CITY OF HARRODSBURG, KENTUCKY

Report on Audited Financial Statements
and Supplementary Information for the
Year Ended June 30, 2025

KERBAUGH, RODES & BUTLER, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

DANVILLE, KENTUCKY

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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, 2025, 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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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 XI and 56 through 69 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 accompanying combining non-major fund financial statements, combining proprietary fund financial statements, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, combining proprietary fund financial statements, and the schedule of expenditures of federal awards 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 July 30, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Kerbaugh, Rodes & Butler, PLLC

Kerbaugh, Rodes & Butler, PLLC
Certified Public Accountants

Danville, Kentucky
July 30, 2026

CITY OF HARRODSBURG, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2025

OVERVIEW

The report on Audited Financial Statements and Supplementary information for the year ended June 30, 2025 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.

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 3, the City's net position related to governmental activities increased by $5,080,889 or approximately 70%, indicating a positive change in the City's financial position. The largest portion of the City's net position ($4,170,600) 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, 2025 was $392,811 in leases and loans used for vehicle and equipment purchases, and for road resurfacing. This is a decrease of $48,536 or approximately 11% from the prior year. Scheduled debt payments for all long-term debt of the City's governmental activities in the amount of $109,405 were made during the year. The City also entered into new leases totaling $60,869 during the year. As listed on Table I, the City's unreserved and unrestricted governmental fund net position was $7,887,368 as of June 30, 2025.

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 3, the City's net position related to business-type activities increased by $1,229,354 or approximately 6%. The largest portion of the City's net position ($17,883,090) or approximately 84% 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, 2025 was $32,367,493 in leases for equipment and bonds and loans issued for major improvements to the utility infrastructure. This is a decrease of $1,146,414 or approximately 3% over the prior year.

Scheduled debt payments for all long-term debt of the City's business-type activities in the amount of $4,609,541 were made during the year. As listed on Table 1, the City's business-type activities maintained unrestricted net position of $699,686. This is a $3,142,614 decrease over the prior year unrestricted net position.

BUDGET AND OTHER REQUIRED SUPPLEMENTARY INFORMATION

Required supplemental information starting on page 65 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 $10,255,863 as of June 30, 2025, compared to $7,654,474 as of June 30, 2024.

NET OPEB LIABILITY(ASSET)

The City's net OPEB liability (asset) 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 (asset), 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 (asset) was 89,605 as of June 30, 2025, compared to $($74,682) as of June 30, 2024.

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 54% of its payroll license fees and net profits and 25% of total revenues of the General Fund from four employers within the City limits. The billings to 5 customers represent 52% 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, 2025. A discussion of these commitments can be found at footnote VIII, page 53 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 Chief Administrative Officer, City Hall, at 208 South Main Street, Harrodsburg, Kentucky, 40330.

TABLE 1
NET POSITION
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current and other assets	$ 13,510,170	$ 8,860,748	$ 22,370,918
Capital assets, net	4,563,411	50,641,789	55,205,200
Total assets	$ 18,073,581	$ 59,502,537	$ 77,576,118
Deferred outflow of resources	$ 6,540,880	$ 803,698	$ 7,344,578
LIABILITIES			
Long-term debt outstanding	$ 392,811	$ 32,367,493	$ 32,760,304
Net pension obligation	7,424,416	2,831,447	10,255,863
Post employment benefits payable	170,672		170,672
Other liabilities	169,838	1,210,291	1,380,129
Unearned revenue	26,911	871,686	898,597
Total liabilities	$ 8,184,648	$ 37,280,917	$ 45,465,565
Deferred inflows of resources	$ 4,050,378	$ 1,818,938	$ 5,869,316
NET POSITION			
Net investment in capital assets	$ 4,170,600	$ 17,883,090	$ 22,053,690
Restricted	321,467	2,623,604	2,945,071
Unrestricted	7,887,368	699,686	8,587,054
Total net position	$ 12,379,435	$ 21,206,380	$ 33,585,815

TABLE 2
NET POSITION
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current and other assets	$ 10,656,905	$ 10,982,147	$ 21,639,052
Capital assets, net	4,810,000	49,267,673	54,077,673
Total assets	$ 15,466,905	$ 60,249,820	$ 75,716,725
Deferred outflow of resources	$ 2,787,773	$ 659,171	$ 3,446,944
LIABILITIES			
Long-term debt outstanding	$ 441,347	$ 33,513,907	$ 33,955,254
Net pension obligation	5,986,444	1,668,030	7,654,474
Other liabilities	179,256	3,163,167	3,342,423
Unearned revenue	10,750	1,447,829	1,458,579
Total liabilities	$ 6,617,797	$ 39,792,933	$ 46,410,730
Deferred inflows of resources	$ 4,338,335	$ 1,139,032	$ 5,477,367
NET POSITION			
Net investment in capital assets	$ 4,368,653	$ 13,392,585	$ 17,761,238
Restricted	280,790	2,742,141	3,022,931
Unrestricted	2,649,103	3,842,300	6,491,403
Total net position	$ 7,298,546	$ 19,977,026	$ 27,275,572

TABLE 3
CHANGE IN NET POSITION
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program revenues:			
Charges for services	$ 116,384	$ 8,183,735	$ 8,300,119
Operating grants and contributions	438,430		438,430
Capital grants and contributions		3,040,403	3,040,403
General revenues:			
Taxes	3,721,900		3,721,900
Licenses, permits and fees	5,968,256		5,968,256
Other	2,561,126	78,524	2,639,650
Total revenues	12,806,096	11,302,662	24,108,758
Program Expenses			
General government	819,803		819,803
Police department	2,223,041		2,223,041
Fire department	2,107,104		2,107,104
Street department	878,954		878,954
Cemeteries	345,296		345,296
Culture and recreation	322,117		322,117
Non-departmentalized	1,028,892	1,653,619	2,682,511
Water		5,780,392	5,780,392
Sewer		2,639,297	2,639,297
Total expenses	7,725,207	10,073,308	17,798,515
Change in net position	5,080,889	1,229,354	6,310,243
Net position, beginning of year	7,298,546	19,977,026	27,275,572
Net position, end of year	$ 12,379,435	$ 21,206,380	$ 33,585,815

TABLE 4
CHANGE IN NET POSITION
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program revenues:			
Charges for services	$ 155,389	$ 7,691,789	$ 7,847,178
Operating grants and contributions	474,071		474,071
Capital grants and contributions		2,433,218	2,433,218
General revenues:			
Taxes	3,041,720		3,041,720
Licenses, permits and fees	5,964,218		5,964,218
Other	95,667	51,692	147,359
Total revenues	9,731,065	10,176,699	19,907,764
Program Expenses			
General government	509,515		509,515
Police department	1,938,152		1,938,152
Fire department	1,461,067		1,461,067
Street department	1,270,748		1,270,748
Cemeteries	345,807		345,807
Culture and recreation	304,765		304,765
Non-departmentalized	1,492,422		1,492,422
Water		5,449,703	5,449,703
Sewer		2,743,063	2,743,063
Total expenses	7,322,476	8,192,766	15,515,242
Change in net position	2,408,589	1,983,933	4,392,522
Net position, beginning of year	4,889,957	17,993,093	22,883,050
Net position, end of year	$ 7,298,546	$ 19,977,026	$ 27,275,572

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	$ 10,724,563	$ 4,162,012	$ 14,886,575
Certificates of deposit		413,182	413,182
Receivables:			
Taxes and licenses	2,015,592		2,015,592
Intergovernmental	22,630	250,650	273,280
User fees (net)		811,466	811,466
Other	40,052		40,052
Due from other funds	(11,421)	11,421	
Prepaid expenses	341,261	350,571	691,832
Total unrestricted current assets	13,132,677	5,999,302	19,131,979
Restricted cash and certificates of deposit	308,568	2,623,604	2,932,172
Non-current assets:			
Capital assets, net	4,563,411	50,641,789	55,205,200
Bond issuance costs		156,775	156,775
Loans receivable	68,925		68,925
Post employment benefits net asset		81,067	81,067
Total non-current assets	4,632,336	50,879,631	55,511,967
Total assets	$ 18,073,581	$ 59,502,537	$ 77,576,118
Deferred outflows of resources	$ 6,540,880	$ 803,698	$ 7,344,578

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	$ 77,680	$ 238,526	$ 316,206
Construction payable		391,206	391,206
Accrued liabilities	92,158	123,339	215,497
Customer deposits		377,235	377,235
Leases payable	116,994	21,098	138,092
Unearned grant revenue	26,911	871,686	898,597
Total liabilities payable from unrestricted assets	313,743	2,023,090	2,336,833
Payable from restricted assets:			
Accrued interest payable		79,985	79,985
Loans payable		1,060,320	1,060,320
Bonds payable		341,500	341,500
Total liabilities payable from restricted assets		1,481,805	1,481,805
Total current liabilities	313,743	3,504,895	3,818,638
Non-current liabilities:			
Bonds, leases, and loans payable	275,817	30,944,575	31,220,392
Net pension obligation	7,424,416	2,831,447	10,255,863
Post employment benefits payable	170,672		170,672
Total non-current liabilities	7,870,905	33,776,022	41,646,927
Total liabilities	$ 8,184,648	$ 37,280,917	$ 45,465,565
Deferred inflow of resources	$ 4,050,378	$ 1,818,938	$ 5,869,316
NET POSITION			
Net investment in capital assets	$ 4,170,600	$ 17,883,090	$ 22,053,690
Restricted	321,467	2,623,604	2,945,071
Unrestricted	7,887,368	699,686	8,587,054
Total net position	$ 12,379,435	$ 21,206,380	$ 33,585,815

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Governmental Activities:					
General government	$ 819,803	$	$	$	$ (819,803)
Police department	2,223,041	5,508	117,531		(2,100,002)
Fire department	2,107,104		126,981		(1,980,123)
Street department	878,954		193,918		(685,036)
Cemeteries	345,296	90,725			(254,571)
Culture and recreation	322,117	20,151			(301,966)
Non-departmentalized	1,028,892				(1,028,892)
Total Governmental Activities	7,725,207	116,384	438,430		(7,170,393)
Business-Type Activities:					
Water	5,780,392	4,853,069		1,777,926	850,603
Sewer	2,639,297	3,330,666		1,262,477	1,953,846
Total Business-Type Activities	8,419,689	8,183,735		3,040,403	2,804,449
Total	$16,144,896	$ 8,300,119	$ 438,430	$ 3,040,403	$ (4,365,944)

(Continued)

