

CITY OF HURSTBOURNE ACRES, KENTUCKY

Audited Financial Statements

For the Year Ended June 30, 2021



**Peercy and Gray, PSC
Certified Public Accountants**
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TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	5
STATEMENT OF ACTIVITIES	6
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	7
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS	8
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	9
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –FUNDS TO THE GOVERNMENTAL STATEMENT OF ACTIVITES	11
NOTES TO FINANCIAL STATEMENTS	12
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULES	17
NOTE TO BUDGETARY COMPARISON SCHEDULES	20
GOVERNMENT AUDITING STANDARDS:	
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	21
SCHEDULE OF FINDINGS	23



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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Hurstbourne Acres, 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 Acres, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Hurstbourne Acres, Kentucky, as of June 30, 2021, 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 Accounting Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hurstbourne Acres, Kentucky, 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 Acres, Kentucky'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.

To the Mayor and City Council
City of Hurstbourne Acres, Kentucky

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Hurstbourne Acres, 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 Acres, Kentucky'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 budgetary comparison information on page 17 to 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.

To the Mayor and City Council
City of Hurstbourne Acres, Kentucky

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022, on our consideration of the City of Hurstbourne Acres, 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 the effectiveness of the City of Hurstbourne Acres, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City Hurstbourne Acres, Kentucky's internal control over financial reporting and compliance.

Perry and Gray, PSC

October 20, 2022

CITY OF HURSTBOURNE ACRES

1916 Hurstbourne Circle
Louisville, KY 40220-1643
(502) 499-2352

Management's Discussion and Analysis

Our analysis and discussion of the City of Hurstbourne Acres, Kentucky's financial performance provides an overview of the City's activities for the year ended June 30, 2021.

Our auditors, Peercy and Gray, PSC, have once again issued an unqualified opinion on the financial statements of the City.

Financial Highlights

The financial statements included in this report provide insight into the financial operations for the year ended June 30, 2021. Based upon the results of operations through June 30, 2021, the City's net assets had an increase of \$138,513 and resulted in net assets of \$1,416,106 at June 30, 2021. The City has no long-term debt. The largest expense for the City was the police protection (\$190,349), which represents approximately 44.3% of our total expenses for the year end June 30, 2021, as presented in the statement of activities. Our second largest expense was general government expenses.

In these uncertain times of ever-increasing expenses, we are pleased that we have been able to keep the tax of .14 per \$100 of assessed value. We are pleased to report that the city has managed to balance the budget vs. actual expense for this fiscal period, net of depreciation expense, a non-cash item.

Other Comments

We continue to monitor our internal controls to provide adequate segregation of duties to ensure the proper safeguard of the assets of the City.

As your elected representatives, we continue to closely monitor both the sources and the use of funds by the City. We are proud of our city in which we live and take our responsibilities as your elected representatives seriously.

This report is designed to provide an overview of the City's general financial accountability and overall fiscal status. Requests for further information can be directed to:

Terry McAllister, Mayor
City of Hurstbourne Acres, Kentucky
1916 Hurstbourne Circle
Louisville, KY 40220

CITY OF HURSTBOURNE ACRES, KENTUCKY
GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Cash	\$ 137,588
Investments	<u>752,987</u>
Total Current Assets	<u>890,575</u>
Noncurrent Assets:	
Capital assets, Net of Depreciation	<u>529,791</u>
Total Noncurrent Assets	<u>529,791</u>
Total Assets	<u>\$ 1,420,366</u>
Liabilities	
Current Liabilities:	
Accrued Expenses	<u>\$ 4,260</u>
Total Current Liabilities	<u>4,260</u>
Total Liabilities	<u>\$ 4,260</u>
Net Assets	
Investment in Capital Assets, Net of Related Debt	\$ 529,792
Restricted for ABC	10,713
Restricted for Infrastructure	290,565
Unrestricted	<u>585,036</u>
Total Net Assets	<u>\$ 1,416,106</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HURSTBOURNE ACRES, KENTUCKY

