

CITY OF HILLVIEW, KENTUCKY

JUNE 30, 2018

C O N T E N T S

	<u>Page</u>
Independent Auditor's Report	3 - 4
Management Discussion and Analysis (unaudited)	5 - 12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	18
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets	20
Statement of Cash Flows	21
Notes to Basic Financial Statements	22 - 37
Required Supplementary Information (unaudited):	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	38
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Special Revenue Fund	39
Schedule of the City's Proportionate Share of the Net Pension Liability	40
Schedule of the City's Pension Contribution	41
Schedule of the City's Proportionate Share of the Net OPEB Liability	42
Schedule of the City's OPEB Contribution	43
Other Supplementary Information	
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	44 - 45

HENSON & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS
PROFESSIONAL LIMITED LIABILITY CORPORATION

ARTHUR J. HENSON, CPA

2455 CRITTENDEN DRIVE
LOUISVILLE, KY 40217-1813

TELEPHONE: (502) 634-8351

FAX: (502) 634-5594

CPA ASSOCIATES
ROBIN F. OWENS, CPA
ROBERT M. BARGER, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Hillview, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities and the major fund information of City of Hillview, Kentucky as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and the major fund information of the City of Hillview, Kentucky, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2017, the City adopted Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions (OPEB)". Our opinions are not modified with respect to this matter.

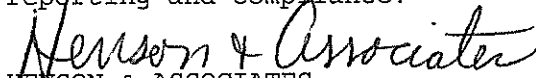
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 5 through 12 and pages 38 through 43 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2018 on our consideration of the City of Hillview, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Hillview, Kentucky's internal control over financial reporting and compliance.


HENSON & ASSOCIATES
Certified Public Accountants

Louisville, Kentucky
November 30, 2018

CITY OF HILLVIEW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The discussion and analysis of the City of Hillview, Kentucky's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the accompanying transmittal letter and the accompanying basic financial statements. All amounts in this discussion, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The liabilities of the City of Hillview, Kentucky exceeded its assets at the close of the fiscal year ending June 30, 2018 by \$4,060.8 thousand (net position).
- The City of Hillview, Kentucky's total net position increased by \$258.6 thousand for the year ended June 30, 2018. The increase in net position can be attributed to an increase in two revenue items: tax revenue and insurance premium revenue.
- As of June 30, 2018 the City of Hillview, Kentucky's governmental funds reported combined ending fund balances of \$2,906.4 thousand, an increase of \$564.3 thousand in comparison with the prior fiscal year.

Overview of the Financial Statements

The discussion and analysis serves as an introduction to the City of Hillview, Kentucky's basic financial statements. The City of Hillview, Kentucky's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Hillview, Kentucky's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the City of Hillview, Kentucky's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Hillview, Kentucky is improving or deteriorating. The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base, to assess the overall health or financial condition of the City. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

CITY OF HILLVIEW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2018

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

- Governmental Activities - Most of the City's basic services are reported here, including the police, public works, parks and recreation, and general administration. Property taxes, occupational taxes, insurance taxes, franchise fees and inter-governmental revenues finance most of these activities.
- Business-type Activities - The City's sewer plant is reported here. The sewer plant's operations were taken over by the Bullitt County Sanitation District in a prior fiscal year. The City is responsible for repaying the debt to build the plant and for insuring the plant and equipment.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by state law. The City's two kinds of funds - governmental and proprietary - utilize different accounting approaches.

- Governmental funds - The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term effect of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City of Hillview, Kentucky maintains two governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Special Revenue Fund, both of which are considered to be major funds.

CITY OF HILLVIEW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2018

- Proprietary fund - The City charges customers for the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise fund (a component of the proprietary fund) is identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

The City as a Whole - Government-wide Financial Analysis

The City's combined net position was \$(4,060.8) thousand as of June 30, 2018. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position is \$466.9 thousand. This analysis focuses on the net position (table 1) and changes in general revenues (table 2) and significant expenses of the City's governmental and business-type activities.

By far the largest portion of the City's net position (\$1,443.5 thousand) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF HILLVIEW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2018

Table 1
Summary of Net Position
At June 30, 2018 and 2017
(Amounts Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Current and other assets	3,003	2,504			3,003	2,504
Capital assets	1,763	1,722	1,052	1,094	2,815	2,816
Deferred outflow of resources related to pensions	<u>1,492</u>	<u>872</u>			<u>1,492</u>	<u>872</u>
Total assets	<u>6,258</u>	<u>5,098</u>	<u>1,052</u>	<u>1,094</u>	<u>7,310</u>	<u>6,192</u>
Long-term liabilities	10,596	8,695	475	585	11,071	9,280
Deferred inflows	113	90			113	90
Other liabilities	<u>76</u>	<u>285</u>	<u>110</u>	<u>105</u>	<u>186</u>	<u>390</u>
Total liabilities	<u>10,785</u>	<u>9,070</u>	<u>585</u>	<u>690</u>	<u>11,370</u>	<u>9,760</u>
Net position						
Invested in capital assets, net of related debt	977	781	467	404	1,444	1,185
Restricted	445	510			445	510
Unrestricted	<u>(5,949)</u>	<u>(5,263)</u>			<u>(5,949)</u>	<u>(5,263)</u>
Total net position	<u>(4,527)</u>	<u>(3,972)</u>	<u>467</u>	<u>404</u>	<u>(4,060)</u>	<u>(3,568)</u>

Governmental and Business-type activities along with extraordinary items increased the City's net position by \$258.6 thousand. The key elements of this increase are as follows:

Total revenues	\$ 4,574.3 thousand
Total expenses	(3,734.0) thousand
Extraordinary items	<u>(581.7) thousand</u>
	<u>\$ 258.6 thousand</u>

Total revenues increased by \$203.5 thousand over the year ended June 30, 2017, with tax revenue increasing by \$592.9 thousand and other revenue decreasing by \$389.4 thousand. Total expenses increased by \$1,519.1 thousand. During the year ended June 30, 2018, there was a prior period adjustment charge relating to implementation of GASB 75.

Table 2
General Revenues
(Amounts Expressed in Dollars)

Governmental Activities

The City's general revenues increased when compared to the prior year by \$214.6 thousand. Overall, tax revenue increased by \$592.9 thousand. Occupational taxes were the largest type of tax increase. This type of tax increased by \$365.1 thousand. The other types of taxes increased by \$227.8 thousand.

