



**City of Hurstbourne**

**Hurstbourne, Kentucky**

Independent Auditors' Report

And Financial Statements

For The Year Ended

June 30, 2023

City of Hurstbourne, Kentucky  
Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to the Basic Financial Statements	16-36
Required Supplementary Information:	
Statement of Revenues, Expenses and Changes in Fund Balance - General Fund - Budget and Actual	38 - 41
Statement of Revenues, Expenses and Changes in Fund Balance - Municipal Road Aid Fund - Budget and Actual	42
Notes to the Required Supplementary Information on Budgetary Reporting	43
Pension - Proportionate Share of the Net Pension Liability	44
Pension Schedules - Schedule of Contributions	45
OPEB - Proportionate Share of the Net OPEB Liability	46
OPEB - Schedule of Contributions	47
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48 - 49

## INDEPENDENT AUDITORS' REPORT

The Mayor and Members of the City Commission  
City of Hurstbourne, Kentucky

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of the City of Hurstbourne, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Hurstbourne'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, and each major fund, of the City of Hurstbourne, Kentucky, as of June 30, 2023, and the respective changes in financial position 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 Auditors' 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 of Hurstbourne'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.

#### Auditors' 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 auditors' 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 of Hurstbourne, Kentucky'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 of Hurstbourne'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, pension and OPEB schedules on pages 3-9 and 38-47 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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024, on our consideration of the City of Hurstbourne, Kentucky'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 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 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 of Hurstbourne, Kentucky's internal control over financial reporting and compliance.

***Baldwin CPA's, PLLC***

Baldwin CPA's, PLLC

Louisville, Kentucky

March 27, 2024

**City of Hurstbourne, Kentucky  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023**

Our discussion and analysis of the City of Hurstbourne, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. Please read the following in conjunction with the City's financial statements, which begin to appear on page 10.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 10 and 11) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statement also report the City's operations in more detail than the government-side statements by providing information about the City's most significant funds.

**FINANCIAL HIGHLIGHTS**

Total revenues of the City increased \$918,095 over the previous fiscal year. The most significant factors influencing this change were:

- Increase in insurance premium tax revenues of \$118,000
- Increase in property tax revenue of \$105,000
- Increase in intergovernmental grants of \$654,000

Significant revenues for the fiscal year were:

- Property tax revenues of \$1,400,000
- Insurance premium tax of \$938,000
- Bank franchise tax of \$105,000
- Grants and contributions of \$746,000

**REPORTING THE CITY AS A WHOLE**

**The Statement of Net Position and the Statement of Activities**

Our analysis of the City as a whole begins on page 10. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position - the difference between assets and liabilities - as one way to measure the City's health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

Most of the City's basic services are reported here, including general administration, public works, public safety, and sanitation. Property taxes, franchise fees, and insurance taxes finance most of these activities.

To aid in the understanding of the statement of activities some additional explanation is provided. Of particular interest is the format that is significantly different than a typical statement of revenues, expenses, and changes in fund balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions to the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

### **THE CITY AS A WHOLE**

The following condensed financial information has been derived from the government-wide financial statements.

The total assets of the City increased by \$195,000 in fiscal year 2023 as compared to fiscal year 2022 and the total liabilities of the City decreased by \$518,000 over the same period of time. The increase in total assets was primarily related to an increase in investments. The decrease in liabilities was primarily related to the City using part of the \$1.1 million of American Rescue Plan Act (ARPA) funds during the current year.

The City's net position increased approximately \$812,000 from the prior year. The City's unrestricted net position increased approximately \$382,000.

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current Assets	\$ 3,676,955	\$ 3,772,201
Non-Depreciable Fixed Assets	481,207	481,207
Depreciable Fixed Assets, Net of	2,232,795	1,891,674
Lease Receivable - Current	51,521	51,204
Lease Receivable - Noncurrent	16,934	68,455
Total Assets	<u>6,459,412</u>	<u>6,264,741</u>
<b>Deferred Outflows of Resources</b>		
Deferred Amounts Related to Pensions	89,222	53,364
Deferred Amounts Related to OPEB	56,531	60,115
Total Deferred Outflows of Resources	<u>145,753</u>	<u>113,479</u>
<b>Liabilities</b>		
Current Liabilities	650,255	1,214,030
Long-Term Liabilities	487,991	442,596
Total Liabilities	<u>1,138,246</u>	<u>1,656,626</u>
<b>Deferred Inflows of Resources</b>		
Deferred Amounts Related to Pensions	49,651	67,727
Deferred Amounts Related to Leases	49,550	99,099
Deferred Amounts Related to OPEB	55,717	54,432
Total Deferred Inflows of Resources	<u>154,918</u>	<u>221,258</u>
<b>Net Position</b>		
Invested in Fixed Assets	2,714,002	2,372,881
Restricted	184,286	95,508
Unrestricted	2,413,713	2,031,947
Total Net Position	<u>\$ 5,312,001</u>	<u>\$ 4,500,336</u>

### Governmental Revenues

The City's primary sources of revenues in this fiscal year continued to be property taxes and insurance taxes. These two sources comprise 68.28% and 84.38% of the total revenue collected in the fiscal years ending 2023 and 2022, respectively. Total revenues for the year ended June 30, 2023, were \$3,425,325, which is an increase of approximately \$918,000 over the previous fiscal year. The increase is due mainly to an increase in property taxes and intergovernmental grants and contributions. Revenues are reported as follows:

## Governmental Revenues

	2023		2022	
	Amount	Percentage	Amount	Percentage
Program Revenues				
Charges for Service	\$ 51,680	1.51%	\$ 54,452	2.17%
Operating Grants and Contributions	88,778	2.59%	92,675	3.70%
Total Program Revenues	<u>140,458</u>	<u>4.10%</u>	<u>147,127</u>	<u>5.87%</u>
General Revenues				
Property Taxes	1,400,877	40.90%	1,295,473	51.67%
Insurance Tax	937,840	27.38%	820,053	32.71%
Bank Franchise Tax	104,943	3.06%	94,306	3.76%
Cable Franchise Tax	11,863	0.35%	43,197	1.72%
Telecommunication tax	30,382	0.89%	-	0.00%
Delinquent tax collections	-	0.00%	11,450	0.46%
Licenses and permits	47,014	1.37%	41,229	1.64%
Intergovernmental	657,639	19.20%	3,465	0.14%
Miscellaneous	13,700	0.40%	27,352	1.09%
Investment Income	71,964	2.10%	7,134	0.28%
Penalties & Interest	8,645	0.25%	16,444	0.66%
Total General Revenues	<u>3,284,867</u>	<u>95.90%</u>	<u>2,360,103</u>	<u>94.13%</u>
Total Revenues	<u>\$ 3,425,325</u>	<u>100.00%</u>	<u>\$ 2,507,230</u>	<u>100.00%</u>

## Governmental Expenditures

Expenditures for the year ended June 30, 2023, were \$2,613,630, which represents an increase of \$300,233 over the previous fiscal year. Expenditures are reported as follows:

