

**CITY OF HILLVIEW, KENTUCKY**  
**AUDITED FINANCIAL STATEMENTS**

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**JUNE 30, 2022**

**KERBAUGH, RODES & BUTLER, PLLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**DANVILLE, KENTUCKY**

**CITY OF HILLVIEW, KENTUCKY  
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# Kerbaugh, Rodes & Butler, PLLC

Certified Public Accountants

Glyn D. Kerbaugh, Jr. CPA  
John B. Rodes, CPA  
Craig A. Butler, CPA  
Robin A. Meeks, CPA  
Martha K. King, CPA  
Lori-Anne Clark, CPA  
Chad Robinson, CPA

132 North Second Street  
P.O. Box 729  
Danville, Kentucky 40422  
859/236-3924  
FAX 859/236-6435

52 Liberty Square  
Liberty, Kentucky 42539  
606/787-9928  
kerbaughandrades.com

## Independent Auditor's Report

The Mayor and Members of the  
City Council  
City of Hillview, Kentucky

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Hillview, Kentucky (the City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Change in Accounting Principle*

As described in Notes E and F to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 29 and 30, and the historical pension and OPEB information on pages 31 through 36, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and

certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Kerbaugh, Rodes & Butler, PLLC*

Kerbaugh, Rodes & Butler, PLLC  
Certified Public Accountants

Danville, Kentucky  
February 24, 2023

## **BASIC FINANCIAL STATEMENTS**

**CITY OF HILLVIEW, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,211,261	\$	\$ 4,211,261
Investments (certificates of deposit)	253,914		253,914
Receivables, net of allowance	12,849		12,849
Lease receivable	70,055		70,055
Prepaid insurance	226,480		226,480
Restricted assets:			
Cash and cash equivalents	1,947,566		1,947,566
Capital assets not being depreciated:			
Land	192,089		192,089
Construction in progress	2,295,985		2,295,985
Capital assets, net of accumulated depreciation	2,909,274	881,875	3,791,149
Total assets	<u>12,119,473</u>	<u>881,875</u>	<u>13,001,348</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	1,609,810		1,609,810
OPEB	1,071,154		1,071,154
Total deferred outflows of resources	<u>2,680,964</u>		<u>2,680,964</u>
<b>LIABILITIES</b>			
Accounts payable	159,335		159,335
Accrued expenses	62,405		62,405
Security deposit	1,000		1,000
Unearned revenue	1,744,047		1,744,047
Noncurrent liabilities:			
Due within one year	319,452		319,452
Due in more than one year	6,427,505		6,427,505
Net pension liability	5,699,470		5,699,470
Net OPEB liability	1,726,667		1,726,667
Total liabilities	<u>16,139,881</u>		<u>16,139,881</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	846,733		846,733
OPEB	675,411		675,411
Lease	70,055		70,055
Total deferred inflows of resources	<u>1,592,199</u>		<u>1,592,199</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,860,391	881,875	4,742,266
Restricted for:			
Debt service	217,400		217,400
Municipal Aid	142,821		142,821
Unrestricted (deficit)	(7,152,255)		(7,152,255)
Total net position	<u>\$ (2,931,643)</u>	<u>\$ 881,875</u>	<u>\$ (2,049,768)</u>

See accompanying notes to financial statements.

**CITY OF HILLVIEW, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ (3,477,452)	\$	\$	\$	\$ (3,477,452)		\$ (3,477,452)
Police services	(909,173)		1,043,405		134,232		134,232
Health & safety	(58,507)				(58,507)		(58,507)
Public works	(1,169,684)	3,000	179,805		(986,879)		(986,879)
Community center & recreation	(334,278)	150,308			(183,970)		(183,970)
Code enforcement	(76,141)				(76,141)		(76,141)
Total governmental activities	(6,025,235)	153,308	1,223,210	-	(4,648,717)		(4,648,717)
<b>Business-type activities:</b>							
Sewer system	(55,097)					(55,097)	(55,097)
Total business-type activities	(55,097)	-	-	-	-	(55,097)	(55,097)
<b>Total primary government</b>	<b>(6,080,332)</b>	<b>153,308</b>	<b>1,223,210</b>	<b>-</b>	<b>(4,648,717)</b>	<b>(55,097)</b>	<b>(4,703,814)</b>
<b>General revenues:</b>							
Property taxes					1,215,210		1,215,210
Occupational taxes					3,145,326		3,145,326
Tangible personal property taxes					67,975		67,975
Motor vehicle taxes					109,191		109,191
Franchise fees					57,370		57,370
Insurance premium licenses					985,178		985,178
Other licenses and fees, levied for general purposes					100,212		100,212
Interest and investment earnings					9,502		9,502
Gain (loss) on sale of capital assets					3,677		3,677
Insurance proceeds					74,549		74,549
Other					168,722		168,722
Transfers in (out)					(257,597)	257,597	-
Total general revenues, extraordinary items, special items, and transfers					5,679,315	257,597	5,936,912
Change in net position					1,030,598	202,500	1,233,098
Net position - beginning of year					(3,962,241)	679,375	(3,282,866)
Net position - end of year					\$ (2,931,643)	\$ 881,875	\$ (2,049,768)

See accompanying notes to financial statements.



**CITY OF HILLVIEW, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,748,825	\$ 462,436	\$ 4,211,261
Certificates of deposit	253,914		253,914
Receivables (net of allowance)	12,849		12,849
Lease receivable	15,960		15,960
Prepaid insurance	226,480		226,480
Due from other funds	319,615		319,615
Cash - restricted	1,947,566		1,947,566
Total assets	<u>\$ 6,525,209</u>	<u>\$ 462,436</u>	<u>\$ 6,987,645</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 159,335	\$	\$ 159,335
Accrued expenses	62,405		62,405
Due to general fund		319,615	319,615
Security deposit	1,000		1,000
Unearned revenue	29,335		29,335
Unearned grant revenue	1,714,712		1,714,712
Total liabilities	<u>1,966,787</u>	<u>319,615</u>	<u>2,286,402</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Lease	<u>15,960</u>		<u>15,960</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid expenses	226,480		226,480
Restricted:			
Municipal Road Aid		142,821	142,821
ARPA	1,730,166		1,730,166
Debt Service	217,400		217,400
Unassigned	2,368,416		2,368,416
Total fund balances	<u>4,542,462</u>	<u>142,821</u>	<u>4,685,283</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,525,209</u>	<u>\$ 462,436</u>	<u>\$ 6,987,645</u>

See accompanying notes to financial statements.

**CITY OF HILLVIEW, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2022**

Total fund balances per fund financial statements	\$	4,685,283
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Amounts reported for *governmental activities* in the statement of net position are different because:

Certain items related to the City's net pension and OPEB liabilities do not affect available financial resources and therefore are not reported in the funds.		(6,267,317)
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The long-term portion of lease receivables are not current financial resources, but are recorded in the government-wide financial statements.

