

CITY OF HARRODSBURG, KENTUCKY

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

For the Year Ended June 30, 2022

CONTENTS

| | Page |
|--|------|
| Independent Auditor's Report..... | 1 |
| Required Supplementary Information: | |
| Management Discussion and Analysis..... | IV |
| Basic Financial Statements | |
| Government-Wide Financial Statements: | |
| Statement of Net Position..... | 1 |
| Statement of Activities..... | 3 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds..... | 5 |
| Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Position..... | 6 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds..... | 7 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund | |
| Balance of Governmental Funds to the Statement of Activities - Governmental Funds..... | 8 |
| Statement of Net Position - Proprietary Fund..... | 9 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund..... | 11 |
| Statement of Cash Flows - Proprietary Fund..... | 13 |
| Statement of Net Position - Fiduciary Fund..... | 15 |
| Statement of Changes in Net Position - Fiduciary Fund..... | 16 |
| Notes to Basic Financial Statements..... | 17 |
| Required Supplementary Information: | |
| Schedule of Proportionate Share of the Net Pension Liability..... | 52 |
| Schedule of Pension Contributions..... | 53 |
| Schedule of Funding Progress - Other Post-Employment Benefits..... | 54 |
| Schedule of Employer Contributions - Other Post-Employment Benefits..... | 55 |
| Budgetary Comparison Schedules: | |
| Notes to the Required Supplementary Information on Budgetary Accounting and Control..... | 56 |
| General Fund: | |
| Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual..... | 57 |
| Statement of Revenue - Budgeted and Actual..... | 58 |
| Statement of Expenditures - Budgeted and Actual..... | 60 |
| Other Supplementary Information: | |
| Non-Major Funds: | |
| Combining Balance Sheet..... | 62 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances..... | 63 |
| Proprietary Funds: | |
| Balance Sheet - Municipal Waterworks and Sewer System..... | 64 |
| Combining Statement of Revenues and Expenses - Municipal Waterworks and Sewer System..... | 65 |
| Schedule of Utility Operating Expenses - Municipal Waterworks and Sewer System..... | 66 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on | |
| Compliance and Other Matters Based on an Audit of Financial Statements Performed | |
| in Accordance with <i>Government Auditing Standards</i> | 67 |

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Independent Auditor's Report

Mayor and Board of Commissioners
City of Harrodsburg, Kentucky

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, net pension liability information, and net other postemployment benefits information on pages IV through X and 52 through 61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain

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

Kerbaugh, Rodes & Butler, PLLC

Kerbaugh, Rodes & Butler, PLLC
Certified Public Accountants

Danville, Kentucky
February 13, 2023

CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2022

OVERVIEW

The report on Audited Financial Statements and Supplementary information for the year ended June 30, 2022 for the City of Harrodsburg; Kentucky contains various financial statements and disclosures required by GASB (Governmental Accounting Standards Board) and other reporting required by Federal and State Governments.

BASIC FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

Business-type Activities – The City charges a fee to customers to help it recover all or most of the cost of certain services it provides. The City's water and sewer services are the primary services reported here. Our analysis primarily focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

FUND FINANCIAL STATEMENTS

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

CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2022

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

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

The City is also the trustee (or fiduciary) for certain activities. We exclude these activities from the City’s government-wide financial statements because the City’s use of these assets to finance its operations is very restricted. All of the City’s fiduciary activities are reported in the Statement of Net Position – Fiduciary Fund on page 15 and the Statement of Changes in Net Position- Fiduciary Fund on page 16. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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

GOVERNMENTAL ACTIVITIES

The change in the City’s net position is one way to measure the City’s financial health or financial position. As listed on Table 2, the City’s net position related to governmental activities increased by \$1,173,945 or approximately 85%, indicating a positive change in the City’s financial position. The largest portion of the City’s net position (\$4,532,388) reflects its investment in capital assets (e.g. land, buildings, equipment, and infrastructure); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources. Debt outstanding as of June 30, 2022 was \$405,020 in leases and loans used for vehicle and equipment purchases, and for road resurfacing. This is a decrease of \$130,290 or approximately 24% from the prior year. During the fiscal year ended June 30, 2022, the City entered into four capital leases for the purchase of vehicles for \$162,612 and leases for storage and equipment related to body cameras for \$32,918. Scheduled debt payments for all long-term debt of the City’s governmental activities in the amount of \$325,820 were made during the year. As listed on Table I, the City’s unreserved and unrestricted governmental fund net position (deficit) was (\$2,464,196) as of June 30, 2022.

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 \$1,020,978 or approximately 5.4%. The largest portion of the City’s net position (\$14,018,095) or

CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2022

approximately 78.5% 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, 2022 was \$36,587,064 in leases for equipment and bonds and loans issued for major improvements to the utility infrastructure. This is a decrease of \$1,545,752 or approximately 4.1% over the prior year.

Scheduled debt payments and redemption of bonds refinanced for all long-term debt of the City's business-type activities in the amount of \$1,545,749 were made during the year. As listed on Table I, the City's business-type activities maintained unrestricted net position of \$1,595,864. This is a \$355,052 increase over the prior year unrestricted net position.

BUDGET AND OTHER REQUIRED SUPPLEMENTARY INFORMATION

Required supplemental information starting on page 52 provides budgetary comparison schedules for the General Fund, GASB 68 net pension liability information, GASB 75 other post-employment benefits information, and notes to the required supplementary information.

NET PENSION LIABILITY

The City's net pension liability is measured and reported in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which addresses financial reporting for state and local government employers whose employees are provided with pensions through pension plans that are covered under Statement No. 67, Financial Reporting for Pension Plans. The guidance contained in Statement No. 68 changed how governments calculate and report the costs and obligations associated with pensions. Under the new standards, GASB requires that cost-sharing governments report a net pension liability, pension expense, and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all governments in the plan. The City's net pension obligation was \$8,843,251 as of June 30, 2022, compared to \$9,946,952 as of June 30, 2021.

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 \$2,660,678 as of June 30, 2022, compared to \$3,114,430 as of June 30, 2021.

CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2022

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 51% of its payroll license fees and net profits and 20% of total revenues of the General Fund from four employers within the City limits. The billings to 5 customers represent 44% of the Utility system's operating revenue. Improvements and expansions of infrastructure and past annexations provide the opportunity for continuous growth and development within the City. However, it is essential that effective and efficient economic development programs be pursued in order to ensure appropriately balanced development and to keep the community competitive in an increasing global market.

The City currently has several commitments outstanding as of June 30, 2022. A discussion of these commitments can be found at footnote VII, page 51 of the financial statements.

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

REQUEST FOR INFORMATION

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

TABLE 1**NET POSITION**
June 30, 2022

| | Governmental Activities | Business-Type Activities | Total |
|----------------------------------|------------------------------------|-------------------------------------|----------------------|
| Current and other assets | \$ 9,451,191 | \$ 6,823,194 | \$ 16,274,385 |
| Capital assets, net | <u>4,937,408</u> | <u>50,605,159</u> | <u>55,542,567</u> |
| Total assets | <u>\$ 14,388,599</u> | <u>\$ 57,428,353</u> | <u>\$ 71,816,952</u> |
| Deferred outflow of resources | <u>\$ 2,510,673</u> | <u>\$ 723,761</u> | <u>\$ 3,234,434</u> |
| Long-term debt outstanding | \$ 405,020 | \$ 36,587,064 | \$ 36,992,084 |
| Net pension obligation | 6,975,112 | 1,868,139 | 8,843,251 |
| Post employment benefits payable | 2,099,868 | 560,810 | 2,660,678 |
| Other liabilities | 421,527 | 620,023 | 1,041,550 |
| Deferred revenue | <u>1,943,905</u> | | <u>1,943,905</u> |
| Total liabilities | <u>\$ 11,845,432</u> | <u>\$ 39,636,036</u> | <u>\$ 51,481,468</u> |
| Deferred inflows of resources | <u>\$ 2,494,545</u> | <u>\$ 651,611</u> | <u>\$ 3,146,156</u> |
| Net investment in capital assets | \$ 4,532,388 | \$ 14,018,095 | \$ 18,550,483 |
| Restricted | 491,103 | 2,250,508 | 2,741,611 |
| Unrestricted | <u>(2,464,196)</u> | <u>1,595,864</u> | <u>(868,332)</u> |
| Total net position | <u>\$ 2,559,295</u> | <u>\$ 17,864,467</u> | <u>\$ 20,423,762</u> |

TABLE 2**NET POSITION**
June 30, 2021

| | Governmental Activities | Business-Type Activities | Total |
|----------------------------------|------------------------------------|-------------------------------------|----------------------|
| Current and other assets | \$ 6,207,236 | \$ 6,812,607 | \$ 13,019,843 |
| Capital assets, net | <u>5,053,237</u> | <u>52,940,845</u> | <u>57,994,082</u> |
| Total assets | <u>\$ 11,260,473</u> | <u>\$ 59,753,452</u> | <u>\$ 71,013,925</u> |
| Deferred outflow of resources | <u>\$ 2,573,842</u> | <u>\$ 675,637</u> | <u>\$ 3,249,479</u> |
| Long-term debt outstanding | \$ 535,310 | \$ 38,132,813 | \$ 38,668,123 |
| Net pension obligation | 7,968,184 | 1,978,768 | 9,946,952 |
| Post employment benefits payable | 2,491,645 | 622,785 | 3,114,430 |
| Other liabilities | <u>301,857</u> | <u>606,241</u> | <u>908,098</u> |
| Total liabilities | <u>\$ 11,296,996</u> | <u>\$ 41,340,607</u> | <u>\$ 52,637,603</u> |
| Deferred inflows of resources | <u>\$ 1,151,969</u> | <u>\$ 203,035</u> | <u>\$ 1,355,004</u> |
| Net investment in capital assets | \$ 4,517,927 | \$ 14,808,032 | \$ 19,325,959 |
| Restricted | 360,348 | 2,126,497 | 2,486,845 |
| Unrestricted | <u>(3,492,925)</u> | <u>1,950,916</u> | <u>(1,542,009)</u> |
| Total net position | <u>\$ 1,385,350</u> | <u>\$ 18,885,445</u> | <u>\$ 20,270,795</u> |

TABLE 3
CHANGE IN NET POSITION
June 30, 2022

| | Governmental Activities | Business-Type Activities | Total |
|------------------------------------|------------------------------------|-------------------------------------|-----------------------------|
| Revenues | | | |
| Program revenues: | | | |
| Charges for services | \$ 130,703 | \$ 7,067,022 | \$ 7,197,725 |
| Operating grants and contributions | 755,832 | 153,190 | 909,022 |
| General revenues: | | | |
| Taxes | 3,234,778 | | 3,234,778 |
| Licenses, permits and fees | 3,628,803 | | 3,628,803 |
| Other | 254,442 | 32,783 | 287,225 |
| Transfer | 118,670 | (118,400) | 270 |
| | <u>8,123,228</u> | <u>7,134,595</u> | <u>15,257,823</u> |
| Program Expenses | | | |
| General government | 527,969 | | 527,969 |
| Police department | 1,925,438 | | 1,925,438 |
| Fire department | 1,565,503 | | 1,565,503 |
| Street department | 805,230 | | 805,230 |
| Cemeteries | 349,683 | | 349,683 |
| Culture and recreation | 311,772 | | 311,772 |
| Communications | 169,918 | | 169,918 |
| Non-departmentalized | 1,293,770 | | 1,293,770 |
| Water | | 5,042,986 | 5,042,986 |
| Sewer | | 3,112,587 | 3,112,587 |
| | <u>6,949,283</u> | <u>8,155,573</u> | <u>15,104,856</u> |
| Change in net position | 1,173,945 | (1,020,978) | 152,967 |
| Net position | <u>1,385,350</u> | <u>18,885,445</u> | <u>20,270,795</u> |
| Net position, end of year | <u><u>\$ 2,559,295</u></u> | <u><u>\$ 17,864,467</u></u> | <u><u>\$ 20,423,762</u></u> |

TABLE 4
CHANGE IN NET POSITION
June 30, 2021

| | Governmental Activities | Business-Type Activities | Total |
|------------------------------------|------------------------------------|-------------------------------------|-----------------------------|
| Revenues | | | |
| Program revenues: | | | |
| Charges for services | \$ 141,746 | \$ 6,491,503 | \$ 6,633,249 |
| Operating grants and contributions | 1,219,035 | | 1,219,035 |
| Capital grants and contributions | | 7,069 | 7,069 |
| General revenues: | | | |
| Taxes | 2,999,338 | | 2,999,338 |
| Licenses, permits and fees | 2,971,976 | | 2,971,976 |
| Other | 143,616 | 17,401 | 161,017 |
| Transfer | 10,012 | 2,574 | 12,586 |
| | <u>7,485,723</u> | <u>6,518,547</u> | <u>14,004,270</u> |
| Program Expenses | | | |
| General government | 558,139 | | 558,139 |
| Police department | 2,013,915 | | 2,013,915 |
| Fire department | 1,590,368 | | 1,590,368 |
| Street department | 973,218 | | 973,218 |
| Cemeteries | 395,716 | | 395,716 |
| Culture and recreation | 329,525 | | 329,525 |
| Communications | 430,522 | | 430,522 |
| Non-departmentalized | 1,428,697 | | 1,428,697 |
| Water | | 4,671,634 | 4,671,634 |
| Sewer | | 2,915,039 | 2,915,039 |
| | <u>7,720,100</u> | <u>7,586,673</u> | <u>15,306,773</u> |
| Change in net position | (234,377) | (1,068,126) | (1,302,503) |
| Net position, beginning of year | <u>1,619,727</u> | <u>19,953,571</u> | <u>21,573,298</u> |
| Net position end of year | <u><u>\$ 1,385,350</u></u> | <u><u>\$ 18,885,445</u></u> | <u><u>\$ 20,270,795</u></u> |