	2023		2022	
	Amount	Percentage	Amount	Percentage
Program Expenses:				
General Government	\$ 654,739	25.05%	\$ 565,070	24.43%
Public Works	1,150,813	44.03%	1,015,728	43.91%
Public Safety	278,515	10.66%	226,660	9.80%
Sanitation	499,058	19.09%	494,481	21.37%
Community Development	30,535	1.17%	11,458	0.50%
Total Expenses	<u>\$ 2,613,660</u>	<u>100.00%</u>	<u>\$ 2,313,397</u>	<u>100.00%</u>

## Excess of Revenues over Expenditures

	2023	2022
Total Revenues	\$ 3,425,325	\$ 2,507,230
Total Expenses	2,613,660	2,313,397
Excess of Revenues Over Expenses	<u>\$ 811,665</u>	<u>\$ 193,833</u>



## Change in Net Position

	2023	2022
Beginning Net Position	\$ 4,500,336	\$ 4,306,503
Increase in Net Position	811,665	193,833
Ending Net Position	<u>\$ 5,312,001</u>	<u>\$ 4,500,336</u>

## FIXED ASSETS

For the year ended June 30, 2023, the City had \$5,154,821 invested in fixed assets including land, buildings, equipment, and infrastructure. A schedule of the changes in fixed assets during this fiscal year is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities</b>				
Non-depreciable Assets:				
Land	\$ 481,207	\$ -	\$ -	\$ 481,207
Total non-depreciable assets	<u>481,207</u>	<u>-</u>	<u>-</u>	<u>481,207</u>
Depreciable Assets:				
Building and Improvements	797,428	16,680	-	814,108
Equipment	12,299	6,060	-	18,359
Infrastructure	3,226,484	614,663	-	3,841,147
Total depreciable assets	<u>4,036,211</u>	<u>637,403</u>	<u>-</u>	<u>4,673,614</u>
Total fixed assets	<u>4,517,418</u>	<u>637,403</u>	<u>-</u>	<u>5,154,821</u>
Accumulated Depreciation:				
Building and Improvements	211,013	32,703	-	243,716
Equipment	12,299	303	-	12,602
Infrastructure	1,921,224	263,277	-	2,184,501
Total accumulated depreciation	<u>2,144,536</u>	<u>296,283</u>	<u>-</u>	<u>2,440,819</u>
Governmental activities fixed assets, net	<u>\$ 2,372,882</u>	<u>\$ 341,120</u>	<u>\$ -</u>	<u>\$ 2,714,002</u>

## PENSIONS

Current accounting standards require governmental entities to recognize certain financial statements amounts related to pensions. In addition to these financial statement items, there are also note disclosure requirements (Note 7) and tables to be included as required supplementary information. The measurement date for the net pension liability is June 30, 2022.

During this fiscal year, the obligations of the City as they relate to pensions as reported to the City by the Kentucky Retirement Systems are as follows:

	<b>As Reported in the Audit for the Fiscal Year Ending June 30th:</b>	
	<u>2023</u>	<u>2022</u>
Pension Obligations	\$ 383,355	\$ 340,403
Deferred Outflows Related to Pensions	\$ 89,222	\$ 53,364
Deferred Inflows Related to Pensions	\$ 49,651	\$ 67,727

## **OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Current accounting standards require governmental entities to recognize certain financial statements amounts related to OPEB. In addition to these financial statement items, there are also note disclosure requirements (Note 8) and tables to be included as required supplementary information. The measurement date for the net pension liability is June 30, 2022.

During this fiscal year, the obligations of the City as they relate to OPEB as reported to the City by the Kentucky Retirement Systems are as follows:

	<b>As Reported in the Audit for the Fiscal Year Ending June 30th:</b>	
	<b>2023</b>	<b>2022</b>
Other Post Employment Benefit (OPEB) Obligation	\$ 104,636	\$ 102,193
Deferred Outflows Related to OPEB	\$ 56,531	\$ 60,115
Deferred Inflows Related to OPEB	\$ 55,717	\$ 54,432

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

Our analysis of the City's major funds begins on page 12. The fund financial statements provide detailed information about the governmental fund — not the City as a whole. Most of the City's basic services are reported in the governmental fund, which focuses on how money flows into and out of the fund and the balance left over at year-end this is available for spending in future periods. This fund is reported using the accounting method called the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you to 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 relationship (or differences) between governmental activities (reported in the statement of net position and statement of activities) and governmental fund in a separate reconciliation statement after each fund financial statement.

### **GENERAL FUND BUDGETARY FUND HIGHLIGHTS**

For the year ended June 30, 2023, general fund revenues of \$3,338,202 were \$276,908 more than the \$3,061,294 budgeted. Revenue sources with a budget shortfall included property taxes, cable franchise taxes, and base court revenue. For the year ended June 30, 2023, general fund expenditures of \$2,958,368 were \$32,926 less than the \$2,991,294 budgeted. The City spend more than budgeted in general government, public works, and sanitation.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Property tax revenues are expected to increase again due to increased values of commercial properties resulting from commercial developments and increased values of residential properties. The economic outlook calls for slowed growth coupled with intensified inflation over the upcoming fiscal year.

Total revenues increased by \$911,553 over the previous year while expenditures increased by \$612,520. The City had an excess of revenues over expenditures for the year of \$468,612. The "bottom line" of the City of Hurstbourne continues to be strong with excess reserve funds and no debt.

The upcoming budget includes continued reinvestment in City assets including roads, sidewalks, irrigation systems, signage, lighting, and storm water drainage improvements. These projects should represent the bulk of non-maintenance expenses for the upcoming fiscal year. Additionally, the mandated employer contribution rate to the Kentucky CERS pension fund is expected to decrease. All of the above listed expenses are to be paid from general revenues and grant proceeds which are appropriated in the upcoming budget.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact:

City of Hurstbourne City Clerk / City Administrative Officer  
200 Whittington Parkway  
Suite 100  
Louisville, Kentucky 40222  
(502) 426-4808  
(502) 426-4889  
info@hurstbourne.org  
www.hurstbourne.org

**City of Hurstbourne, Kentucky**  
**Statement of Net Position**  
**June 30, 2023**

	Primary Government Governmental Activities
<b>Assets</b>	
Current Assets	
Cash	\$ 845,686
Investments	2,579,635
Receivables	251,634
Lease receivables - current	51,521
Total current assets	3,728,476
Noncurrent assets	
Lease receivable - noncurrent	16,934
Capital assets	
Non-Depreciable Capital Assets	481,207
Depreciable Capital Assets, net	2,232,795
Total noncurrent assets	2,730,936
Total assets	6,459,412
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pension	89,222
Deferred outflows - OPEB	56,531
Total deferred outflows of resources	145,753
Total assets and deferred outflows of resources	\$ 6,605,165
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 153,457
Tenant deposits	3,350
Deferred grant revenue	493,448
Total current liabilities	650,255
Noncurrent liabilities	
Net pension liability	383,355
Net OPEB liability	104,636
Total noncurrent liabilities	487,991
Total liabilities	1,138,246
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pension	49,651
Deferred inflows - OPEB	55,717
Deferred inflows - leases	49,550
Total deferred inflows of resources	154,918
<b>Net Position</b>	
Net invested in capital assets	2,714,002
Restricted for	
Roads	184,286
Unrestricted	2,413,713
Total net position	5,312,001
Total liabilities, deferred inflows of resources and net position	\$ 6,605,165