Long-term portion of lease receivable	54,095	
Long-term portion of deferred inflow of resources	<u>(54,095)</u>	-

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position:

Governmental capital assets	8,207,594	
Less: accumulated depreciation	<u>(2,810,246)</u>	5,397,348

Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and notes payable) 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:

General obligation bonds and leases		(6,455,000)
Leases		(291,957)

Net position of governmental activities		<u><u>\$ (2,931,643)</u></u>
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See accompanying notes to financial statements.

**CITY OF HILLVIEW, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Total</u>
<b>REVENUES:</b>			
Property taxes	\$ 1,215,210	\$	\$ 1,215,210
Occupational taxes	3,145,326		3,145,326
Tangible personal property taxes	67,975		67,975
Motor vehicle taxes	109,191		109,191
Franchise taxes	57,370		57,370
Insurance premium taxes	985,178		985,178
Licenses & fees	100,212		100,212
Fines & forfeitures			
Intergovernmental revenues	1,046,405	179,805	1,226,210
Charges for services			
Recreation	150,308		150,308
Other revenue	168,721		168,721
Interest	9,351	151	9,502
	<u>7,055,247</u>	<u>179,956</u>	<u>7,235,203</u>
<b>EXPENDITURES:</b>			
Current operating:			
General government	3,249,585		3,249,585
Police services	2,603,756		2,603,756
Health & safety	58,063		58,063
Public works	819,753	239,394	1,059,147
Community center & recreation	357,226		357,226
Code enforcement	68,838		68,838
Debt service:			
Principal	285,393		285,393
Interest	211,281		211,281
	<u>7,653,895</u>	<u>239,394</u>	<u>7,893,289</u>
Excess (deficiency) of revenues over expenditures before transfers and other sources	<u>(598,648)</u>	<u>(59,438)</u>	<u>(658,086)</u>
Other financing sources (uses):			
Sale of capital assets	4,263		4,263
Insurance proceeds	74,549		74,549
Debt proceeds	85,541		85,541
Transfers in (out)	(241,852)	(15,745)	(257,597)
	<u>(77,499)</u>	<u>(15,745)</u>	<u>(93,244)</u>
Net change in fund balances	(676,147)	(75,183)	(751,330)
Fund balances--beginning	5,218,609	218,004	5,436,613
Fund balances--ending	<u>\$ 4,542,462</u>	<u>\$ 142,821</u>	<u>\$ 4,685,283</u>

See accompanying notes to financial statements.

**CITY OF HILLVIEW, KENTUCKY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

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

Net change in fund balances - total governmental funds	\$	(751,330)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Depreciation expense		(319,056)
Capital outlay		2,570,153
Governmental funds report sales of capital assets as revenues while governmental activities report the sale less the undepreciated basis of the property		
		(19,305)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Debt proceeds		(85,541)
Principal payments on long-term debt		285,393
In the fund financial statements, pension and OPEB costs are recognized as payments are made to the plans; however, in the government-wide financial statements, pension and OPEB costs are recognized based on the overall changes in the net pension liability, net OPEB liability, and deferred inflows and outflows of resources.		
		(649,716)
Change in net assets of governmental activities	<u>\$</u>	<u>1,030,598</u>

See accompanying notes to financial statements.

**CITY OF HILLVIEW, KENTUCKY  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2022**

	<b>Sewer Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$
Total current assets	-
Non current assets:	
Capital assets, net of accumulated depreciation	881,875
Total noncurrent assets	881,875
<b>TOTAL ASSETS</b>	<b>881,875</b>
<b>LIABILITIES</b>	
Current liabilities:	
General obligation bonds payable - current	-
Total current liabilities	-
Noncurrent liabilities:	
General obligation bonds payable	-
Total noncurrent liabilities	-
<b>TOTAL LIABILITIES</b>	<b>-</b>
<b>NET POSITION</b>	
Net investment in capital assets	881,875
<b>TOTAL NET POSITION</b>	<b>\$ 881,875</b>

See accompanying notes to financial statements.

**CITY OF HILLVIEW, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2022**

	<b>Sewer Fund</b>
Operating revenues:	
Charges for services	\$
Total operating revenues	-
Operating expenses:	
Utilities & telephone	5,902
Insurance	1,510
Depreciation	42,500
Total operating expenses	49,912
Operating income (loss)	(49,912)
Nonoperating revenues (expenses):	
Interest expense	(5,185)
Total nonoperating revenue (expenses)	(5,185)
Income (loss) before contributions, transfers, and extraordinary items	(55,097)
Transfers in (out)	257,597
Change in net position	202,500
Total net position - beginning	679,375
Total net position - ending	\$ 881,875

See accompanying notes to financial statements.

**CITY OF HILLVIEW, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2022**

	<u>Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Payments to suppliers	\$ (7,412)
Net cash provided (used) by operating activities	<u>(7,412)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	<u>257,597</u>
Net cash provided (used) by noncapital financing activities	<u>257,597</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on capital debt	(245,000)
Interest paid on capital debt	<u>(5,185)</u>
Net cash provided (used) by capital and related financing activities	<u>(250,185)</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and equivalents - beginning of year	<u>-</u>
Cash and equivalents - end of year	<u>\$ -</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Operating income (loss)	\$ (49,912)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	42,500
Net cash provided (used) by operating activities	<u>\$ (7,412)</u>

See accompanying notes to financial statements.

**CITY OF HILLVIEW, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**Note A – Summary of Significant Accounting Policies**

The accounting policies of the City of Hillview (“City”) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

**1. General Statement**

The financial statements and notes are representations of the City’s management who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America (“GAAP”) and have been consistently applied in the preparation of the financial statements. Such principles require 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 reported period. Actual results could differ from those reported.

**2. Financial Reporting Entity**

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City’s financial statements. The City is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Based on the aforementioned criteria, the City has no component units.

**3. Basis Of Presentation**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Fiduciary funds are also excluded from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements:**

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources. The City has presented the following major governmental funds:

**General Fund**

The General Fund is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.



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Special Revenue Fund

The Special Revenue Fund accounts for the financial resources provided by the State of Kentucky through its Municipal Road Aid and Local Government Economic Assistance Funds. These funds are earmarked for maintenance, rehabilitation, or improvements of public streets and public safety.

Proprietary Fund Financial Statements:

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses. The following proprietary funds have been reported by the City:

Sewer Fund

The Sewer Fund accounts for the operation of the City’s wastewater treatment facility, which renders services on a user charge basis to businesses located in Hillview. During a prior fiscal year, the Bullitt County Sewer District took over operations of the facility. Bullitt County Sewer District was acquired by Metro Sanitation District in 2021, which currently operates the facility. The City is still responsible for the payments of principal and interest of the bonds and for the insurance on the plant and equipment.

4. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. The modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, intergovernmental revenues (including motor vehicle license fees), and municipal road aid funds.
- B. Expenditures are recorded when the related fund liability is incurred. Interest on general long-term debt is recorded as a fund liability when due.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as an other financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

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The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which the governmental fund financial statements are prepared. Governmental fund financial statements do not include the effect of capital assets. Therefore, governmental fund financial statements have been reconciled with government-wide financial statements.

Enterprise funds account for operations where the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

5. Cash and Cash Equivalents

The City considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

6. Investments

Investments consist of certificates of deposit only and are valued at cost plus accrued interest, which approximates fair market value.

7. Receivables

Property tax receivables are recorded in the General Fund. At fiscal year-end, the receivables represent taxes assessed but not yet received by the City. The City assesses the collectability of all receivables on an ongoing basis by considering its historical credit loss experience, current economic conditions, and other relevant factors. For the year ended June 30, 2022, the City considered accounts receivable to be fully collectible and, accordingly, no allowance for doubtful accounts has been recorded.

8. Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Generally capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds. However, assets are only to be capitalized in government-wide financial statements and are not to be intermingled with fund financial statements.

Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The City does not have a formal capitalization policy but has historically used \$2,000 as the capitalization threshold.

Estimated useful lives for depreciable assets are as follows:

Buildings and improvements	10 – 40 years
Sewer plant	40 years
Machinery and equipment	5 – 15 years

9. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

Payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources.

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10. Estimates

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

11. Budgets

The City has ordained for itself a number of prescribed practices regarding the development of a budget, and for amending the budget once it is accepted by the governing body of the City. An annual budget is required by Kentucky Revised Statutes that, once accepted by the City's governing body, becomes the legal boundary of that government's appropriations and expenditures for that year. The City's annual budget conforms to generally accepted accounting principles. The budget was amended by an ordinance during the year.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employer's Retirement System Plan (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

13. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employers' Retirement System Plan (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions), are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

14. Net Position and Fund Balances

In the Statement of Net Position, the difference between the City's assets and liabilities is recorded as net position. The three components of net position are as follows:

- **Net investment in capital assets** – Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted net position** – Consists of net position with constraints placed on the use either by 1) External groups such as creditors, grantors, contributors, or laws or regulations of other governments, and 2) Law through constitutional provisions or enabling legislation.
- **Unrestricted net position** – Consists of all other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

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

- **Nonspendable** – includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2022 by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.
- **Restricted** – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or imposed by law through constitutional provision or enabling legislation.

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- **Committed** – includes amounts that can only be used for specific purposes. Committed fund balances are reported pursuant to ordinances passed by the City Council, the City’s highest level of decision-making authority.
- **Assigned** – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balances. The City’s Mayor is authorized to assign the fund balance. The City has not adopted formal procedures to show that the mayor has assigned the fund balance.
- **Unassigned** – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

The City has determined that when both restricted and unrestricted funds are available, that they will use the restricted resources first. In addition, when resources are available from multiple fund balance classifications, the City spends the funds in the following order: restricted, committed, assigned, unassigned.

15. Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through February 24, 2023, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2022, have not been evaluated by the City.

**Note B – Cash and Cash Equivalents and Investments**

The City’s funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City’s agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

Interest Rate Risk

The City does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. As of June 30, 2022, the City’s investment has not been rated for credit risk.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that, in the event of a bank 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. The City maintains its deposits with financial institutions insured by the FDIC. As allowed by law, the depository bank pledges securities, along with FDIC insurance, at least equal to the amount on deposit. At June 30, 2022, the carrying amount of the City’s deposits were \$6,412,741 and the bank balance was \$6,519,578. At June 30, 2022, \$1,303,410 was FDIC insured, \$5,209,857 was collateralized, and \$6,311 was uninsured and uncollateralized.

The City’s investments at June 30, 2022 are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<b>Governmental Activities:</b>				
BB&T Bank				
Certificate of Deposit	\$ 253,914	\$ 253,914	0.01%	04/06/23

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**Note C – Property Taxes Receivable and Property Tax Calendar**

Property taxes receivable are recorded in the General Fund, if applicable. The City levies property taxes on qualifying property assessed as of January 1 each year. The real property tax revenues are recognized when levied. Any real property tax unpaid on June 30 or 60 days thereafter is deemed uncollectible for financial reporting purposes. City tax rates of 12.14 cents per \$100 on real property, 18 cents per \$100 on personal property, and 18 cents per \$100 on vehicles for the fiscal year ended June 30, 2022, are within permissible limits under the above legislation. Any unpaid 2021 real property taxes were sold at the May 16, 2022 council meeting.

**Note D – Capital Assets, Net**

Capital assets of all funds are stated at historical cost. Governmental fund fixed assets are recorded in the government-wide financial statements and are depreciated using the straight-line method. A summary of capital assets activity for the year ended June 30, 2022 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 192,089	\$ -	\$ -	\$ 192,089
Machinery and Equipment	2,347,462	188,627	-	2,536,089
Buildings	2,725,756	-	-	2,725,756
Construction in Process	-	<u>2,295,985</u>	-	<u>2,295,985</u>
Total	5,265,307	2,484,612	-	7,749,919
Less accumulated depreciation for:				
Machinery and Equipment	(1,737,076)	(159,917)	-	(1,896,993)
Buildings	(677,401)	(70,134)	-	(747,535)
Total accumulated depreciation	<u>(2,414,477)</u>	<u>(230,051)</u>	-	<u>(2,644,528)</u>
Total depreciable capital assets				
Intangible right-to-use assets				
Vehicles	403,440	85,541	(31,306)	457,675
Less accumulated amortization	<u>(88,714)</u>	<u>(89,005)</u>	<u>12,001</u>	<u>(165,718)</u>
Net intangible right-to-use assets	<u>314,726</u>	<u>(3,464)</u>	<u>(19,305)</u>	<u>291,957</u>
Governmental activities capital assets, net	<u>\$ 3,165,556</u>	<u>\$ 2,251,097</u>	<u>\$ (19,305)</u>	<u>\$ 5,397,348</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Sewer Plant	\$ 1,700,000	\$ -	\$ -	\$ 1,700,000
Total	1,700,000	-	-	1,700,000
Less accumulated depreciation for:				
Sewer Plant	<u>(775,625)</u>	<u>(42,500)</u>	-	<u>(818,125)</u>
Total accumulated depreciation	<u>(775,625)</u>	<u>(42,500)</u>	-	<u>(818,125)</u>
Business-type activities capital assets, net	<u>\$ 924,375</u>	<u>\$ (42,500)</u>	<u>\$ -</u>	<u>\$ 881,875</u>