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2022

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ 7,122,106 | \$ 3,106,029 | \$ 10,228,135 |
| Certificates of deposit | | 388,131 | 388,131 |
| Receivables: | | | |
| Taxes and licenses | 1,263,153 | | 1,263,153 |
| Intergovernmental | 9,459 | | 9,459 |
| User fees (net) | | 618,376 | 618,376 |
| Other | 195,852 | | 195,852 |
| Due from other funds | (18,270) | 18,270 | |
| Prepaid expenses | 283,566 | 260,480 | 544,046 |
| Total unrestricted current assets | <u>8,855,866</u> | <u>4,391,286</u> | <u>13,247,152</u> |
| Restricted cash and certificates of deposit | <u>595,325</u> | <u>2,250,508</u> | <u>2,845,833</u> |
| Non-current assets: | | | |
| Capital assets, net | 4,937,408 | 50,605,159 | 55,542,567 |
| Bond issuance costs | | 181,400 | 181,400 |
| Total non-current assets | <u>4,937,408</u> | <u>50,786,559</u> | <u>55,723,967</u> |
| Total assets | <u>\$ 14,388,599</u> | <u>\$ 57,428,353</u> | <u>\$ 71,816,952</u> |
| Deferred outflows of resources | <u>\$ 2,510,673</u> | <u>\$ 723,761</u> | <u>\$ 3,234,434</u> |

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2022

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|----------------------|
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 334,313 | \$ 84,824 | \$ 419,137 |
| Payroll liabilities | 87,214 | 117,376 | 204,590 |
| Customer deposits | | 325,010 | 325,010 |
| Unearned revenue | 1,943,905 | | 1,943,905 |
| Leases payable | 191,718 | 17,900 | 209,618 |
| | <u>2,557,150</u> | <u>545,110</u> | <u>3,102,260</u> |
| Total liabilities payable from unrestricted assets | | | |
| Payable from restricted assets: | | | |
| Accrued interest payable | | 92,813 | 92,813 |
| Loans payable | | 1,245,184 | 1,245,184 |
| Bonds payable | | 312,000 | 312,000 |
| | | <u>1,649,997</u> | <u>1,649,997</u> |
| Total liabilities payable from restricted assets | | | |
| Total current liabilities | <u>2,557,150</u> | <u>2,195,107</u> | <u>4,752,257</u> |
| Non-current liabilities: | | | |
| Bonds, leases, and loans payable | 213,302 | 35,011,980 | 35,225,282 |
| Net pension obligation | 6,975,112 | 1,868,139 | 8,843,251 |
| Post employment benefits payable | 2,099,868 | 560,810 | 2,660,678 |
| | <u>9,288,282</u> | <u>37,440,929</u> | <u>46,729,211</u> |
| Total non-current liabilities | | | |
| Total liabilities | <u>\$ 11,845,432</u> | <u>\$ 39,636,036</u> | <u>\$ 51,481,468</u> |
| Deferred inflows of resources | <u>\$ 2,494,545</u> | <u>\$ 651,611</u> | <u>\$ 3,146,156</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 4,532,388 | \$ 14,018,095 | \$ 18,550,483 |
| Restricted | 491,103 | 2,250,508 | 2,741,611 |
| Unrestricted | <u>(2,464,196)</u> | <u>1,595,864</u> | <u>(868,332)</u> |
| Total net position | <u>\$ 2,559,295</u> | <u>\$ 17,864,467</u> | <u>\$ 20,423,762</u> |

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue |
|----------------------------------|----------------------|-------------------------|--|--|-----------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities: | | | | | |
| General government | \$ 527,969 | \$ | \$ 224,132 | \$ | \$ (303,837) |
| Police department | 1,925,438 | 3,568 | 170,349 | | (1,751,521) |
| Fire department | 1,565,503 | | 89,645 | | (1,475,858) |
| Street department | 805,230 | | 176,106 | | (629,124) |
| Cemeteries | 349,683 | 115,607 | | | (234,076) |
| Culture and recreation | 311,772 | 11,528 | | | (300,244) |
| Communications | 169,918 | | 95,600 | | (74,318) |
| Non-departmentalized | 1,293,770 | | | | (1,293,770) |
| Total Governmental Activities | 6,949,283 | 130,703 | 755,832 | | (6,062,748) |
| Business-Type Activities: | | | | | |
| Water | 5,042,986 | 4,119,349 | 76,595 | | (847,042) |
| Sewer | 3,112,587 | 2,947,673 | 76,595 | | (88,319) |
| Total Business-Type Activities | 8,155,573 | 7,067,022 | 153,190 | | (935,361) |
| Total | <u>\$ 15,104,856</u> | <u>\$ 7,197,725</u> | <u>\$ 909,022</u> | <u>\$</u> | <u>\$ (6,998,109)</u> |

(Continued)

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--------------------------------------|------------------------------------|-------------------------------------|----------------------|
| Changes in Net Position: | | | |
| Net (expense)/revenue | \$ (6,062,748) | \$ (935,361) | \$ (6,998,109) |
| General revenues: | | | |
| Taxes: | | | |
| Real property | 321,562 | | 321,562 |
| Motor vehicle | 138,446 | | 138,446 |
| Tangible personal property | 23,384 | | 23,384 |
| Public service company | 27,324 | | 27,324 |
| Insurance premium | 1,633,998 | | 1,633,998 |
| Restaurant tax | 716,341 | | 716,341 |
| Bank deposits | 65,905 | | 65,905 |
| Payments in lieu of taxes | 18,668 | | 18,668 |
| Alcohol fees | 289,150 | | 289,150 |
| Licenses, permits, and fees: | | | |
| Payroll license fees | 2,722,633 | | 2,722,633 |
| Net profits license fees | 238,109 | | 238,109 |
| Business license fees | 82,675 | | 82,675 |
| Street license fees | 1,425 | | 1,425 |
| Franchise fees - cable television | 59,526 | | 59,526 |
| Franchise fees - electric | 446,764 | | 446,764 |
| Franchise fees - natural gas | 77,671 | | 77,671 |
| Other: | | | |
| Penalties and interest | 27,389 | | 27,389 |
| Interest earned | 5,880 | 15,085 | 20,965 |
| Sale of surplus property | 131,754 | 17,698 | 149,452 |
| Insurance claim receipts | 6,675 | | 6,675 |
| Donation | 25,000 | | 25,000 |
| Miscellaneous | 57,744 | | 57,744 |
| Transfer (to) from other funds | 118,670 | (118,400) | 270 |
| Total general revenues and transfers | 7,236,693 | (85,617) | 7,151,076 |
| Change in net position | 1,173,945 | (1,020,978) | 152,967 |
| Net position, beginning of year | 1,385,350 | 18,885,445 | 20,270,795 |
| Net position, end of year | <u>\$ 2,559,295</u> | <u>\$ 17,864,467</u> | <u>\$ 20,423,762</u> |

CITY OF HARRODSBURG, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

| | General Fund | Non-Major Funds | Total Governmental Funds |
|------------------------------------|-------------------------|----------------------------|---|
| ASSETS | | | |
| Cash | \$ 7,179,642 | \$ 537,790 | \$ 7,717,432 |
| Receivables: | | | |
| Taxes and licenses | 1,213,406 | 49,747 | 1,263,153 |
| Intergovernmental | 9,459 | | 9,459 |
| Other | 120,852 | | 120,852 |
| | <u>8,523,359</u> | <u>587,537</u> | <u>9,110,896</u> |
| Total assets | <u>\$ 8,523,359</u> | <u>\$ 587,537</u> | <u>\$ 9,110,896</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 210,936 | \$ 125,454 | \$ 336,390 |
| Payroll liabilities | 85,138 | | 85,138 |
| Due to other funds | 18,270 | | 18,270 |
| Unearned revenue | 1,943,905 | | 1,943,905 |
| | <u>2,258,249</u> | <u>125,454</u> | <u>2,383,703</u> |
| Total liabilities | <u>2,258,249</u> | <u>125,454</u> | <u>2,383,703</u> |
| FUND BALANCE | | | |
| Fund balance: | | | |
| Restricted for: | | | |
| Roads | | 85,794 | 85,794 |
| Tourism | | 52,279 | 52,279 |
| Police | 29,020 | 324,010 | 353,030 |
| Unassigned | 6,236,090 | | 6,236,090 |
| | <u>6,265,110</u> | <u>462,083</u> | <u>6,727,193</u> |
| Total fund balance | <u>6,265,110</u> | <u>462,083</u> | <u>6,727,193</u> |
| Total liabilities and fund balance | <u>\$ 8,523,359</u> | <u>\$ 587,537</u> | <u>\$ 9,110,896</u> |

CITY OF HARRODSBURG, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2022

| | |
|--|----------------------------|
| Governmental fund balance, current year | \$ 6,727,193 |
| 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 | 283,566 |
| 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 \$6,699,917 | 4,937,408 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds | (405,020) |
| Certain items related to the City's net pension liability do not affect available financial resources and therefore are not reported in the funds | (7,039,010) |
| 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 | <u>(2,019,842)</u> |
| Net position of governmental activities | <u><u>\$ 2,559,295</u></u> |

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

| | General Fund | Non-Major Funds | Total Governmental Funds |
|---|----------------------------|----------------------------|---|
| Revenues: | | | |
| Taxes | \$ 2,229,287 | \$ 716,341 | \$ 2,945,628 |
| Licenses, permits, and fees | 3,652,203 | | 3,652,203 |
| Intergovernmental revenue | 523,125 | 170,544 | 693,669 |
| Alcohol license fee | | 265,750 | 265,750 |
| Insurance claim | | 6,675 | 6,675 |
| Service charges | 130,703 | | 130,703 |
| Other | 307,755 | 2,172 | 309,927 |
| Total revenues | <u>6,843,073</u> | <u>1,161,482</u> | <u>8,004,555</u> |
| Expenditures: | | | |
| General government | 506,404 | | 506,404 |
| Police department | 2,093,382 | 47,573 | 2,140,955 |
| Fire department | 1,720,173 | | 1,720,173 |
| Street department | 574,145 | 190,375 | 764,520 |
| Cemeteries | 336,944 | | 336,944 |
| Culture and recreation | 257,786 | | 257,786 |
| Communications | 80,322 | | 80,322 |
| Non-departmentalized | 626,071 | 731,255 | 1,357,326 |
| Total expenditures | <u>6,195,227</u> | <u>969,203</u> | <u>7,164,430</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources | <u>647,846</u> | <u>192,279</u> | <u>840,125</u> |
| Other financing sources (uses): | | | |
| Transfers (to) from other funds | 180,194 | (61,524) | 118,670 |
| Lease proceeds | 195,530 | | 195,530 |
| Total other financing sources (uses) | <u>375,724</u> | <u>(61,524)</u> | <u>314,200</u> |
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | 1,023,570 | 130,755 | 1,154,325 |
| Fund balance, beginning of year | <u>5,241,540</u> | <u>331,328</u> | <u>5,572,868</u> |
| Fund balance, end of year | <u><u>\$ 6,265,110</u></u> | <u><u>\$ 462,083</u></u> | <u><u>\$ 6,727,193</u></u> |

CITY OF HARRODSBURG, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

| | |
|---|---------------------|
| Net change in fund balances - total governmental funds | \$ 1,154,325 |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense and amortization of assets under lease to allocate those expenditures over the life of the assets: | |
| Capital asset purchases | 382,127 |
| Depreciation expense | (409,402) |
| Governmental funds report prepayments of expenditures as an expense while governmental activities report prepaid expenses as an asset | 26,052 |
| Governmental funds report debt proceeds as revenues and debt service payments as expenditures: | |
| Lease and note obligation principal payments | 325,820 |
| Lease proceeds | (195,530) |
| Governmental funds report sales of capital assets as revenue while governmental activities report a gain or loss on the sale of the assets | (88,553) |
| 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. | (29,143) |
| 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. | 8,249 |
| Change in net position of governmental activities | <u>\$ 1,173,945</u> |

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2022

| | Municipal Waterworks & Sewer System |
|---|--|
| ASSETS | |
| Current assets: | |
| Cash | \$ 3,106,029 |
| Certificates of deposit | 388,131 |
| Accounts receivable, customers (net) | 618,376 |
| Due from other funds | 18,270 |
| Prepaid expenses | 260,480 |
| Total unrestricted current assets | <u>4,391,286</u> |
| Restricted cash and certificates of deposit | <u>2,250,508</u> |
| Non-current assets: | |
| Capital assets, net | 50,605,159 |
| Bond issuance costs | 181,400 |
| Total non-current assets | <u>50,786,559</u> |
| Total assets | <u><u>\$ 57,428,353</u></u> |
| Deferred outflow of resources | <u><u>\$ 723,761</u></u> |

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2022

LIABILITIES

Current liabilities:

| | |
|--|----------------|
| Accounts payable | \$ 84,824 |
| Accrued liabilities | 117,376 |
| Customer deposits | 325,010 |
| Leases payable | <u>17,900</u> |
| Total liabilities payable from unrestricted assets | <u>545,110</u> |

Payable from restricted assets:

| | |
|--|------------------|
| Accrued interest payable | 92,813 |
| Loans payable | 1,245,184 |
| Bonds payable | <u>312,000</u> |
| Total liabilities payable from restricted assets | <u>1,649,997</u> |
| Total current liabilities | <u>2,195,107</u> |