**City of Hurstbourne, Kentucky**  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Primary Government Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary Government</b>					
<b>Governmental Activities</b>					
General government	\$ 654,739	\$ 51,680	\$ -	\$ -	\$ (603,059)
Public works	1,150,813	-	88,778	-	(1,062,035)
Public safety	278,515	-	-	-	(278,515)
Sanitation	499,058	-	-	-	(499,058)
Community development	30,535	-	-	-	(30,535)
Total governmental activities	<u>2,613,660</u>	<u>51,680</u>	<u>88,778</u>	<u>-</u>	<u>(2,473,202)</u>
<b>Total Primary Government</b>	<u>\$ 2,613,660</u>	<u>\$ 51,680</u>	<u>\$ 88,778</u>	<u>\$ -</u>	<u>(2,473,202)</u>
<b>General revenues</b>					
Taxes:					
					1,400,877
					937,840
					104,943
					11,863
					30,382
					47,014
					657,639
					8,645
					71,964
					<u>13,700</u>
					3,284,867
					<u>811,665</u>
					4,500,336
					<u>\$ 5,312,001</u>

**City of Hurstbourne, Kentucky**  
**Balance Sheet - Governmental Funds**  
**June 30, 2023**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash	\$ 661,400	\$ 184,286	\$ 845,686
Investments	2,579,635	-	2,579,635
Receivables	251,634	-	251,634
	<u>251,634</u>	<u>-</u>	<u>251,634</u>
Total assets	<u>\$ 3,492,669</u>	<u>\$ 184,286</u>	<u>\$ 3,676,955</u>
Liabilities and Fund Balances			
<b>Liabilities</b>			
Accounts payable	\$ 153,457	\$ -	\$ 153,457
Tenant deposits	3,350	-	3,350
Deferred grant revenue	493,448	-	493,448
Total liabilities	<u>650,255</u>	<u>-</u>	<u>650,255</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	10,600	-	10,600
Total Deferred Inflows of Resources	<u>10,600</u>	<u>-</u>	<u>10,600</u>
<b>Fund Balances</b>			
Restricted	-	184,286	184,286
Committed	553,715	-	553,715
Assigned	260,875	-	260,875
Unassigned	2,017,224	-	2,017,224
Total fund balance	<u>2,831,814</u>	<u>184,286</u>	<u>3,016,100</u>
Total Liabilities and Fund Balances	<u>\$ 3,492,669</u>	<u>\$ 184,286</u>	<u>\$ 3,676,955</u>

**City of Hurstbourne, Kentucky**  
**Governmental Funds**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**June 30, 2023**

Fund balances- total governmental funds		\$ 3,016,100
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
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 \$2,440,819.		2,714,002
Lease receivables reported in governmental activities are not financial resources and therefore are not reported in the fund financial statements.		68,455
Certain property tax and code enforcement revenues are earned but not available and therefore are shown as unavailable revenue in the fund financial statements.		10,600
Deferred outflows and inflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Deferred inflows related to leases	(49,550)	
Deferred outflows related to pension and OPEB	145,753	
Deferred inflows related to pension and OPEB	<u>(105,368)</u>	<u>(9,165)</u>
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
Net pension liability	(383,355)	
Net OPEB liability	<u>(104,636)</u>	<u>(487,991)</u>
Net position of governmental activities		<u>\$ 5,312,001</u>

**City of Hurstbourne, Kentucky**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2023**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Property taxes	\$ 1,400,877	\$ -	\$ 1,400,877
Bank franchise tax	104,943	-	104,943
Cable franchise tax	11,863	-	11,863
Telecommunication tax	30,382	-	30,382
Insurance tax	937,840	-	937,840
Intergovernmental	657,639	88,778	746,417
License and permits	47,014	-	47,014
Charges for services	53,335	-	53,335
Investment income	71,964	-	71,964
Interest and penalties	8,645	-	8,645
Other income	13,700	-	13,700
<b>Total revenues</b>	<b>3,338,202</b>	<b>88,778</b>	<b>3,426,980</b>
<b>Expenditures</b>			
General government	625,321	-	625,321
Public works	887,536	-	887,536
Public safety	278,515	-	278,515
Sanitation	499,058	-	499,058
Community development	30,535	-	30,535
Capital outlay	637,403	-	637,403
<b>Total expenditures</b>	<b>2,958,368</b>	<b>-</b>	<b>2,958,368</b>
<b>Net change in fund balance</b>	<b>379,834</b>	<b>88,778</b>	<b>468,612</b>
Fund balances, beginning	2,451,980	95,508	2,547,488
<b>Fund balances, ending</b>	<b>\$ 2,831,814</b>	<b>\$ 184,286</b>	<b>\$ 3,016,100</b>



**City of Hurstbourne, Kentucky  
Governmental Funds  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities  
For the Year Ended June 30, 2023**

Net change in fund balances - total governmental funds		\$ 468,612
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:</p>		
Capital asset expenditures capitalized	637,403	
Depreciation expense	(296,283)	
		341,120
<p>Governmental funds report receipts from leases as revenue while governmental activities recognize the revenue over the life of the lease.</p>		
Principal repaid	(51,204)	
Amortization of deferred inflow - leases	49,549	
		(1,655)
<p>Some property taxes and code enforcement liens will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are shown as deferred inflows in the fund financial statements. Unavailable revenues decreased by this amount this year.</p>		
		(82)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount related to the net pension liability.</p>		
Change in net pension liability	10,982	
Change in net OPEB liability	(7,312)	
		3,670
Change in Net Position of Governmental Activities		\$ 811,665

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Hurstbourne, Kentucky (the “City”) is a home rule city with a population in excess of 4,000 located in Jefferson County, Kentucky. It operates under an elected mayor-commission form of government. The City provides the following services authorized by its charter: public safety, public works, recreation, and community development. Primary revenue sources are property taxes, municipal road aid, and insurance taxes. Those revenues susceptible to accrual are property taxes, insurance taxes, and municipal road aid.

All significant activities and organizations on which the City of Hurstbourne, Kentucky exercises oversight responsibility have been included in the City’s financial statements for the year ended June 30, 2023. The following criteria regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

Financial interdependency - The City is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the City.

Election of the government authority - The locally elected City Commission is exclusively responsible for all public decisions and accountable for the decisions it makes.

Ability to significantly influence operations – The City Commission has the statutory authority under the provisions of the Revised Statutes to significantly influence operations. This authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

Accountability of fiscal matters - The responsibility and accountability over all funds is vested in the City Commission.

After consideration of the above criteria, no additional entities are deemed to be component units of the City.

Basis of Presentation

The City’s basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City’s major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. All activities of the City are classified as governmental activities; the City has no business-type activities.

