

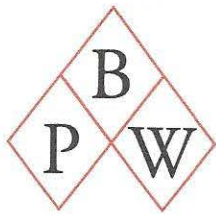
CITY OF LYNNVIEW
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

C O N T E N T S

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INDEPENDENT AUDITORS' REPORT

The Honorable 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, 2020, 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.

Auditors' 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 auditors' 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 and each major fund of the City of Lynnview, Kentucky, as of June 30, 2020, 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

Required Supplementary Information

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 26 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 November 25, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lynnview, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lynnview, Kentucky's internal control over financial reporting and compliance.

Bechtler, Parker & Watts

Bechtler, Parker & Watts

Louisville, Kentucky

November 25, 2020

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, 2020. 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 \$484,338 (net position) for this fiscal year. That is an increase of \$68,490 over the previous fiscal year. This increase is due to a decrease in total assets of \$275,794 along with a decrease in total liabilities of \$344,284.
- The three largest sources of revenue for the City this fiscal year were charges for services, property taxes, and insurance premium surtax. Those sources accounted for 88.20% of the City's overall revenue. Overall revenue for the City increased by \$673 to \$324,370 during this fiscal year.
- The City's expenses for this fiscal year decreased by \$40,487 to \$255,880. This decrease was primarily driven by a decrease in spending on public safety of \$48,416 and an increase in spending for streets and roads of \$8,169.

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 and 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 financial 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 \$275,794 in fiscal year 2020 as compared to fiscal year 2019, and the liabilities of the City decreased by \$344,284 over the same period of time.

	2020	2019
ASSETS		
Current assets	\$207,827	\$511,590
Depreciable capital assets, Net of Accumulated Depreciation of (\$355,019 and \$326,009, respectively)	486,425	458,456
TOTAL ASSETS	\$694,252	\$970,046
LIABILITIES		
Current liabilities	\$57,831	\$347,115
Other than current liabilities	152,083	207,083
TOTAL LIABILITIES	\$209,914	\$554,198
NET POSITION		
Investment in Capital assets, net of related debt	\$279,342	\$203,456
Restricted	81,594	53,029
Unrestricted	123,402	159,363
TOTAL NET POSITION	\$484,338	\$415,848

GOVERNMENTAL REVENUES

The City's primary sources of revenues in this fiscal year were property taxes and charges for services. These two sources comprise 68.53% and 67.92% of the total revenue collected in the fiscal years ending 2020 and 2019, respectively. Total revenues for the year ended June 30, 2020 were \$324,370, which is an increase of \$673 over the previous fiscal year. Revenues were reported as follows:

	2020		2019	
	Amount	Percentage	Amount	Percentage
Program revenues				
Charges for services	\$111,774	34.46%	\$106,404	32.87%
Operating grants and contributions	22,728	7.01%	19,758	6.10%
TOTAL PROGRAM REVENUES	\$134,502	41.47%	\$126,162	38.98%

GOVERNMENTAL REVENUES (Continued)

	2020		2019	
	Amount	Percentage	Amount	Percentage
General revenues				
Property taxes	\$106,334	32.78%	\$108,871	33.63%
Motor vehicle taxes	4,179	1.29%	5,055	1.56%
Insurance tax	63,816	19.67%	61,978	19.15%
Franchise tax	3,963	1.22%	3,928	1.21%
License fees	5,610	1.73%	9,035	2.79%
Penalties and interest	691	0.21%	1,725	0.53%
Interest income	1,997	0.62%	2,943	0.91%
Miscellaneous	278	0.09%	0	0.00%
Sale of surplus property	3,000	0.92%	4,000	1.24%
TOTAL GENERAL REVENUES	\$189,868	58.53%	\$197,535	61.02%
TOTAL REVENUES	\$324,370	100.00%	\$323,697	100.00%

Governmental expenses

Expenses for the year ended June 30, 2020 were \$255,880, which represents a decrease of \$40,487 over the previous fiscal year. Expenses were as follows:

	2020		2019	
	Amount	Percentage	Amount	Percentage
Program expenses				
General government	\$227,137	88.77%	\$227,377	76.72%
Public safety	304	0.12%	48,720	16.44%
Streets and roads	28,439	11.11%	20,270	6.84%
TOTAL PROGRAM EXPENSES	\$255,880	100.00%	\$296,367	100.00%