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Changes in Net Position:			
Net (expense)/revenue	$ (7,170,393)	$ 2,804,449	$ (4,365,944)
General revenues:			
Taxes:			
Real property	388,896		388,896
Motor vehicle	168,318		168,318
Tangible personal property	22,611		22,611
Public service company	14,853		14,853
Insurance premium	2,732,998		2,732,998
Bank deposits	66,150		66,150
Payment in lieu of taxes	30,517		30,517
Alcohol fees	297,557		297,557
Licenses, permits, and fees:			
Payroll license fees	4,543,522		4,543,522
Net profits license fees	692,396		692,396
Business license fees	88,178		88,178
Street license fees	1,875		1,875
Franchise fees - cable television	59,630		59,630
Franchise fees - electric	505,006		505,006
Franchise fees - natural gas	77,649		77,649
Other:			
Penalties and interest	32,825		32,825
Interest earned	14,712	56,130	70,842
Sale of surplus property	3,460		3,460
Donation	32,500		32,500
Miscellaneous	78,886	22,394	101,280
Transfer (to) from other funds	5,116		5,116
Pension revenue (expense)	1,606,776	(1,409,378)	197,398
Other post-employment revenue (expense)	786,851	(244,241)	542,610
Total general revenues and transfers	12,251,282	(1,575,095)	10,676,187
Change in net position	5,080,889	1,229,354	6,310,243
Net position, beginning of year	7,298,546	19,977,026	27,275,572
Net position, end of year	$ 12,379,435	$ 21,206,380	$ 33,585,815

CITY OF HARRODSBURG, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	General Fund	Non-Major Funds	Total Governmental Funds
ASSETS			
Cash	$ 10,862,701	$ 170,430	$ 11,033,131
Receivables:			
Taxes and licenses	2,015,592		2,015,592
Intergovernmental	9,731	12,899	22,630
Prepaid expenses	341,261		341,261
Other	38,978		38,978
Total assets	$ 13,268,263	$ 183,329	$ 13,451,592
LIABILITIES			
Accounts payable	$ 77,681	$	$ 77,681
Accrued liabilities	92,158		92,158
Due to other funds	11,421		11,421
Unearned revenue	26,911		26,911
Total liabilities	208,171		208,171
FUND BALANCE			
Fund balance			
Restricted for:			
Roads		109,034	109,034
Tourism		71,756	71,756
Police	138,138	2,539	140,677
Non-spendable	341,261		341,261
Unassigned	12,580,693		12,580,693
Total fund balance	13,060,092	183,329	13,243,421
Total liabilities and fund balance	$ 13,268,263	$ 183,329	$ 13,451,592

CITY OF HARRODSBURG, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS
June 30, 2025

Governmental fund balance, current year	$ 13,243,421
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.	70,000
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 $7,792,495.	4,563,411
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.	(392,811)
Certain items related to the City's net pension liability do not affect available financial resources and therefore are not reported in the fund financial statements.	(4,152,752)
Certain items related to the City's post employment benefits liability do not affect available financial resources and therefore are not reported in the fund financial statements.	(951,834)
Net position of governmental activities	$ 12,379,435

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

	General Fund	Non-Major Funds	Total Governmental Funds
Revenues:			
Taxes	$ 3,424,343	$	$ 3,424,343
Licenses, permits, and fees	5,997,264		5,997,264
Intergovernmental revenue	231,824	218,160	449,984
Alcohol license fee		268,549	268,549
Service charges	116,384		116,384
Other	148,881	1,947	150,828
Total revenues	9,918,696	488,656	10,407,352
Expenditures:			
General government	806,321		806,321
Police department	2,237,245	3,299	2,240,544
Fire department	2,035,207		2,035,207
Street department	656,938	206,395	863,333
Cemeteries	393,337		393,337
Culture and recreation	215,389		215,389
Non-departmentalized	1,025,913	2,978	1,028,891
Total expenditures	7,370,350	212,672	7,583,022
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	2,548,346	275,984	2,824,330
Other financing sources (uses):			
Lease Proceeds	60,869		60,869
Transfers (to) from other funds	272,070	(266,954)	5,116
Total other financing sources (uses)	332,939	(266,954)	65,985
Excess (deficiency) of revenues over expenditures and other financing source (uses)	2,881,285	9,030	2,890,315
Fund balance, beginning of year as restated	10,178,807	174,299	10,353,106
Fund balance, end of year	$ 13,060,092	$ 183,329	$ 13,243,421

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, 2025

Net change in fund balances - total governmental funds	$	2,890,315
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		231,068
Depreciation expense		(477,657)
Governmental funds report write-downs of notes receivables as expenditures.		(5,000)
Governmental funds report debt proceeds as revenues and debt service payments as expenditures:		
Lease obligation principal payments		109,405
Lease proceeds		(60,869)
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.		1,606,776
In the fund financial statements, post employment benefits assets or liabilities are recognized as payments are made, however, in the government-wide financial statements, post employment benefit assets or liabilities are recognized based on the overall changes in the net post employment benefits assets or liabilities and deferred inflows and outflows of resources.		786,851
Change in net position of governmental activities	$	5,080,889

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2025

	Municipal Waterworks & Sewer System
ASSETS	
Current assets:	
Cash	$ 4,162,012
Certificates of deposit	413,182
Accounts receivable, customers (net)	811,466
Grants receivable	250,650
Prepaid expenses	350,571
Due from other funds	11,421
Total unrestricted current assets	5,999,302
Restricted cash and certificates of deposit	2,623,604
Non-current assets:	
Capital assets, net	50,641,789
Bond issuance costs	156,775
Post employment benefits net asset	81,067
Total non-current assets	50,879,631
Total assets	$ 59,502,537
Deferred outflow of resources	$ 803,698

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2025

LIABILITIES	
Current liabilities:	
Accounts payable	$ 238,526
Construction payable	391,206
Accrued liabilities	123,339
Customer deposits	377,235
Leases payable	21,098
Unearned grant revenue	871,686
Total liabilities payable from unrestricted assets	2,023,090
Payable from restricted assets:	
Accrued interest payable	79,985
Loans payable	1,060,320
Bonds payable	341,500
Total liabilities payable from restricted assets	1,481,805
Total current liabilities	3,504,895
Non-current liabilities:	
Bonds, leases, and loans payable	30,944,575
Net pension obligation	2,831,447
Total long term liabilities	33,776,022
Total liabilities	$ 37,280,917
Deferred inflow of resources	$ 1,818,938
NET POSITION	
Net investment in capital assets	$ 17,883,090
Restricted	2,623,604
Unrestricted	699,686
Total net position	$ 21,206,380

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2025

	Municipal Waterworks & Sewer System
Operating revenues:	
Water sales	$ 3,252,786
Water taps	20,798
Water surcharge	88,971
Sewer charges	3,084,956
Sewer taps	32,498
Sewer surcharge	98,372
Wastewater surcharge	11,303
Pre-treatment charges	43,215
Penalties	109,658
Other revenue	10,986
Total operating revenues	6,753,543
Operating expenses:	
Water operations	2,643,806
Sewer operations	1,320,191
Total operating expenses	3,963,997
Operating income before depreciation, amortization, and bad debts	2,789,546
Depreciation expense	2,183,391
Amortization of loan fees	8,208
Bad debts	65,000
Total depreciation, amortization, and bad debts	2,256,599
Operating income (loss)	532,947

(Continued)

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2025

	Municipal Waterworks & Sewer System
Non-operating revenues (expenses):	
Interest income	56,130
Garbage service	867,708
Sales tax	151,614
Utility tax	65,555
KY River withdrawal fee	211,340
Emergency services surcharge	133,975
Other income	22,394
Interest expense	(711,398)
Garbage service	(810,587)
Sales tax paid	(178,954)
Emergency services expenses	(120,935)
Utility tax paid	(66,902)
KY River withdrawal fee	(310,317)
Non-operating revenues (expenses), net	(690,377)
Income (loss) before other revenues, expenses, gains and losses and transfers	(157,430)
Other revenues, (expenses), gains, (losses), and transfers:	
Pension expense	(1,409,378)
Other post-employment benefits expense	(244,241)
Capital Grant Proceeds	3,040,403
Total other revenues, (expenses), gains, (losses) and transfers (net)	1,386,784
Increase (decrease) in net position	1,229,354
Net position, beginning of year	19,977,026
Net position, end of year	$ 21,206,380

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2025

	Municipal Waterworks & Sewer System
Cash Flows from Operating Activities:	
Receipts from customers	$ 6,732,680
Payments to suppliers	(2,560,804)
Payments to employees	(1,446,437)
Net cash provided by (used in) operating activities	2,725,439
Cash Flows from Non-Capital Financing Activities:	
Security deposit receipts	72,805
Security deposit refunds	(65,802)
Due to other funds	(11,421)
Non-operating receipts	1,452,586
Non-operating disbursements	(1,487,990)
Net cash provided by (used in) non-capital financing activities	(39,822)
Cash Flows from Capital and Related Financing Activities:	
Capital grant proceeds	3,774,787
Capital asset purchases	(5,527,483)
Principal paid on bonds, leases, and loans	(2,116,090)
Interest paid on bonds, leases, and loans	(716,663)
Loan proceeds	969,974
Net cash provided by (used in) capital and related financing activities	(3,615,475)
Cash Flows from Investing Activities:	
Purchase of investments	(33,944)
Interest on investments	56,130
Net cash provided by (used in) investing activities	22,186
Net increase (decrease) in cash	(907,672)
Cash, beginning of year	7,067,713
Cash, end of year	$ 6,160,041
Cash is classified as:	
Unrestricted	$ 4,162,012
Restricted	1,998,029
	$ 6,160,041

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2025

	Municipal Waterworks & Sewer System
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	$ 532,947
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,183,391
Amortization	8,208
Bad debts	65,000
Change in assets and liabilities:	
Accounts receivable, customers	(20,862)
Prepaid expenses	(58,604)
Accounts payable	(6,293)
Accrued liabilities	21,652
Total adjustments	2,192,492
Net cash provided by (used in) operating activities	$ 2,725,439

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2025

	Cemetery Fund
ASSETS	
Cash	$ 327,987
Certificates of deposit	227,810
Total assets	$ 555,797
NET POSITION	
Net position	$ 555,797

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2025

	Cemetery Fund
Revenues:	
Perpetual care	$ 39,600
Interest	5,814
Total revenues	45,414
Expenditures:	
Capital outlay	6,310
Excess (deficiency) of revenues over expenditures	39,104
Other financing sources (uses):	
Transfer (to) from other funds	(5,116)
Excess (deficiency) of revenues over expenditures and transfers	33,988
Net position, beginning of year	521,809
Net position, end of year	$ 555,797

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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, 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.

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 previously collected 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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

Subsequent Events. Events that occur after the Statement of Net Position date, but before the financial statements were available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the City through July 30, 2026 (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 and one subsequent event has occurred that would require disclosure in the notes to the financial statements related to entering into a General Obligation Lease Agreement with the Harrodsburg-Mercer County Industrial Development Authority (HMCIDA) for the purpose of financing the acquisition and development of 953 acres of land (see Note X).