	2018	2017	Increase (Decrease)
Taxes	4,081,595	3,488,672	592,923
Other	<u>42,792</u>	<u>421,128</u>	<u>(378,336)</u>
Total general revenues	<u>4,124,387</u>	<u>3,909,800</u>	<u>214,587</u>

CITY OF HILLVIEW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2018

Table 3
Changes in Net Position
(Amounts Expressed in Dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program revenues						
Charges for services	181,753	205,310			181,753	205,310
Operating grants and contributions	267,846	255,379			267,846	255,379
General revenues						
Taxes	4,081,596	3,488,672			4,081,596	3,488,672
Other	<u>42,791</u>	<u>421,128</u>	—	—	<u>42,791</u>	<u>421,128</u>
Total Revenues	<u>4,573,986</u>	<u>4,370,489</u>			<u>4,573,986</u>	<u>4,370,489</u>
Expenses						
General government	1,061,353	748,447			1,061,353	748,447
Public safety	1,533,042	1,420,600			1,533,042	1,420,600
Public works	861,916	658,288			861,916	658,288
Health and safety	11,306	12,358			11,306	12,358
Community center and recreation	202,564	182,932			202,564	182,932
Sewer plant			<u>63,438</u>	<u>67,755</u>	<u>63,438</u>	<u>67,755</u>
Total expenses	<u>3,670,181</u>	<u>3,022,625</u>	<u>63,438</u>	<u>67,755</u>	<u>3,733,619</u>	<u>3,090,380</u>
Increase (Decrease) in Net Position	903,805	1,347,864	(63,438)	(67,755)	840,367	1,280,109
Transfers In (Out)	(125,938)	(130,255)	125,938	130,255		
Extraordinary Items						
Net Pension Liability	(581,737)	294,123			(581,737)	294,123
Prior Year Adjustment						
GASB 75 OPEB	(752,188)				(752,188)	
Net Position, July 1,	<u>(3,971,594)</u>	<u>(5,483,326)</u>	<u>404,375</u>	<u>341,875</u>	<u>(3,567,219)</u>	<u>(5,141,451)</u>
Net Position, June 30	<u>(4,527,652)</u>	<u>(3,971,594)</u>	<u>466,875</u>	<u>404,375</u>	<u>(4,060,777)</u>	<u>(3,567,219)</u>

CITY OF HILLVIEW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2018

The most significant current governmental expense for the City was in providing for public safety through its police department which incurred expenses of \$1,533.0 thousand. Other significant governmental expenses for the City include public works at \$861.9 thousand and administration at \$1,061.4 thousand.

Business-type Activities

Revenues of the City's business-type activities were \$.0 thousand for the fiscal year ending June 30, 2018. Expenses for the City's business-type activities were \$63.4 thousand for the year, resulting in a net loss of \$63.4 thousand. The net loss is the result of several factors, including the following:

- Interest on the debt of \$17,693 is the largest outlay. Included in the total operating expenses is \$42,500 in depreciation which is not a cash expenditure. The City had to transfer funds in the amount of \$125.9 from the general fund to cover operating losses and debt service. The operations of the sewer plant were taken over by the Bullitt County Sanitation District in April of 2010 which have resulted in lower overall expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2018, the City had \$2,813,473 invested in a broad range of capital assets, including equipment, buildings, land and sewer plant. This amount represents a net decrease of \$2,464 over the prior year due to depreciation for the year exceeding the cost of the net capital assets additions.

Debt

At year end, the City had \$6,772 thousand in General Obligation Bonds outstanding as compared to \$6,988 thousand at the end of the prior fiscal year, a decrease of \$216 thousand.

CITY OF HILLVIEW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2018

Table 4
Outstanding Debt
(Amounts Expressed in Dollars)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds (backed by the City)	6,187,500	6,298,333	585,000	690,000	6,772,500	6,988,333
Capital leases	<u>0</u>	<u>62,694</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>62,694</u>
Totals	<u>6,187,500</u>	<u>6,361,027</u>	<u>585,000</u>	<u>690,000</u>	<u>6,772,500</u>	<u>7,051,027</u>

The City's Funds

At the close of the City's fiscal year on June 30, 2018, the governmental funds of the City reported a combined fund balance of \$2,906.4 thousand. Revenues for the year exceeded expenses by \$690.2 thousand. The City has to monitor expenditures closely in order to prevent a deficit.

General Fund Budgetary Highlights

During fiscal year 2017-2018, there was a budget amendment for the Governmental Funds.

For fiscal year 2017-2018, actual expenditures (net of transfers) were \$3,696.0 thousand compared to the final budget amount (net of transfers) of \$3,864.5 thousand. The \$168.5 thousand positive variance was primarily due to a \$171.8 thousand positive variance in public safety expenditures.

For fiscal year 2017-2018, actual revenues (net of transfers) were \$6,556.6 thousand while the final budget was \$5,383.2 thousand. This created a positive variance of \$1,173.4 thousand. The primary reason for this variance was the difference in the fund balance carryover at the beginning of the year.

At June 30, 2018 the City of Hillview General Fund had an actual balance of \$2,734.7 thousand compared with a budgeted fund balance of \$1,391.8 thousand. The difference between actual and budgeted balances at June 30, 2018 is attributable to the variance in the fund balance carryover at the beginning of the year.

CITY OF HILLVIEW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2018

Economic Factors and Next Year's Budget and Rates

The largest single factor is the ability of the City to generate sufficient revenues to fund the basic cost of the services the City provides. The increased cost of salaries and the cost of providing police protection are significant, plus the resources needed to fund the future costs of post-retirement benefits.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk, at the City of Hillview, Kentucky, 283 Crestwood Lane, Hillview, KY 40229.

