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Shavonna Huffman, City Clerk, Harrodsburg, KY 40330

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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
Certified Public Accountants

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

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 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
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)

	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

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