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 uncollectable accounts receivable, which total $689,000, are based upon historical trends and the periodic aging of accounts receivable.

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

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

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

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

Land improvements	20 - 30 years
Vehicles and equipment	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.

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. Prior to January 1, 2024 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. Effective January 1, 2024 all city employees are permitted to carry forward one week or 40 hours of available vacation time each year. Upon retirement, employees may utilize unused sick leave to receive additional service credit. These costs associated with the conversion to additional service credit 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 benefit net assets, 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, accounts payable construction, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. ***Restricted net position*** consists of net position with constraints placed on the use either by:
    a. External groups such as creditors, grantors, contributors, or laws or regulations of other governments, and
    b. Law through constitutional provisions or enabling legislation.
3. ***Unrestricted net position*** consists of all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

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

2. ***Restricted fund balance*** includes amounts that are restricted to specific purposes either (a) by externally imposed creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
3. ***Committed fund balance*** includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The City's highest level of decision making authority is the City Commission. Any committed fund balance would require the City Commission to adopt a resolution approving the commitment.
4. ***Assigned fund balance*** includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City's Mayor is authorized to assign the fund balance. The City has not adopted formal procedures to show that the Mayor has assigned the fund balance.
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 1.5% on gross payroll of 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 1.5% 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.

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.

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 $0.061 per $100 of assessed value for the year ended June 30, 2025. 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, utility and sales tax income, utility and sales tax expense, Kentucky River withdrawal fee income, Kentucky River withdrawal fee expense, emergency services surcharge, and emergency services expenses.

Pension and OPEB Allocation Income and Expenses. During the year ended June 30, 2024, the general fund police and fire departments transitioned from the CERS Non-Hazardous to the Hazardous employee retirement fund. This transition caused the changes in the pension and OPEB liability/(asset) amounts that were normally adjusted to departmental expenses to be unnatural or inconsistent with prior year presentation; therefore, on the Government-Wide Statement of Activities they are presented as other revenues**.**

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, 2025, all of the City's deposits in financial institutions were insured or collateralized. Funds collateralized with securities held by the pledging financial institution totaled $19,057,566.

B. **Property Tax Calendar**. Property taxes for fiscal year 2025 were levied on October 1, 2024 on the assessed valuation of property located in the City as of the preceding January 1, the lien date. The due date and collection periods for all taxes, exclusive of vehicle taxes and local deposit franchise taxes, are as follows:

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

C. **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, 2025:

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, 2025.
      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, 2025.
      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, 2025.
      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, 2025.
      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, 2025.
      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, 2025.
      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, 2025.
      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, 2025.
      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, 2025.
      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, 2025.
      11. Annual deposits of $10,700 are to be deposited until $214,000 has been received under Loan F23-004S. Funding of this reserve is expected to start upon beginning of debt service payments.

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, 2025.
   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, 2025.
   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, 2025.

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, 2025.
   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, 2025.

D. **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, 2025 this account was properly funded.

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

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

As of June 30, 2025, the City's funds on deposit in financial institutions were properly insured or collateralized. Funds collateralized with securities held by pledging financial institutions totaled $19,057,566.

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, 2025 are as follows:

Type of Investment	Fair Value	Cost	Interest Rate	Maturity Date
Business-Type Activities:				
First Financial Bank				
Savings	$ 31,123	$ 31,123	0.05 %	N/A
Community Trust Bank				
Certificate of Deposit	594,452	594,452	3.75 %	11/24/2025
Whitaker Bank				
Certificate of Deposit	12,883	12,883	3.82 %	11/27/2026
Certificate of Deposit	195,162	195,162	3.82 %	11/27/2026
Certificate of Deposit	205,138	205,138	3.82 %	11/27/2026
	$ 1,038,758	$ 1,038,758		

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, 2025 are as follows:

	Type of Restricted Assets		
	Cash	Certificates of Deposit	Total
Governmental Activities:			
General fund	$ 138,138	$	$ 138,138
Municipal aid fund	96,135		96,135
Tourism development fund	71,756		71,756
Alcohol beverage control fund	2,539		2,539
	$ 308,568	$	$ 308,568
Business-Type Activities:			
Bond sinking fund	243,657	31,123	274,780
Note sinking fund	211,882		211,882
Lease sinking fund	124,580		124,580
Water and sewer surcharge	663,905		663,905
Bond debt reserve fund	708,461		708,461
Note debt reserve fund	35,543		35,543
Repairs and maintenance fund	10,001	594,452	604,453
	$ 1,998,029	$ 625,575	$ 2,623,604

C. **Receivables**. Receivables included as current assets on the Statement of Net Position, as of June 30, 2025, consists of the following:

	Governmental Activities	Business-Type Activities	Total
Taxes and Licenses:			
Payroll license	$ 1,163,240	$	$ 1,163,240
Insurance license	765,344		765,344
Auto taxes	17,218		17,218
Net profits license fee	69,790		69,790
	2,015,592		2,015,592
Intergovernmental:			
CDBG Grant		250,650	250,650
Municipal Aid	12,899		12,899
Police Grant	9,731		9,731
	22,630	250,650	273,280
Other:			
YMCA note	1,073		1,073
Police contract buyout	38,979		38,979
	40,052		40,052
User Fees:			
User fees		1,500,466	1,500,466
Less allowance for doubtful accounts		689,000	689,000
		811,466	811,466
Total receivables	$ 2,078,274	$ 1,062,116	$ 3,140,390

D. **Capital Assets**. The activity related to capital assets for the fiscal year ended June 30, 2025 was as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Governmental Activities:				
Land	$ 695,429	$	$	$ 695,429
Land improvements	1,785,318			1,785,318
Vehicles and equipment	5,159,019	216,928	6,475	5,369,472
Buildings	3,324,572			3,324,572
Infrastructure	1,166,975	14,140		1,181,115
Total cost	12,131,313	231,068	6,475	12,355,906
Accumulated depreciation:				
Land improvements	1,397,066	50,787		1,447,853
Vehicles and equipment	3,791,617	312,350	6,475	4,097,492
Buildings	1,738,899	89,596		1,828,495
Infrastructure	393,731	24,924		418,655
Total accumulated depreciation	7,321,313	477,657	6,475	7,792,495
Total capital assets, net	$ 4,810,000	$ (246,589)	$	$ 4,563,411

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Business-Type Activities:				
Land	$ 662,164	$	$	$ 662,164
Vehicles and equipment	4,221,655	16,963		4,238,618
Buildings	172,985	5,500		178,485
Water utility system	14,855,563			14,855,563
Sewer utility system	12,376,970	2,196,001		14,572,971
Water and sewer treatment plant	62,754,647			62,754,647
Construction in process	3,113,038	3,535,044	2,196,001	4,452,081
Total cost	98,157,022	5,753,508	2,196,001	101,714,529
Accumulated depreciation:				
Vehicles and equipment	2,289,711	222,640		2,512,351
Buildings	75,919	4,325		80,244
Water utility system	10,418,405	443,321		10,861,726
Sewer utility system	9,545,341	113,536		9,658,877
Water and sewer treatment plant	26,559,973	1,399,569		27,959,542
Total accumulated depreciation	48,889,349	2,183,391		51,072,740
Total capital assets, net	$ 49,267,673	$ 3,570,117	$ 2,196,001	$ 50,641,789

Depreciation expense was charged to governmental activities as follows:

General government	$ 8,482
Police department	191,367
Fire department	72,300
Street department	73,071
Cemeteries	25,710
Culture and recreation	106,727
Total depreciation expense	$ 477,657

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

1. 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 was paid in full as of June 30, 2025.

2. In 2021, the City obtained $39,073 financing for the purchase of body cameras 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 was paid in full as of June 30, 2025.

3. In 2022, the City obtained $162,612 financing for the purchase of four police cruisers which cost $162,612. 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 $40,607 as of June 30, 2025.

4. In 2022, the City obtained $32,918 financing for the purchase of police equipment which cost $32,918. The 5-year lease agreements requires annual payments of $8,104, including interest at 3.00% per annum. The lease was paid in full as of June 30, 2025.

5. 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 was paid in full as of June 30, 2025.

6. In 2024, the City obtained $43,275 financing for the purchase of a Nissan Frontier truck for the water and sewer department which cost $43,275. The 5-year lease agreement requires annual payments of $10,830, including interest at 9.669% per annum. The lease is payable through 2029 and has a balance of $29,440 as of June 30, 2025.

7. In 2024, the City obtained $67,965 financing for the purchase of a Chevy Silverado truck for the water and sewer department which cost $67,965. The 5-year lease agreement requires annual payments of $16,492, including interest at 8.268% per annum. The lease is payable through 2029 and has a balance of $50,993 as of June 30, 2025.

8. In 2024, the City obtained $373,810 financing for the purchase of nine police cruisers for the police department which cost $373,812. The 5-year lease agreements require annual payments of $96,313, including interest ranging from 8.891% to 12.570% per annum. The leases are payable through 2029 and have a balance of $291,835 as of June 30, 2025.

9. In 2025, the City obtained $60,869 financing for the purchase of police equipment which cost $60,869. The 5-year lease agreements requires annual payments of $16,788, including interest at 4.22% per annum. The lease is payable through 2029 and has a balance of $60,369 as of June 30, 2025.

