

**CITY OF LYNNVIEW, KENTUCKY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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STEPHENS & LAWSON

Certified Public Accountants

Independent Auditor's Report

To the Mayor and Members of the City Council
City of Lynnview, 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 Lynnview, Kentucky, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Lynnview, Kentucky'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 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 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 Lynnview, Kentucky, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 25 through 29 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 January 29, 2018, on our consideration of the City of Lynnview, 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 Lynnview, Kentucky's internal control over financial reporting on compliance.

Stephens & Lawson, CPAs

Louisville, Kentucky
January 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Lynnview, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the year ended June 30, 2017. Please read it in conjunction with the City's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$310,287 (net position) for this fiscal year. That is a decrease of \$12,608 over the previous fiscal year. This decrease is due mainly to a decrease in total assets of \$12,967 along with a decrease in total liabilities of \$359.
- The three largest sources of revenue for the City this fiscal year were charges for services, property taxes, and insurance taxes. Those three sources accounted for 86.99% of the City's overall revenue. Overall revenue for the City increased by \$4,525 to \$310,287 during this fiscal year.
- The City's expenses for this fiscal year decreased by \$31,397 to \$330,143. This decrease was primarily driven by a decrease in spending on public safety.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 8 and 9) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. The statement of net position includes all assets and deferred outflows of resources as well as the liabilities and deferred inflows of resources, with the difference between them presented as net position.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This is better known as the accrual basis of accounting, which is similar to the accounting basis used by most private-sector companies.

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

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

CONDENSED FINANCIAL INFORMATION

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

The total assets of the City decreased by \$12,967 in fiscal year 2017 as compared to fiscal year 2016, and the liabilities of the City decreased by \$359 over the same period of time.

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets	\$ 173,890	\$ 222,227
Depreciable Fixed Assets, Net of Accumulated Depreciation of (\$392,862 and \$452,930 respectively)	<u>143,922</u>	<u>108,552</u>
Total Assets	\$ 317,812	\$ 330,779
Liabilities		
Current Liabilities	<u>\$ 7,525</u>	<u>\$ 7,884</u>
Total Liabilities	\$ 7,525	\$ 7,884
Net Position		
Net Investment in Capital Assets	\$ 143,922	\$ 108,552
Restricted	32,328	72,682
Unrestricted	<u>134,037</u>	<u>141,661</u>
Total Net Position	\$ 310,287	\$ 322,895

Governmental Revenues

The City's primary sources of revenues in this fiscal year were property taxes and charges for services. These two sources comprise 65.97% and 64.65% of the total revenue collected in the fiscal years ending 2017 and 2016 respectively. Total revenues for the year ended June 30, 2017 were \$317,535, which is a decrease of \$4,525 over the previous fiscal year. Revenues reported as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Program Revenues				
Charges for Services	\$ 100,840	31.76%	\$ 97,791	30.36%
Operating Grants and Contributions	24,992	7.87%	32,401	10.06%
Capital Grants and Contributions	-	0.00%	-	0.00%
Total Program Revenues	<u>125,832</u>	<u>39.63%</u>	<u>130,192</u>	<u>40.42%</u>

	2017		2016	
	Amount	Percentage	Amount	Percentage
General Revenues				
Property Taxes	108,640	34.21%	110,447	34.29%
Motor Vehicle Taxes	4,557	1.44%	5,588	1.74%
Insurance Tax	66,758	21.02%	58,586	18.19%
Franchise Tax	3,839	1.21%	3,839	1.19%
Intergovernmental Revenue	-	0.00%	51	0.02%
Other	3,472	1.09%	1,797	0.56%
Penalties and Interest	756	0.24%	4,596	1.43%
Interest Income	12	0.00%	14	0.00%
Sale of Surplus Property	3,669	1.16%	6,950	2.16%
Total General Revenues	<u>191,703</u>	<u>60.37%</u>	<u>191,868</u>	<u>59.58%</u>
Total Revenues	<u>\$ 317,535</u>	<u>100.00%</u>	<u>\$ 322,060</u>	<u>100.00%</u>

Governmental Expenses

Expenses for the year ended June 30, 2017 were \$330,143, which represents a decrease of \$31,397 over the previous fiscal year. Expenses were reported as follows:

	2017		2016	
	Amount	Percentage	Amount	Percentage
Program Expenses:				
General Government	\$ 209,207	63.37%	\$ 213,703	59.11%
Public Safety	101,925	30.87%	130,865	36.20%
Streets and Roads	19,011	5.76%	16,972	4.69%
Total Expenses	<u>\$ 330,143</u>	<u>100.00%</u>	<u>\$ 361,540</u>	<u>100.00%</u>