CITY OF HILLVIEW, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	2,565,632.41		2,565,632.41
Due from other governments	25,312.05		25,312.05
Prepaid expenses	194,395.23		194,395.23
Escrow, bond	217,400.00		217,400.00
Capital assets, net of accumulated depreciation:			
Buildings	1,118,765.76		1,118,765.76
Equipment	450,742.82		450,742.82
Sewer Plant		1,051,875.00	1,051,875.00
Capital asset, non depreciable			
Land	<u>192,089.04</u>		<u>192,089.04</u>
Total Assets	<u>4,764,337.31</u>	<u>1,051,875.00</u>	<u>5,816,212.31</u>
Deferred outflow of resources related to: Pensions	1,011,313.00		1,011,313.00
: OPEB	<u>481,204.00</u>		<u>481,204.00</u>
	<u>1,492,517.00</u>		<u>1,492,517.00</u>
<u>LIABILITIES</u>			
Accounts payable	24,508.37		24,508.37
Accrued expenses	50,570.45		50,570.45
Deferred inflow of resources	20,220.00		20,220.00
Security deposit	1,000.00		1,000.00
Bonds payable - current	94,166.70	110,000.00	204,166.70
- long term	6,093,333.30	475,000.00	6,568,333.30
Net pension liability	3,233,323.00		3,233,323.00
Net OPEB liability	<u>1,174,183.00</u>		<u>1,174,183.00</u>
Total Liabilities	10,691,304.82	585,000.00	11,276,304.82
Deferred inflow of resources related to: Pensions	20,055.00		20,055.00
: OPEB	<u>73,146.00</u>		<u>73,146.00</u>
	93,201.00		93,201.00
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	976,597.62	466,875.00	1,443,472.62
Unrestricted (deficit)	(5,949,282.48)	.00	(5,949,282.48)
Restricted	<u>445,033.35</u>	<u>.00</u>	<u>445,033.35</u>
Total Net Position	<u>(4,527,651.51)</u>	<u>466,875.00</u>	<u>(4,060,776.51)</u>

CITY OF HILLVIEW, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expenses) and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>FUNCTIONS/ACTIVITIES</u>						
<u>GOVERNMENTAL ACTIVITIES</u>						
Police department	1,533,042.50	1,892.30	100,113.42	(1,431,036.78)		(1,431,036.78)
Public works	861,916.43	2,500.00	167,732.86	(691,683.57)		(691,683.57)
Health and safety	11,305.62			(11,305.62)		(11,305.62)
Administration	1,061,352.42	61,796.15		(999,556.27)		(999,556.27)
Community center and recreation	<u>202,564.34</u>	<u>115,564.73</u>		<u>(86,999.61)</u>		<u>(86,999.61)</u>
Total Governmental Activities	3,670,181.31	181,753.18	267,846.28	(3,220,581.85)		(3,220,581.85)
<u>BUSINESS-TYPE ACTIVITIES</u>						
Sewer Plant	<u>63,437.78</u>				<u>(63,437.78)</u>	<u>(63,437.78)</u>
Total Activities	3,733,619.09	181,753.18	267,846.28	(3,220,581.85)	(63,437.78)	(3,284,019.63)
<u>GENERAL REVENUES</u>						
Taxes						
Real Property				791,026.46		791,026.46
Occupational				2,310,955.01		2,310,955.01
Tangible Personal Property				43,865.37		43,865.37
Motor Vehicle				71,999.58		71,999.58
Franchise				62,074.09		62,074.09
Insurance Premium				801,675.00		801,675.00
Interest				1,842.16		1,842.16
Other				<u>40,949.06</u>		<u>40,949.06</u>
Total General Revenues				4,124,386.73		4,124,386.73
<u>TRANSFERS IN (OUT)</u>				(125,937.78)	125,937.78	
<u>EXTRA ORDINARY ITEM</u>						
Current year adjustment related to net: Pension liability				(567,800.00)		(567,800.00)
: OPEB liability				<u>(13,937.00)</u>		<u>(13,937.00)</u>
Total Extra Ordinary Item				<u>(581,737.00)</u>		<u>(581,737.00)</u>
<u>CHANGE IN NET POSITION</u>				196,130.10	62,500.00	258,630.10
<u>NET POSITION AT BEGINNING OF YEAR - AS PREVIOUSLY STATED</u>				(3,971,593.61)	404,375.00	(3,567,218.61)
<u>ADJUSTMENT APPLICABLE TO PRIOR YEARS RESULTING FROM THE RETROACTIVE CHANGE IN ACCOUNTING FOR OPEB UPON ADOPTION OF A NEW ACCOUNTING STANDARD (NOTE 1)</u>						
				<u>(752,188.00)</u>		<u>(752,188.00)</u>
<u>NET POSITION AT END OF YEAR</u>				<u>(4,527,651.51)</u>	<u>466,875.00</u>	<u>(4,060,776.51)</u>

See Notes to financial statements.

CITY OF HILLVIEW, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	2,353,677.39	211,955.02	2,565,632.41
Receivables (net, where applicable of allowances for uncollectibles)			
Intergovernmental	9,633.72	15,678.33	25,312.05
Due from municipal aid fund	55,877.83		55,877.83
Prepaid expense	194,395.23		194,395.23
Escrow, bond	<u>217,400.00</u>		<u>217,400.00</u>
TOTAL ASSETS	<u>2,830,984.17</u>	<u>227,633.35</u>	<u>3,058,617.52</u>
<u>LIABILITIES</u>			
Accounts payable	24,508.37		24,508.37
Accrued expenses	50,570.45		50,570.45
Deferred inflow	20,220.00		20,220.00
Due to general fund		55,877.83	55,877.83
Security deposit	<u>1,000.00</u>		<u>1,000.00</u>
TOTAL LIABILITIES	96,298.82	55,877.83	152,176.65
<u>FUND BALANCE</u>			
Nonspendable			
Prepaid expenses	194,395.23		194,395.23
Unassigned	2,322,890.12		2,322,890.12
Restricted			
Road work		171,755.52	171,755.52
Escrow, bond	<u>217,400.00</u>		<u>217,400.00</u>
Total Fund Balance	<u>2,734,685.35</u>	<u>171,755.52</u>	<u>2,906,440.87</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>2,830,984.17</u>	<u>227,633.35</u>	<u>3,058,617.52</u>

CITY OF HILLVIEW, KENTUCKY
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2018

Fund Balances of Governmental Funds	2,906,440.87
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of depreciation, are not current financial resources and are not included in the governmental funds.	1,761,597.62
Long-term loans payable are not a current financial obligation. Therefore, they are not included in the governmental funds.	(6,187,500.00)
Employer actuarially required contributions made subsequent to the measurement date of June 30, 2017 are not pension expense but are deferred out flows/in flows of resources related to Pensions in the Statement of Net Position.	991,258.00
Employer actuarially required contributions made subsequent to the measurement date of June 30, 2017 are not OPEB expense but are deferred out flows/in flows of resources related to OPEB in the Statement of Net Position.	408,058.00
Net pension liability is not included in the governmental funds.	(3,233,323.00)
Net OPEB liability is not included in the governmental funds	<u>(1,174,183.00)</u>
Net Position of Governmental Activities	<u>(4,527,651.51)</u>