Depreciation and amortization expense for the year was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 50,569
Police services	167,316
Public works	49,873
Community center & recreation	<u>51,298</u>
Total depreciation expense-governmental activities	<u>\$ 319,056</u>
Business-type activities:	
Sewer	<u>\$ 42,500</u>

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**Note E – Lease Receivable**

During the fiscal year ended June 30, 2022, the City adopted GASB Statement No. 87, *Leases*. This standard establishes a single model for lease accounting based on the foundational 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, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

In August 2021, the City entered into a lease agreement to lease certain premises in the Hillview Annex Building in the amount of \$18,000 per year, paid monthly through July 31, 2026. The lease provides for one optional extension period of five years upon 90 days notice prior to the end of the initial term. Upon adoption of GASB Statement No. 87, the City recognized a lease receivable and corresponding deferred inflow of resources in the statement of net position at the present value of the remaining lease payments, using a discount rate of 3.25%. At June 30, 2022, the lease receivable was \$70,055. There was no impact on beginning net position resulting from implementing this new standard. Future payments to be received on the lease are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2023	\$ 15,960	\$ 2,040	\$ 18,000
2024	16,486	1,514	18,000
2025	17,030	970	18,000
2026	17,592	408	18,000
2027	2,987	13	3,000
	<u>\$ 70,055</u>	<u>\$ 4,945</u>	<u>\$ 75,000</u>

**Note F – Long Term Debt**

1. Leases

During the fiscal year ended June 30, 2022, the City adopted GASB Statement No. 87, *Leases*. This standard establishes a single model for lease accounting based on the foundational 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, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The City had recognized the value of its leases as capital leases under previous guidance. Therefore, upon implementation there were no changes in the underlying asset and liability related to the City’s long-term lease contracts and there was no impact on beginning net position resulting from implementing this new standard.

The City has entered into lease agreements with Enterprise FM Trust for the acquisition of vehicles. These leases have been recorded at the present value of the future minimum lease payments as of the inception date of each lease. The leases have terms of 60 months and having varying dates of maturity through November 2026.

The future minimum lease obligations as of June 30, 2022 are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2023	\$ 91,535	\$ 8,376	\$ 99,911
2024	91,535	8,376	99,911
2025	80,983	7,410	88,393
2026	23,287	2,131	25,418
2027	4,617	422	5,039
	<u>\$ 291,957</u>	<u>\$ 26,715</u>	<u>\$ 318,672</u>

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2. Bonds

*Wastewater Treatment Facility*

On January 22, 2001, the City passed an ordinance authorizing the issuance of general obligation bonds in the amount of \$1,795,000. The proceeds of the bonds were used to construct a wastewater treatment facility. General obligation bonds are backed by the full faith, credit and taxing power of the City. The debt had varying maturity dates through January 15, 2022, with interest rates ranging from 4% to 4.75%.

The City Council on June 28, 2010, passed Ordinance No. 2010-08 which provided for the refinancing of these bonds at a lower interest rate. The new payment period was for twelve years with an interest rate that varies from 1% to 3% over the term of the loan. The bonds were issued on August 31, 2010, and the original bonds were paid off and the total of the new bond issue is \$1,390,00.00. The bond issue was paid off during the year ended June 30, 2022. Interest paid during the year ended June 30, 2022 was \$5,185.

*Government Center Acquisition/Renovation and Ferguson Lane Property Refinance*

On July 30, 2020, the City closed on a general obligation lease with Kentucky Bond Corporation for the Kentucky Bond Corporation Financing Program Revenue Bonds 2020 Series D in the amount of \$680,000 to refinance the 2010 Series A Bonds. The lease bears fixed interest at rates ranging from 2% to 2.5% through maturity, which is January 1, 2030. The balance due on the general obligation lease at June 30, 2022 was \$555,833. Interest paid during the year ended June 30, 2022 was \$14,531. The general obligation lease is backed by the full faith, credit and taxing power of the City.

*Truck America Lawsuit Settlement*

During a previous fiscal year, the City entered into an agreed settlement of the Truck America Lawsuit (T.A.). The settlement required the City to make an initial payment of \$5,000,000 but had to borrow \$5,435,000 to cover financing fees and costs and fund a \$217,400 escrow account (debt service reserve). The City closed on Kentucky Bond Corporation Financing Program Revenue Bonds 2016 Series B on June 1, 2016 to be repaid over 26 years with the last payment due on February 1, 2042. The bonds are general obligation bonds and are backed by the full faith, credit and taxing power of the City. The balance on the bonds on June 30, 2022, was \$5,210,000. Interest paid during the year ended June 30, 2022 was \$179,414. The bonds have fixed interest rates ranging from 3.0% to 3.375%.

The settlement agreement also provides for a direct payment of 8.3% of eligible revenue to be paid annually on July 15 of each year, for a 20-year period, commencing July 15, 2017. Eligible revenue shall be gross general fund revenue received by the City in the immediately preceding fiscal year reduced by an applicable deduction of \$540,000 as per the terms of the settlement agreement. The direct payment amount due July 15, 2021, was \$440,576 and the direct payment amount due July 15, 2022, was \$484,230.

*Jesse Schott Memorial Gym Bond*

On October 15, 2018, the City passed an ordinance authorizing the issuance of general obligation bonds in the amount of \$835,000. The proceeds of the bonds were used to construct a new gym. General obligation bonds are backed by the full faith, credit and taxing power of the City. The debt has varying maturity dates through January 1, 2034 with interest rates ranging from 3.0% to 4.0%. The balance due on the bond issue on June 30, 2022, was \$689,167. Interest paid during the year ended June 30, 2022 was \$27,023.

