmentalized	1,299,377	1,299,377	543,512	755,865
Total expenditures	<u>6,890,897</u>	<u>7,192,529</u>	<u>5,717,248</u>	<u>1,475,281</u>
Excess (deficiency) of revenues over expenditures before other financing sources		<u>(19,498)</u>	<u>836,734</u>	<u>856,232</u>
Other financing sources (uses):				
Transfers (to) from other funds			191,566	191,566
Lease proceeds			57,725	57,725
Total other financing sources (uses)			<u>249,291</u>	<u>249,291</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)		<u>(19,498)</u>	<u>1,086,025</u>	<u>1,105,523</u>
Fund balance, beginning of year	<u>3,787,240</u>	<u>3,787,240</u>	<u>3,787,240</u>	
Fund balance, end of year	<u>\$ 3,787,240</u>	<u>\$ 3,767,742</u>	<u>\$ 4,873,265</u>	<u>\$ 1,105,523</u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Taxes:				
Real property	\$ 322,400	\$ 291,400	\$ 298,137	\$ 6,737
Motor vehicle	112,334	112,334	114,028	1,694
Tangible personal property	28,000	28,000	37,875	9,875
Public service company	15,500	15,500	15,986	486
Insurance premium	1,394,500	1,394,500	1,592,500	198,000
Bank deposits	55,000	55,000	53,412	(1,588)
Payments in lieu of taxes	18,250	18,250	16,830	(1,420)
	<u>1,945,984</u>	<u>1,914,984</u>	<u>2,128,768</u>	<u>213,784</u>
Licenses, permits, and fees:				
Payroll license fees	2,510,472	2,510,472	2,232,790	(277,682)
Net profits license fees	264,418	264,418	205,409	(59,009)
Business license fees	19,725	19,725	19,275	(450)
Street license fees	1,575	1,575	1,425	(150)
ABC license fees	125,969	125,969	14,642	(111,327)
Franchise fee - cable television	56,763	56,763	58,595	1,832
Franchise fee - electric	437,200	437,200	439,173	1,973
Franchise fee - natural gas	84,400	84,400	74,052	(10,348)
	<u>3,500,522</u>	<u>3,500,522</u>	<u>3,045,361</u>	<u>(455,161)</u>
Intergovernmental revenue:				
Police pay incentive	88,000	88,000	71,448	(16,552)
Firefighters pay incentive	72,000	72,000	80,790	8,790
Police court fines	15,000	15,000	9,390	(5,610)
911 reimbursements		322,884	304,790	(18,094)
Other grants and subsidies	93,000	93,000	647,860	554,860
Sidewalk project	685,259	685,259		(685,259)
	<u>953,259</u>	<u>1,276,143</u>	<u>1,114,278</u>	<u>(161,865)</u>

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Service charges:				
Rental income	18,500	18,500	13,264	(5,236)
Police arrest fees	5,000	5,000	2,631	(2,369)
Interment, Spring Hill	68,000	68,000	68,900	900
Lots sold, Spring Hill	24,000	24,000	37,750	13,750
Interment, Maple Grove	3,300	3,300	550	(2,750)
Lots sold, Maple Grove	1,000	1,000	1,000	
Monument bases	8,000	8,000	8,624	624
	<u>127,800</u>	<u>127,800</u>	<u>132,719</u>	<u>4,919</u>
Other:				
Penalties and interest	11,500	11,500	11,614	114
Interest earned	2,500	2,500	3,078	578
Drug investigation receipts			55,747	55,747
Sale of surplus property	25,000	25,000	27,649	2,649
Insurance claim receipts			13,437	13,437
Miscellaneous	324,332	314,582	21,331	(293,251)
	<u>363,332</u>	<u>353,582</u>	<u>132,856</u>	<u>(220,726)</u>
Total revenues	<u>\$ 6,890,897</u>	<u>\$ 7,173,031</u>	<u>\$ 6,553,982</u>	<u>\$ (619,049)</u>