Non-current liabilities:

| | |
|----------------------------------|-------------------|
| Bonds, leases, and loans payable | 35,011,980 |
| Net pension obligation | 1,868,139 |
| Post employment benefits payable | <u>560,810</u> |
| Total long term liabilities | <u>37,440,929</u> |

| | |
|-------------------|-----------------------------|
| Total liabilities | <u><u>\$ 39,636,036</u></u> |
|-------------------|-----------------------------|

| | |
|------------------------------|--------------------------|
| Deferred inflow of resources | <u><u>\$ 651,611</u></u> |
|------------------------------|--------------------------|

NET POSITION

| | |
|----------------------------------|-----------------------------|
| Net investment in capital assets | \$ 14,018,095 |
| Restricted | 2,250,508 |
| Unrestricted | <u>1,595,864</u> |
| Total net position | <u><u>\$ 17,864,467</u></u> |

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2022

| | Municipal Waterworks & Sewer System |
|---|--|
| Operating revenues: | |
| Water sales | \$ 2,828,286 |
| Water taps | 22,250 |
| Water surcharge | 66,499 |
| Sewer charges | 2,613,965 |
| Sewer taps | 27,950 |
| Sewer surcharge | 69,375 |
| Wastewater surcharge | 9,470 |
| Pre-treatment charges | 128,888 |
| Penalties | 159,896 |
| Other revenue | 25,562 |
| Total operating revenues | <u>5,952,141</u> |
| Operating expenses: | |
| Water operations | 2,335,615 |
| Sewer operations | 1,495,519 |
| Total operating expenses | <u>3,831,134</u> |
| Operating income before depreciation, amortization, and bad debts | <u>2,121,007</u> |
| Depreciation expense | 2,421,110 |
| Amortization expense | 8,208 |
| Bad debts | 30,000 |
| Total depreciation, amortization, and bad debts | <u>2,459,318</u> |
| Operating income (loss) | <u>(338,311)</u> |

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2022

Non-operating revenues (expenses):

| | |
|---|-----------------------------|
| Interest income | 15,085 |
| Garbage service | 705,943 |
| Sales tax | 124,076 |
| Utility tax | 53,663 |
| KY River withdrawal fee | 220,608 |
| Other income | 10,591 |
| Grant proceeds | 153,190 |
| Interest expense | (774,818) |
| Garbage service | (657,406) |
| Sales tax paid | (120,206) |
| Utility tax paid | (53,936) |
| KY River withdrawal fee | (258,755) |
| | <u>(581,965)</u> |
| Non-operating revenues (expenses), net | <u>(581,965)</u> |
| Income (loss) before other revenues, expenses, gains and losses and transfers | <u>(920,276)</u> |
| Transfer (to) from other funds | (118,400) |
| Gain on sale of capital assets | <u>17,698</u> |
| Other revenues, expenses, gains, losses and transfers | <u>(100,702)</u> |
| Increase (decrease) in net position | (1,020,978) |
| Net position, beginning of year | <u>18,885,445</u> |
| Net position, end of year | <u><u>\$ 17,864,467</u></u> |

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2022

| | Municipal Waterworks & Sewer System |
|---|--|
| Cash Flows from Operating Activities: | |
| Receipts from customers | \$ 5,837,352 |
| Payments to suppliers | (2,352,439) |
| Payments to employees | (1,270,744) |
| | <u>2,214,169</u> |
| Net cash provided by (used in) operating activities | <u>2,214,169</u> |
| Cash Flows from Non-Capital Financing Activities: | |
| Security deposit receipts | 72,211 |
| Security deposit refunds | (50,282) |
| Transfer to other funds | (118,400) |
| Non-operating receipts | 1,268,071 |
| Non-operating disbursements | (1,095,618) |
| | <u>75,982</u> |
| Net cash provided by (used in) non-capital financing activities | <u>75,982</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Capital asset purchases | (186,126) |
| Sale of capital assets | 118,400 |
| Principal paid on bonds, leases, and loans | (1,545,755) |
| Interest paid on bonds, leases, and loans | (778,488) |
| | <u>(2,391,969)</u> |
| Net cash provided by (used in) capital and related financing activities | <u>(2,391,969)</u> |
| Cash Flows from Investing Activities: | |
| Purchase of investments | (10,762) |
| Interest on investments | 15,085 |
| | <u>4,323</u> |
| Net cash provided by (used in) investing activities | <u>4,323</u> |
| Net increase (decrease) in cash | (97,495) |
| Cash, beginning of year | <u>4,867,332</u> |
| Cash, end of year | <u><u>\$ 4,769,837</u></u> |
| Cash is Classified as: | |
| Unrestricted | \$ 3,106,029 |
| Restricted | <u>1,663,808</u> |
| | <u><u>\$ 4,769,837</u></u> |

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2022

| | <u>Municipal Waterworks & Sewer System</u> |
|--|--|
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | |
| Operating income (loss) | <u>\$ (338,311)</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | |
| Depreciation | 2,421,110 |
| Amortization | 8,208 |
| Bad debts | 30,000 |
| Change in assets and liabilities: | |
| Accounts receivable | (114,789) |
| Prepaid expenses | (22,276) |
| Due from other funds | 1,537 |
| Accounts payable | (10,226) |
| Accrued liabilities | 11,070 |
| Net pension obligation | 182,545 |
| Net post employment benefits payable | <u>45,301</u> |
| Total adjustments | <u>2,552,480</u> |
| Net cash provided by (used in) operating activities | <u><u>\$ 2,214,169</u></u> |

**Supplemental Schedule of Non-Cash
Capital and Related Financing Activities:**

| | |
|---|--------------------------|
| Capital assets sold | \$ 137,323 |
| Accumulated depreciation on capital assets sold | <u>(36,621)</u> |
| | <u><u>\$ 100,702</u></u> |

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2022

| | |
|------------------------------------|--------------------------|
| | Cemetery Fund |
| | <hr/> |
| ASSETS | |
| Cash | \$ 293,284 |
| Certificates of deposit | <hr/> 221,642 |
| Total assets | <hr/> <hr/> \$ 514,926 |
| | |
| LIABILITIES | |
| Accounts payable | <hr/> \$ 5,500 |
| | |
| NET POSITION | |
| Net position | <hr/> \$ 509,426 |
| Total liabilities and net position | <hr/> <hr/> \$ 514,926 |

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2022

| | Cemetery Fund |
|---|--------------------------|
| Revenues: | |
| Perpetual care | \$ 43,150 |
| Other revenue | 50 |
| Interest | <u>1,289</u> |
| Total revenues | <u>44,489</u> |
| Expenditures: | |
| Materials and supplies | <u>7,571</u> |
| Excess (deficiency) of revenues over expenditures | 36,918 |
| Other financing sources (uses): | |
| Transfers (to) from other funds | <u>(270)</u> |
| Excess (deficiency) of revenues over expenditures and transfers | 36,648 |
| Net position, beginning of year | <u>472,778</u> |
| Net position, end of year | <u><u>\$ 509,426</u></u> |

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

INDEX

| | | |
|-------|--|----|
| I. | Summary of Significant Accounting Policies..... | 17 |
| A. | Reporting Entity..... | 17 |
| B. | Basis of Presentation..... | 17 |
| C. | Measurement Focus and Basis of Accounting..... | 19 |
| D. | Assets, Liabilities, and Net Position..... | 20 |
| E. | Revenues, Expenditures, and Expenses..... | 23 |
| II. | Stewardship, Compliance, and Accountability..... | 24 |
| A. | Insured Deposits..... | 24 |
| B. | Property Tax Calendar..... | 24 |
| C. | Expenditures Exceeding Budget..... | 25 |
| D. | Bonds and Notes Payable..... | 25 |
| E. | Security Deposits..... | 26 |
| III. | Detail Notes on Transaction Classes/Accounts..... | 26 |
| A. | Cash and Certificates of Deposit..... | 26 |
| B. | Restricted Assets..... | 27 |
| C. | Receivables..... | 28 |
| D. | Internal Balances..... | 29 |
| E. | Capital Assets..... | 29 |
| F. | Lease Obligations..... | 30 |
| G. | Bonds, Leases, and Loans Payable..... | 32 |
| H. | Changes in Bonds, Leases, and Loans Payable..... | 35 |
| I. | Annual Debt Service Requirements..... | 35 |
| J. | Conduit Debt..... | 36 |
| K. | Interest Expense..... | 36 |
| L. | Net Position..... | 36 |
| M. | Transfers..... | 37 |
| IV. | Pension Plan..... | 37 |
| V. | Post-Employment Benefits | 43 |
| VI. | Insurance..... | 51 |
| VII. | Summary Disclosure of Significant Contingencies and Commitments..... | 51 |
| VIII. | Economic Dependency..... | 51 |

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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, 2022

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, 2022

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Subsequent Events. Events that occur after the Statement of Net Position date, but before the financial statements were available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the City through February 13, 2023 (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 \$0, are based upon historical trends and the periodic aging of accounts receivable.

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

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

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

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

| | |
|-----------------------------|---------------|
| Land improvements..... | 20 - 30 years |
| Vehicles and equipment..... | 5 - 15 years |
| Buildings..... | 20 - 40 years |

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

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

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

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

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

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

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

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

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

Compensated Absences. 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.

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 right of use assets under leases net, of accumulated amortization, 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.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

3. **Committed fund balance** includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The City's highest level of decision making authority is the City Commission. Any committed fund balance would require the City Commission to adopt a resolution approving the commitment.
4. **Assigned fund balance** includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City's Mayor is authorized to assign the fund balance. The City has not adopted formal procedures to show that the Mayor has assigned the fund balance.
5. **Unassigned fund balance** represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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

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

E. Revenues, Expenditures, and Expenses

Payroll License Fee. The City levies a payroll tax of 1% 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.

Restaurant Tax. The City levies a restaurant tax of 3% on the sale of food at all restaurants within the City limits. Restaurants are required to report and remit this tax quarterly. The restaurant tax is recorded in the Tourism Development Fund and these funds are then transferred to the Harrodsburg/Mercer County Tourist Commission.

Alcoholic Beverage Control Tax. The City levies an alcoholic beverage control tax of 5% on all alcoholic beverages sold within the City. These taxes are collected by restaurants within the City and are required to be remitted to the City quarterly. These funds are used by the Police Department of the City.

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

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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 \$0.697 per \$100 of assessed value for the year ended June 30, 2022. 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.

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, 2022, all of the City's deposits in financial institutions were insured or collateralized. Funds collateralized with securities held by the pledging financial institution totaled \$12,674,443.
- B. **Property Tax Calendar.** Property taxes for fiscal year 2022 were levied on October 1, 2021 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..... | November 30 |
| Face value amount payment dates..... | October 1 to November 30 |
| Delinquent date, 12% penalty | December 1 |
| Delinquent date, 1% per month penalty..... | January 1 |

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

| <u>Department/Classification</u> | <u>Budget</u> | <u>Actual</u> | <u>Difference</u> |
|----------------------------------|---------------|---------------|-------------------|
| Police department | \$ 2,078,102 | \$ 2,093,382 | \$ 15,280 |
| Non-departmentalized | 589,497 | 626,071 | 36,574 |

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, 2022:

1. ***Kentucky Infrastructure Authority (KIA) Note Payable.*** Under terms of the loan agreements with Kentucky Infrastructure Authority, the City is required to set aside the following:

a. ***Repairs and Maintenance Reserve.***

1. Annual deposits of \$1,100 are to be deposited until \$11,000 has been received under Loan F 11-17. This reserve was properly funded at June 30, 2022.
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, 2022.
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, 2022.
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, 2022.
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, 2022.
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, 2022.
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, 2022.
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, 2022.
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, 2022.
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, 2022.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

2. **Kentucky Bond Corporation.** Under terms of the note agreement with Kentucky Bond Corporation, the City is required to set aside the following:
 - a. *Sinking Reserve.* Monthly deposits of 1/6th of the interest and 1/12th of the principal coming due on the lease on the next succeeding payment date are to be deposited. This reserve was properly funded at June 30, 2022.
 - 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, 2022.
 - 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, 2022
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, 2022.
 - 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, 2022.
- 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, 2022 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.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

As of June 30, 2022, the City's funds on deposit in financial institutions were properly insured or collateralized. Funds collateralized with securities held by pledging financial institutions totaled \$12,674,443.

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.