CITY OF HILLVIEW, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Property taxes	906,891.41		906,891.41
Insurance tax	801,675.00		801,675.00
Intergovernmental			
Citation fees	8,932.00		8,932.00
Grants	78,778.74	760.41	79,539.15
Municipal aid	2,500.00	165,232.86	167,732.86
L.G.E.A.		11,642.27	11,642.27
Licenses and permits	61,796.15		61,796.15
Franchise taxes	62,074.09		62,074.09
Interest	1,233.98	608.18	1,842.16
Occupational tax	2,310,955.01		2,310,955.01
Recreation	115,564.73		115,564.73
Miscellaneous	45,341.40		45,341.40
Total Revenues	<u>4,395,742.51</u>	<u>178,243.72</u>	<u>4,573,986.23</u>
<u>EXPENDITURES</u>			
Current			
Police department	1,460,430.50		1,460,430.50
Public works	657,664.93	175,756.50	833,421.43
Health and safety	11,305.62		11,305.62
Administration	1,014,678.42		1,014,678.42
Community center and recreation	192,186.34		192,186.34
Capital outlay			
Public works	23,000.00	12,000.00	35,000.00
Police department	58,254.90		58,254.90
Recreation	22,381.15		22,381.15
Administration	82,559.02		82,559.02
Debt repayment			
Police department	62,693.52		62,693.52
Administration	110,833.33		110,833.33
Total Expenditures	<u>3,695,987.73</u>	<u>187,756.50</u>	<u>3,883,744.23</u>
<u>EXCESS OF REVENUES (EXPENDITURES)</u>			
<u>OVER EXPENDITURES (REVENUES)</u>	699,754.78	(9,512.78)	690,242.00
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	(125,937.78)		(125,937.78)
<u>CHANGE IN FUND BALANCES</u>	573,817.00	(9,512.78)	564,304.22
<u>FUND BALANCES AT BEGINNING OF YEAR</u>	<u>2,160,868.35</u>	<u>181,268.30</u>	<u>2,342,136.65</u>
<u>FUND BALANCES AT END OF YEAR</u>	<u>2,734,685.35</u>	<u>171,755.52</u>	<u>2,906,440.87</u>

CITY OF HILLVIEW, KENTUCKY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
 THE STATEMENT OF ACTIVITIES
 JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds	564,304.22
Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:	
Cost of assets capitalized	198,195.07
Depreciation/amortization expense	(158,159.00)
Long-term loans are reported as other financing sources when made and as expenditures when repaid in the governmental funds. This amount represents the change in the long-term loans payable.	173,526.81
Employer actuarially required contributions made subsequent to the measurement date of June 30, 2016 are pension expense in the Statement of Net Activities.	(803,885.00)
Net Change in net pension liability	(755,173.00)
Net Change in OPEB liability	(421,995.00)
Employer actuarially required contributions made subsequent to the measurement date of June 30, 2017 are not pension expense in the Statement of Net Activities.	991,258.00
Employer actuarially required contributions made subsequent to the measurement date of June 30, 2017 are not OPEB expense in the Statement of Net Activities.	<u>408,058.00</u>
Change in Net Position of Governmental Activities	<u><u>196,130.10</u></u>

CITY OF HILLVIEW, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

Business-type Activities
Enterprise Fund

Sewer

ASSETS

Current Assets	<u>.00</u>
Total Current Assets	.00
Non-Current Assets	
Capital Assets	
Sewer system	1,700,000.00
Accumulated depreciation	<u>(648,125.00)</u>
Total Capital Assets Net of Accumulated Depreciation	<u>1,051,875.00</u>
Total Non-Current Assets	<u>1,051,875.00</u>
Total Assets	<u>1,051,875.00</u>

LIABILITIES

Current Liabilities Payable from Unrestricted Assets	
Bonds payable - current	<u>110,000.00</u>
Total Current Liabilities Payable from Unrestricted Assets	110,000.00
Non-Current Liabilities	
Bonds, payable from unrestricted assets	<u>475,000.00</u>
Total Non-Current Liabilities	<u>475,000.00</u>
Total Liabilities	585,000.00

NET POSITION

Invested in capital assets, net of related debt	466,875.00
Unrestricted	<u>.00</u>
Total Net Position	<u>466,875.00</u>
Total Liabilities and Net Position	<u>1,051,875.00</u>

CITY OF HILLVIEW, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
	<u>Sewer</u>
<u>OPERATING REVENUES</u>	
Sewer service	.00
Total Operating Revenues	.00
<u>OPERATING EXPENSES</u>	
Utilities	408.61
Insurance	2,835.68
Depreciation	42,500.00
Total Operating Expenses	<u>45,744.29</u>
<u>OPERATING LOSS</u>	(45,744.29)
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest expense	<u>17,693.49</u>
Total Nonoperating Expenses	<u>(17,693.49)</u>
Loss before operating transfers	(63,437.78)
<u>TRANSFERS IN</u>	<u>125,937.78</u>
<u>CHANGE IN NET POSITION</u>	62,500.00
<u>TOTAL NET POSITION, JULY 1</u>	<u>404,375.00</u>
<u>TOTAL NET POSITION, JUNE 30</u>	<u><u>466,875.00</u></u>

CITY OF HILLVIEW, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
	<u>Sewer</u>
Cash Flows from Operating Activities:	
Cash received from customers	.00
Cash payments to suppliers	<u>(3,244.29)</u>
Net Cash Used by Operating Activities	(3,244.29)
Cash Flows from Noncapital Financial Activities:	
Operating transfers in	<u>125,937.78</u>
Net Cash Provided by Noncapital Financing Activities	122,693.49
Cash Flows from Capital and Related Financing Activities:	
Repayment of long-term debt	(105,000.00)
Interest payment long-term debt	<u>(17,693.49)</u>
Net Cash Used by Capital and Related Financing Activities	(122,693.49)
Net Increase (Decrease) in Cash	.00
Cash, July 1	<u>.00</u>
Cash, June 30	<u>.00</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(45,744.29)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	<u>42,500.00</u>
Total Adjustments	<u>42,500.00</u>
Net Cash Used by Operating Activities	<u>(3,244.29)</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Hillview 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. The City has implemented GASB Statements No. 34, 54, 65, 68, 71, 72, 75, 76 and 77, and these statements are presented according to those requirements. The following is a summary of the significant policies.

Basic Financial Statements

In accordance with GASB Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the City as a whole, no component unit entities exist. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Position reports all financial and capital resources of the City. It is displayed in a format of assets less liabilities equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for a purpose for which both restricted and unrestricted net assets are available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds.