Excess of Revenues over Expenses

	2017	2016
Total Revenues	\$ 317,535	\$ 322,060
Total Expenditures	330,143	361,540
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (12,608)</u>	<u>\$ (39,480)</u>

Change in Net Position

For the years ended June 30th, net position changed as follows:

	2017	2016
Beginning Net Position	322,895	362,375
Change in Net Position	(12,608)	(39,480)
Ending Net Position	<u>\$ 310,287</u>	<u>\$ 322,895</u>

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our analysis of the City's major funds begins on page 10. The fund financial statements provide detailed information about the governmental fund – not the City as a whole. Most of the City's basic services are reported in the governmental fund, which focuses on how money flows into and out of the fund and the balance left over at year-end that is available for spending in the next period. This fund is reported using the accounting method called the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and statement of activities) and governmental fund in a reconciliation at the bottom of the fund financial statements.

GENERAL FUND BUDGETARY FUND HIGHLIGHTS

For the year ended June 30, 2017, general fund revenues of \$294,117 were \$18,417 more than the \$275,700 budgeted. Revenues with significant variations from budget included property taxes, occupational taxes, and insurance tax.

For the year ended June 30, 2017, general fund expenditures of \$307,878 were \$33,678 more than the \$274,200 budgeted. Expenditures for general government exceeded budget.

FIXED ASSETS

For the year ended June 30, 2017, the City had \$536,784 invested in fixed assets. A schedule of the changes in fixed assets during this fiscal year is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Depreciable Assets:				
Buildings and Improvements	\$ 83,714	\$ -	\$ -	\$ 83,714
Machinery and Equipment	181,079	-	76,366	104,713
Infrastructure	296,689	51,668	-	348,357
Total Depreciable Assets	<u>561,482</u>	<u>51,668</u>	<u>76,366</u>	<u>536,784</u>
Accumulated Depreciation:				
Buildings and Improvements	75,883	315	-	76,198
Machinery and Equipment	167,827	3,974	75,237	96,564
Infrastructure	209,220	10,880	-	220,100
Total Accumulated Depreciation	<u>452,930</u>	<u>15,169</u>	<u>75,237</u>	<u>392,862</u>
Governmental Activities Fixed Assets, Net	<u>\$ 108,552</u>	<u>\$ 36,499</u>	<u>\$ 1,129</u>	<u>\$ 143,922</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget for the upcoming fiscal year anticipates a decrease in revenues due primarily to a decrease in the property value assessments by the Jefferson County PVA of approximately two million dollars. This decrease in valuations is the driving factor for a decreased annual revenue estimate for the City of \$187,900. As such, City leaders have committed to significant decreases in spending to offset the decreased revenues with estimated expenditures totaling \$184,650. Fiscal year 2017-2018 will prove challenging to the City as it will be necessary to maintain existing services with less dollars. Critical services will need extreme oversight of monthly expenditures. Preventing tax increases remains the number one priority of this administration. The City must look at savings interest revenue with an increased effort to make the funds work for the City. Savings throughout the calendar year should become a necessity and the intent is to move the excess of revenues over expenditures, or \$3,250, to the City investment fund.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City Clerk's Office at 1241 Gilmore Lane, Louisville, Kentucky 40213.

CITY OF LYNNVIEW, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government Governmental Activities
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents (\$30,618 restricted)	\$ 136,081
Receivables (\$1,710 restricted)	37,809
Total Current Assets	173,890
Non-current Assets:	
Depreciable Fixed Assets, Net	143,922
Total Non-current Assets	143,922
Total Assets	\$ 317,812
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 5,765
Payroll Taxes and Withholdings Payable	1,760
Total Current Liabilities	7,525
Total Liabilities	\$ 7,525
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 143,922
Restricted for Roads	32,328
Unrestricted	134,037
Total Net Position	\$ 310,287

See the accompanying notes to the financial statements.