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2021

	<u>Governmental Activities</u>
Expenses	
General Government	
Tax Assessments	\$ 7,873
Insurance	32,869
Professional Fees	12,419
Payroll Costs	29,631
Administrative and Other	24,489
Depreciation	28,696
Public Safety - Police Protection	190,349
Public Services	
Street Maintenance	15,791
Street Lights	19,310
Parks and Recreation	16,303
Sanitation Services	<u>51,861</u>
Total Expenses	<u>429,591</u>
General Revenues	
Property Taxes	201,822
Grant Income	136,550
Insurance Premium Tax	144,029
Municipal Road Aid	32,118
Investment Income	29,792
ABC Income	10,200
Cable Franchise Fee	6,995
Other	<u>6,598</u>
Total General Revenues	<u>568,104</u>
Change in Net Position	138,513
Net Position, Beginning of Year	<u>1,277,593</u>
Net Position, End of Year	<u>\$ 1,416,106</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HURSTBOURNE ACRES, KENTUCKY

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2021

	General Fund	Special Revenue Fund	ABC Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 129,475	\$ -	\$ 8,113	\$ 137,588
Investments	462,421	290,565	-	752,986
Due from General Fund	<hr/>	<hr/>	2,600	2,600
Total Assets	<u>591,896</u>	<u>290,565</u>	<u>10,713</u>	<u>893,174</u>
Liabilities				
Accrued Expense	4,260	-	-	4,260
Due to ABC Fund	2,600	-	-	2,600
Total Liabilities	<u>6,860</u>	<u>-</u>	<u>-</u>	<u>6,860</u>
Fund Balances				
Unreserved	585,036	-	-	585,036
Reserved	<hr/>	<u>290,565</u>	<u>10,713</u>	<u>301,278</u>
Total Fund Balances	<u>585,036</u>	<u>290,565</u>	<u>10,713</u>	<u>886,314</u>
Total Liabilities and Fund Balances	<u>\$ 591,896</u>	<u>\$ 290,565</u>	<u>\$ 10,713</u>	<u>\$ 893,174</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HURSTBOURNE ACRES, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2021

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balances - Total Governmental Funds	\$ 886,314
Capital assets (net of depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds	<u>529,792</u>
Net Position of Governmental Activities	<u><u>\$ 1,416,106</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF HURSTBOURNE ACRES, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2021

	General Fund Actual	Special Revenue Funds Actual	ABC Funds Actual	Total Governmental Funds
Revenues				
Property Taxes	\$ 201,822	\$ -	\$ -	\$ 201,822
Insurance Premium Taxes	144,029	-	-	144,029
Grant Income	136,550	-	-	136,550
Municipal Aid	-	32,118	-	32,118
ABC	-	-	10,200	10,200
Cable Franchise Fee	6,995	-	-	6,995
Investment Income	21,096	8,696	-	29,792
Other	6,598	-	-	6,598
Total Revenues	517,090	40,814	10,200	568,104
Expenditures				
General government				
Salaries and Payroll Costs	29,631	-	-	29,631
Administrative and Other				
Tax Assessments	7,873	-	-	7,873
Insurance	32,869	-	-	32,869
Legal and Audit Fees	12,419	-	-	12,419
Other	24,489	-	-	24,489
Total Adminstrative and Other	77,650	-	-	77,650
Total General Government	107,281	-	-	107,281
Public Safety - Police Protection	190,349	-	-	190,349
Public Services				
Street Maintenance				
Street Maintenance	15,791	-	-	15,791
Street Lights	19,310	-	-	19,310
	35,101	-	-	35,101
Parks & Recreation	16,303	-	-	16,303
Sanitation Services	51,861	-	-	51,861
Total Public Services	103,265	-	-	103,265
Total Expenditures	400,895	-	-	400,895

The accompanying notes are an integral part of these financial statements.