Excess Revenues over Expenses

	2020	2019
Total Revenues	\$324,370	\$323,697
Total Expenditures	255,880	296,367
EXCESS OF REVENUES OVER EXPENSES	\$68,490	\$27,330

Changes in Net Position

	2020	2019
Beginning Net Position	\$415,848	\$388,518
Change in Net Position	68,490	27,330
ENDING NET POSITION	\$484,338	\$415,848

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 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, 2020, general fund revenues of \$311,576 were \$19,354 less than the \$330,930 budgeted. Revenues with moderate variations from the budget includes rental licenses and commercial rental income.

For the year ended June 30, 2020, general fund expenditures of \$239,107 were \$71,093 less than the \$310,200 budgeted. This is primarily due to the decreased cost of contract safety services.

CAPITAL ASSETS

For the year ended June 30, 2020, the City had \$841,444 invested in capital assets. A schedule of the changes in capital assets during the fiscal year is as follows:

	2019 Beginning Balance	Additions	Retirements	2020 Ending Balance
Governmental Activities				
Depreciable Assets:				
Buildings and Improvements	\$86,901	\$0	\$0	\$86,901
Machinery and Equipment	2,960	6,204	-	9,164
Infrastructure	694,604	50,775	-	745,379
Total depreciable assets	<u>\$784,465</u>	<u>\$56,979</u>	<u>\$0</u>	<u>\$841,444</u>
Accumulated Depreciation:				
Buildings and Improvements	76,968	442	\$0	77,410
Machinery and Equipment	2,960	155	-	3,115
Infrastructure	246,081	28,413	-	274,494
Total accumulated depreciation	<u>\$326,009</u>	<u>\$29,010</u>	<u>\$0</u>	<u>\$355,019</u>
Governmental Activities Capital Assets, Net	<u>\$458,456</u>	<u>\$27,969</u>	<u>\$0</u>	<u>\$486,425</u>

DEBT

At year end, the City had \$207,083 in bonds outstanding compared to \$255,000 last year.

	Governmental Activities	
	2020	2019
Revenue bond (backed by the City)	\$207,083	\$255,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget for the upcoming fiscal year will continue to be driven by the sustained marketability of properties within the City. Increased property values by over 45% will drive up property tax revenues. Coupled with a planned and scheduled Property Value Administrator's reassessment, we are most likely to see increased tax revenues. City leaders continue to commit to savings and investment strategies that grow interest income and increase our rainy-day savings. Currently, interest rates have fallen to record lows because of the recent shutdown of our economy to help fight the Novel Coronavirus. Investment interest earnings have fallen with the advent of COVID-19 restrictions and the impact to localities and their budgets. We will continue to experience manageable expenses relative to the protection and welfare of residents and the assets of the City. Commercial rental income will be up this year as we continue to collect lease payments on the newly acquired property as 1231 Gilmore Lane. ZERO tax rate increases remain the driving factor and strategy for this administration and our City leaders.

Budgeted projects for the coming year include efforts to provide increased technological security within the City. We will continue a strong working relationship with LMPD and other public safety resources. We are excited about our efforts with the Prosper Preston project for Preston Highway and the surrounding areas. We hope these efforts will bring in new businesses and opportunities for Lynnvew Shopping Center, our neighbors, and our City.

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, KY 40213.

CITY OF LYNNVIEW
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Primary Government</u> <u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents (\$80,166 restricted)	\$ 98,424
Certificate of deposit	80,698
Receivables (\$1,428 restricted)	24,765
Prepaid expenses	3,940
	<u>207,827</u>
Capital Assets, net of accumulated depreciation:	<u>486,425</u>
TOTAL ASSETS	<u>\$ 694,252</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 1,923
Payroll taxes withheld	908
Noncurrent liabilities:	
Due within one year	55,000
Due in more than one year	<u>152,083</u>
TOTAL LIABILITIES	<u>\$ 209,914</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	\$ 279,342
Restricted for road maintenance	81,594
Unrestricted	<u>123,402</u>
TOTAL NET POSITION	<u><u>\$ 484,338</u></u>