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The following is a schedule of principal and interest requirements for the term of all bonds for governmental activities:

Year Ending June 30	Principal	Interest	Total
2023	\$ 227,917	\$ 215,913	\$ 443,830
2024	299,167	209,185	508,352
2025	309,167	200,133	509,300
2026	319,167	190,785	509,952
2027	331,250	181,064	512,314
2028-2032	1,723,334	745,483	2,468,817
2033-2037	1,695,834	454,609	2,150,443
2038-2042	1,549,164	151,014	1,700,178
	<u>\$ 6,455,000</u>	<u>\$ 2,348,186</u>	<u>\$ 8,803,186</u>

Long-term liability activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
J.Schott Memorial Gym Bond	\$ 736,250	\$	\$ (47,083)	\$ 689,167	\$ 50,000
KLC General Obligation Lease	625,833		(70,000)	555,833	67,917
TA Settlement Bond	5,270,000		(60,000)	5,210,000	110,000
Lease Liabilities	314,726	85,541	(108,310)	291,957	91,535
Governmental activity long-term liabilities	<u>\$ 6,946,809</u>	<u>\$ 85,541</u>	<u>\$ (285,393)</u>	<u>\$ 6,746,957</u>	<u>\$ 319,452</u>
<b>Business-type activities:</b>					
General Obligation Bonds:					
Sewer Fund	<u>\$ 245,000</u>	<u>\$</u>	<u>\$ (245,000)</u>	<u>\$ -</u>	<u>\$ -</u>

**Note G – Retirement Plan**

The City is a participating employer of the County Employees' Retirement System (CERS). The provisions of House Bill 484 during the 2020 Regular Session of the Kentucky General Assembly and House Bill 9 passed during the 2021 Regular Session of the Kentucky General Assembly changed the governance and administration of the plan. Governance of the CERS has been transferred to a separate 9-member board and the administrative entity has changed its name to the Kentucky Public Pensions Authority. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority 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 (COLA) adjustments are provided at the discretion of state legislature.

*Contributions* – For the year ended June 30, 2022, plan members were required to contribute 5.00% of wages for non-hazardous job classifications, and 8.00% for 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 on the basis of 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 on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with



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actuarial basis adopted by the Board. For the year ended June 30, 2022, participating employers contributed 26.95% of each employee’s wages for non-hazardous job classifications (24.06% for the year ended June 30, 2021) and 44.33% for hazardous job classifications (39.58% for the year ended June 30, 2021), which is equal to the actuarially determined rates set by the Board. Administrative costs of the Kentucky Public Pensions Authority 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 in non-hazardous job classifications contribute 5.00% of wages to their own account and 1% to the health insurance fund. Plan members in hazardous job classifications contribute 8.00% 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. For hazardous members, their account is credited with a 7.5% employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2022, the City contributed \$181,142 for non-hazardous job classifications, and \$479,877 for hazardous job classifications, or 100% of the required contribution for each. For non-hazardous employees, the contribution was allocated \$142,292 to the CERS pension fund and \$38,850 to the CERS insurance fund. For hazardous employees, the contribution was allocated \$366,538 to the CERS pension fund and \$113,339 to the CERS insurance fund.

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2022, the City reported a liability of \$5,699,470 for its proportionate share of the net pension liability. The liability consisted of \$1,244,426 for non-hazardous job classifications and \$4,455,044 for hazardous job classifications. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2021. 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 .019518% for non-hazardous employees and .167347% for hazardous employees, which was equal to its proportion measured as of June 30, 2021. At June 30, 2021, the City’s proportion was .018921% for non-hazardous employees and .155455% for hazardous employees, which was equal to its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$523,930. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 137,145	\$ 632,597
Changes of assumptions	72,345	-
Net difference between projected and actual earnings on Plan investments	190,535	214,136
Changes in proportion and differences between City contributions and proportionate share of contributions	700,955	-
City contributions subsequent to the measurement date	508,830	-
<b>Total</b>	<b>\$ 1,609,810</b>	<b>\$ 846,733</b>

**CITY OF HILLVIEW, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

The \$508,830 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:

<b>Year ending June 30,</b>	
2023	\$ 284,878
2024	125,737
2025	10,296
2026	(166,664)

*Actuarial Assumptions* – The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth	2.00%
Salary increases	3.30% to 10.30% varied by service inflation for nonhazardous
Investment rate of return	3.55% to 19.05% varied by service inflation for hazardous
	6.25%, net of Plan investment expense, including inflation

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, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2013 - June 30, 2018.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

*Discount Rate* – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining amortization period of the unfunded actuarial accrued liability. The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year. Senate Bill 249 passed during the 2020 legislative session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change did not impact the calculation of the total pension liability and only impacted the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes. The actuarial determined contribution rates are determined on an annual basis. The discount rate determination does not use a municipal bond rate.

**CITY OF HILLVIEW, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

*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	Hazardous	Nonhazardous	Total
1% decrease	5.25%	5,678,571	1,596,035	7,274,606
Current discount rate	6.25%	4,455,044	1,244,426	5,699,470
1% increase	7.25%	3,457,874	953,477	4,411,351

*Payable to the Pension Plan* – At June 30, 2022, the City reported a payable of \$60,868 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022. The payable includes both the pension and insurance contribution allocation.

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	Target Allocation	Long-Term Expected Real Rate Of Return
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special credit/high yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
<b>Total</b>	<b>100.00%</b>	

**Note H – Postemployment Benefits Other Than Pensions (OPEB)**

The City is a participating employer of the County Employees' Retirement System (CERS). The provisions of House Bill 484 during the 2020 Regular Session of the Kentucky General Assembly and House Bill 9 passed during the 2021 Regular Session of the Kentucky General Assembly changed the governance and administration of the plan. Governance of the CERS has been transferred to a separate 9-member board and the administrative entity has changed its name to the Kentucky Public Pensions Authority. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority website.

*Plan Description* – CERS is a cost-sharing multiple-employer defined benefit other postemployment benefit 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 health

**CITY OF HILLVIEW, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

insurance benefits to plan members. Health insurance benefits may be extended to beneficiaries of plan members under certain circumstances.

*Contributions* – For the year ended June 30, 2022, plan members were required to contribute 5.00% of wages for non-hazardous job classifications, and 8.00% for 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 on the basis of 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 on the basis of 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, 2022, participating employers contributed 26.95% of each employee’s wages for non-hazardous job classifications (24.06% for the year ended June 30, 2021) and 44.33% for hazardous job classifications (39.58% for the year ended June 30, 2021), which is equal to the actuarially determined rates set by the Board. Administrative costs of the Kentucky Public Pensions Authority 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 in non-hazardous job classifications contribute 5.00% of wages to their own account and 1% to the health insurance fund. Plan members in hazardous job classifications contribute 8.00% 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. For hazardous members, their account is credited with a 7.5% employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2022, the City contributed \$181,142 for non-hazardous job classifications, and \$479,877 for hazardous job classifications, or 100% of the required contribution for each. For non-hazardous employees, the contribution was allocated \$142,292 to the CERS pension fund and \$38,850 to the CERS insurance fund. For hazardous employees, the contribution was allocated \$366,538 to the CERS pension fund and \$113,339 to the CERS insurance fund.