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government:				
Salaries and wages	\$ 302,362	\$ 302,362	\$ 292,247	\$ 10,115
Fringe benefits	109,319	109,319	97,521	11,798
Contractual services	63,154	75,904	68,213	7,691
Materials and supplies	12,285	12,285	20,410	(8,125)
Other costs	9,555	9,555	21,846	(12,291)
	<u>496,675</u>	<u>509,425</u>	<u>500,237</u>	<u>9,188</u>
Police department:				
Salaries and wages	1,083,422	1,052,941	877,706	175,235
Fringe benefits	651,691	600,210	383,135	217,075
Contractual services	86,484	106,484	131,221	(24,737)
Materials and supplies	127,395	107,395	83,884	23,511
Other costs	31,984	41,984	55,345	(13,361)
Capital outlay	13,650	13,650	13,246	404
Debt service	141,844	141,844	141,048	796
	<u>2,136,470</u>	<u>2,064,508</u>	<u>1,685,585</u>	<u>378,923</u>
Fire department:				
Salaries and wages	780,280	780,280	723,955	56,325
Fringe benefits	480,315	480,315	375,448	104,867
Contractual services	75,717	75,917	108,614	(32,697)
Materials and supplies	58,240	58,240	52,316	5,924
Other costs	27,380	27,380	23,716	3,664
Capital outlay	13,650	13,650	13,701	(51)
Debt service	90,000	90,000	83,338	6,662
	<u>1,525,582</u>	<u>1,525,782</u>	<u>1,381,088</u>	<u>144,694</u>
Street department:				
Salaries and wages	183,380	189,220	210,880	(21,660)
Fringe benefits	114,932	115,882	86,842	29,040
Contractual services	269,738	270,238	245,841	24,397
Materials and supplies	70,794	71,144	68,698	2,446
Other costs	7,280	7,280	8,171	(891)
Capital outlay	12,000	12,000	69,645	(57,645)
Debt service	59,500	59,500	43,854	15,646
	<u>717,624</u>	<u>725,264</u>	<u>733,931</u>	<u>(8,667)</u>

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cemeteries:				
Salaries and wages	218,844	218,844	141,245	77,599
Fringe benefits	124,431	124,431	72,816	51,615
Contractual services	78,350	78,850	59,692	19,158
Materials and supplies	24,000	24,000	11,918	12,082
Other costs	4,500	4,500	3,065	1,435
Capital outlay	20,000	20,000	8,500	11,500
Debt service	10,000	10,000	10,047	(47)
	<u>480,125</u>	<u>480,625</u>	<u>307,283</u>	<u>173,342</u>
Culture and recreation:				
Salaries and wages	85,582	85,582	82,227	3,355
Fringe benefits	51,547	51,197	40,277	10,920
Contractual services	59,000	59,200	59,778	(578)
Materials and supplies	31,550	31,900	33,791	(1,891)
Other costs	7,365	9,723	10,217	(494)
	<u>235,044</u>	<u>237,602</u>	<u>226,290</u>	<u>11,312</u>
Communications:				
Salaries and wages		190,741	207,958	(17,217)
Fringe benefits		88,659	86,492	2,167
Contractual services		44,421	38,943	5,478
Materials and supplies		9,009	1,649	7,360
Other costs		7,116	4,280	2,836
Capital outlay		10,000		10,000
		<u>349,946</u>	<u>339,322</u>	<u>10,624</u>
Non-departmentalized:				
Insurance	260,000	260,000	260,563	(563)
Grants and subsidies	1,039,377	1,039,377	282,949	756,428
	<u>1,299,377</u>	<u>1,299,377</u>	<u>543,512</u>	<u>755,865</u>
	<u>\$ 6,890,897</u>	<u>\$ 7,192,529</u>	<u>\$ 5,717,248</u>	<u>\$ 1,475,281</u>

OTHER SUPPLEMENTARY INFORMATION

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

Such statements and schedules include:

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

NON-MAJOR FUNDS

CITY OF HARRODSBURG, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
June 30, 2020

	<u>Municipal Aid Fund</u>	<u>Tourism Development Fund</u>	<u>Alcohol Beverage Control Fund</u>	<u>Total</u>
ASSETS				
Cash	\$ 101,391	\$ 5,134	\$ 2,463	\$ 108,988
Accounts receivable, taxes		49,611		49,611
Total assets	<u>\$ 101,391</u>	<u>\$ 54,745</u>	<u>\$ 2,463</u>	<u>\$ 158,599</u>
LIABILITIES				
Accounts payable	<u>\$</u>	<u>\$ 5,500</u>	<u>\$</u>	<u>\$ 5,500</u>
FUND BALANCE				
Fund balance:				
Restriected for:				
Roads	101,391			101,391
Tourism		49,245		49,245
Police			2,463	2,463
Total fund balance	<u>101,391</u>	<u>49,245</u>	<u>2,463</u>	<u>153,099</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 101,391</u>	<u>\$ 54,745</u>	<u>\$ 2,463</u>	<u>\$ 158,599</u>