CITY OF LYNNVIEW, KENTUCKY
STATEMENT OF ACTIVITIES
JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 209,207	100,681	-	-	\$ (108,526)
Police Department	101,925	159	6,589	-	(95,177)
Streets and Roads	19,011	-	18,403	-	(608)
Total Governmental Activities	<u>330,143</u>	<u>100,840</u>	<u>24,992</u>	<u>-</u>	<u>(204,311)</u>
Total Primary Government	<u><u>\$ 330,143</u></u>	<u><u>\$ 100,840</u></u>	<u><u>\$ 24,992</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (204,311)</u></u>
			<u>Primary Government</u>		
			<u>Governmental Activities</u>		
Changes in Net Position:					
Net Expense		<u>\$ (204,311)</u>			
General Revenues:					
Taxes:					
Property Taxes		\$ 108,640			
Motor Vehicles Tax		4,557			
Insurance Tax		66,758			
Franchise Tax		3,839			
Other Income		3,472			
Penalties and Interest		756			
Interest Income		12			
Sale of Surplus Property		<u>3,669</u>			
Total General Revenues		<u>191,703</u>			
Change in Net Position		(12,608)			
Net Position Beginning of Year		<u>322,895</u>			
Net Position End of Year		<u><u>\$ 310,287</u></u>			

See the accompanying notes to the financial statements.

CITY OF LYNNVIEW, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

GOVERNMENTAL FUND TYPES

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Government Funds</u>
ASSETS			
Cash	\$ 105,033	\$ 31,048	\$ 136,081
Taxes and Intergovernmental Receivables	36,099	1,710	37,809
Due from Other Funds	430	-	430
Total Assets	<u>141,562</u>	<u>32,758</u>	<u>174,320</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	5,765	-	5,765
Payroll Taxes and Withholdings Payable	1,760	-	1,760
Due to Other Funds	-	430	430
Total Liabilities	<u>7,525</u>	<u>430</u>	<u>7,955</u>
Deferred Inflows of Resources			
Unavailable Revenue	10,291	-	10,291
Total Deferred Inflows of Resources	<u>10,291</u>	<u>-</u>	<u>10,291</u>
Fund Balances:			
Restricted for Roads	-	32,328	32,328
Unassigned	123,746	-	123,746
Total Fund Balances	<u>123,746</u>	<u>32,328</u>	<u>156,074</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 141,562</u>	 <u>\$ 32,758</u>	 <u>\$ 174,320</u>

See the accompanying notes to the financial statements.

CITY OF LYNNVIEW, KENTUCKY
RECONCILIATION OF TOTAL FUND BALANCE, GOVERNMENTAL FUNDS TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Reconciliation of Total Fund Balances - Governmental Funds to Net Position of Governmental Activities:

Total Fund Equity, Governmental Funds \$ 156,074

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

Certain tax revenues are earned but not available and therefore are shown as unavailable revenue in the fund financial statements. 10,291

Fixed assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$392,862. 143,922

Net Position of Governmental Activities \$ 310,287

See the accompanying notes to the financial statements.

CITY OF LYNNVIEW, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Totals Governmental Funds</u>
REVENUE			
Property Taxes	\$ 107,545	\$ -	\$ 107,545
Occupational Tax	30,251	-	30,251
Franchise Tax	3,839	-	3,839
Insurance Tax	66,758	-	66,758
Motor Vehicle Tax	4,557	-	4,557
Miscellaneous Income	3,472	-	3,472
Penalties and Interest	756	-	756
Intergovernmental Revenue	6,589	18,403	24,992
License and Permits	1,135	-	1,135
Charges for Services	69,208	-	69,208
Interest Income	7	5	12
Total Revenue	<u>294,117</u>	<u>18,408</u>	<u>312,525</u>
EXPENDITURES			
General Government	208,892	-	208,892
Police Department	98,986	-	98,986
Public Works	-	7,095	7,095
Capital Outlay	-	51,668	51,668
Total Expenditures	<u>307,878</u>	<u>58,763</u>	<u>366,641</u>
Excess (Deficiency) of Revenues Over Expenditures	(13,761)	(40,355)	(54,116)
OTHER FINANCING SOURCES (USES)			
Sale of Surplus Property	<u>4,798</u>	<u>-</u>	<u>4,798</u>
Net Change in Fund Balances	(8,963)	(40,355)	(49,318)
Fund Balances Beginning of Year	<u>132,709</u>	<u>72,683</u>	<u>205,392</u>
Fund Balances End of Year	<u>\$ 123,746</u>	<u>\$ 32,328</u>	<u>\$ 156,074</u>

See the accompanying notes to the financial statements.