CITY OF HURSTBOURNE ACRES, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2021

	General Fund Actual	Special Revenue Funds Actual	ABC Funds Actual	Total Governmental Funds
Net Change in Fund Balance Before Adjustments	\$ 116,195	\$ 40,814	\$ 10,200	\$ 167,209
Other Adjustments to Fund Balance				
Transfers In (Out)	14,502	(14,502)	-	-
Total Adjustments to Fund Balance	14,502	(14,502)	-	-
Net Change In Fund Balance	130,697	26,312	10,200	167,209
Fund Balances, Beginning of Year	454,339	264,253	513	719,105
Fund Balances, End of Year	<u>\$ 585,036</u>	<u>\$ 290,565</u>	<u>\$ 10,713</u>	<u>\$ 886,314</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HURSTBOURNE ACRES, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE GOVERNMENTAL STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2021

Net Change in Fund Balances-Total Governmental Funds	\$ 167,209
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Amounts reported for governmental activities in the statement of activities are different because:

Depreciation expense reported in statement of activities	<u>(28,696)</u>
Change in Net Position of Governmental Activities	<u>\$ 138,513</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HURSTBOURNE ACRES, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1 – Description of Organization

The City of Hurstbourne Acres, Kentucky (City) was incorporated under the provisions of the Commonwealth of Kentucky. The City operates under a Commission form of government and provides the following services as authorized by its charter: streets, sanitation, public improvements, and general administrative services.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant of the city's accounting policies are described below.

Reporting Entity

The financial statement presents the activities of the City of Hurstbourne Acres, Kentucky. The City has no oversight responsibilities for any other governmental entity since no other entities are controlled by or dependent on the City.

Government-Wide and Fund Financial Statements

The financial statement presentation for the City includes separate reporting of a statement of net assets and a statement of activities. These statements present a government-wide presentation of all activities of the City.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Both long-term and current assets and liabilities are included in the statement of net assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Only current assets and current liabilities generally are included on the balance sheet. Expenditures for capital assets as current expenses, and such assets are not depreciated.

Property tax revenues and revenues from the Commonwealth of Kentucky are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

CITY OF HURSTBOURNE ACRES, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The City reports the following major governmental funds:

General Fund- The General Fund is used to account for all financial resources of the city except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the laws of the Commonwealth of Kentucky.

Restricted Fund (Municipal Road Aid Fund)- The Restricted Fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purpose.

Fund Balances

GASB Statement 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the City's fund balances more transparent. In the fund financial statement, governmental fund balances can be presented in five possible categories:

Non-spendable- resources which cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted- resources with constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or governmental laws or regulations or imposed by law through constitutional provisions or enabling legislation.

Committed- resources which are subject to limitations the City imposed on behalf at its highest level of decision making and that remain binding unless removed in the same manner.

Assigned- resources neither restricted nor committed for which a government has a stated intended use as established by the governing body or by an official to which the governing body delegates authority.

Unassigned- amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount.

CITY OF HURSTBOURNE ACRES, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Budget

The city adopts an annual budget for the General Fund. The budget is prepared on the cash basis, a comprehensive basis of accounting other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized and recorded when received in cash and when paid respectively. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

Cash and Cash Equivalents

For the purpose of these financial statements, cash equivalents include time deposits, certificate of deposit and all highly liquid debt instruments with original maturities of three months or less.

Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing, if any, used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted if and when there are legal limitations imposed on their use by City legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Capital Assets

Land, buildings, and other capital assets with useful lives of more than one year resulting from expenditures in the governmental funds are recorded at cost (or estimated historical cost) net of accumulated depreciation in the government-wide statement of net assets but are reported as expenditures in governmental fund financial statements. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The City depreciates capital assets using the straight-line method of depreciation over the estimated useful life of the asset.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions the affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 3 – Deposits and Investments

Deposits

At June 30, 2021, the carrying amount of the City's deposits (cash and cash equivalents) was \$137,588. Of the bank balance, all is covered by federal depository insurance (FDIC) or is secured by pledged securities held by the pledging financial institution's agent in the City's name as collateral for bank balances in excess of the FDIC amount. Cash deposited in bank accounts that is restricted for specific

CITY OF HURSTBOURNE ACRES, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

Note 3 – Deposits and Investments (continued)

Deposits (Continued)

expenditures as specified by grant or other funding agreements is reported as restricted cash. The City's deposits consisted of demand deposits and certificates of deposit.