The City's investments at June 30, 2022 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 | \$ 31,083 | \$ 31,083 | 0.01 % | N/A |
| Community Trust Bank | | | | |
| Certificate of Deposit | 555,617 | 555,617 | 0.20 % | 1/24/23 |
| Whitaker Bank & Trust Co. | | | | |
| Certificate of Deposit | 12,120 | 12,120 | 0.20 % | 8/14/22 |
| Certificate of Deposit | 183,251 | 183,251 | 0.40 % | 12/17/22 |
| Certificate of Deposit | 192,760 | 192,760 | 0.40 % | 9/28/22 |
| | <u>\$ 974,831</u> | <u>\$ 974,831</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, 2022 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 | \$ 57,535 | \$ | \$ 57,535 |
| Municipal aid fund | 85,794 | | 85,794 |
| Tourism development fund | 125,911 | | 125,911 |
| Alcohol beverage control fund | 326,085 | | 326,085 |
| | <u>\$ 595,325</u> | <u>\$</u> | <u>\$ 595,325</u> |

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

| | Type of Restricted Assets | | |
|---|---------------------------|----------------------------|---------------------|
| | Cash | Certificates of Deposit | Total |
| <i>Business-Type Activities:</i> | | | |
| Bond sinking fund | \$ 227,048 | \$ 31,083 | \$ 258,131 |
| Note sinking fund | 191,369 | | 191,369 |
| Lease sinking fund | 114,998 | | 114,998 |
| Water and sewer surcharge | 369,595 | | 369,595 |
| Bond debt reserve fund | 523,755 | | 523,755 |
| Note debt reserve fund | 31,459 | | 31,459 |
| Repairs and maintenance fund | 205,584 | 555,617 | 761,201 |
| | <u>\$ 1,663,808</u> | <u>\$ 586,700</u> | <u>\$ 2,250,508</u> |

- C. **Receivables.** Receivables included as current assets on the Statement of Net Position, as of June 30, 2022, consists of the following:

| | Governmental Activities | Business-Type Activities | Total |
|--------------------------------------|----------------------------|-----------------------------|---------------------|
| <i>Taxes and Licenses:</i> | | | |
| Payroll license | \$ 658,917 | \$ | \$ 658,917 |
| Insurance license | 496,630 | | 496,630 |
| Auto taxes | 14,491 | | 14,491 |
| Payment in lieu of taxes | 18,668 | | 18,668 |
| Net profits license fee | 13,476 | | 13,476 |
| Bank deposits | 11,224 | | 11,224 |
| Restaurant tax | 49,747 | | 49,747 |
| | <u>1,263,153</u> | | <u>1,263,153</u> |
| <i>Intergovernmental:</i> | | | |
| Police grants | <u>9,459</u> | | <u>9,459</u> |
| <i>Other:</i> | | | |
| Wilderness Trace YMCA | 75,000 | | 75,000 |
| Returned checks | 2,452 | | 2,452 |
| Miscellaneous | 118,400 | | 118,400 |
| | <u>195,852</u> | | <u>195,852</u> |
| <i>User Fees:</i> | | | |
| User fees | | 1,278,376 | 1,278,376 |
| Less allowance for doubtful accounts | | <u>660,000</u> | <u>660,000</u> |
| | | <u>618,376</u> | <u>618,376</u> |
| Total receivables | <u>\$ 1,468,464</u> | <u>\$ 618,376</u> | <u>\$ 2,086,840</u> |

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

- D. **Internal Balances.** The following interfund payables and receivables occurred as of June 30, 2022:

| | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|---------------------------------------|---------------------------------|-------------------------------|
| <i>Major Funds:</i> | | |
| General fund | \$ | \$ 18,270 |
| <i>Major Fund:</i> | | |
| Municipal Waterworks and Sewer System | <u>18,270</u> | |
| | <u>\$ 18,270</u> | <u>\$ 18,270</u> |

The receivable due to the Municipal Waterworks and Sewer System was due to the June 30, 2022 payroll deposited into the general fund bank account for \$28,031 but not yet expensed and offset by a receivable due to the general fund for the Municipal Waterworks and Sewer System prepaid medical insurance of \$9,761.

- E. **Capital Assets.** The activity related to capital assets for the fiscal year ended June 30, 2022 was as follows:

| | <u>Balance July 1, 2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2022</u> |
|---------------------------------|---------------------------------|--------------------|------------------|----------------------------------|
| Governmental Activities: | | | | |
| Land | \$ 695,429 | \$ | \$ | \$ 695,429 |
| Land improvements | 1,695,878 | 89,440 | | 1,785,318 |
| Vehicles and equipment | 4,597,749 | 292,687 | 173,742 | 4,716,694 |
| Buildings | 3,291,071 | | | 3,291,071 |
| Infrastructure | 1,148,813 | | | 1,148,813 |
| Construction in progress | | | | |
| Total cost | <u>11,428,940</u> | <u>382,127</u> | <u>173,742</u> | <u>11,637,325</u> |
| Accumulated depreciation: | | | | |
| Land improvements | 1,250,452 | 45,038 | | 1,295,490 |
| Vehicles and equipment | 3,328,103 | 252,755 | 85,188 | 3,495,670 |
| Buildings | 1,475,466 | 87,593 | | 1,563,059 |
| Infrastructure | 321,682 | 24,016 | | 345,698 |
| Total accumulated depreciation | <u>6,375,703</u> | <u>409,402</u> | <u>85,188</u> | <u>6,699,917</u> |
| Total capital assets, net | <u>\$ 5,053,237</u> | <u>\$ (27,275)</u> | <u>\$ 88,554</u> | <u>\$ 4,937,408</u> |

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

| | <u>Balance</u> <u>July 1, 2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2022</u> |
|----------------------------------|---------------------------------------|-----------------------|-------------------|--|
| Business-Type Activities: | | | | |
| Land | \$ 662,164 | \$ | \$ | \$ 662,164 |
| Vehicles and equipment | 3,887,309 | 69,166 | 137,323 | 3,819,152 |
| Buildings | 172,985 | | | 172,985 |
| Water utility system | 14,855,563 | | | 14,855,563 |
| Sewer utility system | 12,376,970 | | | 12,376,970 |
| Water and sewer treatment plant | 62,754,647 | | | 62,754,647 |
| Construction in process | | 116,960 | | 116,960 |
| Total cost | <u>94,709,638</u> | <u>186,126</u> | <u>137,323</u> | <u>94,758,441</u> |
| Accumulated depreciation: | | | | |
| Vehicles and equipment | 1,793,137 | 185,269 | 36,621 | 1,941,785 |
| Buildings | 62,948 | 4,323 | | 67,271 |
| Water utility system | 8,825,107 | 500,924 | | 9,326,031 |
| Sewer utility system | 8,807,597 | 319,688 | | 9,127,285 |
| Water and sewer treatment plant | <u>22,280,004</u> | <u>1,410,906</u> | | <u>23,690,910</u> |
| Total accumulated depreciation | <u>41,768,793</u> | <u>2,421,110</u> | <u>36,621</u> | <u>44,153,282</u> |
| Total capital assets, net | <u>\$ 52,940,845</u> | <u>\$ (2,234,984)</u> | <u>\$ 100,702</u> | <u>\$ 50,605,159</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|----------------------------|-------------------|
| General government | \$ 8,483 |
| Police department | 146,495 |
| Fire department | 58,065 |
| Street department | 82,761 |
| Cemeteries | 21,586 |
| Culture and recreation | <u>92,012</u> |
| Total depreciation expense | <u>\$ 409,402</u> |

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

1. In 2017, the City obtained \$398,996 financing for the purchase of a fire truck, which cost \$398,996. The 84-month lease agreement requires annual lease payments of \$64,058, including interest at 3.25% per annum. The lease was paid in full as of June 30, 2022.
2. In 2018, the City obtained \$44,115 financing for the purchase of a dump truck, which cost \$44,115. The 5-year lease agreement requires annual payments of \$10,047, including interest at 6.95% per annum. This lease was paid in full as of June 30, 2022.
3. 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 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 \$39,652 as of June 30, 2022.
4. 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 lease agreement requires annual payments of \$15,480, including interest at 5% per annum. The lease is payable through 2023 and has a balance of \$14,743 as of June 30, 2022.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

5. In 2019, the City obtained \$45,852 financing for the purchase of a Chevy Tahoe for the fire department, which cost \$45,852. The 5-year lease agreement requires monthly payments of \$935, including interest at 8.248% per annum. The lease is payable through 2024 and has a balance of \$20,966 as of June 30, 2022.
6. In 2019, the City obtained \$284,372 financing for the purchase of six police cruisers for the police department, which cost \$284,372. The 5-year lease agreement requires monthly payments of \$5,485, including interest at 5.909% per annum. The lease is payable through 2024 and has a balance of \$116,313 as of June 30, 2022.
7. 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 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 \$11,357 as of June 30, 2022.
8. In 2020, the City obtained \$57,725 financing for the purchase of a leaf vacuum for the street department, which cost \$57,725. The 5-year lease agreement requires annual payments of \$12,718, including interest at 4.76% per annum. The lease is payable through 2025 and has a balance of \$23,692 as of June 30, 2022.
9. In 2021, the City obtained \$39,073 financing for the purchase of body camera's for the police department which cost \$39,073. The 5-year lease agreement requires annual payments of \$5,748, including interest at 3.00% per annum. The lease is payable through 2025 and has a balance of \$16,246 as of June 30, 2022.
10. In 2022, the City obtained \$162,612 financing for the purchase of four police cruisers which cost \$193,331. The 5-year lease agreements requires annual payments of \$30,613 including interest at 3.00% per annum. The leases are payable through 2025 and have a balance of \$137,001 as of June 30, 2022.
11. In 2022, the City obtained \$32,918 financing for the purchase of police equipment for the police department which cost \$32,918. The 5-year lease agreements requires annual payments of \$8,104, including interest at 3.00% per annum. The leases are payable through 2025 and have a balance of \$25,050 as of June 30, 2022.
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 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 \$19,467 as of June 30, 2022.
13. In 2020, the City obtained \$32,841 financing for the purchase of a Chevy Silverado truck for the water and sewer department which cost \$32,841. The 5-year lease agreement requires annual payments of \$6,875, including interest at 1.811% per annum. The lease is payable through 2025 and has a balance of \$16,793 as of June 30, 2022.

In 2022, the Commission implemented the guidance in GASB Statement No. 87, *Leases*. Prior to implementation, the Commission had recognized the value of its capital leases under previous guidance. Therefore, upon implementation there were no material changes in the underlying asset and liability related to the Commission's long-term lease contracts and no impact on beginning net position.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

The following is a schedule of property and equipment and outstanding liabilities relating to lease agreements at June 30, 2022:

Governmental Funds:

| Property Leased | Asset Cost | Accumulated Depreciation | Net Book Value | Lease Payable | | |
|------------------------|-------------------|---------------------------------|-----------------------|------------------------|--------------------------|-------------------|
| | | | | Current Portion | Long-Term Portion | Total |
| Street trucks | \$ 53,447 | \$ 26,723 | \$ 26,724 | \$ 11,357 | \$ | \$ 11,357 |
| Street equipment | 57,725 | 24,739 | 32,986 | 11,565 | 12,127 | 23,692 |
| Fire trucks | 45,852 | 22,926 | 22,926 | 9,859 | 11,107 | 20,966 |
| Police vehicles | 673,321 | 287,688 | 385,633 | 130,836 | 162,130 | 292,966 |
| Police equipment | 145,432 | 73,911 | 71,521 | 28,101 | 27,938 | 56,039 |
| | <u>\$ 975,777</u> | <u>\$ 435,987</u> | <u>\$ 539,790</u> | <u>\$ 191,718</u> | <u>\$ 213,302</u> | <u>\$ 405,020</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 | \$ 31,018 | \$ 20,678 | \$ 11,274 | \$ 8,193 | \$ 19,467 |
| Chevy truck | 32,841 | 13,136 | 19,705 | 6,626 | 10,167 | 16,793 |
| | <u>\$ 84,537</u> | <u>\$ 44,154</u> | <u>\$ 40,383</u> | <u>\$ 17,900</u> | <u>\$ 18,360</u> | <u>\$ 36,260</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, 2022, the governmental bonds, leases and loans payable consisted of the following:

Leases payable:

| | |
|---|-------------------|
| 60-month lease for the purchase of police equipment. The lease bears interest at 5%. | \$ 14,743 |
| 72-month lease for the purchase of police cruisers. The lease bears interest at 3.73%. | 39,652 |
| 60-month lease for the purchase police cruisers. Interest has been imputed to be 3.00%. | 137,001 |
| 60-month lease for the purchase of police cruiser. Interest has been imputed to be 3.00%. | 25,050 |
| 60-month lease for the purchase of a truck for the street department. The lease bears interest at 6.7%. | 11,357 |
| 60-month lease for the purchase of police cruisers. The lease bears interest at 5.909%. | 116,313 |
| 60-month lease for the purchase of a vehicle for the fire department. The lease bears interest at 8.248%. | 20,966 |
| 60-month lease for the purchase of body camera's. The lease bears interest at 3.00%. | 16,246 |
| 60-month lease for the purchase of a leaf vacuum. The lease bears interest at 4.76%. | 23,692 |
| | <u>\$ 405,020</u> |

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Included as liability on Statement of Net Position:

| | |
|-----------------------|--------------------------|
| Current liability | \$ 191,718 |
| Non-current liability | <u>213,302</u> |
| | <u><u>\$ 405,020</u></u> |

Business-Type Activities. As of June 30, 2022, the proprietary fund bonds, leases, and loans payable consisted of the following:

Leases payable:

| | |
|---|-------------------------|
| 5-year lease for the purchase of a Chevy Silverado truck. The lease bears interest at 1.811%. | \$ 16,793 |
| 5-year lease for the purchase of a dump truck. The lease bears interest at 7.469%. | <u>19,467</u> |
| | <u><u>\$ 36,260</u></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. | \$ 414,901 |
| 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. | 201,763 |
| 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. | 225,702 |
| 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. | 1,732,036 |
| 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. | 8,593,757 |
| 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. | 241,648 |

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

| | |
|---|-----------------------------|
| 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. | 1,050,448 |
| 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. | 484,704 |
| Loan A16-033 is for Sewer Rehabilitation 2015 Project. The uncollateralized \$1,223,520 loan from Kentucky Infrastructure Authority bears interest at .75% and is due 20 years from the date the loan is closed. Payments of approximately \$32,300 are to be paid semi-annually through December 2040. | 1,113,261 |
| 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. | 1,146,271 |
| 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. | 1,727,814 |
| 24-year lease for the refinance of three bond issues. The lease bears interest between 2.25% and 3.00%. | <u>2,860,000</u> |
| | <u><u>\$ 19,792,305</u></u> |

Bonds payable:

| | |
|--|-----------------------------|
| Bonds were issued in 2012 for the construction of extensions, additions and improvements to the existing waterworks system. The bonds bear interest at 2.75%. Principal is paid annually through December 2050, and interest is paid semi-annually. | \$ 6,753,000 |
| 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. | 1,581,499 |
| 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. | <u>8,424,000</u> |
| | <u><u>\$ 16,758,499</u></u> |