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2022, the City reported a liability of \$1,726,667 for its proportionate share of the net OPEB liability. The liability consisted of \$373,567 for non-hazardous job classifications and \$1,353,100 for hazardous job classifications. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2021. The City’s proportion of the net OPEB 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 .019513 percent for non-hazardous employees and .167347% for hazardous employees, which was equal to its proportion measured as of June 30, 2021. At June 30, 2020, the City’s proportion was .018915 percent for non-hazardous employees and .155406% for hazardous employees, which was equal to its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized OPEB expense of \$125,786. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**CITY OF HILLVIEW, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 101,025	\$ 257,106
Changes of assumptions	438,367	853
Net difference between projected and actual earnings on Plan investments	104,175	417,300
Changes in proportion and differences between City contributions and proportionate share of contributions	275,398	152
City contributions subsequent to the measurement date	<u>152,189</u>	<u>-</u>
Total	<u>\$ 1,071,154</u>	<u>\$ 675,411</u>

The \$152,189 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 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:

<b>Year ending June 30,</b>	
2023	\$ 72,761
2024	79,914
2025	56,273
2026	(7,497)
2027	42,103

*Actuarial Assumptions* – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30% varied by service for nonhazardous
Investment rate of return	3.55% to 19.05% varied by service for hazardous
Healthcare trend rates:	6.25%
Pre - 65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post - 65	Initial trend starting at 6.30% at January 1, 2023, 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 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, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2013 - June 30, 2018.

**CITY OF HILLVIEW, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.20% (5.34% in prior year) for non-hazardous and 5.05% (5.30% in prior year) for hazardous. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining amortization period of the unfunded actuarial accrued liability. Senate Bill 249 passed during the 2020 legislative session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change did not impact the calculation of the total OPEB liability and only impacted the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes. The actuarial determined contribution rates are determined on an annual basis.

The discount rate uses an expected rate of return of 6.25%, and a municipal bond rate of 1.92%, as reported in the Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2021. However, the cost associated with the implicit employer subsidy was not included in the calculation of the actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The City’s proportionate share of the implicit subsidy was \$21,928 at June 30, 2022.

*Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate* – The following presents the City’s proportionate share of the net OPEB liability calculated using the discount rate of 5.20% for non-hazardous and 5.05% for hazardous, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.05% for hazardous and 4.20% for nonhazardous) or 1-percentage-point higher (6.05% for hazardous and 6.20% for nonhazardous) than the current rate:

	Hazardous	Nonhazardous	Total
1% decrease	1,961,738	512,904	2,474,642
Current discount rate	1,353,100	373,567	1,726,667
1% increase	864,094	259,217	1,123,311

*Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Trend Rate* – The following presents the City’s proportionate share of the net OPEB liability calculated using the health care trend rate described above, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Hazardous	Nonhazardous	Total
1% decrease	886,625	268,924	1,155,549
Current healthcare tend rate	1,353,100	373,567	1,726,667
1% increase	1,924,421	499,872	2,424,293

**CITY OF HILLVIEW, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate Of Return</b>
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special credit/high yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
<b>Total</b>	<b>100.00%</b>	

*Payable to the Pension Plan* – At June 30, 2022, the City reported a payable of \$60,868 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022. The payable includes both the pension and insurance contribution allocation.

**Note I – 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. The City has commercial insurance to cover the risks of these losses. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage. The City’s attorney has advised that the City will not incur any loss in excess of insurance deductibles as a result of any covered lawsuits currently pending.

**Note J – Commitments**

**Sale of Wastewater Treatment Plant**

In September 2021, the City submitted an offer letter to Metro Sanitation District (MSD) to sell the wastewater treatment plant to MSD for \$225,000. In February 2022, MSD accepted the offer, pending due diligence and formal approval of an interlocal agreement by the MSD Board, the Kentucky Attorney General, Louisville Metro Mayor, and Louisville Metro Council. The expected closing date is the end of February 2023.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF HILLVIEW, KENTUCKY**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES-**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 1,369,573	\$ 1,222,421	\$ 1,215,210	\$ (7,211)
Occupational taxes	2,530,697	3,135,304	3,145,326	10,022
Tangible personal property taxes	48,034	51,604	67,975	16,371
Motor vehicle taxes	96,419	97,489	109,191	11,702
Franchise taxes	57,921	56,212	57,370	1,158
Insurance premium taxes	994,341	985,105	985,178	73
Licenses & fees	52,200	102,963	100,212	(2,751)
Intergovernmental revenues	120,742	1,531,757	1,046,405	(485,352)
Recreation	128,637	140,020	150,308	10,288
Other revenue	103,968	169,033	168,721	(312)
Interest	5,323	8,197	9,351	1,154
<b>Total revenues</b>	<b>5,507,855</b>	<b>7,500,105</b>	<b>7,055,247</b>	<b>(444,858)</b>
<b>EXPENDITURES:</b>				
<b>Current operating:</b>				
General government	2,768,897	3,247,227	3,249,585	(2,358)
Police services	2,582,127	2,582,127	2,603,756	(21,629)
Health & safety	29,333	27,280	58,063	(30,783)
Public works	999,086	1,092,737	819,753	272,984
Community center & recreation	419,018	377,086	357,226	19,860
Code enforcement	77,194	77,194	68,838	8,356
<b>Debt service:</b>				
Principal	239,414	239,414	285,393	(45,979)
Interest	-	-	211,281	(211,281)
<b>Total expenditures</b>	<b>7,115,069</b>	<b>7,643,065</b>	<b>7,653,895</b>	<b>(10,830)</b>
Excess (deficiency) of revenues over expenditures before transfers and other sources	(1,607,214)	(142,960)	(598,648)	(455,688)
<b>Other financing sources (uses):</b>				
Sale of capital assets	19,611	4,263	4,263	-
Insurance proceeds	-	35,216	74,549	39,333
Debt proceeds	-	-	85,541	85,541
Transfers in (out)	-	-	(241,852)	(241,852)
<b>Total transfers and other sources</b>	<b>19,611</b>	<b>39,479</b>	<b>(77,499)</b>	<b>(116,978)</b>
Excess (deficiency) revenues over expenditures	(1,587,603)	(103,481)	(676,147)	(572,666)
Fund balances--beginning	5,218,609	5,218,609	5,218,609	-
<b>Fund balances--ending</b>	<b>\$ 3,631,006</b>	<b>\$ 5,115,128</b>	<b>\$ 4,542,462</b>	<b>\$ (572,666)</b>

**CITY OF HILLVIEW, KENTUCKY  
SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES-  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues:				
Intergovernmental revenues	\$ 144,979	\$ 165,084	\$ 179,805	\$ 14,721
Interest	1,704	917	151	(766)
Total revenues	<u>146,683</u>	<u>166,001</u>	<u>179,956</u>	<u>13,955</u>
EXPENDITURES:				
Current operating:				
Public works	304,000	230,445	239,394	(8,949)
Total expenditures	<u>304,000</u>	<u>230,445</u>	<u>239,394</u>	<u>(8,949)</u>
Excess (deficiency) of revenues over expenditures before transfers and other sources	(157,317)	(64,444)	(59,438)	5,006
Other financing sources (uses):				
Transfers in (out)	-	-	(15,745)	(15,745)
Total transfers and other sources	<u>-</u>	<u>-</u>	<u>(15,745)</u>	<u>(15,745)</u>
Excess (deficiency) revenues over expenditures	(157,317)	(64,444)	(75,183)	(10,739)
Fund balances--beginning	218,004	218,004	218,004	-
Fund balances--ending	<u>\$ 60,687</u>	<u>\$ 153,560</u>	<u>\$ 142,821</u>	<u>\$ (10,739)</u>