CITY OF LYNNVIEW
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

		PROGRAM REVENUES		NET (EXPENSES) AND REVENUES AND CHANGES IN NET POSITION
		CHARGES	OPERATING	PRIMARY GOVERNMENT
	EXPENSES	FOR SERVICES	GRANTS	GOVERNMENTAL ACTIVITIES
<u>PRIMARY GOVERNMENT</u>				
<u>GOVERNMENTAL ACTIVITIES:</u>				
General government	\$ 234,043	\$ 111,774	\$ -	\$ (122,269)
Public safety	304		4,837	4,533
Streets and roads	13,661		17,891	4,230
Interest on long term debt	7,872			(7,872)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 255,880</u>	<u>\$ 111,774</u>	<u>\$ 22,728</u>	<u>\$ (121,378)</u>
<u>GENERAL REVENUES</u>				
Taxes:				
Property taxes				\$ 106,334
Motor vehicles tax				4,179
Insurance premium surtax				63,816
Franchise tax				3,963
License fees				5,610
Penalties and interest				691
Interest income				1,997
Miscellaneous				278
Sale of surplus property				3,000
TOTAL GENERAL REVENUES				<u>\$ 189,868</u>
CHANGES IN NET POSITION				\$ 68,490
NET POSITION, Beginning of year				<u>415,848</u>
NET POSITION, End of year				<u>\$ 484,338</u>

CITY OF LYNNVIEW
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash	\$ 18,258	\$ 80,166	\$ 98,424
Certificate of deposit	80,698		80,698
Taxes and intergovernmental receivables	23,337	1,428	24,765
Prepaid expenses	3,940		3,940
 TOTAL ASSETS	 \$ 126,233	 \$ 81,594	 \$ 207,827
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 1,923	\$ -	\$ 1,923
Payroll taxes withheld	908		908
 TOTAL LIABILITIES	 \$ 2,831	 \$ -	 \$ 2,831
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue	\$ 5,984	\$ -	\$ 5,984
 TOTAL DEFERRED INFLOWS OF RESOURCES	 \$ 5,984	 \$ -	 \$ 5,984
 <u>FUND BALANCES</u>			
Restricted for Road Maintenance	\$ -	\$ 81,594	\$ 81,594
Assigned	3,940		3,940
Unassigned	113,478		113,478
 TOTAL FUND BALANCES	 \$ 117,418	 \$ 81,594	 \$ 199,012
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	 \$ 126,233	 \$ 81,594	 \$ 207,827

CITY OF LYNNVIEW
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	199,012
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Amounts reported for governmental activities in the statement
of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This is the amount by which capital assets exceeded depreciation.		486,425
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Long-term obligations are not due and payable in the current period and, therefore, are not reported in the fund financial statements. This is the amount of bonds payable.		(207,083)
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Certain tax revenues are earned but not available and therefore are shown as unavailable revenue in the fund financial statements		5,984

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	484,338

CITY OF LYNNVIEW
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Property taxes	\$ 114,440	\$ -	\$ 114,440
Occupational tax	40,661		40,661
Franchise tax	3,963		3,963
Insurance premium surtax	63,816		63,816
Motor vehicle tax	4,179		4,179
Penalties and interest	691		691
Municipal road aid		17,891	17,891
Public Safety HB 413	4,837		4,837
Interest income	1,988	9	1,997
Licenses and permits	5,610		5,610
Charges for services	71,113		71,113
Miscellaneous income	278		278
TOTAL REVENUES	\$ 311,576	\$ 17,900	\$ 329,476
<u>EXPENDITURES</u>			
General government	\$ 218,668	\$ -	\$ 218,668
Public safety	304		304
Streets and public works	26		26
Capital outlay	20,109	36,870	56,979
Debt service:			
Principal		47,917	47,917
Interest and fees		7,872	7,872
TOTAL EXPENDITURES	\$ 239,107	\$ 92,659	\$ 331,766
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 72,469	\$ (74,759)	\$ (2,290)
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of surplus property	\$ 3,000	\$ -	\$ 3,000
Transfer in		102,754	102,754
Transfer out	(102,754)		(102,754)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (99,754)	\$ 102,754	\$ 3,000
NET CHANGE IN FUND BALANCES	\$ (27,285)	\$ 27,995	\$ 710
FUND BALANCES - Beginning of year	144,703	53,599	198,302
FUND BALANCES - End of year	\$ 117,418	\$ 81,594	\$ 199,012