The following is a schedule of property and equipment and outstanding liabilities relating to lease agreements at June 30, 2025:

Governmental Funds:

				Lease Payable		
Property Leased	**Asset Cost**	**Accumulated Depreciation**	**Net Book Value**	**Current Portion**	**Long-Term Portion**	**Total**
Police vehicles	$ 820,794	$ 408,513	$ 412,281	$ 102,970	$ 229,472	$ 332,442
Police equipment	60,869		60,869	14,024	46,345	60,369
	$ 881,663	$ 408,513	$ 473,150	$ 116,994	$ 275,817	$ 392,811

Business Activity Funds:

				Lease Payable		
Property Leased	**Asset Cost**	**Accumulated Depreciation**	**Net Book Value**	**Current Portion**	**Long-Term Portion**	**Total**
Nissan truck	$ 43,275	$ 8,655	$ 34,620	$ 8,347	$ 21,092	$ 29,439
Chevy truck	67,965	13,593	54,372	12,751	38,243	50,994
	$ 111,240	$ 22,248	$ 88,992	$ 21,098	$ 59,335	$ 80,433

F. **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, 2025, the governmental bonds, leases and loans payable consisted of the following:

Leases payable:

60-month leases for the purchase of police cruisers. Interest has been imputed to be 10.973%.	$ 291,835
60-month lease for the purchase of police equipment. Interest has been imputed to be 4.22%.	60,369
60-month lease for the purchase of police cruisers. Interest has been imputed to be 3.00%.	40,607
	$ 392,811

Included as liability on Statement of Net Position:

Current liability	$ 116,994
Non-current liability	275,817
	$ 392,811

Business-Type Activities. As of June 30, 2025, the proprietary fund bonds, leases, and loans payable consisted of the following:

Leases payable:

5-year lease for the purchase of a Nissan Frontier truck. The lease bears interest at 9.669%.	29,440
5-year lease for the purchase of a Chevy Silverado. The lease bears interest at 8.268%.	50,993
	$ 80,433

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.	$ 323,873
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.	151,340
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.	169,296

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.	1,381,553
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.	7,155,575
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.	193,781
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.	842,368
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.	395,227
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.	943,040
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.	1,429,331
24-year revenue lease for the refinance of three bond issues. The uncollateralized $3,130,000 revenue lease from the Kentucky Bond Corporation bears interest between 2.25% and 3.00%. Payments of approximately $94,000 are to be paid semi-annually through February 2043.	2,540,000
Loan F23-004S is for the Sewer Plant Project. The uncollateralized $4,280,000 loan from Kentucky Infrastructure Authority bears interest at 1.25% and is due 20 years from the date the loan is closed. During the year ended June 30, 2025, the City received proceeds of $3,463,127 and debt forgiveness allocated to federal grants of $2,493,451.	969,676
	$ 16,495,060

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.	$ 6,330,500
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.	1,488,500
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.	7,973,000
	$ 15,792,000

Included as liability on Statement of Net Position:

	Leases Payable	Loans Payable	Bonds Payable	Total
Current liability	$ 21,098	$	$	$ 21,098
Current liability payable from restricted resources		1,060,320	341,500	1,401,820
Non-current liability	59,335	15,434,740	15,450,500	30,944,575
	$ 80,433	$ 16,495,060	$ 15,792,000	$ 32,367,493

G. **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, 2025:

Type of Debt	Balance July 1, 2024	Proceeds	Payments	Balance June 30, 2025	Amounts Due Within One Year
Governmental Activities:					
Capital leases payable	$ 441,347	$ 60,869	$ 109,405	$ 392,811	$ 116,994
Business-Type Activities:					
Bonds payable	$ 16,124,000	$	$ 332,000	$ 15,792,000	$ 341,500
Leases payable	103,175		22,742	80,433	21,098
Loans payable	17,286,732	3,463,127	4,254,799	16,495,060	1,060,320
Total business-type activities	$ 33,513,907	$ 3,463,127	$ 4,609,541	$ 32,367,493	$ 1,422,918

H. **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, 2025 are as follows:

Year Ending June 30	Principal	Interest	Total
Governmental Activities:			
2026	$ 116,994	$ 32,680	$ 149,674
2027	95,505	23,005	118,510
2028	99,658	13,529	113,187
2029	80,654	3,742	84,396
	$ 392,811	$ 72,956	$ 465,767
Proprietary Activities:			
2026	$ 1,422,918	$ 652,155	$ 2,075,073
2027	1,448,882	627,300	2,076,182
2028	1,470,114	601,745	2,071,859
2029	1,480,305	576,024	2,056,329
2030	1,489,453	552,373	2,041,826
2031 - 2035	7,762,378	2,369,781	10,132,159
2036 - 2040	6,326,610	1,709,986	8,036,596
2041 - 2045	3,382,159	1,151,524	4,533,683
2046 - 2050	3,277,500	694,475	3,971,975
2051 - 2055	2,612,500	251,471	2,863,971
2056 - 2060	1,694,674	25,120	1,719,794
	$ 32,367,493	$ 9,211,954	$ 41,579,447

I. **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, 2025 for Industrial Revenue Bonds is not available.

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

Governmental Activities:	
Police department	$ 38,906
Fire department	3
	38,909
Proprietary Activities:	
Water	355,699
Sewer	355,699
	711,398
Total interest expense	$ 750,307

K. **Net Position**. Net position at June 30, 2025 is identified as follows:

Governmental Funds:	
Non-spendable for:	
Prepaid expenses	$ 341,261
Restricted for:	
Police department	$ 140,677
Roads	109,034
Tourism	71,756
Total net position, restricted	$ 321,467
Proprietary Funds:	
Bond sinking fund	$ 274,780
Note sinking fund	211,882
Lease sinking fund	124,580
Bond debt reserve fund	708,461
Note debt reserve fund	35,543
Water and sewer surcharge	663,905
Repairs and maintenance fund	604,453
Total net position, restricted	$ 2,623,604

L. **Transfers**. The following operating transfers were made during fiscal year 2025:

	Transfers In	Transfers Out
Major Funds:		
General Fund	$ 272,070	$
Non-major Funds:		
Alcohol Beverage Control fund		266,954
Fiduciary Fund:		
Cemetery Fund		5,116
	$ 272,070	$ 272,070

The transfer of $5,116 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 $266,954 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.

IV. PENSION PLAN

The City is a participating employer of the CERS. The plan issues publicly available financial statements, which may be downloaded from the Kentucky Public Pensions Authority (KPPA) website. At the time of completion of these financial statements, KPPA has not yet released their financial statements for the year ended June 30, 2025. The following information was extracted from the KPPA financial statements for the year ended June 30, 2024.

Plan Description. CERS, for financial reporting purposes, is composed of four plans - two defined benefit pension plans, and two OPEB plans: CERS Nonhazardous pension plan, CERS Hazardous pension plan, CERS Nonhazardous insurance plan, and CERS Hazardous insurance plan. Each of the Pension and OPEB plans are legally separated with benefits only eligible to be paid for each of the respective membership groups.

The pension plans were established by Kentucky Revised Statutes 78.520, to be known as the "County Employees Retirement System" to provide retirement, disability, and death benefits to system members. The CERS Nonhazardous plan was established to provide retirement benefits to all regular full-time employees employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in CERS. The membership of the CERS Hazardous plan includes employees whose position is considered hazardous with principal job duties including, but are not limited to, active law enforcement, probation and parole officers, detectives, pilots, paramedics, and emergency medical technicians, with duties that require frequent exposure to a high degree of danger and also require a high degree of physical condition. Retirement benefits may be extended to beneficiaries of members under certain circumstances.

The OPEB plans are part of the Kentucky Retirement Systems Insurance Trust Fund (Insurance Fund), established by Kentucky Revised Statutes 61.701 for eligible members receiving benefits from CERS Nonhazardous and CERS Hazardous. The Insurance Fund was created for the purpose of providing a trust separate from the retirement trusts, and for the purpose of providing hospital and medical insurance benefits.

The responsibility of the plans within CERS is vested in the CERS Board of Trustees. The CERS Board of Trustees consists of nine members. Six trustees are appointed by the governor and three are elected by CERS members (active, inactive, and/or retired). The six gubernatorial appointees are chosen from lists compiled and submitted to the governor by the Kentucky League of Cities (KLC), the Kentucky Association of Counties (KACo), and the Kentucky School Boards Association (KSBA). Each of the three entities must submit three applicants with retirement experience and three applicants with investment experience as defined by statute. The governor appoints one person with retirement experience and one person with investment experience from KLC, KACo, and KSBA. All appointments by the governor are subject to Senate confirmation.

In 2013, the General Assembly created a new law to govern how Cost of Living Adjustments (COLAs) will be granted. Language included in Senate Bill 2 during the 2013 Regular Session states COLAs will only be granted in the future if the CERS Board determines that assets of the System are greater than 100% of the actuarial liabilities and legislation authorizes the use of surplus funds for the COLA; or the General Assembly fully prefunds the COLA through employer contributions. Kentucky Revised Statutes 78.5518 governs how COLAs may be granted for members of CERS. No COLA has been granted since July 1, 2011.

Contributions. For the fiscal year ended June 30, 2024, there were 1,120 participating employers of CERS. Participating employers are required to contribute actuarially determined rates for pension and insurance benefit contributions. The rates are established by the CERS Board based on Kentucky Revised Statute 78.635. The rates are set each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year and are a percentage of each employee's creditable compensation. Administrative costs are financed through employer contributions and investment earnings. For the year ended June 30, 2025, participating employers contributed 19.71% of each employee's creditable compensation for non-hazardous job classifications and 36.49% for hazardous job classifications, which is equal to the actuarially determined rate adopted by the CERS Board of Trustees.

Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% (Nonhazardous) or 8% (Hazardous) of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts balance as of June 30 of the previous year 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.

Tier 2 plan members, who began participating on or after September 1, 2008, and before January 1, 2014, are required to contribute 5% (Nonhazardous) or 8% (Hazardous) of their annual creditable compensation. Further, members also contribute an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation (KAR) 105 KAR 1:420). These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts as of June 30 of the previous year 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% Health Insurance Contribution (HIC) to the 401(h) account is non-refundable and is forfeited.

Tier 3 plan members, who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members contribute 5% (Nonhazardous) or 8% (Hazardous) 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 under 26 USC Section 401(h) in the Insurance Fund (see 105 KAR1:420), which is not refundable. Tier 3 member accounts are also credited with an employer pay credit in the amount of 4% (Nonhazardous) or 7.5% (Hazardous) of the member's monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the members contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates employment and applies to take a refund, the member is entitled to receive employee contributions (less HIC) plus interest (on employee contributions only).

Interest is also 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 30 of the previous year. The member's account may be credited with additional interest if the fund's five-year Geometric Average Net Investment Return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if CERS'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 30 of the previous year (Upside Sharing Interest). It is possible that one plan in CERS may get an Upside Sharing Interest, while another may not..

The City contributed $1,113,916 for the year ended June 30, 2025, or 100% of the required contribution. The contribution was allocated $370,514 to the non-hazardous fund and $743,402 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, 2025, the City reported a liability of $7,424,416 in the governmental activities and $2,831,447 in the business-type activities for its proportionate share of the net pension obligation. The net pension obligation was measured as of June 30, 2024, 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, 2024, the City's proportion was .086955% for non-hazardous job classifications and .196562% for hazardous job classifications. For 2023, the City's proportion was .099872% for non-hazardous job classification and .046224% for hazardous job classifications.

For the year ended June 30, 2025, the City recognized pension expense of $920,983 in the governmental activities and $1,120,374 in the business-type activities. For the year ended June 30, 2024, the City recognized pension expense of $100,139 in the governmental activities and $119,504 in the business-type activities. The increases in expense for 2025 over 2024 was due to the police and fire department personnel transferring from the non-hazardous to the hazardous plan and the reallocation of the allocated pension liability. At June 30, 2025, the City of Harrodsburg had paid all amounts owed for the year ending June 30, 2025.