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Included as liability on Statement of Net Position:

| | Leases Payable | Loans Payable | Bonds Payable | Total |
|--|---------------------------|--------------------------|--------------------------|----------------------|
| Current liability | \$ 17,900 | \$ | \$ | \$ 17,900 |
| Current liability payable from restricted resources | | 1,245,184 | 312,000 | 1,557,184 |
| Non-current liability | 18,360 | 18,547,121 | 16,446,499 | 35,011,980 |
| | <u>\$ 36,260</u> | <u>\$ 19,792,305</u> | <u>\$ 16,758,499</u> | <u>\$ 36,587,064</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, 2022:

| Type of Debt | Balance July 1, 2021 | Proceeds | Payments | Balance June 30, 2022 | Amounts Due Within One Year |
|-----------------------------------|---------------------------------|-----------------|---------------------|----------------------------------|--|
| Governmental Activities: | | | | | |
| Capital leases payable | \$ 535,310 | \$ 195,530 | \$ 325,820 | \$ 405,020 | \$ 191,718 |
| Business-Type Activities: | | | | | |
| Bonds payable | \$ 17,062,000 | \$ | \$ 303,500 | \$ 16,758,499 | \$ 312,000 |
| Leases payable | 53,231 | | 16,972 | 36,260 | 17,900 |
| Loans payable | 21,017,582 | | 1,225,277 | 19,792,305 | 1,245,184 |
| Total business-type activities | <u>\$ 38,132,813</u> | <u>\$</u> | <u>\$ 1,545,749</u> | <u>\$ 36,587,064</u> | <u>\$ 1,575,084</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, 2022 are as follows:

| | Year Ending June 30 | Principal | Interest | Total |
|---------------------------------|--------------------------------|------------------|------------------|-------------------|
| Governmental Activities: | | | | |
| 2023 | \$ | 191,718 | \$ 17,864 | \$ 209,582 |
| 2024 | | 124,441 | 7,918 | 132,359 |
| 2025 | | 48,252 | 3,246 | 51,498 |
| 2026 | | 35,315 | 1,173 | 36,488 |
| 2026 | | 5,294 | 31 | 5,325 |
| | <u>\$</u> | <u>405,020</u> | <u>\$ 30,232</u> | <u>\$ 435,252</u> |

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

| | Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|------------------------|----------------------|----------------------|----------------------|
| <i>Proprietary Activities:</i> | | | | |
| | 2023 | \$ 1,575,084 | \$ 748,466 | \$ 2,323,550 |
| | 2024 | 1,597,830 | 718,910 | 2,316,740 |
| | 2025 | 1,616,320 | 689,366 | 2,305,686 |
| | 2026 | 1,638,229 | 659,430 | 2,297,659 |
| | 2027 | 1,669,882 | 628,888 | 2,298,770 |
| | 2028 - 2032 | 7,459,217 | 2,754,871 | 10,214,088 |
| | 2033 - 2037 | 7,606,619 | 2,102,063 | 9,708,682 |
| | 2038 - 2042 | 4,884,386 | 1,473,042 | 6,357,428 |
| | 2043 - 2047 | 3,177,500 | 961,018 | 4,138,518 |
| | 2048 - 2052 | 3,473,500 | 507,339 | 3,980,839 |
| | 2053 - 2057 | 1,888,497 | 131,720 | 2,020,217 |
| | | <u>\$ 36,587,064</u> | <u>\$ 11,375,113</u> | <u>\$ 47,962,177</u> |

- 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, 2022 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 | \$ 17,295 |
| Fire department | 6,120 |
| Street department | 3,164 |
| Cemetery department | <u>653</u> |
| | 27,232 |

Proprietary Activities:

| | |
|------------------------|-------------------|
| Water | 387,409 |
| Sewer | <u>387,409</u> |
| | 774,818 |
| Total interest expense | <u>\$ 802,050</u> |

- L. **Net Position.** Net position at June 30, 2022 is identified as follows:

Governmental Funds:

Restricted for:

| | |
|--------------------------------|-------------------|
| Police department | \$ 353,030 |
| Roads | 85,794 |
| Tourism | <u>52,279</u> |
| Total net position, restricted | <u>\$ 491,103</u> |

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Proprietary Funds:

| | |
|--------------------------------|----------------------------|
| Bond sinking fund | \$ 258,131 |
| Note sinking fund | 191,369 |
| Lease sinking fund | 114,998 |
| Bond debt reserve fund | 523,755 |
| Lease debt reserve fund | 31,459 |
| Water and sewer surcharge | 369,595 |
| Repairs and maintenance fund | <u>761,201</u> |
| Total net position, restricted | <u><u>\$ 2,250,508</u></u> |

M. **Transfers.** The following operating transfers were made during fiscal year 2022:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|---------------------------------------|--------------------------------|---------------------------------|
| Major Funds: | | |
| General Fund | \$ 180,194 | \$ |
| Municipal Waterworks and Sewer System | | 118,400 |
| Non-major Funds: | | |
| Alcohol Beverage Control fund | | 61,524 |
| Fiduciary Fund: | | |
| Cemetery Fund | | <u>270</u> |
| | <u><u>\$ 180,194</u></u> | <u><u>\$ 180,194</u></u> |

The transfer of \$270 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 \$61,524 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 \$118,400 from the Municipal Waterworks and Sewer System to the General Fund was to move sales proceeds per state statute for the sale of capital assets.

IV. PENSION PLAN

The City is a participating employer of the County Employees Retirement Systems (CERS). Under the provisions of Kentucky Revised Statute Section 78.782, the Board of Trustee of CERS administers the CERS. CERS was created by the Kentucky General Assembly pursuant to the provisions of Kentucky Revised Statute 78.520. The plan issues publicly available financial statements, which may be downloaded from the Kentucky Public Pensions Authority (KPPA) website. The following information was extracted from the KPPA financial statements for the year ended June 30, 2021.

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

Contributions. Participating employers are required to contribute at an actuarially determined rate.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the CERS Board of Trustees on the basis of the last annual valuation as of and prior to July 1 of the succeeding fiscal year for local governments in Kentucky.

For the year ended June 30, 2022, participating employers contributed 21.17% of each employee's creditable compensation for non-hazardous job classifications and 33.86% for hazardous job classifications, which is equal to the actuarially determined rate adopted by the CERS Board of Trustees. Administrative costs of KPPA are financed through employer contributions and investment earnings.

Plan members who began participating prior to September 1, 2008 were required to contribute 5% of annual creditable compensation for non-hazardous job classifications and 8% for hazardous job classifications (Tier 1 plan). Interest is paid each June 30 on member's accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Plan members who began participating on or after September 1, 2008 and before January 1, 2014 (Tier 2 plan) are required to contribute 6% for non-hazardous or 9% for hazardous of their annual creditable compensation. Further, 1% of these contributions are deposited to an account created for the payment of health insurance benefits. Interest is paid each June 30 on member's accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution for medical insurance is non-refundable and is forfeited.

Plan members who began participating on, or after January 1, 2014 (Tier 3 plan), are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Plan members contribute 5% for non-hazardous job classifications and 8% for hazardous job classifications of their monthly creditable compensation which is deposited into their account, and an additional 1% which is deposited to an account created for payment of health insurance benefits, not refundable. 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 amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation.

Interest is paid into the Tier 3 member's account. The account currently earns 4% interest credit on the member's accumulated account balance as of June 30th of the previous year. The member's account may be credited with additional interest if the funds five-year geometric average net investment return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if KPPA's GANIR for the previous five years exceeds 4%, then the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30th of the previous year (Upside Sharing Interest). It is possible that one system in KPPA may get an upside sharing interest, while one may not. Upside sharing interest is credited to both the member contribution balance and employer pay credit balance. Upside sharing interest is an additional interest credit. Member accounts automatically earn 4% interest annually. The GANIR is calculated on an individual fund basis.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

The City contributed \$686,836 for the year ended June 30, 2022, or 100% of the required contribution. The contribution was allocated \$540,253 to the non-hazardous fund and \$146,583 to the hazardous fund.

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

A. Non-Hazardous Duty Employees:

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

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, 2022, the City reported a liability of \$6,975,112 in the governmental activities fund and \$1,868,139 in the business-type activities fund for its proportionate share of the net pension obligation. The net pension obligation was measured as of June 30, 2021, and the total pension obligation used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportion was .0112180% for non-hazardous job classifications and .063516% for hazardous job classifications. For 2020, the City's proportion was .104315% for non-hazardous job classification and .064546% for hazardous job classifications.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

For the year ended June 30, 2022, the City recognized pension expense of \$566,854 in the governmental activities fund and \$312,935 in the business-type activities fund. At June 30, 2022, the City of Harrodsburg had paid all amounts owed for the year ending June 30, 2022.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Governmental Activities | | Business-Type Activities | |
|---|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual results | \$ 107,307 | \$ 51,285 | \$ 21,455 | \$ 18,132 |
| Changes of assumptions | 92,039 | | 25,073 | |
| Net difference between projected and actual earnings on Plan investments | 258,987 | 1,144,806 | 72,471 | 321,463 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 311,315 | 177,708 | 110,060 | 12,542 |
| City contributions subsequent to the measurement date | 540,253 | | 146,583 | |
| Total | <u>\$ 1,309,901</u> | <u>\$ 1,373,799</u> | <u>\$ 375,642</u> | <u>\$ 352,137</u> |

The \$540,253 and \$146,583 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| | Governmental Activities | Business-Type Activities | Total |
|----------------------|--------------------------------|---------------------------------|---------------------|
| Year ending June 30, | | | |
| 2023 | \$ (35,990) | \$ 19,807 | \$ (16,183) |
| 2024 | (93,860) | (12,329) | (106,189) |
| 2025 | (196,717) | (52,587) | (249,304) |
| 2026 | (277,585) | (77,971) | (355,556) |
| Total | <u>\$ (604,152)</u> | <u>\$ (123,080)</u> | <u>\$ (727,232)</u> |

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Actuarial Assumptions. The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|-------------------------------------|---|
| Valuation date | June 30, 2021 | June 30, 2020 |
| Experience study | July 1, 2013 - June 30, 2018 | July 1, 2013 - June 30, 2018 |
| Actuarial cost method | Entry age normal | Entry age normal |
| Amortization method | Level percentage of payroll | Level percentage of payroll |
| Remaining amortization period | 30 years | 25 years |
| | | 20% of the difference between the market value of assets and the expected actuarial value of assets recognized |
| Asset valuation method | Investment Return Assumption | |
| Inflation | 2.30 % | 2.30 % |
| Payroll growth | 2.00 % | 2.00 % |
| Salary increases | 3.30% - 19.05% varies by service | 3.30% - 18.55% varies by service |
| Assumed investment rate of return | 6.25 % | 6.25 % |

Plan Provisions. Senate bill 169 increases the disability benefits for members who become "totally and permanently disabled" as a result of an act in the line of duty (hazardous) or a duty-related injury (nonhazardous) to be equal to 75% of the member's monthly average pay plus 10% of the member's monthly average pay for each dependent child. The combined benefit payable to both the member and dependent children while the member is alive is not to exceed 100% of the member's monthly average pay. Health insurance coverage will be available at 100% of the contribution rate for the member, the member's spouse, and the member's dependent children. The bill also provides for prospective adjustments in benefits for those eligible retirees who were already determined to be totally and permanently disabled in the line of duty or due to a duty-related injury.

Members experiencing a total and permanent disability due to a duty related injury in a nonhazardous participating position must meet additional requirements to be considered for these benefits.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Rates of Return. The long-term expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class 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 | 21.75 % | 5.70 % |
| Non-U.S. Equity | 21.75 % | 6.35 % |
| Private Equity | 10.00 % | 9.70 % |
| Specialty Credit/High Yield | 15.00 % | 2.80 % |
| Liquidity: | | |
| Core Bonds | 10.00 % | 0.00 % |
| Cash | 1.50 % | (0.60)% |
| Diversifying Strategies: | | |
| Real Estate | 10.00 % | 5.40 % |
| Real Return | 10.00 % | 4.55 % |
| Total | 100.00 % | 3.96 % |

Discount Rate. The single discount rate used to measure the total pension liability was 6.25%, which is the same as the prior year. These single discount rates were based on the expected rate of return on pension investments. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the Pension Plans' fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rates of return on Pension Plans' investments were applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in CERS contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 8, passed during the 2021 legislative session. The assumed future employer contributions for CERS reflect the provisions of House Bill 362 (passed in 2018 legislative session), which limit the increases to the employer contributions rates to 12% over the prior fiscal year through June 30, 2028.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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:

| | Discount Rate | City's Proportionate Share of Net Pension Liability- Non- Hazardous | City's Proportionate Share of Net Pension Liability- Hazardous |
|-----------------------|------------------|--|---|
| 1% decrease | 5.25 % | \$ 9,173,234 | \$ 2,155,283 |
| Current discount rate | 6.25 % | 7,152,354 | 1,690,897 |
| 1% increase | 7.25 % | 5,480,125 | 1,312,424 |

V. POST-EMPLOYMENT BENEFITS

All eligible retired City of Harrodsburg employees participating in the CERS receive post-employment health care benefits in conjunction with their pension service benefits. Retiree cost depends on length of service prior to retirement. Employer contribution rates are established annually by the CERS Board of Trustees. KPPA issues separate stand-alone financial statements for the statewide multiple employer cost-sharing plan that provides other post-employment benefits for local government employees participating in CERS. The plan's financial statements may be downloaded from the Kentucky Public Pension Authority website. The City of Harrodsburg has employees that participate in CERS hazardous and nonhazardous plans. The following information was extracted from the KPPA financial statements for the year ended June 30, 2021.

Under the provisions of Kentucky Revised Statue Section 61.701, the CERS Board of Trustees administers the KRS Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by CERS: (1) Kentucky Employees Retirement System (KERS); (2) CERS; and (3) State Police Retirement System (SPRS). The assets of the Insurance Fund are also segregated by plan.