CITY OF HARRODSBURG, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
For the Year Ended June 30, 2020

	<u>Municipal Aid Fund</u>	<u>Tourism Development Fund</u>	<u>Alcohol Beverage Control Fund</u>	<u>Total</u>
Revenues:				
Intergovernmental revenue	\$ 166,010	\$	\$	\$ 166,010
Restaurant tax collections		266,211		266,211
Alcohol license fee			215,993	215,993
Insurance claim proceeds		5,500		5,500
Interest income	43	18	711	772
Total revenues	<u>166,053</u>	<u>271,729</u>	<u>216,704</u>	<u>654,486</u>
Expenditures:				
Grants and subsidies		311,788		311,788
Police department:				
Other costs			4,634	4,634
Street department:				
Paving	112,734			112,734
Materials and supplies	19,651			19,651
Total expenditures	<u>132,385</u>	<u>311,788</u>	<u>4,634</u>	<u>448,807</u>
Excess (deficiency) of revenues over expenditures	33,668	(40,059)	212,070	205,679
Other financing sources (uses):				
Transfers (to) from other funds	21,000		(212,107)	(191,107)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	54,668	(40,059)	(37)	14,572
Fund balance, beginning of year	<u>46,723</u>	<u>89,304</u>	<u>2,500</u>	<u>138,527</u>
Fund balance, end of year	<u>\$ 101,391</u>	<u>\$ 49,245</u>	<u>\$ 2,463</u>	<u>\$ 153,099</u>

PROPRIETARY FUND

CITY OF HARRODSBURG, KENTUCKY
BALANCE SHEET
MUNICIPAL WATERWORKS AND SEWER SYSTEM
June 30, 2020

ASSETS

Current assets:

Cash	\$ 2,746,844
Certificates of deposit	385,152
Accounts receivable (net of allowance for doubtful accounts of \$ 600,000)	640,966
Accounts receivable, other	5,500
Due from other funds	27,562
Prepaid expenses	<u>251,429</u>
	<u>4,057,453</u>

Restricted assets:

Cash	2,526,388
Certificates of deposit	<u>565,914</u>
	<u>3,092,302</u>

Capital assets:

Water utility system	14,855,563
Sewer utility system	12,376,970
Water and sewer treatment plant	62,456,470
Equipment and vehicles	3,844,256
Buildings and land	<u>835,149</u>
	94,368,408

Less accumulated depreciation	<u>39,170,998</u>
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Capital assets, net	<u>55,197,410</u>
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Other long term assets:

Bond issuance costs	<u>200,657</u>
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Total assets	<u>\$ 62,547,822</u>
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Deferred outflow of resources	<u>\$ 674,504</u>
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LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable	\$ 95,593
Accounts payable, construction	443,005
Accrued liabilities	110,974
Customer deposits	298,842
Lease payable	<u>186,104</u>
	<u>1,134,518</u>

Liabilities payable from restricted assets:

Accrued interest payable	101,035
Current portion of loans payable	1,055,188
Current portion of bonds payable	<u>310,000</u>
	<u>1,466,223</u>

Non-current liabilities:

Bonds payable	17,061,999
Loans payable	17,895,769
Lease payable	3,013,231
Net pension obligation	1,950,827
Post employment benefits payable	<u>466,479</u>
	<u>40,388,305</u>

Total liabilities	<u>\$ 42,989,046</u>
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Deferred inflow of resources	<u>\$ 279,709</u>
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Net position:

Net investment in capital assets	\$ 15,675,119
Restricted	3,092,302
Unrestricted	<u>1,186,150</u>

Total net position	<u>\$ 19,953,571</u>
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CITY OF HARRODSBURG, KENTUCKY
COMBINING STATEMENT OF REVENUES AND EXPENSES
MUNICIPAL WATERWORKS AND SEWER SYSTEM
For the Year Ended June 30, 2020