At June 30, 2025, 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	$ 443,155	$	$ 137,047	$
Changes of assumptions		392,352		127,926
Net difference between projected and actual earnings on Plan investments	442,338	864,470	194,457	376,504
Changes in proportion and differences between City contributions and proportionate share of contributions	3,206,762	475,949	41,137	304,818
City contributions subsequent to the measurement date	912,179		201,737	
Total	$ 5,004,434	$ 1,732,771	$ 574,378	$ 809,248

The $912,179 and $201,737 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, 2026. 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,			
2026	$ 559,372	$ (260,531)	$ 298,841
2027	906,802	(65,524)	841,278
2028	890,401	(69,981)	820,420
2029	2,909	(40,571)	(37,662)
Total	$ 2,359,484	$ (436,607)	$ 1,922,877

Actuarial Assumptions. The total pension liability in the June 30, 2024 and 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2024		2023	
	Non-Hazardous	**Hazardous**	**Non-Hazardous**	**Hazardous**
Valuation date	June 30, 2023	June 30, 2023	June 30, 2022	June 30, 2022
Actuarial cost method	Entry age normal cost	Entry age normal cost	Entry age normal cost	Entry age normal cost
Amortization method	Level percentage of pay	Level percentage of pay	Level percentage of pay	Level percentage of pay
Amortization period	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Inflation	2.50%	2.50%	2.50%	2.50%
Payroll growth	2.00%	2.00%	2.00%	2.00%
Salary increases	3.30% - 10.30% varies by service	3.55% - 19.05% varies by service	3.30% - 10.30% varies by service	3.55% - 19.05% varies by service
Mortality	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.
Assumed investment rate of return	6.50%	6.50%	6.50%	6.50%
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

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 following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity:		
Public equity	50.00 %	4.15 %
Private equity	10.00 %	9.10 %
Fixed Income:		
Core fixed income	10.00 %	2.85 %
Specialty credit	10.00 %	3.82 %
Cash	0.00 %	1.70 %
Inflation protected:		
Real Estate	7.00 %	4.90 %
Real Return	13.00 %	5.35 %
Total	100.00 %	

Discount Rate. The single discount rate used to measure the total pension liability for both the non-hazardous and hazardous plans was 6.50% for the years ended June 30, 2024 and 2023. 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 the entire actuarially determined employer contribution is received in each future year calculated in accordance with the current funding policy. The assumed future employer contributions for the CERS plans 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.

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 6.50%, 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 (5.50%) or 1 percentage point higher (7.50%) 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	5.50 %	$ 6,704,007	$ 6,508,539
Current discount rate	6.50 %	5,200,277	5,055,586
1% increase	7.50 %	3,952,578	3,869,329

V. POST-EMPLOYMENT BENEFITS

All eligible retired City of Harrodsburg employees participating in the CERS receive post-employment health care benefits in conjunction with their pension service benefits. Retiree cost depends on length of service prior to retirement. Employer contribution rates are established annually by the 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, 2024.

Under the provisions of Kentucky Revised Statue Section 61.701, the CERS Board of Trustees and KRS Board of Trustees administers the KPPA 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 KPPA: (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.

Eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans, eligible Medicare retirees are covered through contracts with Humana through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2024, insurance premiums withheld from benefit payments for CERS's members were $18.9 million and $4.3 million for CERS Nonhazardous and Hazardous, respectively. The contribution by the City of Harrodsburg, Kentucky totaled $0 to the non-hazardous plan and $43,190 to the hazardous plan for the year ended June 30, 2025.

The amount of benefit paid by the Insurance Fund is based on years of service. For members who began 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:

Years of Service	Portion Paid by KPPA Insurance Fund
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. 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 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.

In 2013 the General Assembly created a new law to govern how cost of living adjustments (COLA) will be granted. Language included in senate bill 2 during the 2013 regular session states COLA's will only be granted in the future if the Systems' Boards determine that assets of the Systems are greater than 100% of the actuarial liabilities and legislation authorizes the use of surplus funds for the cola; or the General Assembly fully prefunds the COLA or directs the payment of funds in the year the COLA is provided. KRS 78.5518 governs how COLA's may be granted for members of CERS. No COLA's have been granted since July 1, 2011.

The amount of benefit paid by the Insurance Fund is based on years of service. For members participating on or after July 1, 2023, the dollar amounts of the benefit per years of service are as follows:

Insurance Fund	Dollar Amount
CERS Nonhazardous	$14.41
CERS Hazardous	$21.62

Kentucky Revised Statutes 78.790 specifically states that the CERS Board shall have the full and exclusive power to invest and reinvest the funds of the Plan(s) they govern. In addition, Kentucky Revised Statutes 78.782 require three (3) members of the CERS Board to have at least ten (10) years of investment experience as defined by the statutes. The CERS Board is required to establish the Investment Committee who is specifically charged with implementing the investment policies adopted by the CERS Board and to act on behalf of the CERS Board on all investment-related matters. The CERS Board and the Investment Committee members are required to discharge their duty to invest the funds of the Plans in accordance with the "Prudent Person Rule" as set forth in Kentucky Revised Statutes 78.790 and to manage those funds consistent with the long-term nature of the trusts and solely in the interest of the members and beneficiaries. All internal investment staff, and investment consultants must adhere to the Code of Ethics and Standards of Professional Conduct of the CFA Institute and all Board Trustees must adhere to the Code of Conduct for Members of a Pension Scheme Governing Body of the CFA Institute. The CERS Board is authorized to adopt policies. The CERS Board has adopted an Investment Policy Statement (IPS) which defines the framework for investing the assets of the Plans. The IPS is intended to provide general principles for establishing the investment goals of the Plans, the allocation of assets, employment of outside asset management, and monitoring the results of the respective Plans. A copy of the CERS Board's IPS can be found at kyret.ky.gov. By statutes, the Board, through adopted written policies, shall maintain ownership and control over its assets held in its unitized managed custodial account. Additionally, the Investment Committee establishes specific investment guidelines that are summarized below and are included in the Investment Management Agreement (IMA) for each investment management firm.

Equity

Public 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 any other type of securities contained in a manager's benchmark. Each individual equity account has a comprehensive set of investment guidelines, which contains a listing of permissible investments, portfolio restrictions, and standards of performance.

Private Equity investments are subject to the specific approval of the Investment Committees. Private equity investments may be made for the purpose of creating a diversified portfolio of alternative investments under the Equity umbrella. Private equity investments are expected to achieve attractive risk-adjusted returns and, by definition, possess a higher degree of risk with a higher return potential than traditional investments. Accordingly, total rates of return from private equity investments are expected to be greater than those that might be obtained from conventional public equity or debt investments. Certain investments in this category are public market securities (ETFs) with the most similar risk/return characteristics as a short-term proxy for private asset classes.

Fixed Income

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.

Specialty Credit accounts 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 ETSs. Each individual Specialty Credit account shall have a comprehensive set of investment guidelines which contains a listing of permissible investments, portfolio restrictions, risk parameters, and standards of performance for the account.

Cash and Cash Equivalent Securities may include publicly traded investment grade corporate bonds; variable rate demand notes; government and agency bonds; mortgages, municipal bonds; and collective 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 shall prevail. All instruments shall have a maturity at the time of purchase that does not exceed 397 days.

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.

Inflation Protected

Real Estate and Real Return investments are subject to the specific approval of the corresponding Investment Committee, and may be made to create a diversified portfolio of alternative investments. Investments are made in equity and debt real estate for the purpose of achieving the highest total rate of return possible consistent with a prudent level of risk. There may also be investments in this category that are public markets securities, such as ETFs, with similar risk/return characteristics as a short-term proxy. The purpose of the Real Return investments are to identify strategies that provide both favorable stand-alone risk-adjusted returns as well as the benefit of hedging inflation for the broader plans.

Derivatives

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. External managers and KPPA investment staff are permitted to invest in derivative securities or strategies which make use of derivative instruments, for exposure, cost efficiency and risk management purposes if such investments do not cause the portfolio to be leveraged beyond a 100% invested position. Any derivative security shall be sufficiently liquid that it can be expected to be sold at, or near, its most recently quoted market price. Examples of such derivatives include, but are not limited to the following securities: foreign currency forward contracts; futures; options; and swaps.

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
Equity:		
Public Equity	50.00 %	4.15 %
Private Equity	10.00 %	9.10 %
Fixed Income:		
Core Fixed Income	10.00 %	2.85 %
Specialty Credit	10.00 %	3.82 %
Cash	0.00 %	1.70 %
Inflation Protected:		
Real Estate	7.00 %	4.90 %
Real Return	13.00 %	5.35 %
Total	100.00 %	

Employer Contributions. The employer rates allocable to the health insurance benefits was 0% in 2025 and 2024 for nonhazardous employees and 2.12% in 2025 and 2.58% in 2024 for hazardous employees. The contribution rates were created by statute and were 100% funded during 2025 and 2024. At June 30, 2025, the City of Harrodsburg had contributed all of the required 2024 funding. Local government participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per the Kentucky Revised Statute Section 78.635. 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. Per Kentucky Revised Statute Sections 61.565, and 16.645, normal contribution and past service contribution rates shall be determined by the KPPA Board on the basis of the last annual valuation preceding July 1 of a new biennium. The KPPA 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 KPPA Board. For the fiscal year ended June 30, 2024, 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 CERS Insurance Fund:

	CERS Non-Hazardous	CERS Hazardous	Total Insurance Funds - CERS
Total OPEB Liability	$ 3,534,297	$ 1,873,669	$ 5,407,966
Plan Fiduciary Net Position	$ 3,707,277	$ 1,752,366	$ 5,459,643
Net OPEB Liability/(Asset)	$ (172,980)	$ 121,303	$ (51,677)
Plan Fiduciary Position as a Percentage of OPEB Liability	104.89 %	93.53 %	100.96 %
Covered Payroll	$ 3,259,999	$ 796,792	$ 4,056,791
Net OPEB Liability as a Percentage of Covered Payroll	(5.31)%	15.22 %	(0.20)%

Actuarial Methods and Assumptions. The total OPEB liability as of June 30, 2025 was calculated using the following actuarial assumptions based on the June 30, 2024, actuarial valuation report:

	CERS Non-Hazardous	CERS Hazardous
Inflation	2.30%	2.30%
Payroll growth rate	2.00%	2.00%
Salary increases	3.30% to 10.30% varies by service	3.55% to 19.05% varies by service
Investment rate of return	6.25%	6.25%
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
Healthcare trend rates - pre 65	Initial trend starting at 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.	Initial trend starting at 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare trend rates - post 65	Initial trend starting at 9.00% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement	Initial trend starting at 9.00% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement

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

As of June 30, 2024	CERS Non-Hazardous	CERS Hazardous
Single discount rate	5.99 %	6.02 %
Long-term expected rate of return	6.50 %	6.50 %
Long-term municipal bond rate (1)	3.97 %	3.97 %
As of June 30, 2023		
Single discount rate	5.93 %	5.97 %
Long-term expected rate of return	6.50 %	6.50 %
Long-term municipal bond rate (1)	3.86 %	3.86 %

(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 30, 2024 (and June 30, 2023).*

Sensitivity of the net OPEB liability/(asset) to changes in the discount rate. The following table presents the City's proportionate share of the net OPEB liability/(asset), as well as what the City's net OPEB liability/(asset) 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(asset) - Non Hazardous	Discount Rate	City's Proportionate Share of Net OPEB Liability/(asset) - Non-Hazardous	City's Proportionate Percentage of Net OPEB Liability/(asset) - Hazardous	Discount Rate	City's Proportionate Share of Net OPEB Liability/(asset) - Hazardous
1% decrease	0.086073 %	4.99 %	$ 201,315	0.196612 %	5.02 %	$ 659,090
Current discount rate	0.086073 %	5.99 %	$ (148,890)	0.196612 %	6.02 %	$ 238,495
1% increase	0.086073 %	6.99 %	$ (443,342)	0.196612 %	7.02 %	$ (112,993)

The allocation of the employer's proportionate share of the net OPEB liability/(asset) and OPEB expense was determined using the employer's actual contributions for FY 2024 and FY 2023 compared to all employers in the plan. The total OPEB liability/(asset), net OPEB liability/(asset), and sensitivity information are based on an actuarial valuation performed as of June 30, 2023. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2024, using generally accepted actuarial principles. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. Certain benefit assumptions including the mortality assumptions are from the 2021 experience study. The City's decrease in OPEB cost for June 30, 2024 was $99,863.