**CITY OF HILLVIEW, KENTUCKY**  
**REQUIRED SUPPLEMENTAL SCHEDULE OF**  
**PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Last Six Fiscal Years\***

	Hazardous					
	2022	2021	2020	2019	2018	2017
City's proportion of the net pension liability	0.167347%	0.155455%	0.132793%	0.112644%	0.109295%	0.105877%
City's proportionate share of the net pension liability (asset)	\$ 4,455,044	\$ 4,687,012	\$ 3,668,135	\$ 2,724,077	\$ 2,445,234	\$ 1,816,788
City's covered employee payroll	\$ 1,082,510	\$ 1,007,232	\$ 908,233	\$ 756,277	\$ 627,450	\$ 599,968
City's share of the net pension liability (asset) as a percentage of its covered payroll	411.55%	465.34%	403.88%	360.20%	389.71%	302.81%
Plan fiduciary net position as a percentage of the total pension liability	52.26%	44.11%	50.45%	49.26%	58.99%	53.95%

	Non-Hazardous					
	2022	2021	2020	2019	2018	2017
City's proportion of the net pension liability	0.019518%	0.018921%	0.017195%	0.014902%	0.013464%	0.013432%
City's proportionate share of the net pension liability (asset)	\$ 1,244,426	\$ 1,451,225	\$ 1,209,332	\$ 907,577	\$ 788,089	\$ 661,362
City's covered employee payroll	\$ 672,140	\$ 625,225	\$ 484,453	\$ 433,730	\$ 371,837	\$ 327,806
City's share of the net pension liability (asset) as a percentage of its covered payroll	185.14%	232.11%	249.63%	209.25%	211.94%	201.75%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	46.63%	53.54%	53.32%	55.50%

\* The above schedule will present 10 years of historical data once available.

**CITY OF HILLVIEW, KENTUCKY**  
**REQUIRED SUPPLEMENTAL SCHEDULE OF PENSION PLAN CONTRIBUTIONS**  
**Last Six Fiscal Years**

	Hazardous					
	2022	2021	2020	2019	2018	2017
Contractually required employer contribution	\$ 366,538	\$ 302,774	\$ 273,015	\$ 188,086	\$ 139,294	\$ 130,253
Contributions relative to contractually required employer contribution	<u>366,538</u>	<u>302,774</u>	<u>273,015</u>	<u>188,086</u>	<u>139,294</u>	<u>130,253</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,082,510	\$ 1,007,232	\$ 908,233	\$ 756,277	\$ 627,450	\$ 599,968
Employer contributions as a percentage of covered-employee payroll	33.86%	30.06%	30.06%	24.87%	22.20%	21.71%
	Non-Hazardous					
	2022	2021	2020	2019	2018	2017
Contractually required employer contribution	\$ 142,292	\$ 120,740	\$ 93,538	\$ 70,351	\$ 53,842	\$ 45,729
Contributions relative to contractually required employer contribution	<u>142,292</u>	<u>120,740</u>	<u>93,538</u>	<u>70,351</u>	<u>53,842</u>	<u>45,729</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 672,140	\$ 625,225	\$ 484,453	\$ 433,730	\$ 371,837	\$ 327,806
Employer contributions as a percentage of covered-employee payroll	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%

\* The above schedule will present 10 years of historical data once available.

**CITY OF HILLVIEW, KENTUCKY**  
**REQUIRED SUPPLEMENTAL SCHEDULE OF**  
**PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**Last Five Fiscal Years\***

	Hazardous				
	2022	2021	2020	2019	2018
City's proportion of the net OPEB liability	0.167347%	0.155406%	0.132767%	0.112644%	0.109295%
City's proportionate share of the net OPEB liability (asset)	\$ 1,353,100	\$ 1,436,115	\$ 982,290	\$ 803,106	\$ 903,511
City's covered employee payroll	\$ 1,082,510	\$ 1,007,232	\$ 908,233	\$ 756,277	\$ 627,450
City's share of the net OPEB liability (asset) as a percentage of its covered payroll	125.00%	142.58%	108.15%	106.19%	144.00%
Plan fiduciary net position as a percentage of the total OPEB liability	66.81%	58.84%	64.44%	64.24%	58.99%

	Non-Hazardous				
	2022	2021	2020	2019	2018
City's proportion of the net OPEB liability	0.019513%	0.018915%	0.017190%	0.014902%	0.013464%
City's proportionate share of the net OPEB liability (asset)	\$ 373,567	\$ 456,740	\$ 289,128	\$ 264,582	\$ 270,672
City's covered employee payroll	\$ 672,140	\$ 625,225	\$ 484,453	\$ 433,730	\$ 371,837
City's share of the net OPEB liability (asset) as a percentage of its covered payroll	55.58%	73.05%	59.68%	61.00%	72.79%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.39%

\* The above schedule will present 10 years of historical data once available.

**CITY OF HILLVIEW, KENTUCKY**  
**REQUIRED SUPPLEMENTAL SCHEDULE OF OPEB PLAN CONTRIBUTIONS**  
**Last Five Fiscal Years**

	Hazardous				
	2022	2021	2020	2019	2018
Contractually required employer contribution	\$ 113,339	\$ 95,889	\$ 86,464	\$ 79,182	\$ 58,667
Contributions relative to contractually required employer contribution	<u>113,339</u>	<u>95,889</u>	<u>86,464</u>	<u>79,182</u>	<u>58,667</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,082,510	\$ 908,233	\$ 908,233	\$ 756,277	\$ 627,450
Employer contributions as a percentage of covered-employee payroll	10.47%	10.56%	9.52%	10.47%	9.35%

	Non-Hazardous				
	2022	2021	2020	2019	2018
Contractually required employer contribution	\$ 38,850	\$ 29,778	\$ 23,069	\$ 22,814	\$ 17,360
Contributions relative to contractually required employer contribution	<u>38,850</u>	<u>29,778</u>	<u>23,069</u>	<u>22,814</u>	<u>17,360</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 672,140	\$ 484,453	\$ 484,453	\$ 433,730	\$ 371,837
Employer contributions as a percentage of covered-employee payroll	5.78%	6.15%	4.76%	5.26%	4.70%

\* The above schedule will present 10 years of historical data once available.