CITY OF LYNNVIEW, KENTUCKY
RECONCILIATION OF THE NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL
FUNDS TO THE CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Reconciliation of the net changes in fund balances - total governmental funds to the change in net position of governmental activities:

Net Change in Fund Balances - Total Governmental Funds	\$	(49,318)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Certain tax revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are shown as a deferred inflow in the fund financial statements. Unavailable tax revenues increased by this amount this year.</p>		
		1,340
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.</p>		
Capital outlay	\$ 51,668	
Depreciation expense	<u>(15,169)</u>	<u>36,499</u>
<p>In the statement of activities, only the net gain on the sale of an asset is reported, whereas in the governmental funds, the proceeds of the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold less its accumulated depreciation.</p>		
Basis in assets sold		<u>(1,129)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(12,608)</u></u>

CITY OF LYNNVIEW, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Lynnview, Kentucky (the City) is a home-rule city with a population under 1,000 located in Jefferson County, Kentucky. It operates under an elected mayor-council form of government. The City provides the following services authorized by its charter: public safety, sanitation, and street maintenance. Primary revenue sources are property taxes, insurance taxes, and municipal road aid. Those revenues susceptible to accrual are property taxes, insurance taxes, and municipal road aid.

All significant activities and organizations on which the City of Lynnview, Kentucky exercises oversight responsibility have been included in the City's financial statements, for the year ended June 30, 2017. The following criteria regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

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

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

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

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

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

Basic Financial Statements

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

Government-wide Financial Statements:

These financial statements display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds.

In the statement of net position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The statement of activities reports both the gross and net cost of each of the City's functions (general government, police, and streets and roads). The functions are also supported by general government revenues (property taxes and insurance, taxes). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, police, and streets and roads). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital specific grants.

CITY OF LYNNVIEW, KENTUCKY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Basic Financial Statements - Continued

Government-wide Financial Statements - continued:

The net costs, by function, are normally covered by general revenue (property taxes and insurance taxes, etc.). The City does not allocate indirect costs and all interfund activity is eliminated in the government-wide financial statements.

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

Fund Financial Statements:

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds, except that the primary operating fund of the City, the general fund, is always considered major. Those criteria for evaluation of all other funds are as follows:

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

The funds of the financial reporting entity are described below:

Governmental Type Funds

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

General Fund - The general fund is the City's primary operating fund. It is used to account for and report all financial resources except those legally or administratively required to be accounted for in another fund.

CITY OF LYNNVIEW, KENTUCKY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Basic Financial Statements - Continued

Fund Financial Statements - continued:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The City accounts for state road funds in the special revenue fund and considered it to be a major fund.

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

Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

Basis of Accounting

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

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

Encumbrances

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

CITY OF LYNNVIEW, KENTUCKY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Cash and Cash Equivalents

The City considers all cash in bank and highly liquid investments with a maturity of ninety days or less to be cash and cash equivalents.

Inventories

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

Receivables

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

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

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

Fixed Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. For financial reporting purposes, the City has decided to only capitalize individual assets with a value of \$1,000 or greater. Fixed assets are not reported on the fund financial statements.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful life using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

Buildings and Improvements	10 to 50 years
Infrastructure	15 to 75 years
Machinery and Equipment	5 to 15 years

Due to and Due From Other Funds

Interfund receivables and payables are recorded by all funds in the period in which transactions are executed on the fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

CITY OF LYNNVIEW, KENTUCKY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Deferred Inflow/Outflow of Resources

Deferred Outflows:

The City reports decreases in net position/fund balances that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position / fund financials balance sheet – governmental funds. No deferred outflows of resources affected either of these financial statements in the current year.

Deferred Inflows:

The City reports increases in net position/fund balances that related to future periods as deferred inflows of resources in a separate section of its government-wide statement of net position / fund financials balance sheet – governmental funds. The City had no deferred inflows of resources to report in the government-wide statement of net position; however, such amounts are reported in the fund financial statement. The City only has one type of item which occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly deferred property taxes are reported in the fund financials balance sheet – governmental funds as unavailable revenue.

Accounts Payable

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

Long-term Debt

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide financial statements. Long-term debt consists primarily of bond/debt agreement obligations, capital lease obligations, and accrued compensated absences.

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

Equity Classifications

Government-Wide Statements

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

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

CITY OF LYNNVIEW, KENTUCKY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Equity Classifications - Continued

Government-Wide Statements - continued

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

Fund Financial Statements

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

- a. Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.
- d. Assigned – Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval by City Council.
- e. Unassigned – All amounts not included in other spendable classification.

Expenditures are considered paid from restricted funds first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first from committed, then assigned, and finally unassigned.