The City reports the following major governmental funds:

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.

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.

In the balance sheet of governmental funds, fund balances are segregated as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements, or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Unassigned - all other spendable amounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major enterprise fund:

The Sewer Fund accounts for the operation of the City's waste water 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. The City is still responsible for the payments of principal and interest of the bonds and for the insurance on the plant and equipment.

Measurement Focus and Basis of Accounting

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 financial 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.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary fund's financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary fund's financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds 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 costs 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 considers repaving of streets and roads to be normal maintenance and repairs and not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed for proprietary funds.

CITY OF HILLVIEW, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 to 40 years
Sewer plant	40 years
Machinery and equipment	5 to 7 years

The City does not have a formal capitalization policy but has historically used \$2,000.00 as the capitalization threshold.

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
<u>Governmental Activities</u>				
Buildings	1,593,307.76	35,382.00		1,628,689.76
Machinery and equipment	1,709,059.25	162,813.07		1,871,872.32
Land	192,089.04			192,089.04
<u>Business Type Activities</u>				
Sewer plant	<u>1,700,000.00</u>			<u>1,700,000.00</u>
	<u>5,194,456.05</u>	<u>198,195.07</u>		<u>5,392,651.12</u>
<u>Accumulated Depreciation</u>				
Buildings	473,723.00	36,201.00		509,924.00
Machinery and Equipment	1,299,171.50	121,958.00		1,421,129.50
Sewer Plant	<u>605,625.00</u>	<u>42,500.00</u>		<u>648,125.00</u>
	<u>2,378,519.50</u>	<u>200,659.00</u>		<u>2,579,178.50</u>

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

Administration	\$ 46,674.00
Public Safety	72,612.00
Public Works	28,495.00
Community Center/Recreation	10,378.00
Waste Water Treatment Facility	<u>42,500.00</u>
	<u>200,659.00</u>

Property Tax

Property is assessed as of January 1. Taxes were levied on October 1, 2017 and are payable by December 31. City real property tax revenues are recognized when levied. Any real property tax unpaid at June 30 or 60 days thereafter is deemed uncollectible for financial reporting purposes. The City has liens on these properties to secure payment of these taxes. The assessed value of City real property was \$499,182,663 and the tax rate was 12.14 cents per hundred dollars of assessed value. Any unpaid 2017 real property taxes were sold to a collection agency at the May 21, 2018 council meeting and payment was received in June, 2018.

CITY OF HILLVIEW, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 2 - SCHEDULE OF CASH

<u>Fund</u>	<u>Financial Institution</u>	<u>Balance</u>	<u>Insured</u>	<u>Collateralized</u>
General	Limestone Bank	1,178,654.28	FDIC	928,654.28
General	Limestone Bank	5,400.82	FDIC	
General	Park Federal Credit Union	49,485.50	FDIC	
General	Park Federal Credit Union	148,962.01	FDIC	
General	Park Federal Credit Union	43,247.11	FDIC	
General	BB&T	101,015.14	FDIC	
General	United Bank & Capital	524,726.05	FDIC	274,726.05
General	First Capital Bank	5,609.87	FDIC	
General	Park Federal Credit Union	1,002.70	FDIC	
General	PNC Bank	44,653.68	FDIC	
General	First Harrison Bank	<u>250,120.23</u>	FDIC	
		2,352,877.39		
Special Revenue				
LGEA	PBI Bank	42,200.21	FDIC	
Municipal Aid	PBI Bank	117,704.63	FDIC	
Municipal Aid	PNC Bank	25,194.68	FDIC	
Municipal Aid	Park Federal Credit Union	<u>26,855.50</u>	FDIC	
		211,955.02		
Petty Cash		800.00		
		<u>2,565,632.41</u>		

The City has not adopted a formal deposit and investment policy.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The City has funds on deposit at various times during the year with two financial institutions in excess of the FDIC insurance coverage.

NOTE 4 - RISK MANAGEMENT/CONTINGENCIES

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. These risks are covered by various commercial insurance policies except that the City does not insure all of its vehicles for collision/comprehensive coverage. There have been no significant reductions in insurance coverage from 2017 to 2018. Settlements, less deductibles, have not exceeded insurance coverage during the past three years. 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 5 - PENSION PLAN

CERS Plan

Plan description and benefits provided - Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS). These are cost-sharing, multiple employer defined benefit pension plans. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to the members of that plan and the administrative costs incurred by those receiving a benefit, in accordance with the provisions of KRS Sections 16.510, 61.515, 61.702, 78.520 and 78.630. The City has elected to participate in CERS pursuant to KRS Section 78.530. Under the provisions of KRS Section 61.701, the Board of Trustees of Kentucky Retirement Systems administers the Kentucky Retirement Systems' Insurance Fund (Insurance Fund). The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by Kentucky Retirement Systems: (1) KERS; (2) CERS; and (3) SPRS. The assets of the Insurance Fund are also segregated by plan.

The CERS Pension Fund and CERS Insurance Fund cover all eligible full-time employees and provide retirement, disability and death benefits and health insurance benefits. Benefit contributions and provisions are established by statute. CERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124 or by calling (502) 696-8800.

Non-hazardous employees can retire with full retirement benefits after 27 years of service or age 65. Non-hazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit. Retirement benefits are determined based upon a maximum of 2.2 percent of the employee's years of service multiplied by their Final Compensation. Final Compensation is calculated based upon the average of the five highest fiscal years (or last five fiscal years for employees who began participation on or after September 1, 2008) of salary prior to attainment of CERS specified age (or age and service combinations).

Hazardous employees can retire with full retirement benefits after 20 years of service or age 55. Hazardous employees who began participation on or after September 1, 2008 must have 25 years of service or the member's age is 60, with a minimum of 60 months of service credit. Retirement benefits are determined based upon a maximum of 2.5 percent of the employee's years of service multiplied by their Final Compensation. Final Compensation is calculated based upon the average of the three highest fiscal years of salary prior to attainment of CERS specified age (or age and service combinations).

CERS allows non-hazardous and hazardous employees to retire prior to meeting the requirements above and receive partial benefits, providing they meet certain age and service related criteria.

Employees are eligible for service-related disability benefits regardless of length of service. Five years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal the employee's final full-year salary.