Government-wide Financial Statements

These financial statements display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. In the statement of net position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The statement of activities reports both the gross and net cost of each of the City’s functions (general government, public safety, public works, etc.). The functions are also supported by general government revenues (property taxes, insurance, taxes, bank deposit taxes and certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, public safety, public works, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants. The net costs, by function, are normally covered by general revenue (property taxes, insurance taxes, bank deposit taxes and certain intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs and all interfund activity is eliminated in the government-wide financial statements.

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Fund Financial Statements

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds, each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The following funds are used by the City of Hurstbourne:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these major governmental funds and fund types:

**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 (other than expendable trusts or major capital projects) that are legally restricted to expenditures for road repairs, maintenance, and improvements. The City has one such fund, the Municipal Road Aid Fund, which is used to account for state road funds that are allocated to the City by the State of Kentucky and it is considered to be a major fund.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

Measurement Focus and Basis of Accounting

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

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the “current financial resources” measurement focus is used. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statement of net position and the statement of activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded with the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities result exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this 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 or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

Encumbrances

The City does not employ encumbrance accounting; under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to preserve that portion of the applicable appropriation.

Investments

Investments of the primary government include certificates of deposits and mutual funds invested with the Kentucky League of Cities investment pool. Investments are valued at fair market value, which is based on quoted market price.

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

Inventories

Disbursements for inventory type items are considered expenditures at the time of purchase.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for governmental activities primarily include property taxes, insurance taxes, and municipal road aid.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions, collectible but not available, are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

The City considers all receivables to be fully collectible; therefore, an allowance for doubtful accounts is not necessary.

Lease Receivable

The City's leases receivable are measured at the present value of lease payments expected to be received during the lease term.

Capital Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. For financial reporting purposes, the City has decided to only capitalize future individual assets with a value of \$5,000 or greater. Fixed assets are not reported on the fund financial statements.

Prior to June 30, 2003, governmental funds' infrastructure assets were not required to be capitalized by the City nor were these assets capitalized by the City. Starting on July 1, 2004, the City is required to keep a record of all infrastructure assets placed in service from that date forward.

Depreciation of all exhaustible fixed assets is 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 assets' estimated useful life using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

Infrastructure	5-40 years
Buildings	25-40 years
Improvements	10-40 years
Vehicles, furniture, and equipment	5-20 years

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflow/Inflow of Resources

Deferred Outflows:

The City reports decreases in net position/fund balances that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position/fund financials balance sheet - governmental funds. Deferred outflows of resources reported in the government-wide financial statements consisted of contributions made to Kentucky Retirement Systems (KRS) between the measurement date of the net pension liabilities/OPEB liabilities from those plans and the end of the City's fiscal year as well as other amounts related to pension/OPEBs as reported to the City by KRS. No deferred outflows of resources affected the fund financial statements in the current fiscal year.

Deferred Inflows:

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include unavailable revenue, items related to lease receivables, and items related to the pension and OPEB liabilities. Unavailable revenue represents receivables that will not be collected within the available period (typically sixty days after FY-end) and is only reported in the governmental fund financial statements. Deferred inflows of resources related to lease receivables are recorded initially at the value of the lease receivable plus any payments received at or before the commencement of the lease term, and then recognized as revenue in a systemic and rational manner over the life of the lease. Deferred inflows of resources related to pension and OPEB liabilities are reported in the government-wide statement of net position.

Accounts Payable

Accounts payable consist of trade payable to vendors who provide goods and services to the City.

Long-term Liabilities

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide financial statements. Long-term liabilities consist solely of the City's share of the unfunded pension/OPEB liabilities through its participation in CERS.

Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payments on debt are reported as debt service expenditures.

Deferred Grant Revenues

The City defers revenue recognition in connection with resources that have been received but not yet earned. At the end of fiscal year 2023, grant revenue paid in advance of \$493,448 have been deferred as these amounts have not yet been earned related to American Rescue Plan Act.

Equity Classifications

Government-Wide Financial Statements

The City reports the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources as net position. Net position is divided into three categories defined as follows:

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

Equity Classifications (Continued)

Government-Wide Financial Statements (Continued)

- a. Net investment in capital assets - Consists of the historical cost of capital assets including restricted capital assets, less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted net position - Consist of assets that are restricted by the City's creditors (for example through debt covenants), by state enabling legislation (through restrictions on shared revenues) by grantors (both federal and state), by other contributors, or by enabling legislation.
- c. Unrestricted net position - Balance of net position not meeting the requirements of the other two categories.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- a. Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted - Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors. The City has \$184,286 of restricted fund balance at June 30, 2023, related to road maintenance.
- c. Committed - Amounts that can be used only for specific purposes determined by a formal action by the City Commission. The City Commission is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by the City Commission. The City has \$553,715 of committed fund balance at June 30, 2023, by action of the City Commission for storm drainage.
- d. Assigned - Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates authority. The City had \$260,875 of assigned fund balance by passage of the next year's budget.
- e. Unassigned – All amounts not included in other spendable classification.

When an expenditure is incurred for which restricted, committed, assigned, or unassigned fund balances are available, the City Commission considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Commission has provided for otherwise.

Property Tax Revenue

Property tax revenue is recognized when the bills become due and payable. Tax is assessed as a rate of .149 per \$100 valuations for real property based on the assessment by the Jefferson County Property Valuation Administrator.

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue (Continued)

The City assesses property taxes on January 1, and bills are due and payable by November 30<sup>th</sup> in the year assessed. Bills paid prior to August 31<sup>st</sup> are given a 5% discount. Bills paid from September 1<sup>st</sup> to November 30<sup>th</sup> are payable at the full-face amount of the bill. All bills paid on or after December 1<sup>st</sup> are charges a 10% penalty and 1½% interest per month until collected. On bills collected after January 1<sup>st</sup> of the following year, an additional 15% penalty will be assessed on the face amount of the bill. Where a tax lien has been filed, the taxpayer shall be responsible for filing and release fees. Should the City have to initiate a lawsuit, or is named a party to a foreclosure action, to collect such delinquent taxes, then an additional 25% penalty shall be encompassed within the City's lien.

Property tax revenue is shown net of property tax discounts in the amount \$56,273 and refunds of \$331.

Bank Franchise and Local Deposit Tax

The City assesses a bank franchise and local deposits tax on all financial institutions within the corporate limits of the City. All deposits maintained by such institutions are assessed at the rate of 0.000250. Bills are issued prior to December 1<sup>st</sup> of each year. Any payment received prior to December 31<sup>st</sup> will be allowed a 2% discount; bills paid before January 31<sup>st</sup> of the following year will not receive any discount nor be assessed any penalties. Bills paid after January 31<sup>st</sup> shall be deemed delinquent and shall be subject to a penalty of 10% and shall bear interest at the rate of 12% per annum.

