

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Hurstbourne, Kentucky, as of an for the year ended June 30, 2016, 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 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of 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 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 and each major fund of the City of Hurstbourne, Kentucky, as of June 30, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 3 through 8 and 35 through 45 be presented to supplement the basic financial statements. Such information, although not of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 January 11, 2017, on our consideration of the City of Hurstbourne, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Hurstbourne, Kentucky's internal control over financial reporting on compliance.

Stephens & Lawson, CPAs
5203 Dixie Highway
Louisville, Kentucky
(502) 448-4376
January 11, 2017

CITY OF HURSTBOURNE, KENTUCKY
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Functions / Programs	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Net (Expense) Revenue
Primary Government:					
Governmental Activities					
General Government	\$ 512,053	\$ 77,329	\$ - 0	\$ - 0	\$ (434,724)
Public Safety	171,654	- 0	5,183	-	(166,471)
Public Works	757,068	- 0	- 0	10,000	(747,068)
Sanitation	442,398	- 0	- 0	-	(442,398)
Community Development	18,895	- 0	- 0	-	(18,895)
Road Maintenance	144,185	- 0	83,759	-	(60,426)
Total Governmental Activities	<u>2,046,253</u>	<u>77,329</u>	<u>88,942</u>	<u>10,000</u>	<u>(1,869,982)</u>
Total Primary Government	<u>2,046,253</u>	<u>77,329</u>	<u>88,942</u>	<u>10,000</u>	<u>(1,869,982)</u>
<u>Primary Government Governmental Activities</u>					
Changes in Net Assets:					
Net Expense	\$ (1,869,982)				
General Revenues:					
Taxes:					
Property Taxes	\$ 1,118,887				
Insurance Tax	705,732				
Bank Franchise Tax	63,784				
Cable Franchise Tax	28,925				
Intergovernmental	233				
Penalties & Interest	5,510				
Interest Income	2,714				
Sale of Surplus Property	1,140				
Other Income	60				
Total General Revenues	<u>1,926,985</u>				
Change in Net Position	57,003				
Net Position - July 1, 2015	3,303,631				
Prior Period Adjustment	(6,274)				
Net Position - June 30, 2016	<u>\$ 3,354,360</u>				

CITY OF HURSTBOURNE, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2016
JUNE 30, 2016

GOVERNMENTAL FUND TYPES

ASSETS	General Fund	Special Revenue Fund	Total Governmental Funds
Cash	\$ 612,551	\$ 2,280	\$ 614,831
Investments	735,000	- 0	735,000
Receivables	180,982	7,713	188,695
Prepaid Expenses	7,455	- 0	7,455
Total Assets	<u>1,535,988</u>	<u>9,993</u>	<u>1,545,981</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	15,094	- 0	15,094
Rents Collected in Advance	15,283	- 0	15,283
Tenant Deposits	3,817	- 0	3,817
Construction Deposits	20,525	- 0	20,525
Total Liabilities	<u>54,719</u>	<u>- 0</u>	<u>54,719</u>
Deferred Inflows of Resources:			
Unavailable Revenue	8,040	- 0	8,040
Total Deferred Inflows of Resources	<u>8,040</u>	<u>- 0</u>	<u>8,040</u>
Fund Balances:			
Nonspendable Fund Balances	7,455	- 0	7,455
Restricted Fund Balances	- 0	9,993	9,993
Assigned Fund Balances	255,000	- 0	255,000
Unassigned Fund Balances	1,210,774	- 0	1,210,774
Total Fund Balance	<u>1,473,229</u>	<u>9,993</u>	<u>1,483,222</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,535,988</u>	<u>\$ 9,993</u>	<u>\$ 1,545,981</u>