5. PENSION PLAN - (Continued)

CERS Plan - continued

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>%Paid by Insurance Fund</u>	<u>%Paid by Member through Payroll Deduction</u>
20 or more	100%	0%
15 - 19	75%	25%
14 - 10	50%	50%
4 - 9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Contributions - Benefit and contribution rates are established by state statute. Non-hazardous covered employees are required to contribute 5.00% of their salary to the plan. Non-hazardous covered employees who began participation on or after September 1, 2008, are required to contribute 6.00% of their salary to the plan. The City's contribution rate for non-hazardous employees was 19.18%, 18.68% and 17.06% for the years ended June 30, 2018, 2017 and 2016, respectively.

Hazardous covered employees are required to contribute 8.00% of their salary to the plan. Hazardous covered employees who began participation on or after September 1, 2008, are required to contribute 9.00% of their salary to be allocated as follows: 8.00% will go to member's account and 1.00% will go to the Insurance Fund. The City's contribution rate for hazardous employees was 31.55%, 31.06% and 32.95% for the years ended June 30, 2018, 2017 and 2016, respectively.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, are 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 5% (non-hazardous) and 8% (hazardous) of their creditable compensation each month to their own account, and 1% to the Insurance Fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board of Trustees of the Kentucky Retirement Systems based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (non-hazardous) and 7.5% (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

5. PENSION PLAN - (Continued)

CERS Plan, continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the City reported a liability of \$3,233,323 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's actual contributions to the pension plan relative to the actual contributions of all participating organizations.

The complete actuarial valuation report including all actuarial assumptions and methods is publicly available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

For the year ended June 30, 2018, the City recognized pension expense of \$544,854. At June 30, 2018, the City reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected actual earnings on pension plan investments:		
Hazardous	\$ 21,367	\$ -
Non-Hazardous	9,748	-
Difference between expected and actual experience:		
Hazardous	89,688	-
Non-Hazardous	977	20,055
Change of assumptions:		
Hazardous	487,768	-
Non-Hazardous	145,424	-
Change in proportion and differences between employee contributions and proportionate share of contributions:		
Hazardous	31,958	-
Non-Hazardous	6,904	-
District's contributions subsequent to the measurement date of June 30, 2017:		
Hazardous	167,011	-
Non-Hazardous	50,468	-
Total	<u>\$1,011,313</u>	<u>\$ 20,055</u>

5. PENSION PLAN - (Continued)

The deferred outflows or resources related to the City's contributions to the CERS pension plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. The deferred outflows of resources related to the net difference between projected and actual earnings on pension plan investments are amortized and recognized in pension expense over five years. All other amounts reported as deferred outflows of resources related to pensions are amortized and recognized in pension expense over the average expected remaining service life of the entire plan membership, which is 3.41 years for non-hazardous employees and 3.23 years for hazardous employees. The net increase (decrease) in pension expense related to the amortization of these deferred outflows of resources is as follows:

Year ending June 30:	
2019	\$ 323,606
2020	351,071
2021	135,953
2022	<u>(36,851)</u>
Total	\$ <u>773,779</u>

Actuarial assumptions - For financial reporting the actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2017, were based on an actuarial valuation date of June 30, 2016. The total pension liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017 using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2016, but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of GRS' replication. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date, and before the required 2019 experience study, the Kentucky Retirement Systems Board of Trustees reviewed investment trends, inflation and payroll growth historical trends. Based on this review the Board of Trustees adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017:

Inflation	2.30 percent (3.25 percent in previous measurement date)
Salary increases	4.0 percent, average including inflation
Investment rate of return	6.25 percent (7.50 percent in previous measurement date)

The mortality table used for active members is 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 RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

5. PENSION PLAN - (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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 by adding expected inflation. 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:	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash Equivalent	<u>2%</u>	(.25)%
Total	<u>100%</u>	

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 contributions from plan members and employers will be made at statutory contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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:

	<u>1% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
City's share of the net pension liability	\$4,068,389	3,233,323	2,541,490

OPEB Plan

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2018, the City reported a liability of \$1,174,183 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's actual contributions to the OPEB plan relative to the actual contributions of all participating organizations.

The complete actuarial valuation report including all actuarial assumptions and methods is publicly available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

5. PENSION PLAN - (Continued)

OPEB Plan, continued

For the year ended June 30, 2018, the City recognized OPEB expense of \$168,394. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments:		
Hazardous	\$ -	\$ 56,688
Non-Hazardous	-	12,792
Difference between expected and actual experience:		
Hazardous	-	2,105
Non-Hazardous	-	752
Change of assumptions:		
Hazardous	333,267	-
Non-Hazardous	58,897	-
Change in proportion and differences between employee contributions and proportionate share of contributions:		
Hazardous	-	180
Non-Hazardous	-	629
District's contributions subsequent to the measurement date:		
Hazardous	89,040	-
Non-Hazardous	-	-
Total	\$ <u>481,204</u>	\$ <u>73,146</u>

The deferred outflows of resources related to the City's contributions to the OPEB plan subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. The deferred inflows of resources related to the net difference between projected and actual earnings on OPEB plan investments are amortized and recognized in OPEB expense over five years. All other amounts reported as deferred outflows of resources and deferred inflows of resources are amortized and recognized in OPEB expense over five years. All other amounts reported as deferred outflows of resources and deferred inflows of resources are amortized and recognized in OPEB expense over the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan which is determined to be approximately 4.5 years for hazardous employees and 6.25 years for non-hazardous employees. The net increase (decrease) in OPEB expense for future years related to the amortization of deferred inflows and outflows of resources is as follows:

Year ending June 30:	
2018	\$ 87,021
2019	87,021
2020	87,021
2021	44,012
2022	10,893
2023	<u>3,050</u>
Total	\$ <u>319,018</u>

5. PENSION PLAN - (Continued)

OPEB Plan, continued

Actuarial assumptions - For financial reporting the actuarial valuation as of June 30, 2017 was performed by GRS. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2017, were based on an actuarial valuation date of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2016, but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of GRS' replication. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date, and before the required 2019 experience study, the Kentucky Retirement Systems Board of Trustees reviewed investments trends, inflation, and payroll growth historical trends. Based on this review the Board of Trustees adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017:

Inflation	2.30%
Payroll growth rate	2.0% for CERS non-hazardous and hazardous
Salary increase	3.05%, average
Investment rate of return	6.25%
Healthcare trend rates:	
Pre-65	Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

The mortality table used for active members is 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 for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

Discount rate - The projection of cash flows used to determine the discount rate of 5.84% for non-hazardous and 5.96% for hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the Kentucky Retirement System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the Kentucky Retirement System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the pension section above.