Business License

The City requires a license to be paid by anyone conducting business within the City. The fee for the license is \$75 and the license is good for a period not to exceed one year. Annual renewals may be granted to a licensee in good standing with payment of the \$75 license fee.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements fund expenditures are classified by character; current, debt service, and capital outlay. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Compensated Absences

The City has not made an accrual for compensated absences because the amount is not significant.

Estimates

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 expenses during the reporting period. Actual results could differ from those estimates.



City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

Other Accounting Policies

The following statements will become effective in future periods:

Statement No. 100 – In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The City continues to evaluate the impact of this statement on the City Financial statements.

Statement No. 101 – In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The City continues to evaluate the impact of this statement on the City Financial statements.

Note 2 – Deposits and Investments

Under Kentucky Revised Statute 66.480 the City is allowed to invest in obligations of the U.S. Treasury and U.S. obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency. In addition, authorized investment instruments can include shares of mutual funds and money markets that meet certain required characteristics.

The deposits in excess of insurance coverage must be fully collateralized. The City typically invest surplus cash at local banks in the form of certificates of deposit, savings accounts, and money market accounts. This plan subjects the City to the following types of risk:

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

The City considers this risk immaterial and as of June 30, 2023, \$166,235 of the government's bank balance of \$3,066,688 including certificates of deposits and treasury bills shown as investments in the financial statements, was exposed to custodial credit risk as follows.

Uninsured and collateral held by pledging bank	\$ 12,865
Uninsured and uncollateralized	166,235
Insured by FDIC or invested in instruments of the United States Government	2,887,588
Total	<u>\$ 3,066,688</u>

Investments in external investments pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 2 – Deposits and Investments (Continued)

Custodial Credit Risk (Continued)

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City has addressed this risk by purchasing investments that are secured by the FDIC insurance.

Interest Rate Risk

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 has attempted to address this risk by diversifying the investments and their maturity dates to minimize the risk of loss.

Investments at June 30, 2023, consisted of certificates of deposit and treasury bills with local financial institutions. The market value and the costs of these investments were essentially the same at June 30, 2023.

As permitted by state statute, the City has also invested funds in the Kentucky League of Cities (KLC) Investment Pool. At June 30, 2023, the balance of this investment was \$393,640. The City has recognized investments losses of \$150 on these investments during year ended June 30, 2023.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2023, the City's investments were comprised of certificate of deposits, treasury bills, and investments in the KLC investment pool.

Fixed income investments of the City as of June 30, 2023, are summarized and categorized below in the following table:

Investments Type	Fair Value	Investment Maturities		
		1 year or Less	1-5 Years	More than 5 Years
Treasury Bills	\$ 1,940,994	\$ 1,940,994	\$ -	\$ -
Money Market Pool	192,278	192,278	-	-
Certificate of deposit	245,000	245,000	-	-
<b>Total</b>	<b>\$ 2,378,272</b>	<b>\$ 2,378,272</b>	<b>\$ -</b>	<b>\$ -</b>

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 2 – Deposits and Investments (Continued)

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2023:

Investments by Fair Value Level	June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Treasury Bills	\$ 1,940,994	\$ -	\$ 1,940,994	\$ -
Certificate of deposit	245,000	-	245,000	-
Kentucky League of Cities Investment Pool:				
Dividend Focus Equity Pool	100,584	-	100,584	-
Equity S&P 500 Index Fund Pool	100,779	-	100,779	-
Money Market Pool	192,278	-	192,278	-
<b>Total</b>	<b>\$ 2,579,635</b>	<b>\$ -</b>	<b>\$ 2,579,635</b>	<b>\$ -</b>

Note 3 - Receivables

Receivables at year end of the City's major individual funds, including the applicable allowances for uncollectible accounts are as follows:

Receivable Type	Statement of	Balance Sheet - Governmental Funds	
	Net Position	General Fund      Special Revenue Fund	
	Governmental Activities	General Fund	Special Revenue Fund
Insurance Tax	\$ 211,144	\$ 211,144	\$ -
Other	40,490	40,490	-
Gross receivables	251,634	251,634	-
Less: allowance for uncollectible	-	-	-
Net receivables	<u>\$ 251,634</u>	<u>\$ 251,634</u>	<u>\$ -</u>

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 4 - Capital Assets

A summary of capital asset activity during the fiscal year follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 481,207	\$ -	\$ -	\$ 481,207
Totals	<u>481,207</u>	<u>-</u>	<u>-</u>	<u>481,207</u>
Capital assets being depreciated:				
Buildings and improvements	797,428	16,680	-	814,108
Equipment	12,299	6,060	-	18,359
Infrastructure assets	3,226,484	614,663	-	3,841,147
Total depreciable assets	<u>4,036,211</u>	<u>637,403</u>	<u>-</u>	<u>4,673,614</u>
Less accumulated depreciation:				
Buildings and improvements	211,013	32,703	-	243,716
Equipment	12,299	303	-	12,602
Infrastructure assets	1,921,224	263,277	-	2,184,501
Totals	<u>2,144,536</u>	<u>296,283</u>	<u>-</u>	<u>2,440,819</u>
Depreciable capital assets, net	<u>1,891,675</u>	<u>341,120</u>	<u>-</u>	<u>2,232,795</u>
Total capital assets, net	<u>\$ 2,372,882</u>	<u>\$ 341,120</u>	<u>\$ -</u>	<u>\$ 2,714,002</u>

Depreciation expense was charged to the Governmental functions as follows:

General government	\$ 33,006
Public works	<u>263,277</u>
Total depreciation expense	<u>\$ 296,283</u>

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 5 – Leases Receivable

On July 1, 2021, the City implemented the guidance of Governmental Accounting Standards Board Statement No. 87-*Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Details of the City's leases receivable as of June 30, 2023 are as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Office Space (four leases)	\$68,455	\$52,670	\$1,466

Office Spaces Leases – The City has entered into four agreements to lease office space with unrelated entities. The lease origination date for the leases ranges from September 2021 through June 2022, and the lease period ranges from March 1, 2022 through October 31, 2024.

Future minimum lease payments to be received are as follows:

Year Ended June 30,	Principal	Interest
2024	\$ 51,521	\$ 769
2025	16,934	66
Total	\$ 68,455	\$ 835

The total cost of the property acquired by the City for use of the city hall, as well as the additional office space that is rented out, and subsequent improvements was \$814,108 (excluding land with a value of \$428,032) with accumulated depreciation of \$243,716 at June 30, 2023.

Note 6 – Transfers

The City did not have any transfers in Fiscal Year 2023.

Note 7 - Retirement Plan

County Employees' Retirement System (CERS)

The City of Hurstbourne is a participating employer of the County Employees' Retirement System. Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements, which may be downloaded from the Kentucky Retirement Systems website.