KPPA insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS, KERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. KPPA submits the premium payments to DEI and Humana. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the year ended June 30, 2021, insurance premiums withheld from benefit payments for members of the CERS non-hazardous and hazardous plans were \$24.3 million and \$3.3 million, respectively. For the year ended June 30, 2020, insurance premiums withheld from benefit payments for members of CERS non-hazardous and hazardous plans were \$24.5 million and \$3.0 million, respectively. The contribution by the City of Harrodsburg, Kentucky totaled \$161,655 to the non-hazardous plan and \$38,846 to the hazardous plan for the year ended June 30, 2022.

The amount of benefit paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, a percentage of the contribution rate is based on years of service with 100% of the contribution rate being paid with 20 years of service. The respective percentages of the maximum contribution are as follows:

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

Since the passage of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of a deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually which is currently 1.5% based on Kentucky Revised Statutes. House Bill 1 (2008 Kentucky General Assembly) changed the minimum vesting requirement for participation in the health insurance plan to 15 years for members whose participation began on or after September 1, 2008. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statutes 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. The Insurance Fund pays 100% of the contribution rate for hospital and medical insurance premiums for the spouse and dependents of members who die as a direct result of an act in the line of duty or from a duty-related injury.

Kentucky Revised Statute 78.790 and 61.650 grants the responsibility for the investment of plan assets to CERS and KRS, respectively. The Boards have 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 (ETF's), or other type of securities contained in a manager's benchmark. Each individual equity account has a comprehensive set of investment guidelines prepared, which contains a listing of permissible investments, portfolio restrictions, and standards of performance.

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.

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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. The Investment Committee believes private equity investments have the potential to generate substantial income, but may have a higher degree of risk. Investments may be made in real estate mortgages on a direct basis or in the form of mortgage pool instruments.

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.

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 (STIF's); money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper); and repurchase agreements related to the above instruments. Instruments may be selected from among those having an investment grade rating at the time of purchase by at least one recognized bond rating service. In cases where the instrument has a split rating, the lower of the two ratings is used.

Repurchase agreements shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur. Variable rate securities shall be deemed to have a maturity equal to the time left until the next interest rate reset occurs, but in no case will any security have a stated final maturity of more than three years.

Fixed income managers, who utilize cash equivalent securities as an integral part of their investment strategy, are exempt from the permissible investments contained in the preceding paragraph. Permissible short-term investments for fixed income managers shall be included in the investment manager's investment guidelines.

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. The investment Committee believes alternative investments have the potential to generate substantial income, but may have a higher degree of risk. 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, 2022

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 (TIPS); 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.

Investments in securities such as collateralized mortgage obligations and planned amortization class issues are allowed if, in the judgment of the investment manager, they are not expected to be subject to large or unanticipated changes in duration or cash flows. Investment managers may make use of derivative securities for defensive or hedging purposes. Any derivative security shall be sufficiently liquid so that it can be expected to be sold at, or near, its most recently quoted market price.

Rates of Return. The long-term (10-year) expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below.

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------|------------------------------|---|
| Growth: | | |
| U.S. Equity | 21.75 % | 5.70 % |
| Non-U.S. Equity | 21.75 % | 6.35 % |
| Private Equity | 10.00 % | 9.70 % |
| Specialty Credit/High Yield | 15.00 % | 2.80 % |
| Liquidity: | | |
| Core Bonds | 10.50 % | 0.00 % |
| Cash | 1.00 % | (0.60)% |
| Diversifying Strategies: | | |
| Real Estate | 5.00 % | 5.40 % |
| Real Return | 15.00 % | 4.55 % |
| Total | <u>100.00 %</u> | <u>4.24 %</u> |

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Employer Contributions. The employer rates allocable to the health insurance benefits was 5.78% in 2022 and 4.76% in 2021 for nonhazardous employees and 10.47% in 2022 and 9.52% in 2021 for hazardous employees. The contribution rates were created by statute and were 100% funded during 2022 and 2021. At June 30, 2022, the City of Harrodsburg had contributed all of the required 2022 funding. Local government participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per the Kentucky Revised Statute Section 78.545(33). The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statute Section 78.454(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. The Commonwealth is required to contribute at an actuarially determined rate for KERS and SPRS pensions. Per Kentucky Revised Statute Sections KERS 61.565(3), and SPRS 16.645(18), normal contribution and past service contribution rates shall be determined by the Board on the basis of the last annual valuation preceding July 1 of a new biennium. The KRS Board may amend contribution rates on the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget for KERS and SPRS. For the fiscal year ended June 30, 2022, participating employers contributed a percentage of each employee's creditable compensation. The actuarially determined rates set by the Boards for the fiscal year is a percentage of each employee's creditable compensation. Administrative costs of KPPA are financed through employer contributions and investment earnings.

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

| Retirement System | Actuarial Value of Assets | AAL Entry Age Normal | Funded | Covered Payroll | Unfunded as Percent of Covered Payroll |
|------------------------------|--|---------------------------------|---------------|----------------------------|---|
| KERS Non-Hazardous | \$ 1,291,472 | \$ 2,574,112 | 50.2 % | \$ 1,349,330 | 95.1 % |
| KERS Hazardous | 575,025 | 424,456 | 135.5 % | 162,836 | (92.5)% |
| CERS Non-Hazardous | 2,947,312 | 3,450,484 | 85.4 % | 2,528,735 | 19.9 % |
| CERS Hazardous | 1,475,635 | 1,751,203 | 84.3 % | 578,355 | 47.6 % |
| SPRS | 223,251 | 272,406 | 82.0 % | 45,338 | 108.4 % |
| Total Insurance Funds | \$ 6,512,695 | \$ 8,472,661 | 76.9 % | \$ 4,664,594 | 42.0 % |

Actuarial Methods and Assumptions. The total OPEB liability as of June 30, 2022 was calculated using the following actuarial assumptions based on the June 30, 2021, 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 | 3.55% to 20.05%, varies by service | 3.30% to 10.30%, varies by service | 3.55% to 19.05%, varies by service | 3.55% to 16.05%, 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, 2022

| | KERS Non-Hazardous | KERS Hazardous | CERS Non-Hazardous | CERS Hazardous | SPRS |
|--|--|--|--|--|--|
| 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 |
| Healthcare trend rates - pre 65 | Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. | Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. | Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. | Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. | Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. |
| Healthcare trend rates - post 65 | Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. | Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. | Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. | Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. | Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. |

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, 2021 | | | | | |
| Single discount rate | 5.26 % | 5.01 % | 5.20 % | 5.05 % | 5.20 % |
| Long-term expected rate of return | 6.25 % | 6.25 % | 6.25 % | 6.25 % | 6.25 % |
| Long-term municipal bond rate (1) | 1.92 % | 1.92 % | 1.92 % | 1.92 % | 1.92 % |
| As of June 30, 2020 | | | | | |
| Single discount rate | 5.43 % | 5.28 % | 5.34 % | 5.30 % | 5.40 % |
| Long-term expected rate of return | 6.25 % | 6.25 % | 6.25 % | 6.25 % | 6.25 % |
| Long-term municipal bond rate (1) | 2.45 % | 2.45 % | 2.45 % | 2.45 % | 2.45 % |

(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, 2021 (and June 30, 2020).

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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 | 0.112153 % | 4.20 % | \$ 2,947,970 | 0.063516 % | 4.05 % | \$ 744,571 |
| Current discount rate | 0.112153 % | 5.20 % | 2,147,113 | 0.063516 % | 5.05 % | 513,565 |
| 1% increase | 0.112153 % | 6.20 % | 1,489,877 | 0.063516 % | 6.05 % | 327,964 |

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 2021 and FY 2020 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, 2020. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2021, using generally accepted actuarial principles. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2021. Certain benefit assumptions including the mortality assumptions are from the 2018 experience study. The City's decrease in OPEB cost for June 30, 2022 was \$453,751.

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 | 4.20 % | \$ 1,545,666 | 4.05 % | \$ 336,515 |
| Current discount rate | 5.20 % | 2,147,113 | 5.05 % | 513,565 |
| 1% increase | 6.20 % | 2,873,069 | 6.05 % | 730,407 |

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

| | Governmental Activities | | Business-Type Activities | |
|---|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience in the measurement of the total OPEB liability | \$ 265,495 | \$ 528,869 | \$ 88,187 | \$ 167,439 |
| Changes in assumptions or other inputs | 549,349 | 1,667 | 148,681 | 522 |
| Net difference between projected and actual earnings on plan investments | 112,319 | 457,139 | 28,255 | 115,986 |
| Changes in the employer's contributions and the employers proportionate share of plan contributions | 115,331 | 133,071 | 40,773 | 15,527 |
| The employer's contributions to the OPEB plan subsequent to the measurement date of the collective net OPEB liability | 158,278 | | 42,223 | |
| Total | <u>\$ 1,200,772</u> | <u>\$ 1,120,746</u> | <u>\$ 348,119</u> | <u>\$ 299,474</u> |

The \$158,278 and \$42,233 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending June 30, | Governmental Activities | Business-Type Activities |
|-----------------------------|--------------------------------|---------------------------------|
| 2023 | \$ (1,173) | \$ 19,091 |
| 2024 | (6,589) | 5,754 |
| 2025 | 10,249 | 6,669 |
| 2026 | (90,007) | (25,092) |
| 2027 | 9,268 | |
| Thereafter | <u>\$ (78,252)</u> | <u>\$ 6,422</u> |

CITY OF HARRODSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

VI. INSURANCE

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

| <u>Type of Coverage</u> | <u>Insured Amount</u> | <u>Deductible</u> |
|----------------------------|---------------------------|-------------------|
| General liability | \$ 5,000,000 | \$ |
| Public officials liability | 5,000,000 | 10,000 |
| Law enforcement liability | 5,000,000 | |
| Auto liability | 5,000,000 | |
| Workers compensation | 4,000,000 | |
| Property | 60,597,495 | 1,000 |
| Equipment | 1,145,051 | |

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, 2022 related to these potential liabilities.

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, it's revenues and expenditures, and the feasibility of these reimbursements. No payment was made for the year ending June 30, 2022.

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, 2022.

The City has entered into various contracts with outside vendors of which approximately \$200,000 remains to be paid on the contracts.

VIII. ECONOMIC DEPENDENCY

General Government Revenue. The City collected approximately \$1,400,000 representing 51%, of its payroll license fees and 20% of the total revenues of the General Fund from four employers within the City limits.

Municipal Waterworks and Sewer System Revenue. The billings to five customers totaled approximately \$2,600,000 which represented 44% 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 Nine 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 |
| 2022 | 0.112180% | \$ 7,152,354 | \$ 2,650,961 | 269.80% | 57.33% | 0.063516% | \$ 1,690,897 | \$ 371,022 | 455.74% | 52.26% |
| 2021 | 0.104315% | 8,000,874 | 2,859,034 | 279.85% | 47.81% | 0.064546% | 1,946,078 | 373,652 | 520.83% | 44.11% |
| 2020 | 0.106734% | 7,506,648 | 2,659,442 | 282.26% | 50.45% | 0.070428% | 1,945,429 | 375,963 | 517.45% | 46.63% |
| 2019 | 0.101569% | 6,185,801 | 2,677,145 | 231.06% | 53.54% | 0.091100% | 2,203,214 | 399,991 | 550.82% | 49.26% |
| 2018 | 0.105664% | 6,184,839 | 2,507,438 | 246.66% | 53.32% | 0.100552% | 2,249,628 | 477,009 | 471.61% | 49.78% |
| 2017 | 0.103151% | 5,078,759 | 2,569,834 | 197.63% | 55.50% | 0.099689% | 1,710,600 | 551,977 | 309.90% | 53.95% |
| 2016 | 0.096361% | 4,143,084 | 2,411,969 | 171.77% | 59.97% | 0.112177% | 1,722,032 | 505,362 | 340.75% | 57.52% |
| 2015 | 0.084193% | 3,244,376 | 2,232,126 | 145.35% | 66.80% | 0.152137% | 1,201,824 | 581,643 | 206.63% | 63.46% |
| 2014 | 0.084193% | 3,083,695 | 1,912,164 | 161.27% | 61.22% | 0.152137% | 2,033,902 | 753,520 | 269.92% | 57.74% |

There were no changes to plan assumptions for the measurement period ending June 30, 2021 and 2020.

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

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

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

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

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

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

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

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

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

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

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

| Year | Retirement Plan | Contractually Required Employer Contribution | Contributions Relative to Contractually Required Employer Contribution | Contribution deficiency (excess) | City Covered Employee Payroll | Employer Contributions as a Percentage of Covered- Employee Payroll |
|------|--------------------|---|---|--|--|--|
| 2022 | CERS Non-Hazardous | \$ 592,081 | \$ 592,081 | \$0 | \$ 2,650,961 | 22.33% |
| | CERS Hazardous | 125,627 | 125,627 | 0 | 371,022 | 33.86% |
| 2021 | CERS Non-Hazardous | \$ 561,667 | \$ 561,667 | 0 | 2,859,034 | 19.65% |
| | CERS Hazardous | 112,320 | 112,320 | 0 | 373,652 | 30.06% |
| 2020 | CERS Non-Hazardous | 514,445 | 514,445 | 0 | 2,659,442 | 19.34% |
| | CERS Hazardous | 113,013 | 113,013 | 0 | \$375,963 | 30.06% |
| 2019 | CERS Non-Hazardous | 440,318 | 440,318 | 0 | 2,677,145 | 16.45% |
| | CERS Hazardous | 128,258 | 128,258 | 0 | 399,991 | 32.07% |
| 2018 | CERS Non-Hazardous | 376,808 | 376,808 | 0 | 2,507,438 | 15.03% |
| | CERS Hazardous | 103,797 | 103,797 | 0 | 477,009 | 21.76% |
| 2017 | CERS Non-Hazardous | 360,034 | 360,034 | 0 | 2,569,834 | 14.01% |
| | CERS Hazardous | 120,011 | 120,011 | 0 | 551,977 | 21.74% |
| 2016 | CERS Non-Hazardous | 444,236 | 444,236 | 0 | 2,411,969 | 18.42% |
| | CERS Hazardous | 171,803 | 171,803 | 0 | 505,362 | 34.00% |
| 2015 | CERS Non-Hazardous | 414,209 | 414,209 | 0 | 2,232,126 | 18.56% |
| | CERS Hazardous | 200,220 | 200,220 | 0 | 581,643 | 34.42% |
| 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.