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, 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 or 1 percentage point higher than the current discount rate:

5. PENSION PLAN - (Continued)

OPEB plan, continued

	1% Decrease (4.96% hazardous) <u>(4.85% non-hazardous)</u>	Current Discount Rate (5.96% hazardous) <u>(5.84% non-hazardous)</u>	1% Increase (6.96% hazardous) <u>(6.84% non-hazardous)</u>
City's share of the net OPEB liability	\$1,555,244	\$1,174,183	\$ 861,381

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates- The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trade Rate</u>	<u>1% Increase</u>
City's share of the net OPEB liability	\$ 847,201	\$1,174,183	\$1,586,800

Deferred Compensation Plans

The City's employees may elect to participate in two deferred compensation plans offered by the Kentucky Public Employees Deferred Compensation Authority under sections 401(k) and 457 of the Internal Revenue Code. Under the plans, employees may defer up to 100% of their compensation after deducting required contributions to the CERS plan. The City does not make matching contributions to these plans.

NOTE 6 - LONG TERM DEBT

Waste Water 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 are to be used to construct a waste water treatment facility. General obligation bonds are backed by the full faith, credit and taxing power of the City. The debt has varying maturity dates from 1/15/03 to 1/15/22 with interest rates ranging from 4% to 4.75%.

The City Council on June 28, 2010 passed Ordinance No. 2010-08 which provides for the refinancing of these bonds at a lower interest rate. The new payment period will be 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 balance due on the bond issue at June 30, 2017 was \$690,000.00 and \$585,000.00 at June 30, 2018.

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

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest to Maturity</u>
6/30/19	110,000.00	16,425.00
Thereafter	<u>475,000.00</u>	<u>35,425.00</u>
	<u>585,000.00</u>	<u>51,850.00</u>

CITY OF HILLVIEW, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 6 - LONG TERM DEBT (CONTINUED)

Public Safety Vehicles

1. The City refinanced three police cruiser loans during the previous fiscal year. The loan balances at the time of refinancing was \$85,483.07. The new loan has an interest rate of 3.99% and is due in monthly installments of principal and interest of \$2,527.35 for 36 months. The balance of the loan on June 30, 2017 was \$62,693.52 and was paid off during the current fiscal year. Interest paid during the current fiscal year was \$1,956.08.

Government Center Acquisition/Renovation and Ferguson Lane Property Refinance

The City closed on Kentucky Bond Corporation Financing Program Revenue Bonds 2010 Series A on August 25, 2010. The principal amount of the bonds were \$1,785,000.00. The bond proceeds, after deducting issuance costs of \$56,474.54, were \$1,733,832.26. The proceeds were used to pay off a lease obligation of \$495,000.00, purchase the land and building to be used for the government center for \$1,000,000.00 and the remaining amount of \$238,832.26 will be used to renovate the government center building. Interest rates vary from 1% to 4% over the term of the loan.

The bonds are general obligation bonds and are backed by the full faith credit and taxing power of the City. The balance due on the bonds at June 30, 2018 was \$785,000.00 and \$877,500.00 at June 30, 2017. Interest paid during the current fiscal year was \$34,468.80.

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

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest to Maturity</u>
6/30/19	60,000.00	29,368.78
Thereafter	<u>725,000.00</u>	<u>175,184.39</u>
	<u>785,000.00</u>	<u>204,553.17</u>

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 \$217,400.00 escrow account. 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 and credit and taxing power of the City. The balance on the bonds at June 30, 2018 was \$5,402,500.00 and at June 30, 2017 was \$5,420,833.31. Interest paid during the current fiscal year was \$184,315.88. The interest rate on the bonds is variable 3.0% to 3.375% and the current rate is 3%.

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

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>
6/30/19	34,166.70	169,463.76
6/30/20	41,666.66	168,438.76
6/30/21	54,166.64	167,113.76
6/30/22	60,000.00	165,488.76
6/30/23	100,000.00	163,688.76
7/1/23 to 6/30/27	760,833.00	608,180.04
7/1/27 to 6/30/32	1,207,500.00	625,306.30
7/1/32 to 6/30/37	1,585,000.00	412,530.01
7/1/37 to 2/01/42	<u>1,559,167.00</u>	<u>138,030.29</u>
	<u>5,402,500.00</u>	<u>2,618,240.44</u>

NOTE 6 - LONG TERM DEBT (CONTINUED)

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 \$540,000.00 as per the terms of the settlement agreement. The direct payment amount due July 15, 2017 was \$316,531.33 and the direct payment amount due July 15, 2018 was \$330,245.28.

NOTE 7 - FUND DISCLOSURES

Interfund Transfers

The general fund pays for all operating expenses of the special revenue fund and is periodically (at least once a year) reimbursed based on either labor hours expended or nature of expense incurred. The general fund was due \$55,877.83 for the period ended June 30, 2018.

Expenditures in Excess of Budget

The general government and public works category of the general fund had expenditures in excess of budget. The fund had adequate resources to cover the excess expenditures.

Deferred Inflows

This amount is for business license fees collected in advance of the license renewal date of July 1, 2018.