Sensitivity of the net OPEB liability/(asset) to changes in healthcare cost trend rates. The following table presents the net OPEB liability/(asset) of the City, as well as what the City's net OPEB liability/(asset) 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	4.99 %	$ (36,972)	5.02 %	$ (36,972)
Current discount rate	5.99 %	$ (148,890)	6.02 %	$ 238,495
1% increase	6.99 %	$ 560,456	7.02 %	$ 560,456

Deferred Outflows/Deferred Inflows. At June 30, 2025, 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	$ 102,210	$ 1,406,574	$ 44,975	$ 637,839
Changes in assumptions or other inputs	223,224	257,747	73,457	57,201
Net difference between projected and actual earnings on plan investments	201,659	413,416	71,260	145,239
Changes in the employer's contributions and the employers proportionate share of plan contributions	966,163	239,870	39,628	169,411
The employer's contributions to the OPEB plan subsequent to the measurement date of the collective net OPEB liability	43,190			
Total	$ 1,536,446	$ 2,317,607	$ 229,320	$ 1,009,690

The $43,190 and $0 of deferred outflows of resources in the governmental activities and business-type activities, 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Governmental Activities	Business-Type Activities	Total
Year ending June 30,			
2026	$ (375,184)	$ (303,198)	$ (678,382)
2027	(260,089)	(253,366)	(513,455)
2028	(304,972)	(199,555)	(504,527)
2029	(37,903)	(24,251)	(62,154)
2030	153,797		153,797
Total	$ (824,351)	$ (780,370)	$ (1,604,721)

VI. INSURANCE

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

Type of Coverage	Insured Amount	Deductible
General liability	$ 5,000,000	$
Public officials liability	5,000,000	10,000
Law enforcement liability	5,000,000	
Auto liability	5,000,000	
Workers compensation	4,000,000	
Property	86,907,331	1,000
Equipment	1,226,343	

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, 2025 related to these potential liabilities.

During 2019, the City 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, 2025.

The following general fund commitments have been entered into by the City:

- The purchase of a fire truck costing approximately $1,639,000.
- The purchase of land for the industrial park costing approximately $11,000,000.

The following Municipal Waterworks & Sewer System commitments have been entered into:

- Engineering and construction costs of approximately $265,000 for the bypass pump station and force main.

VIII. ECONOMIC DEPENDENCY

General Government Revenue. The City collected $2,460,982 from four employers within the City limits which represented 54% of its payroll license fees and 25% of the total revenues of the General Fund.

Municipal Waterworks and Sewer System Revenue. The billings to five customers totaled $3,495,234 which represented 52% of the System's operating revenues.

IX. CORRECTION OF ERROR IN PREVIOUSLY ISSUED FINANCIAL STATEMENTS

During the year ended June 30, 2025, the City implemented a change in the classification of certain assets to conform with the requirements of GASB No. 54. Previously, on the Governmental Funds Balance Sheet, prepaid expenses were not reported as part of the general fund but were reported on the Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Position Governmental Funds. The beginning Governmental Funds fund balance has been increased $284,317 to show the prepaid assets as being properly recorded in the prior year. In addition, this amount should have been shown as non-spendable fund balance since they represent assets that are not in spendable form. Prepaid expenses in the general fund are shown as non-spendable in the fund balance of the general fund in accordance with GASB No. 54.

	General Fund	Non-Major Funds	Total Governmental Funds
Net position, beginning of year, as previously stated	$ 9,894,490	$ 174,299	$ 10,068,789
Prior period adjustment for correction of error	284,317		284,317
Net position, at beginning of year, as restated	$ 10,178,807	$ 174,299	$ 10,353,106

X. SUBSEQUENT EVENT

On October 1, 2025, the City of Harrodsburg entered into a General Obligation Lease Agreement with the Harrodsburg-Mercer County Industrial Development Authority (HMCIDA) for the purpose of financing the acquisition and development of 953 acres of land located on Jackson Pike in Mercer County, Kentucky (the Project). The Project is intended to promote economic development and job creation within the City and Mercer County.

Under the terms of the lease:

- The City and Mercer County will lease the Project from HMCIDA for a term commencing October 15, 2025, and continuing until the final maturity of the related bonds or notes.
- Both the City and Mercer County's obligation under the lease are secured by their full faith and credit and taxing power.
- The City and Mercer County will each pay 50% of the rental payments, which are structured to cover debt service on the Harrodsburg-Mercer County Industrial Development Authority Revenue Bond Anticipation Note, Series 2025, and any subsequent bonds issued to permanently finance the Project.

The lease provides for six semi-annual interest-only payments with the first installment due April 1, 2026 in the amount of $185,129, and the remaining five installments in the amount of $200,741 through October 1, 2028. The principal amount of $10,087,500 is due October 1, 2028. Based on the financing plan, the City expects to make total payments of $11,276,334 over the term of the lease. The lease also includes provisions for:

- Prepayment options allowing the City to acquire ownership of the Project.
- Revenue offsets if portions of the property are sold, which may reduce future rental payments.
- Remedies in the event of default, including enforcement of the City’s general obligation pledge.

Because the lease was executed after June 30, 2025, no liability or right-of-use asset is recognized in these financial statements. However, this transaction represents a significant future financial commitment of the City.

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
- Notes to the Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Pension Contributions
- Notes to the Schedule of Pension Contributions
- Schedule of Employer Contributions - Other Post-Employment Benefits
- Notes to the Schedule of Employer Contributions - Other Post-Employment Benefits
- Schedule of Funding Progress - Other Post-Employment Benefits
- Notes to the Schedule of Funding Progress - 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 Ten Fiscal Years*

Non-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
2025	0.086955 %	$ 5,200,277	$ 1,878,207	276.87 %	61.61 %
2024	0.099872 %	6,408,295	2,458,790	260.63 %	57.48 %
2023	0.096045 %	6,943,105	2,893,936	239.92 %	52.42 %
2022	0.112180 %	7,152,354	2,650,961	269.80 %	57.33 %
2021	0.104315 %	8,000,874	2,859,034	279.85 %	47.81 %
2020	0.106734 %	7,506,648	2,659,442	282.26 %	50.45 %
2019	0.101569 %	6,185,801	2,677,145	231.06 %	53.54 %
2018	0.105664 %	6,184,839	2,507,438	246.66 %	53.32 %
2017	0.103151 %	5,078,759	2,569,834	197.63 %	55.50 %
2016	0.096361 %	4,143,084	2,411,969	171.77 %	59.97 %

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
2025	0.196562 %	$ 5,055,586	$ 2,029,168	249.15 %	57.05 %
2024	0.046224 %	1,246,179	1,464,842	85.07 %	52.96 %
2023	0.056971 %	1,738,446	275,117	631.89 %	47.11 %
2022	0.063516 %	1,690,897	371,022	455.74 %	52.26 %
2021	0.064546 %	1,946,078	373,652	520.83 %	44.11 %
2020	0.070428 %	1,945,429	375,963	517.45 %	46.63 %
2019	0.091100 %	2,203,214	399,991	550.82 %	49.26 %
2018	0.100552 %	2,249,628	477,009	471.61 %	49.78 %
2017	0.099689 %	1,710,600	551,977	309.90 %	53.95 %
2016	0.112177 %	1,722,032	505,362	340.75 %	57.52 %

CITY OF HARRODSBURG, KENTUCKY
NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Ten Fiscal Years

There were no significant changes to plan assumptions for the measurement period ending June 30, 2024; however, the City's police and fire department employees, who were eligible, transferred from the non-hazardous to the hazardous plan, thus reducing the City's share of the pension liability in the non-hazardous plan and increasing the City's share of the pension liability in the hazardous plan.

The following change was adopted by the Kentucky Public Pensions Authority for 2023.
1. The assumed investment rate of return increased 0.25%.
2. The assumed rate of inflation increased 0.2%.

There were no significant changes to plan assumptions for the measurement period ending June 30, 2021 - 2022.

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 significant changes to plan assumptions for the measurement period ending June 30, 2016.

*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
2025						
	CERS Non-Hazardous	$ 370,514	$ 370,514	$0	$ 1,878,207	19.73 %
	CERS Hazardous	743,402	743,402	0	2,029,168	36.64 %
2024						
	CERS Non-Hazardous	$ 575,594	$ 575,594	$0	$ 2,458,790	23.41 %
	CERS Hazardous	603,623	603,623	0	1,464,842	41.21 %
2023						
	CERS Non-Hazardous	$ 689,323	$ 689,323	$0	$ 2,893,936	23.82 %
	CERS Hazardous	142,224	142,224	0	275,117	51.70 %
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	30.60 %
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 %

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

There were no significant changes to plan assumptions for the measurement period ending June 30, 2024; however, the City's police and fire department employees, who were eligible, transferred from the non-hazardous to the hazardous plan, thus reducing the City's contributions in the non-hazardous plan and increasing the City's contributions to the hazardous plan.

The following change was adopted by the Kentucky Public Pensions Authority for 2023.
1. The assumed investment rate of return increased 0.25%.
2. The assumed rate of inflation increased 0.2%.

There were no significant changes to plan assumptions for the measurement period ending June 30, 2021 - 2022.

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 retirement.
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 significant 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.

