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A statement which notifies citizens requesting a personal copy of the City audit report that they will be charged for duplication cost at a rate that shall not exceed twenty-five (\$0.25) per page; and

A statement that copies of the financial statement prepared in accordance with KRS 424.220 are available to the public at no cost at the business address of the officer responsible for preparation of the statement.

Shavonna Huffman, City Clerk
Harrodsburg, KY 40330

Kerbaugh, Rodes & Butler, PLLC

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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, 2024, 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, 2024, 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 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 52 through 61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 April 29, 2025, 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
Certified Public Accountants

CITY OF HARRODSBURG, KENTUCKY STATEMENT OF NET POSITION June 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 8,202,995	\$ 4,926,354	\$ 13,129,349
Certificates of deposit		404,031	404,031
Receivables:			
Taxes and licenses	1,754,807		1,754,807
Intergovernmental	57,507	1,561,177	1,618,684
User fees (net)		855,604	855,604
Other	75,255		75,255
Prepaid expenses	284,318	291,967	576,285
Total unrestricted current assets	10,374,882	8,039,133	18,414,015
Restricted cash and certificates of deposit	243,231	2,742,141	2,985,372
Non-current assets:			
Capital assets, net	4,810,000	49,267,673	54,077,673
Bond issuance costs		164,983	164,983
Post employment benefits net asset	38,792	35,890	74,682
Total non-current assets	4,848,792	49,468,546	54,317,338
Total assets	\$ 15,466,905	\$ 60,249,820	\$ 75,716,725
Deferred outflows of resources	\$ 2,787,773	\$ 659,171	\$ 3,446,944
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 92,627	\$ 244,817	\$ 337,444
Accrued liabilities	86,629	101,686	188,315
Customer deposits		370,232	370,232
Leases payable	108,903	22,743	131,646
Construction payable		2,361,181	2,361,181
Unearned grant revenue	10,750	1,447,829	1,458,579
Total liabilities payable from unrestricted assets	298,909	4,548,488	4,847,397
Payable from restricted assets:			
Accrued interest payable		85,251	85,251
Loans payable		1,280,902	1,280,902
Bonds payable		332,000	332,000
Total liabilities payable from restricted assets		1,698,153	1,698,153
Total current liabilities	298,909	6,246,641	6,545,550
Non-current liabilities:			
Bonds, leases, and loans payable	332,444	31,878,262	32,210,706
Net pension obligation	5,986,444	1,668,030	7,654,474
Total non-current liabilities	6,318,888	33,546,292	39,865,180
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

CITY OF HARRODSBURG, KENTUCKY STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS For the Year Ended June 30, 2024

	General Fund	Non-Major Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 2,728,429	\$	\$ 2,728,429
Licenses, permits, and fees	5,988,201		5,988,201
Intergovernmental revenue	197,723	212,403	410,126
Alcohol license fee		289,308	289,308
Service charges	155,389		155,389
Other	158,115	1,497	159,612
Total revenues	9,227,857	503,208	9,731,065
Expenditures:			
General government	657,510		657,510
Police department	2,658,590	95,192	2,753,782
Fire department	1,837,540		1,837,540
Street department	1,179,017	177,133	1,356,150
Cemeteries	368,987		368,987
Culture and recreation	236,143		236,143
Non-departmentalized	1,497,222	15,843	1,513,065
Total expenditures	8,435,009	288,168	8,723,177
Excess (deficiency) of revenues over expenditures before other financing sources	792,848	215,040	1,007,888
Other financing sources (uses):			
Lease Proceeds	373,812		373,812
Transfers (to) from other funds	482,585	(482,585)	
Total other financing sources (uses)	856,397	(482,585)	373,812
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	1,649,245	(267,545)	1,381,700
Fund balance, beginning of year	8,245,245	441,844	8,687,089
Fund balance, end of year	\$ 9,894,490	\$ 174,299	\$ 10,068,789

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2024

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental Activities:					
General government	\$ 509,515	\$	\$	\$	\$ (509,515)
Police department	1,938,152	5,200	169,322		(1,763,630)
Fire department	1,461,067		85,603		(1,375,464)
Street department	1,270,748		219,146		(1,051,602)
Cemeteries	345,807	127,900			(217,907)
Culture and recreation	304,765	22,289			(282,476)
Non-departmentalized	1,492,422				(1,492,422)
Total Governmental Activities	7,322,476	155,389	474,071		(6,693,016)
Business-Type Activities:					
Water	5,449,703	4,467,645		2,433,218	1,451,160
Sewer	2,743,063	3,224,144			481,081
Total Business-Type Activities	8,192,766	7,691,789		2,433,218	1,932,241
Total	\$ 15,515,242	\$ 7,847,178	\$ 474,071	\$ 2,433,218	\$ (4,760,775)
Changes in Net Position:			Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue		\$ (6,693,016)	\$ 1,932,241	\$ (4,760,775)	
General revenues:					
Taxes:					
Real property			364,703		364,703
Motor vehicle			161,439		161,439
Tangible personal property			29,837		29,837
Public service company			19,891		19,891
Insurance premium			2,069,424		2,069,424
Bank deposits			65,403		65,403
Payments in lieu of taxes			17,732		17,732
Alcohol fees			313,291		313,291
Licenses, permits, and fees:					
Payroll license fees			4,804,018		4,804,018
Net profits license fees			456,719		456,719
Business license fees			93,103		93,103
Street license fees			1,275		1,275
Franchise fees - cable television			59,617		59,617
Franchise fees - electric			476,326		476,326
Franchise fees - natural gas			73,160		73,160
Other:					
Penalties and interest			32,079		32,079
Interest earned			12,353	39,884	52,237
Insurance claim receipts			22,846		22,846
Sale of surplus property			10,395		10,395
Miscellaneous			17,994	11,808	29,802
Total general revenues and transfers			9,101,605	51,692	9,153,297
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

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2024

	General Fund	Non-Major Funds	Total Governmental Funds
ASSETS			
Cash	\$ 8,309,486	\$ 136,740	\$ 8,446,226
Receivables:			
Taxes and licenses	1,754,807		1,754,807
Intergovernmental	19,948	37,559	57,507
Other	255		255
Total assets	\$ 10,084,496	\$ 174,299	\$ 10,258,795
LIABILITIES			
Accounts payable	\$ 92,627	\$	\$ 92,627
Accrued liabilities	86,629		86,629
Unearned revenue	10,750		10,750
Total liabilities	190,006		190,006
FUND BALANCE			
Fund balance:			
Restricted for:			
Roads		129,615	129,615
Tourism		42,184	42,184
Police	106,491	2,500	108,991
Unassigned	9,787,999		9,787,999
Total fund balance	9,894,490	174,299	10,068,789
Total liabilities and fund balance	\$ 10,084,496	\$ 174,299	\$ 10,258,795

RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS June 30, 2024

Governmental fund balance, current year	\$ 10,068,789
Amounts reported for governmental activities in the statement of net position are different because:	
Loans made and not repaid within 60 days of year end are a use of funds and are not reported as an asset in the fund financial statements.	75,000
Prepaid expenses are a use of financial resources and therefore are not reported as an asset in the fund financial statements	284,318
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 \$7,321,313	4,810,000
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements	(441,347)
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	(5,759,529)
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	(1,738,685)
Net position of governmental activities	\$ 7,298,546

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