There were no changes to plan assumptions for the measurement period ending June 30, 2021 and 2020.

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

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

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

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

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

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

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

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

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

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

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
Last Five Fiscal Years

| Actuarial Valuation Date | Non-Hazardous | | Hazardous | | Covered Payroll | | Unfunded liability as A Percentage of Covered Payroll | |
|--------------------------------|---|--------------|---|------------|-----------------|------------|---|-----------|
| | Employer Proportion of Collective Net OPEB Liability | | Employer Proportion of Collective Net OPEB Liability | | Non-Hazardous | Hazardous | Non-Hazardous | Hazardous |
| | Percentage | Amount | Percentage | Amount | | | | |
| 6/29/2021 | 0.112153 | \$ 2,147,113 | 0.063516 | \$ 513,565 | \$ 2,650,961 | \$ 371,022 | 80.99% | 138.42% |
| 6/30/2020 | 0.104284 | 2,518,141 | 0.064526 | 596,289 | 2,859,034 | 373,652 | 88.08% | 159.58% |
| 6/30/2019 | 0.106720 | 1,794,981 | 0.070414 | 520,965 | 2,659,442 | 375,963 | 67.49% | 138.57% |
| 6/30/2018 | 0.101564 | 1,803,249 | 0.091105 | 649,542 | 2,677,145 | 399,991 | 67.36% | 162.39% |
| 6/30/2017 | 0.105664 | 2,124,208 | 0.100552 | 831,235 | 2,507,438 | 477,009 | 84.72% | 174.26% |

Notes:

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

There were no changes to plan assumptions for the measurement period ending June 30, 2021 and 2020.

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 Six Fiscal Years

| Non-Hazardous | | | Hazardous | | |
|---------------------------------|------------------------------------|---------------------------|---------------------------------|------------------------------------|---------------------------|
| Fiscal Year Ended 30-June | Annual Required Contribution | Percentage Contributed | Fiscal Year Ended 30-June | Annual Required Contribution | Percentage Contributed |
| 2022 | \$ 161,655 | 100% | 2022 | \$ 38,846 | 100% |
| 2021 | 139,475 | 100% | 2021 | 34,143 | 100% |
| 2020 | 126,879 | 100% | 2020 | 35,791 | 100% |
| 2019 | 139,048 | 100% | 2019 | 54,967 | 100% |
| 2018 | 123,342 | 100% | 2018 | 46,700 | 100% |
| 2017 | 121,687 | 100% | 2017 | 51,610 | 100% |

Notes:

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

There were no changes to plan assumptions for the measurement period ending June 30, 2021 and 2020.

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

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

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

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

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

CITY OF HARRODSBURG, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
For the Year Ending June 30, 2022

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> |
|----------------------------------|---------------|---------------|-------------------|
| Non-departmentalized | \$ 589,497 | \$ 626,071 | \$ 36,574 |
| Police department | 2,078,102 | 2,093,382 | 15,280 |

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------------|---------------------------|---------------------|---|
| Revenues: | | | | |
| Taxes | \$ 1,932,500 | \$ 1,932,500 | \$ 2,229,287 | \$ 296,787 |
| Licenses, permits, and fees | 2,830,400 | 2,830,400 | 3,652,203 | 821,803 |
| Intergovernmental revenue | 898,003 | 898,003 | 523,125 | (374,878) |
| Service charges | 126,700 | 126,700 | 130,703 | 4,003 |
| Other | 70,700 | 82,350 | 307,755 | 225,405 |
| Total revenues | <u>5,858,303</u> | <u>5,869,953</u> | <u>6,843,073</u> | <u>973,120</u> |
| Expenditures: | | | | |
| General government | 523,574 | 523,574 | 506,404 | 17,170 |
| Police department | 2,069,452 | 2,078,102 | 2,093,382 | (15,280) |
| Fire department | 1,919,560 | 2,016,152 | 1,720,173 | 295,979 |
| Street department | 707,519 | 707,519 | 574,145 | 133,374 |
| Cemeteries | 450,906 | 450,906 | 336,944 | 113,962 |
| Culture and recreation | 229,993 | 294,993 | 257,786 | 37,207 |
| Communications | 463,622 | 305,030 | 80,322 | 224,708 |
| Non-departmentalized | 589,497 | 589,497 | 626,071 | (36,574) |
| Total expenditures | <u>6,954,123</u> | <u>6,965,773</u> | <u>6,195,227</u> | <u>770,546</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources | <u>(1,095,820)</u> | <u>(1,095,820)</u> | <u>647,846</u> | <u>1,743,666</u> |
| Other financing sources (uses): | | | | |
| Transfers (to) from other funds | | | 180,194 | 180,194 |
| Lease proceeds | | | 195,530 | 195,530 |
| Total other financing sources (uses) | | | <u>375,724</u> | <u>375,724</u> |
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | <u>(1,095,820)</u> | <u>(1,095,820)</u> | <u>1,023,570</u> | <u>2,119,390</u> |
| Fund balance, beginning of year | <u>5,241,540</u> | <u>5,241,540</u> | <u>5,241,540</u> | |
| Fund balance, end of year | <u>\$ 4,145,720</u> | <u>\$ 4,145,720</u> | <u>\$ 6,265,110</u> | <u>\$ 2,119,390</u> |

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022

| | Original Budget | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|-------------------------------------|----------------------------|---------------------------|------------------|---|
| Taxes: | | | | |
| Real property | \$ 300,000 | \$ 300,000 | \$ 321,562 | \$ 21,562 |
| Motor vehicle | 115,000 | 115,000 | 138,446 | 23,446 |
| Tangible personal property | 32,000 | 32,000 | 23,384 | (8,616) |
| Public service company | 15,500 | 15,500 | 27,324 | 11,824 |
| Insurance premium | 1,400,000 | 1,400,000 | 1,633,998 | 233,998 |
| Bank deposits | 55,000 | 55,000 | 65,905 | 10,905 |
| Payments in lieu of taxes | 15,000 | 15,000 | 18,668 | 3,668 |
| | <u>1,932,500</u> | <u>1,932,500</u> | <u>2,229,287</u> | <u>296,787</u> |
| Licenses, permits, and fees: | | | | |
| Payroll license fees | 2,100,000 | 2,100,000 | 2,722,633 | 622,633 |
| Net profits license fees | 190,000 | 190,000 | 238,109 | 48,109 |
| Business license fees | 18,900 | 18,900 | 82,675 | 63,775 |
| Street license fees | 1,500 | 1,500 | 1,425 | (75) |
| ABC license fees | 15,000 | 15,000 | 23,400 | 8,400 |
| Franchise fee - cable television | 58,500 | 58,500 | 59,526 | 1,026 |
| Franchise fee - electric | 381,500 | 381,500 | 446,764 | 65,264 |
| Franchise fee - natural gas | 65,000 | 65,000 | 77,671 | 12,671 |
| | <u>2,830,400</u> | <u>2,830,400</u> | <u>3,652,203</u> | <u>821,803</u> |
| Intergovernmental revenue: | | | | |
| Police pay incentive | 76,000 | 76,000 | 82,589 | 6,589 |
| Firefighters pay incentive | 64,000 | 64,000 | 78,645 | 14,645 |
| Police court fines | 6,000 | 6,000 | 12,549 | 6,549 |
| 911 reimbursements | 423,003 | 423,003 | 47,508 | (375,495) |
| Other grants and subsidies | 329,000 | 329,000 | 301,834 | (27,166) |
| | <u>898,003</u> | <u>898,003</u> | <u>523,125</u> | <u>(374,878)</u> |

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022

| | Original Budget | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------------|----------------------------|---------------------------|---------------------|---|
| Service charges: | | | | |
| Rental income | 16,000 | 16,000 | 11,528 | (4,472) |
| Police arrest fees | 1,000 | 1,000 | 3,568 | 2,568 |
| Interment, Spring Hill | 73,000 | 73,000 | 71,400 | (1,600) |
| Lots sold, Spring Hill | 25,000 | 25,000 | 24,950 | (50) |
| Interment, Maple Grove | 2,200 | 2,200 | 4,300 | 2,100 |
| Lots sold, Maple Grove | 1,500 | 1,500 | 4,750 | 3,250 |
| Lot care | | | 250 | 250 |
| Monument bases | 8,000 | 8,000 | 9,957 | 1,957 |
| | <u>126,700</u> | <u>126,700</u> | <u>130,703</u> | <u>4,003</u> |
| Other: | | | | |
| Penalties and interest | 11,000 | 11,000 | 25,840 | 14,840 |
| Interest earned | 2,600 | 2,600 | 5,705 | 3,105 |
| Drug investigation receipts | 17,000 | 25,650 | 62,161 | 36,511 |
| Sale of surplus property | 15,000 | 15,000 | 131,754 | 116,754 |
| Donations | | | 25,000 | 25,000 |
| Miscellaneous | 25,100 | 28,100 | 57,295 | 29,195 |
| | <u>70,700</u> | <u>82,350</u> | <u>307,755</u> | <u>225,405</u> |
| Total revenues | <u>\$ 5,858,303</u> | <u>\$ 5,869,953</u> | <u>\$ 6,843,073</u> | <u>\$ 973,120</u> |

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022

| | Original Budget | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------------|----------------------------|---------------------------|------------------|---|
| General government: | | | | |
| Salaries and wages | \$ 317,838 | \$ 317,838 | \$ 297,663 | \$ 20,175 |
| Fringe benefits | 113,561 | 113,561 | 107,054 | 6,507 |
| Contractual services | 58,300 | 58,300 | 60,068 | (1,768) |
| Materials and supplies | 23,100 | 23,100 | 12,647 | 10,453 |
| Other costs | 10,775 | 10,775 | 28,972 | (18,197) |
| | <u>523,574</u> | <u>523,574</u> | <u>506,404</u> | <u>17,170</u> |
| Police department: | | | | |
| Salaries and wages | 1,103,038 | 1,103,038 | 986,736 | 116,302 |
| Fringe benefits | 554,256 | 554,256 | 453,471 | 100,785 |
| Contractual services | 96,728 | 96,728 | 93,929 | 2,799 |
| Materials and supplies | 98,300 | 98,300 | 95,088 | 3,212 |
| Other costs | 72,783 | 81,433 | 103,384 | (21,951) |
| Capital outlay | 1,000 | 1,000 | 195,530 | (194,530) |
| Debt service | 143,347 | 143,347 | 165,244 | (21,897) |
| | <u>2,069,452</u> | <u>2,078,102</u> | <u>2,093,382</u> | <u>(15,280)</u> |
| Fire department: | | | | |
| Salaries and wages | 786,091 | 786,091 | 832,638 | (46,547) |
| Fringe benefits | 449,819 | 449,819 | 445,937 | 3,882 |
| Contractual services | 116,650 | 116,650 | 101,506 | 15,144 |
| Materials and supplies | 362,000 | 365,000 | 84,909 | 280,091 |
| Other costs | 40,000 | 133,592 | 31,879 | 101,713 |
| Capital outlay | 75,000 | 75,000 | 70,380 | 4,620 |
| Debt service | 90,000 | 90,000 | 152,924 | (62,924) |
| | <u>1,919,560</u> | <u>2,016,152</u> | <u>1,720,173</u> | <u>295,979</u> |
| Street department: | | | | |
| Salaries and wages | 203,284 | 203,284 | 148,134 | 55,150 |
| Fringe benefits | 121,668 | 121,668 | 70,885 | 50,783 |
| Contractual services | 276,260 | 276,260 | 260,556 | 15,704 |
| Materials and supplies | 49,720 | 49,720 | 47,679 | 2,041 |
| Other costs | 6,750 | 6,750 | 6,676 | 74 |
| Capital outlay | 25,000 | 25,000 | 15,378 | 9,622 |
| Debt service | 24,837 | 24,837 | 24,837 | |
| | <u>707,519</u> | <u>707,519</u> | <u>574,145</u> | <u>133,374</u> |