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

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFITS
Last Nine Fiscal Years*

Non-Hazardous			Hazardous		
Fiscal Year Ended 30-June	Annual Required Contributions	Percentage Contributed	Fiscal Year Ended 30-June	Annual Required Contributions	Percentage Contributed
2025	$ 0	100 %	2025	$ 43,190	100 %
2024	0	100 %	2024	36,554	100 %
2023	99,863	100 %	2023	22,525	100 %
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 %

CITY OF HARRODSBURG, KENTUCKY
NOTES TO THE SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFITS

There were no significant changes to plan assumptions for the measurement period ending June 30, 2024.

The following change was adopted by the Kentucky Public Pensions Authority for 2023.

1. The assumed investment rate of return increased 0.25%.
2. The assumed rate of inflation increased 0.2%.

The following change was adopted by the Kentucky Public Pensions Authority for 2022.

1. The discount rate used to calculate the total OPEB liability was increased .5%.

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

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 retirement.
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 significant 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 FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS
Last Eight Fiscal Years

Actuarial Valuation	Non-Hazardous		Hazardous		Covered Payroll		Unfunded Liability as a Percentage of Covered Payroll	
	Employer Proportion of Collective Net OPEB Liability/(Asset)		Employer Proportion of Collective Net OPEB Liability/(Asset)					
Date	Percentage	Amount	Percentage	Amount	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous
6/30/2024	0.086073	$ (148,890)	0.196612	$ 238,495	$ 1,878,207	$ 2,029,168	(7.93)%	11.75 %
6/30/2023	0.998680	(137,885)	0.046193	63,203	2,458,790	1,464,842	(5.61)%	4.31 %
6/29/2022	0.096028	1,895,125	0.056942	485,024	2,893,936	275,117	65.49 %	176.30 %
6/30/2021	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 %

CITY OF HARRODSBURG, KENTUCKY
NOTES TO THE SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS
Last Eight Fiscal Years

There were no significant changes to plan assumptions for the measurement period ending June 30, 2024. The following change was adopted by the Kentucky Public Pensions Authority for 2023.

1. The assumed investment rate of return increased 0.25%.
2. The assumed rate of inflation increased 0.2%.

The following change was adopted by the Kentucky Public Pensions Authority for 2022.

1. The discount rate used to calculate the total OPEB liability was increased .5%.

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

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 significant 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, 2025

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 Statue, 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.

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	$ 2,573,882	$ 2,573,882	$ 3,424,343	$ 850,461
Licenses, permits, and fees	5,530,500	5,530,500	5,997,264	466,764
Intergovernmental revenue	1,054,589	211,589	231,824	20,235
Service charges	127,200	127,200	116,384	(10,816)
Other	1,478,989	1,478,989	148,881	(1,330,108)
Total revenues	10,765,160	9,922,160	9,918,696	(3,464)
Expenditures:				
General government	1,049,292	999,292	806,321	192,971
Police department	2,737,235	2,787,235	2,237,245	549,990
Fire department	2,043,185	2,050,185	2,035,207	14,978
Street department	755,586	755,586	656,938	98,648
Cemeteries	397,501	397,501	393,337	4,164
Culture and recreation	250,490	250,490	215,389	35,101
Non-departmentalized	3,531,871	2,681,871	1,025,913	1,655,958
Total expenditures	10,765,160	9,922,160	7,370,350	2,551,810
Excess (deficiency) of revenues over expenditures before other financing sources			2,548,346	2,548,346
Other financing sources (uses):				
Lease proceeds			60,869	60,869
Transfers (to) from other funds			272,070	272,070
Total other financing sources (uses)			332,939	332,939
Excess (deficiency) of revenues over expenditures and other financing sources (uses)			2,881,285	2,881,285
Fund balance, beginning of year as restated	10,178,807	10,178,807	10,178,807	
Fund balance, end year	$ 10,178,807	$ 10,178,807	$13,060,092	$ 2,881,285

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes:				
Real property	$ 370,000	$ 370,000	$ 388,896	$ 18,896
Motor vehicle	143,000	143,000	168,318	25,318
Tangible personal property	35,000	35,000	22,611	(12,389)
Public service company	20,000	20,000	14,853	(5,147)
Insurance premium	1,940,000	1,940,000	2,732,998	792,998
Bank deposits	53,000	53,000	66,150	13,150
Payments in lieu of taxes	12,882	12,882	30,517	17,635
	2,573,882	2,573,882	3,424,343	850,461
Licenses, permits, and fees:				
Payroll license fees	4,440,000	4,440,000	4,543,522	103,522
Net profits license fees	390,000	390,000	692,396	302,396
Business license fees	90,000	90,000	88,178	(1,822)
Street license fees	1,500	1,500	1,875	375
ABC license fees	23,000	23,000	29,008	6,008
Franchise fee - cable television	45,000	45,000	59,630	14,630
Franchise fee - electric	466,000	466,000	505,006	39,006
Franchise fee - natural gas	75,000	75,000	77,649	2,649
	5,530,500	5,530,500	5,997,264	466,764
Intergovernmental revenue:				
Police pay incentive	93,009	93,009	84,792	(8,217)
Firefighters pay incentive	88,580	88,580	105,231	16,651
Police court fines	8,000	8,000	11,793	3,793
Other grants and subsidies	865,000	22,000	30,008	8,008
	1,054,589	211,589	231,824	20,235

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Service charges:				
Rental income	12,000	12,000	20,151	8,151
Police arrest fees	4,500	4,500	5,508	1,008
Interment, Spring Hill	75,000	75,000	60,450	(14,550)
Lots sold, Spring Hill	30,000	30,000	23,250	(6,750)
Interment, Maple Grove	3,000	3,000	4,150	1,150
Lots sold, Maple Grove	1,500	1,500	1,500	
Monument bases	1,200	1,200	1,375	175
	127,200	127,200	116,384	(10,816)
Other:				
Penalties and interest	25,000	25,000	31,081	6,081
Interest earned	6,000	6,000	14,507	8,507
Drug investigation receipts	15,000	15,000	20,947	5,947
Sale of surplus property			3,460	3,460
Miscellaneous	1,432,989	1,432,989	78,886	(1,354,103)
	1,478,989	1,478,989	148,881	(1,330,108)
Total revenues	$ 10,765,160	$ 9,922,160	$ 9,918,696	$ (3,464)

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
General government:				
Salaries and wages	$ 502,193	$ 502,193	$ 428,178	$ 74,015
Fringe benefits	194,899	194,899	142,150	52,749
Contractual services	264,100	264,100	206,312	57,788
Materials and supplies	80,000	30,000	9,634	20,366
Other costs	8,100	8,100	20,047	(11,947)
	1,049,292	999,292	806,321	192,971
Police department:				
Salaries and wages	1,447,926	1,447,926	1,137,115	310,811
Fringe benefits	879,951	879,951	607,440	272,511
Contractual services	123,500	123,500	102,457	21,043
Materials and supplies	90,750	90,750	86,938	3,812
Other costs	47,250	47,250	48,427	(1,177)
Capital outlay	6,000	56,000	106,959	(50,959)
Debt service	141,858	141,858	147,909	(6,051)
	2,737,235	2,787,235	2,237,245	549,990
Fire department:				
Salaries and wages	1,082,929	1,082,929	1,127,660	(44,731)
Fringe benefits	710,936	710,936	676,541	34,395
Contractual services	99,900	99,900	106,528	(6,628)
Materials and supplies	86,000	93,000	73,583	19,417
Other costs	32,000	32,000	42,814	(10,814)
Capital outlay	30,000	30,000	7,675	22,325
Debt service	1,420	1,420	406	1,014
	2,043,185	2,050,185	2,035,207	14,978
Street department:				
Salaries and wages	227,621	227,621	202,195	25,426
Fringe benefits	126,597	126,597	84,620	41,977
Contractual services	301,600	301,600	305,315	(3,715)
Materials and supplies	34,100	34,100	14,907	19,193
Other costs	2,950	2,950	3,573	(623)
Capital outlay	50,000	50,000	46,328	3,672
Debt service	12,718	12,718		12,718
	755,586	755,586	656,938	98,648

Continued

CITY OF HARRODSBURG, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Cemeteries:				
Salaries and wages	197,075	197,075	125,046	72,029
Fringe benefits	92,526	92,526	56,042	36,484
Contractual services	80,800	80,800	122,532	(41,732)
Materials and Supplies	24,500	24,500	20,278	4,222
Other costs	2,600	2,600	3,189	(589)
Capital outlay			66,250	(66,250)
	397,501	397,501	393,337	4,164
Culture and recreation:				
Salaries and wages	79,386	79,386	108,906	(29,520)
Fringe benefits	40,979	40,979	48,047	(7,068)
Contractual services	91,725	91,725	43,072	48,653
Materials and Supplies	21,400	21,400	12,913	8,487
Other costs	5,000	5,000	2,451	2,549
Capital outlay	12,000	12,000		12,000
	250,490	250,490	215,389	35,101
Non-departmentalized:				
Insurance	324,000	324,000	312,998	11,002
Grants and subsidies	3,207,871	2,357,871	712,915	1,644,956
	3,531,871	2,681,871	1,025,913	1,655,958
	$ 10,765,160	$ 9,922,160	$ 7,370,350	$ 2,551,810

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
For the Year Ended June 30, 2025

ASSETS	Municipal Aid Fund	Tourism Development Fund	Alcohol Beverage Control Fund	Total
Cash	$ 96,135	$ 71,756	$ 2,539	$ 170,430
Accounts Receivable - Intergovernmental	12,899			12,899
Total assets	$ 109,034	$ 71,756	$ 2,539	$ 183,329
FUND BALANCE				
Fund Balance:				
Restricted for:				
Roads	$ 109,034	$	$	$ 109,034
Tourism		71,756		71,756
Police			2,539	2,539
Total fund balance	109,034	71,756	2,539	183,329
TOTAL FUND BALANCE	$ 109,034	$ 71,756	$ 2,539	$ 183,329

CITY OF HARRODSBURG, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
For the Year Ended June 30, 2025

	Municipal Aid Fund	Tourism Development Fund	Alcohol Beverage Control Fund	Total
Revenues:				
Intergovernmental revenue	$ 185,660	$ 32,500	$	$ 218,160
Alcohol license fee			268,549	268,549
Penalty			1,743	1,743
Interest income	154	50		204
Total revenues	185,814	32,550	270,292	488,656
Expenditures:				
Police department:				
Other costs			3,299	3,299
Street department:				
Paving	190,289			190,289
Salt	16,106			16,106
Non-departmentalized:				
Grants and subsidies		2,978		2,978
Total expenditures	206,395	2,978	3,299	212,672
Excess (deficiency) of revenues over expenditures	(20,581)	29,572	266,993	275,984
Other financing sources (uses):				
Transfers (to) from other funds			(266,954)	(266,954)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(20,581)	29,572	39	9,030
Fund balance, beginning of year	129,615	42,184	2,500	174,299
Fund balance, end of year	$ 109,034	$ 71,756	$ 2,539	$ 183,329