Investments

Kentucky law establishes the following as legal investments and deposits for the City:

1. Obligations of the United States and its agencies and instrumentalities.
2. Bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities.
3. Shares of any saving and loan associations insured by the agency of the United States government up to the amount so insured.
4. Interest-bearing deposits in national or state banks chartered in Kentucky and insured by an agency in the United States government up to the amount insured, and insured in larger amounts providing the bank pledges as security obligations of the United States government, its agencies and instrumentalities.

At June 30, 2021, and the City's deposits were all classified as Category 4.

The City's investments are categorized as follows to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the city's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or its trust department or agent but not in the City's name. At June 30, 2021, the City's investments were classified as category 3.

CITY OF HURSTBOURNE ACRES, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets depreciated				
Land improvements	\$ 8,078	\$ -	\$ -	\$ 8,078
Infrastructure	518,720	-	-	518,720
Playground Equipment	82,769	-	-	82,769
Vehicles	58,231	-	-	58,231
Equipment and Furniture	91,922	-	-	91,922
Total assets depreciated at historical cost	759,720	-	-	759,720
Less:				
Accumulated Depreciation	(201,233)	(28,696)	-	(229,929)
Net Book Value	\$ 558,487	\$ (28,696)	\$ -	\$ 529,791

Depreciation expense for the year ended June 30, 2021 was \$28,696.

Note 5 – Property Taxes

As generally provided in the Constitution of the Commonwealth of Kentucky, the City's property tax is levied each July 1 on the assessed value listed as of the prior January 1 for all real property located in the City. The Jefferson County Property Valuation Administrator establishes assessed values. The tax payments are due and payable when levied. All unpaid taxes become delinquent December 1.

Property tax revenues are recognized when they become available. Delinquent taxes are considered fully collectable and, therefore, no allowance for uncollectable taxes is provided. Interest and penalties accruing to delinquent taxes are not recorded, as they are not currently measurable.

Note 6 – Risk Management

The City is exposed to various forms of losses associated with the risk of fire; personal liability; vehicular accidents; errors and omissions; torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. Each of these risk areas is covered through the purchase of commercial insurance. The City has purchased certain policies that are retrospectively rated, which include workers' compensation insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note 7 – Subsequent Events

The City has evaluated subsequent events through October 20, 2022, which is the date the financial statements were available to be issued, and there are no events or issues to report.

CITY OF HURSTBOURNE ACRES, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

June 30, 2021

General Fund:	Original/ Final Budget	Actual	Over (Under) Budget
Revenues			
Property Taxes	\$ 208,000	\$ 201,822	\$ (6,178)
Insurance Premium Taxes	145,000	144,029	(971)
Grant Income	-	136,550	136,550
Cable Franchise Fee	7,300	6,995	(305)
KLEPK	3,000	-	(3,000)
Mineral Severance	15	-	(15)
Investment Income	35,000	21,096	(13,904)
Other	18,000	6,598	(11,402)
Total Revenues	416,315	517,090	100,775
Expenditures			
Salaries and Payroll Costs	38,000	29,631	(8,369)
Administrative and Other	70,000	77,651	7,651
Total General Government	108,000	107,282	(718)
Public Safety - Police Protection	218,500	190,349	(28,151)
Public Services			
Street Maintenance	21,000	35,101	14,101
Parks & Recreation	31,000	16,303	(14,697)
Sanitation Services	44,000	51,861	7,861
Total Public Services	96,000	103,265	7,265
Total Expenditures	422,500	400,896	(21,604)
Net Change in Fund Balance			
Before Adjustments	(6,185)	116,194	122,379
Other Adjustments to Fund Balance			
Transfers In (Out)	-	14,502	14,502
Total Adjustments to Fund Balance	-	14,502	14,502
Net Change In Fund Balance	(6,185)	130,696	136,881
Fund Balances, Beginning of Year	752,399	454,340	(298,059)
Fund Balances, End of Year	\$ 746,214	\$ 585,036	\$ (161,178)

The accompanying note to the budgetary comparison schedules is an integral part of these financial statements.