NOTE 8 - TAX ABATEMENTS

The City had one tax abatement agreement that ceased on November 1, 2017. This agreement results in a 1% refund of the City's occupational tax collected from the employer's employees. The amount of tax rebated for the fiscal year was \$133,982.00. The agreement was entered into in 2007 under the Kentucky Jobs Development Act.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to year end through the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HILLVIEW, KENTUCKY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2017	\$1,613,369.00	\$1,069,559.00	\$ 2,160,868.35	\$1,091,309.35
Resources				
Property taxes	968,770.00	919,161.00	906,891.41	(12,269.59)
Insurance premium taxes	636,100.00	789,638.00	801,675.00	12,037.00
Licenses and permits	41,940.00	48,700.00	61,796.15	13,096.15
Intergovernmental	104,034.00	83,829.00	90,210.74	6,381.74
Occupational taxes	2,150,000.00	2,256,394.00	2,310,955.01	54,561.01
Franchise taxes	60,786.00	62,599.00	62,074.09	(524.91)
Transfers in	70,000.00	.00	.00	.00
Recreation	103,000.00	103,000.00	115,564.73	12,564.73
Other	<u>46,940.00</u>	<u>50,362.00</u>	<u>46,575.38</u>	<u>(3,786.62)</u>
Amounts Available for Appropriations	5,794,939.00	5,383,242.00	6,556,610.86	1,173,368.86
Charges to Appropriations (Outflows):				
General government	1,178,012.00	1,182,587.00	1,208,070.77	(25,483.77)
Public safety	1,674,273.00	1,753,195.00	1,581,378.92	171,816.08
Public works	557,645.00	623,354.00	680,664.93	(57,310.93)
Health and safety	17,454.00	17,454.00	11,305.62	6,148.38
Recreation services	221,342.00	287,942.00	214,567.49	73,374.51
Transfers out	<u>126,886.00</u>	<u>126,886.00</u>	<u>125,937.78</u>	<u>948.22</u>
Total Charges to Appropriations	<u>3,775,612.00</u>	<u>3,991,418.00</u>	<u>3,821,925.51</u>	<u>169,492.49</u>
Budgetary Fund Balance, June 30, 2018	<u>\$2,019,327.00</u>	<u>\$1,391,824.00</u>	\$ <u>2,734,685.35</u>	<u>\$1,342,861.35</u>
Adjustment to reconcile to GAAP Fund Balance on page 15			_____ .00	
Budgetary Fund Balance per Balance Sheet - Government Funds, on page 15			\$ <u>2,734,685.35</u>	

See Auditor's report on required supplementary information.

CITY OF HILLVIEW, KENTUCKY
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2017	\$188,679.00	\$255,573.00	\$181,268.30	\$(74,304.70)
Resources				
Intergovernmental	161,945.00	162,738.00	177,635.54	14,897.54
Other	<u>1,169.00</u>	<u>544.00</u>	<u>608.18</u>	<u>64.18</u>
Amounts Available for Appropriation	351,793.00	418,855.00	359,512.02	(59,342.98)
Charges to Appropriations (Outflows):				
Current:				
Public safety	30,000.00	30,000.00	.00	30,000.00
Public works	<u>250,000.00</u>	<u>244,600.00</u>	<u>187,756.50</u>	<u>56,843.50</u>
Total Charges to Appropriations	<u>280,000.00</u>	<u>274,600.00</u>	<u>187,756.50</u>	<u>86,843.50</u>
Budgetary Fund Balance, June 30, 2018	<u>\$ 71,793.00</u>	<u>144,255.00</u>	<u>171,755.52</u>	<u>27,500.52</u>
Adjustment to reconcile to GAAP Fund Balance on page 15			<u>0.00</u>	
Budgetary Fund Balance per Balance sheet - Governmental Funds, page 15			<u>\$171,755.52</u>	

See Auditor's report on required supplementary information.

CITY OF HILLVIEW
 SCHEDULE OF THE CITY'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 COUNTY EMPLOYEE RETIREMENT SYSTEM
 FOR THE YEARS ENDED JUNE 30 FOR THE LAST TEN YEARS

	<u>2018</u>	<u>2017</u>
City's proportionate percentage of the net pension liability:		
Hazardous	.109295%	.105877%
Non-hazardous	.013464%	.013432%
City's proportionate share of the net pension liability	\$ 2,541,490	\$ 2,478,150
City's covered-employee payroll*	1,189,226	984,385
City's proportionate share of the net pension liability as a percentage of its covered payroll	211.93%	251.74%
Plan fiduciary net position as a percentage of the total pension liability	52.40%	53.95%

*The amounts presented for each fiscal year were determined as of the measurement date of the net pension liability, which is as of the City's prior fiscal year end.

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF HILLVIEW
 SCHEDULE OF THE CITY PENSION CONTRIBUTIONS
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEARS ENDED JUNE 30 FOR THE LAST TEN YEARS

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 217,479	\$ 150,088
Contributions in relation to the contractually required contribution	<u>217,479</u>	<u>150,088</u>
Contribution deficiency (excess)	0	0
City's covered-employee payroll	1,189,226	984,385
Contributions as a percentage of covered-employee payroll	18.13%	15.25%

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF HILLVIEW
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEARS ENDED JUNE 30 FOR THE LAST TEN YEARS

	<u>2018</u>
City's proportionate percentage of the net OPEB liability:	
Hazardous	.109295%
Non-hazardous	.013464%
City's proportionate share of the net OPEB liability	\$ 1,174,183
City's covered-employee payroll*	\$ 1,199,226
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	102%
Plan fiduciary net position as a percentage of the total OPEB liability	54.52%

*The amounts presented for each fiscal year were determined as of the measurement date of the net OPEB liability, which is as of the City's prior fiscal year end.

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF HILLVIEW
 SCHEDULE OF THE CITY OPEB CONTRIBUTIONS
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEARS ENDED JUNE 30 FOR THE LAST TEN YEARS

	<u>2018</u>
Contractually required contribution	\$ 89,040
Contributions in relation to the contractually required contribution	<u>89,040</u>
Contribution deficiency (excess)	0
City's covered-employee payroll	1,199,226
Contributions as a percentage of covered-employee payroll	7.42%

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

HENSON & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS
PROFESSIONAL LIMITED LIABILITY CORPORATION

ARTHUR J. HENSON, CPA

2455 CRITTENDEN DRIVE
LOUISVILLE, KY 40217-1813

TELEPHONE: (502) 634-8351

FAX: (502) 634-5594

CPA ASSOCIATES
ROBIN F. OWENS, CPA
ROBERT M. BARGER, CPA

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

To the 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, business-type activities, and each major fund of the City of Hillview, Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Hillview, Kentucky's basic financial statements and have issued our report thereon dated November 30, 2018.

Internal Control Over Financial Reporting

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

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

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

As part of obtaining reasonable assurance about whether the City of Hillview, Kentucky'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described as follows:

Finding 2018-1: The City exceeded its budgeted appropriations in the general fund and public works category.

Response: City officials acknowledge that the budget ordinance was violated and that budget ordinances in the future will be amended on a timely basis when required.

Finding 2018-2: The City is required to present a quarterly report of expenditures on a budget vs actual basis. This report was not presented.

Response: City officials acknowledge that the report was not presented and that the City's accounting software needs to be updated so that budget vs actual reports can be produced.


We noted certain other matters that we reported to management of City of Hillview, Kentucky in a separate letter dated November 30, 2018.

City of Hillview, Kentucky's Response to Findings

City of Hillview, Kentucky's response to the findings identified in our audit are described previously. City of Hillview, Kentucky'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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Henson & Associates
Certified Public Accountants

Louisville, Kentucky

November 30, 2018