	Water Department	Sewer Department	Total
Operating revenues:			
Water sales	\$ 2,649,150	\$	\$ 2,649,150
Water taps	27,350		27,350
Water surcharge	53,460		53,460
Sewer charges		2,729,419	2,729,419
Sewer taps		15,560	15,560
Sewer surcharge		58,394	58,394
Wastewater surcharge		6,003	6,003
Pre-treatment charges		150,326	150,326
Penalties	59,655	59,656	119,311
Other revenue	10,487	10,486	20,973
Total operating revenues	<u>2,800,102</u>	<u>3,029,844</u>	<u>5,829,946</u>
Operating expenses:			
Water operations	2,072,013		2,072,013
Sewer operations		1,229,689	1,229,689
Total operating expenses	<u>2,072,013</u>	<u>1,229,689</u>	<u>3,301,702</u>
Operating income before depreciation, amortization, and bad debts	<u>728,089</u>	<u>1,800,155</u>	<u>2,528,244</u>
Depreciation expense	1,789,926	1,789,926	3,579,852
Amortization expense	7,632	7,632	15,264
Bad debts	30,000	30,000	60,000
Total depreciation, amortization, and bad debts	<u>1,827,558</u>	<u>1,827,558</u>	<u>3,655,116</u>
Operating income (loss)	<u>(1,099,469)</u>	<u>(27,403)</u>	<u>(1,126,872)</u>
Non-operating revenues (expenses):			
Interest income	5,445	5,445	10,890
Garbage service	663,193		663,193
Sales tax	136,987		136,987
Utility tax	56,001		56,001
KY River withdrawal fee	216,023		216,023
Other income	35,563	35,563	71,126
Interest expense	(414,585)	(414,585)	(829,170)
Garbage service	(619,000)		(619,000)
Sales tax paid	(142,762)		(142,762)
Utility tax paid	(61,701)		(61,701)
KY River withdrawal fee	(275,867)		(275,867)
Non-operating revenues (expenses), net	<u>(400,703)</u>	<u>(373,577)</u>	<u>(774,280)</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	<u>(1,500,172)</u>	<u>(400,980)</u>	<u>(1,901,152)</u>
Capital grant proceeds		8,270	8,270
Increase (decrease) in net assets	<u>\$ (1,500,172)</u>	<u>\$ (392,710)</u>	<u>(1,892,882)</u>
Net position, beginning of year			<u>21,846,453</u>
Net position, end of year			<u>\$ 19,953,571</u>

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF UTILITY OPERATING EXPENSES
MUNICIPAL WATERWORKS AND SEWER SYSTEM
For the Year Ended June 30, 2020

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total</u>
Water administration:			
Salaries and wages	\$ 74,279	\$	\$ 74,279
Fringe benefits	58,067		58,067
Contractual services	29,775		29,775
Materials and supplies	20,803		20,803
Other costs	3,523		3,523
	<u>186,447</u>		<u>186,447</u>
Total water administration			
Water operations:			
Salaries and wages	322,263		322,263
Fringe benefits	226,127		226,127
Contractual services	558,508		558,508
Materials and supplies	322,333		322,333
Other costs	9,636		9,636
	<u>1,438,867</u>		<u>1,438,867</u>
Total water operations			
Sewer operations:			
Salaries and wages		244,239	244,239
Fringe benefits		164,689	164,689
Contractual services		406,642	406,642
Materials and supplies		31,674	31,674
Other costs		16,964	16,964
		<u>864,208</u>	<u>864,208</u>
Total sewer operations			
Water and sewer maintenance:			
Salaries and wages	137,228	112,278	249,506
Fringe benefits	88,657	72,537	161,194
Contractual services	57,259	46,848	104,107
Materials and supplies	36,423	29,801	66,224
Other costs	3,056	2,500	5,556
	<u>322,623</u>	<u>263,964</u>	<u>586,587</u>
Total water and sewer maintenance			
Other:			
Insurance	124,076	101,517	225,593
	<u>124,076</u>	<u>101,517</u>	<u>225,593</u>
Total operating expenses	<u>\$ 2,072,013</u>	<u>\$ 1,229,689</u>	<u>\$ 3,301,702</u>

Kerbaugh, Rodes & Butler, PLLC

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Independent Auditor's Report on Internal Control over Financial Reporting Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Mayor and Board of Commissioners
City of Harrodsburg, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrodsburg, Kentucky (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 17, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Kerbaugh, Rodas & Butler, PLLC

Kerbaugh, Rodas & Butler, PLLC
Certified Public Accountants

Danville, Kentucky
February 17, 2021