Real and Personal Property Tax Revenue

The City assesses property taxes in July of each calendar year (\$0.2970 per \$100 of assessed value) based upon an assessment date of January 1st. Bills are mailed once they are prepared (usually in July) and are payable by December 31st of the same year. Bills paid prior to November 1st are allowed a 2% discount; bills paid after that date but before January 1st of the following year are not allowed a discount, nor are they subject to any penalties. Bills paid on January 1st of the next year or after will be declared delinquent. All bills paid on or after January 1st bear interest at a rate of 12% per annum, compounded monthly until paid. Additionally a penalty of 10% of the amount shall be added for non-payment for each month payment is delinquent. The City has no formal policies concerning lien dates.

The City also assesses an ad valorem tax on motor vehicles (\$0.1190 per \$100 of assessed value) which is collected and remitted to the City by the Jefferson County Clerk's office, a sanitation user fee of \$55.45 per household, and a special ad valorem tax to help defray the cost of garbage collection (\$0.1000 per \$100 of assessed value).

Occupational License

The City imposes an occupational license fee on all business operating within City limits. The minimum fee imposed under this ordinance is \$187.00. Gross receipts in excess of \$100,000 are charged \$750 plus \$1 for each \$1,000 or fraction thereof that gross receipts exceeded \$100,000.

CITY OF LYNNVIEW, KENTUCKY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Expenditures/Expenses

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

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the classifications and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - DEPOSITS AND INVESTMENTS

Under Kentucky Revised Statutes the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. The City typically invests surplus cash at local banks in the form of savings accounts or money market accounts. This plan subjects the City to the following types of risk:

Custodial Credit Risk – this is the risk that in the event of the failure of a counterparty (e.g., a bank) the City will not be able to recover the full value of its deposits or investments. The City does not have a formal investment policy to deal with this risk, but this City considers this risk immaterial.

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

Interest Rate Risk – this is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates. The City has attempted to address this risk by keeping deposits in interest bearing accounts that adjust with the market.

All deposits of the City were fully insured by the Federal Deposit Insurance Corporation as of June 30, 2017.

CITY OF LYNNVIEW, KENTUCKY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE C – RECEIVABLES

Receivables at June 30, 2017 consisted of the following:

Receivable Type	Statement of	Balance Sheet - Governmental Funds	
	Net Position	General	Special Revenue
	Governmental	Fund	Fund
	Activities		
Property Tax	\$ 9,098	\$ 9,098	\$ -
Insurance Tax	20,454	20,454	-
Cable Franchise	320	320	-
Motor Vehicle Tax	410	410	-
Sanitation Fees	425	425	-
Sanitation User Fees	2,245	2,245	-
Sanitation Special Assessment	3,147	3,147	-
Municipal Road Aid	1,710	-	1,710
Total Receivables	<u>\$ 37,809</u>	<u>\$ 36,099</u>	<u>\$ 1,710</u>

NOTE D – FIXED ASSETS

Fixed asset activity for the year ended June 30, 2017, was as follows:

	Beginning			Ending
	Balance	Additions	Retirements	Balance
Governmental Activities				
Depreciable Assets:				
Buildings and Improvements	\$ 83,714	\$ -	\$ -	\$ 83,714
Machinery and Equipment	181,079	-	76,366	104,713
Infrastructure	296,689	51,668	-	348,357
Total Depreciable Assets	<u>561,482</u>	<u>51,668</u>	<u>76,366</u>	<u>536,784</u>
Accumulated Depreciation:				
Buildings and Improvements	75,883	315	-	76,198
Machinery and Equipment	167,827	3,974	75,237	96,564
Infrastructure	209,220	10,880	-	220,100
Total Accumulated Depreciation	<u>452,930</u>	<u>15,169</u>	<u>75,237</u>	<u>392,862</u>
Governmental Activities Fixed Assets, Net	<u>\$ 108,552</u>	<u>\$ 36,499</u>	<u>\$ 1,129</u>	<u>\$ 143,922</u>

Depreciation expense of \$15,169 was allocated to the various functions on the statement of activities as follows:

Governmental Activities	
General Government	\$ 315
Police	2,938
Public Works	11,916
Total	<u>\$ 15,169</u>

CITY OF LYNNVIEW, KENTUCKY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE E – RESTRICTED NET POSITION/FUND BALANCE

Restricted net position and restricted fund balances, in the amount of \$32,328 at June 30, 2017, are to be used for streets and roads.

NOTE F - INTERGOVERNMENTAL REVENUE

Under the provisions of state law, the Commonwealth of Kentucky reimbursed the City for miscellaneous operating costs during the year ended June 30, 2017 that are recorded in the General Fund.