**CITY OF HILLVIEW, KENTUCKY**  
**NOTES TO REQUIRED PENSION AND OPEB SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2022**

**Note 1. General Information**

**Contributions**

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

**Payroll**

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

**Measurement Date**

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

**Note 2. Changes of Assumptions (Measurement Date)**

**June 30, 2021 –OPEB Hazardous and Nonhazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for pension. The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The single discount rate used to calculate the OPEB liability was decreased from 5.34% to 5.20% for non-hazardous and from 5.30% to 5.05% for hazardous.
- The healthcare trend rate starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years for pre-65. The healthcare trend rate starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years for post-65.

**June 30, 2020 –OPEB Hazardous and Nonhazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension. The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The healthcare trend rate starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years for pre-65. The healthcare trend rate starting at 2.90% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years for post-65.

**June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average.

**June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for either pension or OPEB.

**June 30, 2017 – Pension – Hazardous and Nonhazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

**CITY OF HILLVIEW, KENTUCKY**  
**NOTES TO REQUIRED PENSION AND OPEB SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2022**

**June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016, for either pension or OPEB.

**June 30, 2015 – Pension – Hazardous and Nonhazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

**June 30, 2014 – Pension – Hazardous and Nonhazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

**June 30, 2013 – Pension – Hazardous and Nonhazardous**

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.



## **COMPLIANCE SECTION**

**CITY OF HILLVIEW, KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>	<u>Passed Through To Subrecipients</u>
A. U.S. Department of Transportation: Passed through Commonwealth of Kentucky, Kentucky Transportation Cabinet: Highway Safety Cluster:				
National Priority Safety Program	20.616	M5HVE-2021-09	\$ 6,352	\$ -
State and Community Highway Safety	20.600	AL-2022-10	9,450	-
			<u>15,802</u>	-
B. U.S. Department of the Treasury: Passed through Commonwealth of Kentucky, Department for Local Government: COVID 19 - Coronavirus Relief Funds for States	21.019	C3-086-01	<u>68,138</u>	-
C. U.S. Department of the Treasury: Passed through Commonwealth of Kentucky, Department for Local Government: COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>715,931</u>	-
D. U.S. Department of Justice: Passed through Commonwealth of Kentucky, Justice and Public Safety Cabinet: COVID 19 - Coronavirus Emergency Supplemental Funding	16.034	CESF-2020-Hillview PD-00091	<u>33,824</u>	-
			<u>\$ 833,695</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF HILLVIEW, KENTUCKY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operation of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10 percent de-minimis indirect cost rate as allowed under the Uniform Guidance.

# Kerbaugh, Rodes & Butler, PLLC

Certified Public Accountants

Glyn D. Kerbaugh, Jr. CPA  
John B. Rodes, CPA  
Craig A. Butler, CPA  
Robin A. Meeks, CPA  
Martha K. King, CPA  
Lori-Anne Clark, CPA  
Chad Robinson, CPA

132 North Second Street  
P.O. Box 729  
Danville, Kentucky 40422  
859/236-3924  
FAX 859/236-6435

52 Liberty Square  
Liberty, Kentucky 42539  
606/787-9928  
kerbaughandrades.com

## 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*

The Mayor and Members of the  
City Council  
City of Hillview, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Hillview, Kentucky (the City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 24, 2023.

### 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 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 with 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 have not been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies. We consider the following deficiencies to be material weaknesses.

1. As is common within the system of internal control of most small organizations, the accounting function of the City does not prepare the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the City has not established internal controls over the preparation of its financial statements. This condition is considered to be a material weakness of the City's system of internal control over financial reporting.

During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to present the financial statements in accordance with accounting principles generally accepted in the United States of America. This reliance on the auditor to perform this function is considered to be a

material weakness in the system of internal control. AU-C 265 does not make exceptions for reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

Communication of the material weakness above helps to emphasize that the responsibility for financial reporting rests entirely with the City and not the auditor. Stated another way, if an entity is unable to issue, without the auditor's involvement, complete financial statements with footnotes in accordance with generally accepted accounting principles and free of material misstatement, that inability is a symptom of a material weakness in the system of internal control.

2. Due to the limited number of employees within the City, there exists a lack of adequate segregation of duties related to recordkeeping and custody of assets. Due to the fact that the City is not in the financial position to hire additional employees, we recommend that the council continue to be involved in the financial review process on an ongoing basis and continue to review all procedures to assure that maximum segregation of accounting and asset custodial duties occurs whenever possible.

### **Management's Response**

1. Management has determined that it is more cost effective to continue to rely on the auditor's adjustments to bring the City's accounting records into compliance with generally accepted accounting principles.
2. Management hired a treasurer position during the year to aid in improving segregation of duties. Management will continue to monitor procedures currently in place and determine if any additional procedures should be implemented.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

### **City's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kerbaugh, Rodes & Butler, PLLC*

Kerbaugh, Rodes & Butler, PLLC  
Certified Public Accountants

Danville, Kentucky  
February 24, 2023

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Liberty, Kentucky 42539  
606/787-9928  
kerbaughandrades.com

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

The Mayor and Members of the  
City Council  
City of Hillview, Kentucky

### Report on Compliance for Each Major Federal Program

#### *Opinion on Each Major Federal Program*

We have audited the City of Hillview, Kentucky's (the City's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### *Basis for Opinion on Each Major Federal Program*

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

#### *Responsibilities of Management for Compliance*

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

#### *Auditor's Responsibilities for the Audit of Compliance*

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

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

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

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

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

#### **Report on Internal Control over Compliance**

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

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

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

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

*Kerbaugh, Rodes & Butler, PLLC*

Kerbaugh, Rodes & Butler, PLLC  
Certified Public Accountants

Danville, Kentucky  
February 24, 2023

**CITY OF HILLVIEW, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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**Section I-Summary of Auditor's Results**

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**Financial Statements**

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

**Federal Awards**

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	U.S. Department of the Treasury, Coronavirus State and Local Fiscal Recovery Funds

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



**CITY OF HILLVIEW, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2022**

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**Section II – Financial Statement Findings**

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See 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* on pages 39-40.

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**Section III – Federal Award Findings and Questioned Costs**

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No matters were reported.

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**Section IV – Prior Year Audit Findings**

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Prior year financial statement finding related to issues concerning the segregation of duties. Management has determined that the addition of an employee(s) to segregate processes would not be cost effective for the City. Therefore, the finding related to segregation of duties was repeated in the current year audit.

Prior year financial statement finding related to preparing financial statements in accordance with generally accepted accounting principles. Management has determined that the addition of an employee(s) to prepare its year-end financial statements would not be cost effective. Therefore, the finding related to preparing financial statements was repeated in the current year audit.