PROPRIETARY FUND

CITY OF HARRODSBURG, KENTUCKY
BALANCE SHEET
MUNICIPAL WATERWORKS AND SEWER SYSTEM
June 30, 2025

ASSETS

Current assets	
Cash	$ 4,162,012
Certificates of deposit	413,182
Accounts receivable (net of allowance for doubtful accounts of $689,000)	811,466
Grants receivable	250,650
Prepaid expenses	350,571
Due from other funds	11,421
Total current assets	5,999,302
Restricted assets:	
Cash	1,998,029
Certificates of deposit	625,575
Total restricted assets	2,623,604
Capital assets:	
Water utility system	14,855,563
Sewer utility system	14,381,246
Water and sewer treatment plant	62,754,647
Equipment and vehicles	4,238,619
Buildings and land	840,649
Construction in progress	4,643,805
Total Capital assets	101,714,529
Less accumulated depreciation	(51,072,740)
Capital assets, net	50,641,789
Other long term assets:	
Bond issuance costs	156,775
Post employment benefits net asset	81,067
Total other long term assets	237,842
Total assets	$ 59,502,537
Deferred outflow of resources	$ 803,698

CITY OF HARRODSBURG, KENTUCKY
BALANCE SHEET
MUNICIPAL WATERWORKS AND SEWER SYSTEM
June 30, 2025

LIABILITIES AND NET POSITION

Current liabilities:		
Accounts payable	$	238,526
Construction payable		391,206
Accrued liabilities		123,339
Customer deposits		377,235
Lease payable		21,098
Unearned grant revenue		871,686
Total current liabilities		2,023,090
Liabilities payable from restricted assets:		
Accrued interest payable		79,985
Current portion of loans payable		1,060,320
Current portion of bonds payable		341,500
Total liabilities payable from restricted assets		1,481,805
Non-current liabilities:		
Bonds payable		15,450,500
Loans payable		15,434,739
Lease payable		59,336
Net pension obligation		2,831,447
Total non-current liabilities		33,776,022
Total liabilities	$	37,280,917
Deferred inflow of resources	$	1,818,938
Net position:		
Net investment in capital assets	$	17,883,090
Restricted		2,623,604
Unrestricted		699,686
Total net position	$	21,206,380

CITY OF HARRODSBURG, KENTUCKY
COMBINING STATEMENT OF REVENUES AND EXPENSES
MUNICIPAL WATERWORKS AND SEWER SYSTEM
For the Year Ended June 30, 2025

	Water Department	Sewer Department	Total
Operating revenues:			
Water sales	$ 3,252,786	$	$ 3,252,786
Water taps	20,798		20,798
Water surcharge	88,971		88,971
Sewer charges		3,084,956	3,084,956
Sewer taps		32,498	32,498
Sewer surcharge		98,372	98,372
Wastewater surcharge		11,303	11,303
Pre-treatment charges		43,215	43,215
Penalties	54,829	54,829	109,658
Other revenue	5,493	5,493	10,986
Total operating revenues	3,422,877	3,330,666	6,753,543
Operating expenses:			
Water operations	2,643,806		2,643,806
Sewer operations		1,320,191	1,320,191
Total operating expenses	2,643,806	1,320,191	3,963,997
Operating income before depreciation, amortization, and bad debts	779,071	2,010,475	2,789,546
Depreciation	1,256,588	926,803	2,183,391
Amortization of loan fees	4,104	4,104	8,208
Bad debts	32,500	32,500	65,000
Total depreciation, amortization, and bad debts	1,293,192	963,407	2,256,599
Operating income (loss)	(514,121)	1,047,068	532,947
Non-operating revenues (expenses):			
Interest income	28,065	28,065	56,130
Garbage service	867,708		867,708
Sales tax	151,614		151,614
Utility tax	65,555		65,555
KY River withdrawal fee	211,340		211,340
Emergency services surcharge	133,975		133,975
Other income	11,197	11,197	22,394
Interest expense	(355,699)	(355,699)	(711,398)
Garbage service	(810,587)		(810,587)
Sales tax paid	(178,954)		(178,954)
Emergency services expenses	(120,935)		(120,935)
Utility tax paid	(66,902)		(66,902)
KY River withdrawal fee	(310,317)		(310,317)
Non-operating revenues, (expenses), net	(373,940)	(316,437)	(690,377)
Income (loss) before other revenues, expenses, gains, losses and transfers	(888,061)	730,631	(157,430)
Other revenues, (expenses), gains, (losses) and transfers:			
Pension expense	(887,908)	(521,470)	(1,409,378)
Other post-employment benefit expense	(153,872)	(90,369)	(244,241)
Capital grant proceeds	1,777,926	1,262,477	3,040,403
Total other revenues, (expenses), gains, (losses) and transfers, net	736,146	650,638	1,386,784
Increase (decrease) in net position	$ (151,915)	$ 1,381,269	1,229,354
Net position, beginning of year			19,977,026
Net position, end of year			$ 21,206,380

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF UTILITY OPERATING EXPENSES
MUNICIPAL WATERWORKS AND SEWER SYSTEM
For the Year Ended June 30, 2025

	Water Department	Sewer Department	Total
Water administration:			
Salaries and wages	$ 70,137	$	$ 70,137
Fringe benefits	38,087		38,087
Contractual services	143,232		143,232
Materials and supplies	24,320		24,320
Other costs	8,560		8,560
Total water administration	284,336		284,336
Water operations:			
Salaries and wages	385,860		385,860
Fringe benefits	164,546		164,546
Contractual services	626,029		626,029
Materials and supplies	537,563		537,563
Other costs	5,235		5,235
Total water operations	1,719,233		1,719,233
Sewer operations:			
Salaries and wages		278,793	278,793
Fringe benefits		113,828	113,828
Contractual services		446,553	446,553
Materials and supplies		88,832	88,832
Other costs		9,222	9,222
Total sewer operations		937,228	937,228
Water maintenance:			
Salaries and wages	192,745		192,745
Fringe benefits	58,693		58,693
Contractual services	179,105		179,105
Materials and supplies	48,215		48,215
Other costs	4,848		4,848
Total water maintenance	483,606		483,606
Sewer maintenance:			
Salaries and wages		100,905	100,905
Fringe benefits		42,844	42,844
Contractual services		94,651	94,651
Materials and supplies		14,091	14,091
Other costs		2,319	2,319
Total sewer maintenance		254,810	254,810
Other:			
Insurance	156,631	128,153	284,784
Total operating expenses	$ 2,643,806	$ 1,320,191	$ 3,963,997

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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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 30, 2026.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.

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*.

City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
July 30, 2026

FEDERAL GRANT DISCLOSURES

Kerbaugh, Rodes
& Butler, PLLC

Certified Public Accountants

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Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Mayor and Board of Commissioners
City of Harrodsburg, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Harrodsburg, Kentucky's (the City's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kerbaugh, Rodes & Butler, PLLC

Kerbaugh, Rodes & Butler, PLLC
Certified Public Accountants

Danville, Kentucky
July 30, 2026

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2025

Grant/Program Title	Assistance Listing Number	Contract/Award Number	Federal Expenditures
U.S. Department of Treasury			
Direct Program:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	$ 586,893
Passed through Commonwealth of Kentucky,			
Kentucky Infrastructure Authority:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	22CWW006	194,135
Coronavirus State and Local Fiscal Recovery Funds	21.027	21CWW148	111,360
Coronavirus State and Local Fiscal Recovery Funds	21.027	21CWS129	504,310
Total U.S. Department of Treasury			1,396,698
U.S. Department of Housing and Urban Development:			
Passed through Commonwealth of Kentucky,			
Department for Local Governments:			
Community Development Block Grant/State's Program	14.228	22-019	171,274
Total U.S. Department of Housing and Urban Development			171,274
U.S. Environmental Protection Agency:			
Passed through Commonwealth of Kentucky,			
Kentucky Infrastructure Authority:			
Drinking Water State Revolving Fund	66.468	F23-0045	1,783,002
Total U.S. Environmental Protection Agency			1,783,002
Total Federal Financial Assistance			$ 3,350,974

CITY OF HARRODSBURG, KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2025

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of the City of Harrodsburg, Kentucky under programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of City of Harrodsburg, Kentucky, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Harrodsburg, Kentucky.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The City of Harrodsburg, Kentucky has elected not to use the 10 or 15 percent deminimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF HARRODSBURG, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Recovery Funds
66.468	Capitalization Grants for Drinking Water State Revolving Fund

Dollar threshold used to distinguish Between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2025-001 - Water and sewer bills not properly calculated for commercial customers

Criteria: The City bills for water and sewer usage based on consumption measured in cubic feet.

Condition: During our testing procedures, we noted two instances where commercial meters were not properly calculated and the customer was incorrectly billed.

Cause: The City did not have a procedure in place to verify meter readings were properly input and calculated for commercial customers.

Effect: One customer was being billed for double the consumption. This resulted in overbilling the customer $27,510 for the year ended June 30, 2025. The other customer's consumption was incorrectly converted from gallons to cubic feet, when the meter was already in cubic feet. This resulted in an underbilling of the customer by $66,115 for the year ended June 30, 2025.

Recommendation: We recommend that the City implement a procedure to have an individual review the meter setup in the system for commercial customers to ensure the meter is properly set up for the unit of measurement. We also recommend that the City review commercial meters to ensure meters are properly accounted for and not duplicate billed.

Response: The City recognizes the importance of ensuring that commercial water and sewer billings are accurate and properly supported by meter readings. Management has reviewed and corrected the two commercial customer accounts identified during the audit. The account that was being billed for double the consumption has been corrected, and the account that was incorrectly converted from gallons to cubic feet has also been corrected. Management has reviewed the applicable billing records and taken the necessary steps to ensure the accounts are being billed using the proper meter setup and unit of measurement going forward.

In addition to correcting the specific accounts identified, the City will implement procedures to strengthen the review of commercial meter accounts. The City will review commercial meter setup within the billing system to verify that the meter is assigned to the correct unit of measurement and that the appropriate conversion factors are being applied, when applicable. The review will also include verification that commercial meters are not duplicated within the billing system and that each meter is associated with the appropriate customer account. The City will also perform a review of existing commercial accounts to identify and correct any additional meter setup or billing discrepancies. Any identified billing errors will be evaluated and corrected in accordance with City policies and applicable requirements. Going forward, management will incorporate a documented review of commercial meter setups and billing calculations into its procedures. This additional review is intended to provide reasonable assurance that commercial customers are billed accurately based on actual consumption and that errors such as duplicate billing or incorrect unit conversions are identified and corrected timely.

The City appreciates the auditors' recommendation and will continue to monitor the billing process to ensure the procedures implemented remain effective.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Prior Year Audit Findings

Prior year financial statement finding related water and sewer rate increases not being properly implemented was corrected in the current year and no finding is reported in the current year audit.