NOTE G – INTERFUND BALANCES

Expenses of the road fund are typically paid for by the general fund and then reimbursed by the road fund as money becomes available. At June 30, 2017 the road fund owed the general fund \$430 for unreimbursed expenses. This amount is reflected only in the fund financial statements as interfund balances which are eliminated in the government wide financial statements. This amount is expected to be repaid during the next fiscal year.

NOTE H - LITIGATION

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

NOTE I - EMPLOYEE RETIREMENT PLAN

The City does not offer any form of retirement plan for City employees.

NOTE J - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance coverage for each of the above risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE K- IMPLEMENTATION OF GASB PRONOUNCEMENTS

The City prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a listing of standards implemented, as applicable, during this fiscal year or scheduled for implementation in the future.

CITY OF LYNNVIEW, KENTUCKY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE K- IMPLEMENTATION OF GASB PRONOUNCEMENTS - CONTINUED

Pronouncements Scheduled to be Adopted in this Fiscal Year:

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The provisions of this statement are effective for fiscal years beginning after June 15, 2016 with earlier adoption encouraged. This standard is intended to improve the usefulness of information provided about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental plans for making decisions and assessing accountability. At present the City has no activities that fall under this standard.

GASB Statement No. 77, Tax Abatement Disclosures

The provisions of this statement are effective for fiscal years beginning after December 15, 2015 with earlier adoption encouraged. This standard is meant to assist users of the City's financial statement in determining any limitations on its revenue raising capacity resulting from programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the City or its citizens. At present the City has no activities that fall under this standard.

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

The provisions of this statement are effective for fiscal years beginning after December 15, 2015 with earlier adoption encouraged. This standard is meant to clarify the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. At present the City has no activities that fall under this standard.

GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14

The provisions of this statement are effective for fiscal years beginning after June 15, 2016 with earlier adoption encouraged. This standard is meant to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. At present the City has no activities that fall under this standard.

GASB Statement No. 82, Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73

The provisions of this statement are effective for fiscal years beginning after June 15, 2016 with earlier adoption encouraged. This standard is meant address certain issues that have been raised with respect to the statements referred to above. At present the City has no activities that fall under this standard.

Pronouncements Scheduled to be Adopted in Future Fiscal Years:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The provisions of this statement are effective for fiscal years beginning after June 15, 2017 with earlier adoption encouraged. This standard is intended to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions as well as improving information provided by state and local governmental employers about financial support for such benefits that is provided by other entities. At this time the City does not believe the provisions of this standard will have any impact on its financial statements.

CITY OF LYNNVIEW, KENTUCKY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE K- IMPLEMENTATION OF GASB PRONOUNCEMENTS - CONTINUED

Pronouncements Scheduled to be Adopted in Future Fiscal Years – Continued:

GASB Statement No. 81, Irrevocable Split-Interest Agreements

The provisions of this statement are effective for fiscal years beginning after December 15, 2016 with earlier adoption encouraged. This standard is meant to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. At this time the City does not believe the provisions of this standard will have any impact on its financial statements.

GASB Statement No. 83, Certain Asset Retirement Obligations

The provisions of this statement are effective for fiscal years beginning after June 15, 2018 with earlier adoption encouraged. This standard is meant address accounting and financial reporting for certain asset retirement obligations. The City is still determining the impact, if any, this statement will have on the financial statements.

GASB Statement No. 84, Fiduciary Activities

The provisions of this statement are effective for fiscal years beginning after December 15, 2018 with earlier adoption encouraged. This standards is meant to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. At this time the City does not believe the provisions of this standard will have any impact on its financial statements.

GASB Statement No. 85, Omnibus 2017

The provisions of this statement are effective for fiscal years beginning after June 15, 2017 with earlier adoption encouraged. This standard is meant to address practice issues that have been identified during implementation and application of certain GASB Statements as they relate to a variety of topics including goodwill, fair value measurement and postemployment benefits. The City is still determining the impact, if any, this statement will have on the financial statements.

GASB Statement No. 86, Certain Debt Extinguishment Issues

The provisions of this statement are effective for fiscal years beginning after June 15, 2017 with earlier adoption encouraged. The primary objective of this standard is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. At this time the City does not believe the provisions of this standard will have any impact on its financial statements.

GASB Statement No. 87, Leases

The provisions of this statement are effective for fiscal years beginning after December 15, 2019. The objective of this standard is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The City is still determining the impact, if any, this statement will have on the financial statements.

NOTE L – SUBSEQUENT EVENT

The City Council voted and approved an order to disband the City of Lynnview Police Department as of December 1, 2017.