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

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 7 - Retirement Plan (Continued)

County Employees' Retirement System (CERS) (Continued)

*Contributions* – For the year ended June 30, 2023, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board based on an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined based on a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2023, participating employers contributed 23.40% of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The City contributed \$41,568 for the year ended June 30, 2023, or 100% of the required contribution. The contribution was allocated \$36,308 to the CERS pension fund and \$5,260 for the CERS insurance 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' service. For retirement purposes, employees are grouped into three tiers based on hire date:

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

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 7 - Retirement Plan (Continued)

County Employees' Retirement System (CERS) (Continued)

Cost of living adjustments are provided at the discretion of the General Assembly of the State of Kentucky. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources –*

At June 30, 2023, the City reported a liability of \$383,355 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the City's proportion was .00530 percent, which was a decrease of .00004 percent from its proportion at June 30, 2021 (.00534 percent).

For the year ended June 30, 2023, the City recognized pension expense of \$30,428. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 410	\$ 3,414
Net difference between projected and actual earnings on Plan investments	52,163	42,335
changes in proposition and differences between City contributions and proportionate share of contributions	341	3,902
City contributions subsequent to the measurement date	36,308	-
Total	\$ 89,222	\$ 49,651

The \$36,308 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2024	\$ (3,734)
2025	(672)
2026	(3,221)
2027	10,890
Total	\$ 3,263

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 7 - Retirement Plan (Continued)

*Actuarial Methods and Assumptions*

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles. There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2021.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2022:

Valuation Date	June 30, 2021
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	29 years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a 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. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, pro ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

*Discount Rate*

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.



City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 7 - Retirement Plan (Continued)

*Discount Rate (Continued)*

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return	Target Allocation
Public Equity	4.45%	50.00%
Core Bonds	28.00%	10.00%
Specialty Credit/High Yield	2.28%	10.00%
Real Estate	3.67%	7.00%
Real Return	4.07%	13.00%
Private Equity	10.15%	10.00%
Cash	-0.91%	0.00%
		100.00%

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*  
The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Discount Rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 479,146
Current discount rate	6.25%	\$ 383,355
1% increase	7.25%	\$ 304,127

*Payable to the Pension Plan* – At June 30, 2023, the City reported a payable of \$- for the outstanding amount of contributions to the pension and OPEB plans required for the year ended June 30, 2023. The payable includes both the pension and insurance contribution allocation.

Note 8 – Post-Employment Benefits Other than Pensions (OPEB)

At June 30, 2023, the net OPEB liability and the related deferred outflows of resources and deferred inflows of resources are as follows:

Deferred Outflows of Resources	\$ 56,531
Deferred Inflows of Resources	\$ 55,717
Net OPEB Liability:	\$ 104,636

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 8 – Post-Employment Benefits Other than Pensions (OPEB) (Continued)

*Plan Description*

Employees of the City are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under Kentucky Revised Statute Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

*Benefits* – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

*Contributions*

Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City has contractually required contribution rate for the year ended June 30, 2023 was 3.39% of covered payroll. Contributions to the Insurance Fund from the City were \$5,260 for the year ended June 30, 2023. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

*Net OPEB Liability*

For financial reporting the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles.

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 8 – Post-Employment Benefits Other than Pensions (OPEB) (Continued)

*Net OPEB Liability (Continued)*

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2022:

Valuation Date	June 30, 2021
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	29 years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rate	
Pre--65	Initial trend starting at 6.20% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post – 65	Initial trends starting at 9.00% and gradually decreasing to an ultimate Trend rate of 4.05% over a period of 13 years.

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-hazardous and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a 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. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 8 – Post-Employment Benefits Other than Pensions (OPEB) (Continued)

*Discount Rate*

Single discount rate of 5.70% for CERS Nonhazardous was used to measure the total OPEB liability as of June 30, 2022. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return	Target Allocation
Public Equity	4.45%	50.00%
Core Bonds	28.00%	10.00%
Specialty Credit/High Yield	2.28%	10.00%
Real Estate	3.67%	7.00%
Real Return	4.07%	13.00%
Private Equity	10.15%	10.00%
Cash	-0.91%	0.00%
		100.00%

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.70%) or one percentage point higher (6.70%) follows:

	Discount Rate	City's proportionate share of net OPEB liability
1% decrease	4.70%	\$ 139,881
Current discount rate	5.70%	\$ 104,636
1% increase	6.70%	\$ 75,499

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 8 – Post-Employment Benefits Other than Pensions (OPEB) (Continued)

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates follows:

Healthcare Cost Trend Rate	City’s proportionate share of net OPEB liability
1% decrease	\$ 77,794
Current healthcare rate	\$ 104,636
1% increase	\$ 136,867

*OPEB Liabilities, OPEB Expense and Deferred Inflows of Resources Related to OPEB*

At June 30, 2023, the City reported a liability of \$104,636 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The City’s proportion of the collective net OPEB liability and OPEB expense was determined using the employers’ actual contributions for fiscal year 2022. This method to be reflective of the employers’ long-term contribution effort. At June 30, 2022, the City’s proportion was 0.005302%.

For the year ended June 30, 2023, the City recognized OPEB expense of \$15,429. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contribution and proportionate share of contributions	\$ 933	\$ 2,849
Implicit subsidy	3,773	-
Differences between expected and actual results	10,532	23,995
Changes in assumptions	16,549	13,636
Net difference between projected and actual earnings on Plan investments	19,484	15,237
City contributions subsequent to the measurement date	5,260	-
Total	\$ 56,531	\$ 55,717

City of Hurstbourne, Kentucky  
Notes to Financial Statements  
June 30, 2023

Note 8 – Post-Employment Benefits Other than Pensions (OPEB) (Continued)

The \$5,260 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2024	\$ (635)
2025	(878)
2026	(7,013)
2027	307
Total	<u>\$ (8,219)</u>

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Those changes in net OPEB liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the city also carries commercial insurance for all other risks of loss such as worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10 - Contingencies

The City is involved in various legal proceedings incidental to the normal course of business. The City Commission is of the opinion, based upon the advice of general counsel, that although the outcome of such litigation cannot be forecast with certainty, final disposition should not have a material effect on the financial position of the City.

Note 11 - GASB Pronouncement

*Newly Adopted GASB Pronouncement*

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, requires the recognition of certain SBITA assets and liabilities that were previously recognized as outflows of resources based on the payment provisions of the contracts. The City adopted this statement on July 1, 2022; however, the impact of this statement was immaterial to the City's financial statements, and therefore no changes in reporting were made for this fiscal year.