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022

| | Original Budget | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------|----------------------------|---------------------------|---------------------|---|
| Cemeteries: | | | | |
| Salaries and wages | 195,861 | 195,861 | 118,987 | 76,874 |
| Fringe benefits | 107,395 | 107,395 | 51,889 | 55,506 |
| Contractual services | 77,350 | 77,350 | 108,447 | (31,097) |
| Materials and supplies | 26,300 | 26,300 | 21,157 | 5,143 |
| Other costs | 4,000 | 4,000 | 6,045 | (2,045) |
| Capital outlay | 30,000 | 30,000 | 20,372 | 9,628 |
| Debt service | 10,000 | 10,000 | 10,047 | (47) |
| | <u>450,906</u> | <u>450,906</u> | <u>336,944</u> | <u>113,962</u> |
| Culture and recreation: | | | | |
| Salaries and wages | 88,812 | 153,812 | 87,171 | 66,641 |
| Fringe benefits | 51,031 | 51,031 | 37,747 | 13,284 |
| Contractual services | 57,400 | 57,400 | 69,525 | (12,125) |
| Materials and supplies | 22,150 | 22,150 | 21,271 | 879 |
| Other costs | 5,600 | 5,600 | 5,248 | 352 |
| Capital outlay | 5,000 | 5,000 | 36,824 | (31,824) |
| | <u>229,993</u> | <u>294,993</u> | <u>257,786</u> | <u>37,207</u> |
| Communications: | | | | |
| Salaries and wages | 242,426 | 130,630 | 31,989 | 98,641 |
| Fringe benefits | 91,552 | 91,552 | 11,184 | 80,368 |
| Contractual services | 54,495 | 7,699 | 31,165 | (23,466) |
| Materials and supplies | 15,149 | 15,149 | 98 | 15,051 |
| Other costs | 10,000 | 10,000 | 5,886 | 4,114 |
| Capital outlay | 50,000 | 50,000 | | 50,000 |
| | <u>463,622</u> | <u>305,030</u> | <u>80,322</u> | <u>224,708</u> |
| Non-departmentalized: | | | | |
| Insurance | 275,000 | 275,000 | 246,747 | 28,253 |
| Grants and subsidies | 314,497 | 314,497 | 379,324 | (64,827) |
| | <u>589,497</u> | <u>589,497</u> | <u>626,071</u> | <u>(36,574)</u> |
| | <u>\$ 6,954,123</u> | <u>\$ 6,965,773</u> | <u>\$ 6,195,227</u> | <u>\$ 770,546</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, 2022

| | <u>Municipal Aid Fund</u> | <u>Tourism Development Fund</u> | <u>Alcohol Beverage Control Fund</u> | <u>Total</u> |
|---|-------------------------------|---|--|-------------------|
| ASSETS | | | | |
| Cash | \$ 85,794 | \$ 125,911 | \$ 326,085 | \$ 537,790 |
| Accounts receivable, taxes | | 49,747 | | 49,747 |
| Total assets | <u>\$ 85,794</u> | <u>\$ 175,658</u> | <u>\$ 326,085</u> | <u>\$ 587,537</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ | \$ 123,379 | \$ 2,075 | \$ 125,454 |
| FUND BALANCE | | | | |
| Fund balance: | | | | |
| Restirtced for: | | | | |
| Roads | 85,794 | | | 85,794 |
| Tourism | | 52,279 | | 52,279 |
| Police | | | 324,010 | 324,010 |
| Total fund balance | <u>85,794</u> | <u>52,279</u> | <u>324,010</u> | <u>462,083</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 85,794</u> | <u>\$ 175,658</u> | <u>\$ 326,085</u> | <u>\$ 587,537</u> |

CITY OF HARRODSBURG, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
For the Year Ended June 30, 2022

| | <u>Municipal Aid Fund</u> | <u>Tourism Development Fund</u> | <u>Alcohol Beverage Control Fund</u> | <u>Total</u> |
|--|-------------------------------|---|--|-------------------|
| Revenues: | | | | |
| Intergovernmental revenue | \$ 170,544 | \$ | \$ | \$ 170,544 |
| Restaurant tax collections | | 716,341 | | 716,341 |
| Alcohol license fee | | | 265,750 | 265,750 |
| Insurance claim | | 6,675 | | 6,675 |
| Penalty | | 1,549 | 449 | 1,998 |
| Interest income | 103 | 71 | | 174 |
| | <u>170,647</u> | <u>724,636</u> | <u>266,199</u> | <u>1,161,482</u> |
| Total revenues | | | | |
| Expenditures: | | | | |
| Police department: | | | | |
| Other costs | | | 47,573 | 47,573 |
| Street department: | | | | |
| Paving | 99,287 | | | 99,287 |
| Salt | 91,088 | | | 91,088 |
| Non-departmentalized: | | | | |
| Grants and subsidies | | 731,255 | | 731,255 |
| | <u>190,375</u> | <u>731,255</u> | <u>47,573</u> | <u>969,203</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenues over expenditures | (19,728) | (6,619) | 218,626 | 192,279 |
| Other financing sources (uses): | | | | |
| Transfers (to) from other funds | | | (61,524) | (61,524) |
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | (19,728) | (6,619) | 157,102 | 130,755 |
| Fund balance, beginning of year | 105,522 | 58,898 | 166,908 | 331,328 |
| Fund balance, end of year | <u>\$ 85,794</u> | <u>\$ 52,279</u> | <u>\$ 324,010</u> | <u>\$ 462,083</u> |

PROPRIETARY FUND

CITY OF HARRODSBURG, KENTUCKY
BALANCE SHEET
MUNICIPAL WATERWORKS AND SEWER SYSTEM
June 30, 2022

ASSETS

Current assets:

| | |
|---|------------------|
| Cash | \$ 3,106,029 |
| Certificates of deposit | 388,131 |
| Accounts receivable (net of allowance for doubtful accounts of \$ 660,000) | 618,376 |
| Due from other funds | 18,270 |
| Prepaid expenses | 260,480 |
| | <u>4,391,286</u> |

Restricted assets:

| | |
|-------------------------|------------------|
| Cash | 1,663,808 |
| Certificates of deposit | 586,700 |
| | <u>2,250,508</u> |

Capital assets:

| | |
|---------------------------------|-------------------|
| Water utility system | 14,855,563 |
| Sewer utility system | 12,376,970 |
| Water and sewer treatment plant | 62,754,647 |
| Equipment and vehicles | 3,819,152 |
| Buildings and land | 835,149 |
| Construction in process | 116,960 |
| | <u>94,758,441</u> |

| | |
|-------------------------------|-------------------|
| Less accumulated depreciation | <u>44,153,282</u> |
|-------------------------------|-------------------|

| | |
|---------------------|------------|
| Capital assets, net | 50,605,159 |
|---------------------|------------|

Other long term assets:

| | |
|---------------------|----------------|
| Bond issuance costs | <u>181,400</u> |
|---------------------|----------------|

| | |
|--------------|----------------------|
| Total assets | <u>\$ 57,428,353</u> |
|--------------|----------------------|

| | |
|-------------------------------|-------------------|
| Deferred outflow of resources | <u>\$ 723,761</u> |
|-------------------------------|-------------------|

LIABILITIES AND NET POSITION

Current liabilities:

| | |
|---------------------|----------------|
| Accounts payable | \$ 84,824 |
| Accrued liabilities | 117,376 |
| Customer deposits | 325,010 |
| Lease payable | <u>17,900</u> |
| | <u>545,110</u> |

Liabilities payable from restricted assets:

| | |
|----------------------------------|------------------|
| Accrued interest payable | 92,813 |
| Current portion of loans payable | 1,245,184 |
| Current portion of bonds payable | <u>312,000</u> |
| | <u>1,649,997</u> |

Non-current liabilities:

| | |
|----------------------------------|-------------------|
| Bonds payable | 16,446,499 |
| Loans payable | 18,547,121 |
| Lease payable | 18,360 |
| Net pension obligation | 1,868,139 |
| Post employment benefits payable | <u>560,810</u> |
| | <u>37,440,929</u> |

| | |
|-------------------|----------------------|
| Total liabilities | <u>\$ 39,636,036</u> |
|-------------------|----------------------|

| | |
|------------------------------|-------------------|
| Deferred inflow of resources | <u>\$ 651,611</u> |
|------------------------------|-------------------|

Net position:

| | |
|----------------------------------|------------------|
| Net investment in capital assets | \$ 14,018,095 |
| Restricted | 2,250,508 |
| Unrestricted | <u>1,595,864</u> |

| | |
|--------------------|----------------------|
| Total net position | <u>\$ 17,864,467</u> |
|--------------------|----------------------|

CITY OF HARRODSBURG, KENTUCKY
COMBINING STATEMENT OF REVENUES AND EXPENSES
MUNICIPAL WATERWORKS AND SEWER SYSTEM
For the Year Ended June 30, 2022

| | <u>Water Department</u> | <u>Sewer Department</u> | <u>Total</u> |
|---|-----------------------------|-----------------------------|----------------------|
| Operating revenues: | | | |
| Water sales | \$ 2,828,286 | \$ | \$ 2,828,286 |
| Water taps | 22,250 | | 22,250 |
| Water surcharge | 66,499 | | 66,499 |
| Sewer charges | | 2,613,965 | 2,613,965 |
| Sewer taps | | 27,950 | 27,950 |
| Sewer surcharge | | 69,375 | 69,375 |
| Wastewater surcharge | | 9,470 | 9,470 |
| Pre-treatment charges | | 128,888 | 128,888 |
| Penalties | 79,948 | 79,948 | 159,896 |
| Other revenue | 12,781 | 12,781 | 25,562 |
| Total operating revenues | <u>3,009,764</u> | <u>2,942,377</u> | <u>5,952,141</u> |
| Operating expenses: | | | |
| Water operations | 2,335,615 | | 2,335,615 |
| Sewer operations | | 1,495,519 | 1,495,519 |
| Total operating expenses | <u>2,335,615</u> | <u>1,495,519</u> | <u>3,831,134</u> |
| Operating income before depreciation, amortization, and bad debts | <u>674,149</u> | <u>1,446,858</u> | <u>2,121,007</u> |
| Depreciation expense | 1,210,555 | 1,210,555 | 2,421,110 |
| Amortization of loan fees | 4,104 | 4,104 | 8,208 |
| Bad debts | 15,000 | 15,000 | 30,000 |
| Total depreciation, amortization, and bad debts | <u>1,229,659</u> | <u>1,229,659</u> | <u>2,459,318</u> |
| Operating income (loss) | <u>(555,510)</u> | <u>217,199</u> | <u>(338,311)</u> |
| Non-operating revenues (expenses): | | | |
| Interest income | 7,543 | 7,542 | 15,085 |
| Garbage service | 705,943 | | 705,943 |
| Sales tax | 124,076 | | 124,076 |
| Utility tax | 53,663 | | 53,663 |
| KY River withdrawal fee | 220,608 | | 220,608 |
| Other income | 5,295 | 5,296 | 10,591 |
| Grant proceeds | 76,595 | 76,595 | 153,190 |
| Interest expense | (387,409) | (387,409) | (774,818) |
| Garbage service | (657,406) | | (657,406) |
| Sales tax paid | (120,206) | | (120,206) |
| Utility tax paid | (53,936) | | (53,936) |
| KY River withdrawal fee | (258,755) | | (258,755) |
| Non-operating revenues (expenses), net | <u>(283,989)</u> | <u>(297,976)</u> | <u>(581,965)</u> |
| Income (loss) before other revenues, expenses, gains, losses and transfers | <u>(839,499)</u> | <u>(80,777)</u> | <u>(920,276)</u> |
| Transfer (to) from other funds | (118,400) | | (118,400) |
| Gain on sale of capital assets | 8,849 | 8,849 | 17,698 |
| Other revenues, expenses, gains, losses and transfers | <u>(109,551)</u> | <u>8,849</u> | <u>(100,702)</u> |
| Increase (decrease) in net position | <u>\$ (949,050)</u> | <u>\$ (71,928)</u> | <u>(1,020,978)</u> |
| Net position, beginning of year | | | <u>18,885,445</u> |
| Net position, end of year | 65 | | <u>\$ 17,864,467</u> |

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF UTILITY OPERATING EXPENSES
MUNICIPAL WATERWORKS AND SEWER SYSTEM
For the Year Ended June 30, 2022

| | <u>Water Department</u> | <u>Sewer Department</u> | <u>Total</u> |
|-------------------------------------|-----------------------------|-----------------------------|----------------------------|
| Water administration: | | | |
| Salaries and wages | \$ 89,047 | \$ | \$ 89,047 |
| Fringe benefits | 63,738 | | 63,738 |
| Contractual services | 53,021 | | 53,021 |
| Materials and supplies | 15,774 | | 15,774 |
| Other costs | <u>3,574</u> | | <u>3,574</u> |
| Total water administration | <u>225,154</u> | | <u>225,154</u> |
| Water operations: | | | |
| Salaries and wages | 313,459 | | 313,459 |
| Fringe benefits | 229,308 | | 229,308 |
| Contractual services | 491,850 | | 491,850 |
| Materials and supplies | 381,101 | | 381,101 |
| Other costs | <u>13,577</u> | | <u>13,577</u> |
| Total water operations | <u>1,429,295</u> | | <u>1,429,295</u> |
| Sewer operations: | | | |
| Salaries and wages | | 243,090 | 243,090 |
| Fringe benefits | | 172,843 | 172,843 |
| Contractual services | | 397,712 | 397,712 |
| Materials and supplies | | 69,486 | 69,486 |
| Other costs | | <u>55,069</u> | <u>55,069</u> |
| Total sewer operations | | <u>938,200</u> | <u>938,200</u> |
| Water and sewer maintenance: | | | |
| Salaries and wages | 140,028 | 114,569 | 254,597 |
| Fringe benefits | 79,813 | 65,302 | 145,115 |
| Contractual services | 85,265 | 69,763 | 155,028 |
| Materials and supplies | 27,933 | 22,855 | 50,788 |
| Other costs | <u>224,191</u> | <u>183,428</u> | <u>407,619</u> |
| Total water and sewer maintenance | <u>557,230</u> | <u>455,917</u> | <u>1,013,147</u> |
| Other: | | | |
| Insurance | <u>123,936</u> | <u>101,402</u> | <u>225,338</u> |
| Total operating expenses | <u><u>\$ 2,335,615</u></u> | <u><u>\$ 1,495,519</u></u> | <u><u>\$ 3,831,134</u></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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 13, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Kerbaugh, Rodes & Butler, PLLC

Kerbaugh, Rodes & Butler, PLLC
Certified Public Accountants

Danville, Kentucky
February 13, 2023