CITY OF LYNNVIEW, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
JUNE 30, 2017

<u>REVENUES</u>	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Total Actual</u>	<u>Variance</u>
Taxes:					
Property Taxes	\$ 115,000	\$ -	\$ 115,000	\$ 107,545	\$ (7,455)
Occupational Tax	26,000	-	26,000	30,251	4,251
Franchise Tax	3,500	-	3,500	3,839	339
Insurance Tax	50,000	-	50,000	66,758	16,758
Motor Vehicle Tax	3,500	-	3,500	4,557	1,057
Intergovernmental Revenue					
Grants - Police and Municipal	1,200	-	1,200	-	(1,200)
LGEA	40	-	40	-	(40)
Law Enforcement Fee	5,000	-	5,000	6,589	1,589
License and Permits:					
Alcohol License	1,100	-	1,100	1,080	(20)
Yard Sale Permits	50	-	50	55	5
Charges for Services:					
Police Citations	50	-	50	159	109
Sanitation User Fees and Assessments	65,500	-	65,500	65,949	449
Municipal Property Rental	2,000	-	2,000	3,100	1,100
Miscellaneous Income	2,500	-	2,500	3,472	972
Penalties and Interest	-	-	-	756	756
Interest Income	260	-	260	7	(253)
	<u>275,700</u>	<u>-</u>	<u>275,700</u>	<u>294,117</u>	<u>18,417</u>
Total Revenues before Prior Year Fund Balance					
Prior Year Fund Balance:					
Appropriated for Current Year Budget	-	-	-	-	-
Total Revenues and Prior Year Fund Balance	<u>275,700</u>	<u>-</u>	<u>275,700</u>	<u>294,117</u>	<u>18,417</u>

See the accompanying notes to the budgetary comparison schedules.

CITY OF LYNNVIEW, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(CONTINUED)
JUNE 30, 2017

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
EXPENDITURES					
General Government:					
General and Administrative Expenditures					
Attorney Fees	2,000	-	2,000	27,186	(25,186)
Audit Fees	6,500	-	6,500	6,980	(480)
Bank Fees	-	-	-	156	(156)
Community Building	6,000	-	6,000	8,198	(2,198)
Council/Mayor Training	1,000	-	1,000	-	1,000
Dumpster	-	-	-	1,459	(1,459)
Fees	-	-	-	57	(57)
Garbage	65,500	-	65,500	66,900	(1,400)
Insurance	20,000	-	20,000	23,403	(3,403)
Maintenance	-	-	-	9,770	(9,770)
Membership Fees	1,000	-	1,000	400	600
Miscellaneous	-	-	-	75	(75)
Office Expense	8,200	-	8,200	10,596	(2,396)
Payroll - Mayor	1,200	-	1,200	1,000	200
Payroll - City Council	3,600	-	3,600	3,100	500
Payroll - City Clerk	18,000	-	18,000	18,303	(303)
Payroll Tax Expense	11,000	-	11,000	8,503	2,497
Property Assessments	2,000	-	2,000	1,842	158
Property Expense	-	-	-	7	(7)
Real Estate Tax Refunds	-	-	-	1,305	(1,305)
Rental Expense	-	-	-	5	(5)
Special Events	1,000	-	1,000	1,380	(380)
Street Lights	6,000	-	6,000	12,783	(6,783)
Utilities	12,000	-	12,000	5,484	6,516
Total General Government	165,000	-	165,000	208,892	(43,892)
Public Safety					
Police Department Expenditures					
Auto Expenses:					
Equipment	-	-	-	90	(90)
Fuel	3,600	-	3,600	2,862	738
Maintenance	2,400	-	2,400	2,622	(222)
Investigation Expense	-	-	-	25	(25)
Maintenance	-	-	-	169	(169)
Office Expenses					
Phones / Internet	-	-	-	2,398	(2,398)
Printing	-	-	-	449	(449)
Technology	1,000	-	1,000	3,831	(2,831)
Other Office Expense	-	-	-	520	(520)
Other Expenses - MyFI	1,200	-	1,200	-	1,200

See the accompanying notes to the budgetary comparison schedules.