## **SUPPLEMENTARY INFORMATION**

**City of Hurstbourne, Kentucky**  
**Statement of Revenues, Expenses, and Changes in Fund Balance - General Fund - Budget and Actual**  
**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 1,452,415	\$ 1,452,415	\$ 1,400,877	\$ (51,538)
Insurance premium tax	760,000	760,000	937,840	177,840
Bank franchise	72,000	72,000	104,943	32,943
Cable franchise	28,000	28,000	11,863	(16,137)
Telecommunication tax	-	-	30,382	30,382
License and Permits:				
Sign permits	7,000	7,000	10,956	3,956
Alcohol license fee	17,000	17,000	26,333	9,333
Business license	10,000	10,000	9,375	(625)
Home occupation income	600	600	-	(600)
Golf Cart Permits	-	-	350	350
Intergovernmental:				
Base court revenue	5,000	5,000	-	(5,000)
Coal and mineral income	200	200	294	94
Grant income	180,000	180,000	657,345	477,345
Charges for Services:				
Rents	56,004	56,004	53,335	(2,669)
Interest and penalties	6,000	6,000	8,645	2,645
Other income	2,000	2,000	13,700	11,700
Investment income	17,004	17,004	71,964	54,960
Total Revenues Before Prior Year Fund Balance	<u>2,613,223</u>	<u>2,613,223</u>	<u>3,338,202</u>	<u>724,979</u>
Prior Year Fund Balance				
Appropriated for Current Year Budget	<u>448,071</u>	<u>448,071</u>	<u>-</u>	<u>(448,071)</u>
Total Revenues and Prior Year Fund Balance	<u>3,061,294</u>	<u>3,061,294</u>	<u>3,338,202</u>	<u>276,908</u>
<b>Expenditures</b>				
General Government:				
General and Administrative Expenditures				
General Government:				
City attorney retainer	30,000	30,000	32,778	(2,778)
Outside Council	2,000	2,000	-	2,000
Auditor	11,000	11,000	18,000	(7,000)
Financial assistant	37,996	37,996	25,653	12,343
Recording secretary	6,504	6,504	4,991	1,513
Advertising	3,000	3,000	1,551	1,449
Travel	1,000	1,000	2,150	(1,150)
Memberships and training	3,500	3,500	4,887	(1,387)
Subscriptions	2,004	2,004	5,887	(3,883)
Refreshments	1,200	1,200	3,537	(2,337)
Telephones	5,004	5,004	6,057	(1,053)
Professional fees	-	-	12,413	(12,413)
PVA assessment	40,000	40,000	40,000	-
Merchant Fees	-	-	1,608	(1,608)
Automotive	2,000	2,000	876	1,124
General government miscellaneous	10,000	10,000	48,673	(38,673)



**City of Hurstbourne, Kentucky**  
**Statement of Revenues, Expenses, and Changes in Fund Balance - General Fund - Budget and Actual (Continued)**  
**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures - (Continued)</b>				
General Government (Continued):				
General and Administrative Expenditures (Continued)				
200 Whittington - City Hall (Continued)				
Gas and electric	\$ 15,000	\$ 15,000	\$ 13,001	\$ 1,999
Water/sewer	6,500	6,500	4,221	2,279
Cleaning service	6,504	6,504	6,700	(196)
Equipment Maintenance	1,500	1,500	-	1,500
Building maintenance	5,000	5,000	2,592	2,408
Building materials/supplies	1,000	1,000	501	499
Building improvements	15,000	15,000	17,448	(2,448)
Leasing expense	4,004	4,004	-	4,004
Legal and management expense	2,000	2,000	-	2,000
Tenant finish	1,000	1,000	1,227	(227)
Insurance - property	7,000	7,000	7,218	(218)
City Hall Miscellaneous Expense	2,000	2,000	565	1,435
Office Supplies:				
Office supplies	3,000	3,000	4,490	(1,490)
Office equipment	2,000	2,000	799	1,201
Postage	6,000	6,000	1,753	4,247
Computer equipment	2,000	2,000	8,413	(6,413)
Computer software	2,000	2,000	5,830	(3,830)
Equipment maintenance	2,500	2,500	4,735	(2,235)
Printing - newsletter	6,500	6,500	6,377	123
Printing - other	3,000	3,000	13,823	(10,823)
Web page	2,004	2,004	1,483	521
Personnel:				
Salaries and wages	218,153	218,153	228,404	(10,251)
Payroll taxes - FICA	16,692	16,692	19,085	(2,393)
Payroll taxes unemployment	1,000	1,000	-	1,000
Payroll service	2,000	2,000	2,444	(444)
Retirement contribution	42,652	42,652	45,703	(3,051)
Health insurance	54,998	54,998	22,836	32,162
Dental insurance	7,000	7,000	4,172	2,828
Insurance:				
Insurance/liability	12,000	12,000	10,144	1,856
Insurance/property	2,500	2,500	-	2,500
Bonding	5,500	5,500	4,197	1,303
Workers compensation	1,000	1,000	839	161
Total General Government	<u>614,215</u>	<u>614,215</u>	<u>648,061</u>	<u>(33,846)</u>
Public Safety:				
Vehicle/Pedestrian Safety				
Police patrols	111,600	111,600	113,135	(1,535)
Street lighting - electricity	141,996	141,996	145,397	(3,401)
Street signs and markings	5,000	5,000	5,292	(292)
Supplies/Promotions	15,000	15,000	-	15,000
General Public Safety:				
Public safety miscellaneous	9,996	9,996	14,691	(4,695)
Total Public Safety	<u>283,592</u>	<u>283,592</u>	<u>278,515</u>	<u>5,077</u>

**City of Hurstbourne, Kentucky**  
**Statement of Revenues, Expenses, and Changes in Fund Balance - General Fund - Budget and Actual (Continued)**  
**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures - (Continued)</b>				
Public Works:				
General:				
Holiday decorations	\$ 12,000	\$ 12,000	\$ 14,950	\$ (2,950)
Public works miscellaneous	10,000	10,000	11,948	(1,948)
Landscaping:				
Landscaping other	3,000	3,000	80,748	(77,748)
Horticulturist	22,000	22,000	20,536	1,464
Contract gardener	135,000	135,000	121,873	13,127
Maintenance:				
Grass cutting	114,999	114,999	120,792	(5,793)
Chemical applications	33,000	33,000	36,483	(3,483)
Irrigation:				
Annual service contract	30,000	30,000	26,128	3,872
System replacement	20,000	20,000	17,496	2,504
Water	90,000	90,000	64,120	25,880
Electrician/landscape lighting	50,000	50,000	15,214	34,786
Other maintenance	5,000	5,000	18,127	(13,127)
Special Projects:				
Entrance improvements and upgrades	50,000	50,000	28,096	21,904
Median improvements	10,000	10,000	-	10,000
Bridle path - wimborne	2,000	2,000	8,465	(6,465)
City park	2,000	2,000	-	2,000
Sidewalk repair	80,000	80,000	-	80,000
Storm water	100,000	100,000	-	100,000
Spring/fall planning:				
Flowers	33,000	33,000	32,087	913
Plant replacements	33,000	33,000	47,566	(14,566)
Mulch	33,000	33,000	42,636	(9,636)
Tree replacement	30,000	30,000	33,509	(3,509)
Tree removal	30,000	30,000	22,615	7,385
Roads:				
City engineer	39,996	39,996	66,825	(26,829)
Schedule maintenance - resurfacing	450,000	450,000	614,663	(164,663)
Unscheduled maintenance	15,000	15,000	700	14,300
Snow removal	50,000	50,000	56,622	(6,622)
Street cleaning	2,000	2,000	-	2,000
Total Public Works	<u>1,484,995</u>	<u>1,484,995</u>	<u>1,502,199</u>	<u>(17,204)</u>