CITY OF HURSTBOURNE ACRES, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES (CONTINUED)
June 30, 2021

Special Revenue Fund:

	Original/ Final Budget	Actual	Over (Under) Budget
Revenues			
Municipal Aid	\$ 37,000	\$ 32,118	\$ (4,882)
Investment Income	-	8,696	8,696
Total Revenues	<u>37,000</u>	<u>40,814</u>	<u>3,814</u>
Expenditures			
Public Services			
Street Maintenance	-	-	-
Street Lights	-	-	-
Total Public Services	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	-	-	-
Net Change in Fund Balance			
Before Adjustments	37,000	40,814	3,814
Other Adjustments to Fund Balance			
Transfers In (Out)	-	(14,502)	(14,502)
Total Adjustments to Fund Balance	<u>-</u>	<u>(14,502)</u>	<u>(14,502)</u>
Net Change In Fund Balance	37,000	26,312	(10,688)
Fund Balances, Beginning of Year	<u>257,559</u>	<u>264,253</u>	<u>6,694</u>
Fund Balances, End of Year	<u>\$ 294,559</u>	<u>\$ 290,565</u>	<u>\$ (3,994)</u>

The accompanying note to the budgetary comparison schedules is an integral part of these financial statements.

CITY OF HURSTBOURNE ACRES, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES (CONTINUED)
June 30, 2021

ABC Fund:

	Original/ Final Budget	Actual	Over (Under) Budget
Revenues			
ABC	\$ 10,200	10,200	-
Total Revenues	<u>10,200</u>	<u>10,200</u>	<u>-</u>
Expenditures			
Public Services			
ABC Commission	-	-	-
Total Public Services	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	-	-	-
Net Change in Fund Balance			
Before Adjustments	10,200	10,200	-
Other Adjustments to Fund Balance			
Transfers In (Out)	-	-	-
Total Adjustments to Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Net Change In Fund Balance	10,200	10,200	-
Fund Balances, Beginning of Year	437	513	76
Fund Balances, End of Year	<u>\$ 10,637</u>	<u>\$ 10,713</u>	<u>\$ 76</u>

The accompanying note to the budgetary comparison schedules is an integral part of these financial statements.

CITY OF HURSTBOURNE ACRES, KENTUCKY

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO BUDGETARY COMPARISON SCHEDULES

June 30, 2021

Note 1. – Budgetary Information

Annual budgets are adopted on a cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The Mayor is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the City by July 1.

The City may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the City Council. Disbursements may not exceed budgeted appropriations at the activity level.



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**Independent Auditors' 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 City Council
City of Hurstbourne Acres, 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 Acres, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Hurstbourne Acres, Kentucky's basic financial statements, and have issued our report thereon dated October 7, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hurstbourne Acres, Kentucky'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 City of Hurstbourne Acres, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hurstbourne Acres, Kentucky'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control described in the accompanying schedule of findings as item 2021-001.

Independent Auditors' 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
(Continued)

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Peery and Gray, PSC

October 20, 2022

CITY OF HURSTBOURNE ACRES, KENTUCKY

SCHEDULE OF FINDINGS

June 30, 2021

2021-001 The City Does Not Maintain Adequate Segregation Of Duties

Although the City has implemented a number of compensating controls in regards to cash disbursements and cash collections, such as the Mayor reviewing all bank statements and bank reconciliations and approves all cash disbursements, the City does not have an adequate segregation of duties over cash receipts and disbursements. The Mayor's review is not always completely documented. The City's bookkeeper maintains the general ledger, collects receipts, makes bank deposits, prepares checks, and reconciles bank accounts. In addition, the bookkeeper has implemented a number of procedures that execute disbursements electronically, and documentation of oversight regarding these new procedures is weak.

Management is responsible for implementing and maintaining a strong internal control environment. Segregation of custodial and record keeping duties is one to the basic premises of internal control.

The potential for fraud and undetected errors is increased when segregation of duties is limited

Segregation of duties is not always possible in a small organization because of inherent limitations in the number of qualified personnel, nature of the transactions, and insufficient economic resources to pay for the level of staffing needed to implement adequate segregation of duties.

The Mayor should approve all cash disbursements and monitoring the bank statements and bank reconciliations. Printouts of transaction should be provided to the Mayor on a regular basis and these transaction reports should be compared directly to bank records obtained directly from the bank. The review of these transactions should be adequately documented and retained as evidence of these steps as part of the internal control environment.