CITY OF LYNNVIEW, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(CONTINUED)
JUNE 30, 2017

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES - Continued</u>					
Public Safety - Continued					
Police Department Expenditures - Continued					
Payroll	96,000	-	96,000	85,255	10,745
Supplies	-	-	-	60	(60)
Training	-	-	-	473	(473)
Uniforms	-	-	-	232	(232)
Total Public Safety	<u>104,200</u>	<u>-</u>	<u>104,200</u>	<u>98,986</u>	<u>5,214</u>
Capital Outlay					
Capital Expenditures	5,000	-	5,000	-	5,000
Total Capital Outlay	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Expenditures	<u>274,200</u>	<u>-</u>	<u>274,200</u>	<u>307,878</u>	<u>(33,678)</u>
Excess of Revenue over Expenditures	1,500	-	1,500	(13,761)	(15,261)
Other Financing Sources (Uses):					
Sale of Surplus Property	-	-	-	4,798	4,798
Net Change in Fund Balances	1,500	-	1,500	(8,963)	(10,463)
Fund Balance, Beginning	142,625	-	142,625	132,709	(9,916)
Fund Balance, Ending	<u>\$ 144,125</u>	<u>\$ -</u>	<u>\$ 144,125</u>	<u>\$ 123,746</u>	<u>\$ (20,379)</u>

See the accompanying notes to the budgetary comparison schedules.

CITY OF LYNNVIEW, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MUNICIPAL ROAD AID FUND
JUNE 30, 2017

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Total Actual</u>	<u>Variance</u>
<u>REVENUES</u>					
Intergovernmental Revenue	\$ 15,000	\$ -	\$ 15,000	\$ 18,403	\$ 3,403
Interest Income	-	-	-	5	5
Total Revenues before Prior Year Fund Balance	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>18,408</u>	<u>3,408</u>
Prior Year Fund Balance:					
Appropriated for Current Year Budget	-	-	-	-	-
Total Revenues and Prior Year Fund Balance	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>18,408</u>	<u>3,408</u>
<u>EXPENDITURES</u>					
Municipal Road Aid					
Salaries	11,148	-	11,148	3,978	7,170
Payroll Taxes	852	-	852	304	548
Capital Outlay	50,000	-	50,000	52,481	(2,481)
Equipment	3,000	-	3,000	-	3,000
Fuel	-	-	-	244	(244)
Grass Cutting	-	-	-	1,756	(1,756)
Total Municipal Road Aid	<u>65,000</u>	<u>-</u>	<u>65,000</u>	<u>58,763</u>	<u>6,237</u>
Net Change in Fund Balances	(50,000)	-	(50,000)	(40,355)	9,645
Fund Balance, Beginning	<u>71,421</u>	<u>-</u>	<u>71,421</u>	<u>72,683</u>	<u>1,262</u>
Fund Balance, Ending	<u>\$ 21,421</u>	<u>\$ -</u>	<u>\$ 21,421</u>	<u>\$ 32,328</u>	<u>\$ 10,907</u>

See the accompanying notes to the budgetary comparison schedules.

**CITY OF LYNNVIEW, KENTUCKY,
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION ON
BUDGETARY REPORTING
JUNE 30, 2017**

Budgets and the Budgetary Process

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

Encumbrances

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

Stewardship

Expenditures exceeded budget in the following departments:

<u>Department</u>	<u>Amount Over Budget</u>
General Government	\$ 43,892

**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***



STEPHENS & LAWSON

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Mayor and City Council
City of Lynnview, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Lynnview, Kentucky, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Lynnview, Kentucky's basic financial statements and have issued our report thereon dated January 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lynnview, 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 the City of Lynnview, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lynnview, 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 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 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 the 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2017-1, that we consider to be a material weakness.

Compliance and Other Matters

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

City of Lynnview, Kentucky's Response to Findings

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

Stephens & Lawson, CPAs

Louisville, Kentucky
January 29, 2018

**CITY OF LYNNVIEW, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

Findings:

2017-1 *Condition:* The City does not have internal controls in place that enable it to prepare complete financial statements, including footnote disclosures, in compliance with generally accepted accounting principles

Criteria: Generally accepted accounting principles require that an entity have internal controls in place that enable it to prepare complete financial statements, including note disclosures.

Cause: The City lacks personnel with the expertise to prepare its financial statements, including note disclosures, in conformity with generally accepted accounting principles.

Effect: Management engaged the auditor to prepare draft financial statements, including related notes to the financial statements. Management reviewed, approved, and accepted responsibility for the financial statements prior to their issuance.

Recommendation: We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements, or review the financial statements as drafted by the auditor, for compliance with generally accepted accounting principles.

Management's Response: The City has determined that it does not have the resources to hire someone with adequate knowledge to prepare the financial statements, nor does it have the resources to contract with an outside accountant to prepare them.