**City of Hurstbourne, Kentucky**  
**Statement of Revenues, Expenses, and Changes in Fund Balance - General Fund - Budget and Actual**  
**(Continued)**  
**For the Year Ended June 30, 2023**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Expenditures - (Continued)</b>				
Sanitation/code enforcement:				
Sanitation:				
Residential collection	\$ 464,996	\$ 464,996	\$ 484,433	\$ (19,437)
Publications	1,000	1,000	-	1,000
Sanitation Miscellaneous	2,000	2,000	-	2,000
Code enforcement:				
Code enforcement field officer	14,496	14,496	14,625	(129)
Code enforcement miscellaneous	6,000	6,000	-	6,000
Total Sanitation/Code Enf	488,492	488,492	499,058	(10,566)
Community Development:				
Community projects and events:				
Commission special projects	110,000	110,000	13,813	96,187
Community outreach and events	10,000	10,000	16,722	(6,722)
Total Community Develop.	120,000	120,000	30,535	89,465
Total Expenditures	2,991,294	2,991,294	2,958,368	32,926
Transfers	448,071	448,071	-	448,071
Net Change in Fund Balance			379,834	
Fund Balance - July 1, 2022			2,451,980	
Fund Balance - June 30, 2023			\$ 2,831,814	

**City of Hurstbourne, Kentucky**  
**Statement of Revenues, Expenses, and Changes in Fund Balance - Municipal Road Aid Fund - Budget and Actual**  
**For the Year Ended June 30, 2023**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
Municipal Road Aid:				
Intergovernmental revenue	\$ 80,000	\$ 80,000	\$ 88,778	\$ 8,778
Total Revenues	80,000	80,000	88,778	8,778
 <b>Expenditures</b>				
Municipal Road Aid:				
Street paving and repairs	150,000	150,000	-	150,000
Total Municipal Road Aid	150,000	150,000	-	150,000
Excess(Deficiency) of Revenue over Expenditures	(70,000)	(70,000)	88,778	158,778
Net change in fund balance			88,778	
Fund Balance - July 1, 2022			95,508	
Fund Balance - June 30, 2023			\$ 184,286	

City of Hurstbourne, Kentucky  
Notes to the Required Supplementary Information  
On Budgetary Reporting  
June 30, 2023

Budgets and the Budgetary Process

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets and budget amendments for all funds are adopted on a basis consistent with the accounting principles generally accepted in the United States of America.

Encumbrances

As previously disclosed, the City does not employ encumbrances accounting; under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to preserve that the portion of the applicable appropriation.

Reconciliation

Certain expenditures are required to be reported as capital outlay on the fund financial statements regardless of the department or function within general government that acquires the capital item. For budgetary purposes however, the City budgets for those expenditures on specific lines of the department or function from which payment will be made. Differences between the budgetary basis as reported in the required supplementary information differs from the fund financial statements in the following areas:

\$614,633 of scheduled road resurfacing is presented as capital outlay in the statements of revenues, expenditures and changes in fund balances and is presented as component of public works on the budgetary comparison schedule.

\$22,740 is presented as capital outlay in the statements of revenues, expenditures and changes in fund balances and is presented as component of general government on the budgetary comparison schedule.

Stewardship

The City exceeded the budget in the following departments during the fiscal year:

	General Government	Public Works	Sanitation/Code Enforement
Budgeted	\$ 614,215	\$ 1,484,995	\$ 488,492
Actual	648,061	1,502,199	499,058
Overbudget	<u>\$ (33,846)</u>	<u>\$ (17,204)</u>	<u>\$ (10,566)</u>

**City of Hurstbourne, Kentucky**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**County Employees' Retirement System**  
**Last Eight Fiscal Years**

CERS Non-Hazardous

	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
City's proportion of the net pension liability	0.00547%	0.00521%	0.00529%	0.00530%	0.00537%	0.00548%	0.00534%	0.00530%
City's proportionate share of the net pension liability	\$ 235,063	\$ 256,568	\$ 309,757	\$ 322,482	\$ 377,956	\$ 420,235	\$ 340,403	\$ 383,355
City's covered payroll	\$ 123,184	\$ 127,557	\$ 124,308	\$ 128,859	\$ 131,240	\$ 135,554	\$ 136,377	\$ 148,191
City's proportionate share of the net pension liability as a percentage of its covered payroll	190.82%	201.14%	249.19%	250.26%	287.99%	310.01%	249.60%	258.69%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.50%	53.54%	50.45%	47.81%	57.33%	52.42%

**City of Hurstbourne, Kentucky**  
**Schedule of the City's Pension Contributions**  
**County Employees' Retirement System**  
**Last Eight Fiscal Years**

CERS Non-Hazardous

	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
Contractually required contribution	\$ 16,263	\$ 15,439	\$ 17,976	\$ 19,004	\$ 21,987	\$ 26,321	\$ 28,301	\$ 36,308
Contributions in relation to the contractually required contribution	<u>16,263</u>	<u>15,439</u>	<u>17,976</u>	<u>19,004</u>	<u>21,987</u>	<u>26,321</u>	<u>28,301</u>	<u>36,308</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 127,557	\$ 124,308	\$ 128,859	\$ 131,240	\$ 135,554	\$ 136,377	\$ 148,191	\$ 155,163
Contributions as a percentage of covered payroll	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%	19.10%	23.40%

**City of Hurstbourne, Kentucky**  
**Schedule of the City's Proportionate Share of the Net OPEB Liability**  
**County Employees' Retirement System**  
**Last Five Fiscal Years**

	CERS Non-Hazardous				
	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
City's proportion of the net OPEB liability	0.053%	0.054%	0.054%	0.053%	0.053%
City's proportionate share of the net OPEB liability	\$ 94,012	\$ 90,371	\$ 132,277	\$ 102,193	\$ 104,636
City's covered payroll	\$ 128,859	\$ 131,240	\$ 135,554	\$ 136,377	\$ 148,191
City's proportionate share of the net OPEB Liability as a percentage of covered payroll	73.0%	68.9%	97.6%	74.9%	70.6%
Plan fiduciary net position as a percentage of the total OPEB liability	57.7%	60.4%	51.8%	62.9%	61.0%



**City of Hurstbourne, Kentucky**  
**Schedule of the City's OPEB Contributions**  
**County Employees' Retirement System**  
**Last Five Fiscal Years**

	CERS Non-Hazardous				
	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Contractually required contribution	\$ 6,168	\$ 7,130	\$ 6,492	\$ 6,980	\$ 5,260
Contributions in relation to the contractually required contribution	6,168	7,130	6,492	6,980	5,260
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 131,240	\$ 135,554	\$ 136,377	\$ 148,191	\$ 155,163
Contributions as a percentage of covered payroll	4.70%	5.26%	4.76%	4.71%	3.39%

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and Members of the City Commission  
City of Hurstbourne, 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 and each major fund of the City of Hurstbourne, Kentucky, (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Hurstbourne, Kentucky's basic financial statements and have issued our report thereon dated March 27, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control 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.

*Baldwin CPAs, PLLC*

Baldwin CPAs, PLLC  
Louisville, Kentucky  
March 27, 2024