CITY OF LYNNVIEW
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	710
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Amounts reported for governmental activities in the Statement of Activities are different because:

Certain tax revenues will not be collected for several months after the City's fiscal year end and they are not considered "available" resources. These revenues are shown as a deferred inflow in the fund financial statements, while the change in this receivable from the prior year are reflected in the government wide general revenues.		(8,106)
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Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the useful lives of the asset.

Capital outlay	\$ 56,979	
Depreciation expense	<u>(29,010)</u>	27,969

Repayment of bond principal is an expenditure in the governmental funds, but the amount of repayment reduces long-term liabilities and increases the amount of capital assets, net of related debt, in the statement of net position.

47,917

NET CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>68,490</u></u>
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CITY OF LYNNVIEW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE: 1. 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 and is 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 exercises oversight responsibility have been included in the City's financial statements, for the year ended, June 30, 2020. 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 resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

CITY OF LYNNVIEW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE: 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

The Statement of Activities reports both the gross and net cost of each of the City's functions (general government, public safety, and streets and roads). The functions are also supported by general government revenues (property taxes and insurance surtax). 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, public safety, 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.

The net costs, by function, are normally covered by general revenue (property taxes, 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 City uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions relating to certain government functions or activities. A fund is a separate entity with a self-balancing set of accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds of the City are classified as governmental, which account for all or most of the City's general activities, including the collection of legally restricted monies, administrative expense and the acquisition or construction of capital assets.

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 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.

CITY OF LYNNVIEW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE: 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS (Continued)

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 accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

SPECIAL REVENUE FUND - The Special Revenue Fund is 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 specific purposes. The City accounts for state road funds in the special revenue fund and considers 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

The government-wide financial statements are reported 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. This modified accrual basis of accounting recognizes revenues when they are "measurable and available". Measurable means that the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Under the modified accrual basis of accounting, expenditures are recorded when a liability is incurred, as under accrual accounting.

CITY OF LYNNVIEW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE: 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

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, gain, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when they are "measurable and available". Measurable means that the amount can be determined. Available means collectible within the current period or within sixty days after year end. Under the modified accrual basis of accounting 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.

BUDGETARY ACCOUNTING

The budget information reflected in the financial statements is the annual budget adopted by the City in accordance with the provisions of Kentucky law. It is presented to the City Council in the form of an ordinance and may be amended by subsequent ordinance or by municipal order. The budget is prepared on a basis consistent with the modified accrual basis of accounting utilized in the government fund financial statements.

BUDGETARY COMPARISON SCHEDULES

As required by generally accepted governmental accounting principles, this statement has been prepared in the same form as the legally adopted budget; therefore its form varies somewhat from the statement of revenues, expenditures and changes in fund balances.

DEPOSITS AND INVESTMENTS

Cash and cash equivalents include all cash accounts which are not subject to withdrawal restrictions or penalties, and certificates of deposit with original maturities of 90 days or less.

The City has invested in a certificate of deposit with a federally insured financial institution. The certificate of deposit is recorded at cost plus accumulated interest which approximates fair value. Interest is added to the certificate of deposit as it is earned.

CITY OF LYNNVIEW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE: 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major 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 management of the City believes that all accounts receivable are fully collectible. Therefore, no allowance for doubtful accounts was recorded.

CAPITAL ASSETS

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental fund statements and capitalized (recorded and accounted for) in the government-wide statement of net position. Capitalized assets are recorded at historical cost if purchased or constructed. For financial reporting purposes, the City's policy is to only capitalize individual assets with a value of \$1,000 or greater.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet.

Buildings and improvements	10 to 50 years
Infrastructure	15 to 75 years
Machinery and equipment	5 to 15 years

DEFERRED INFLOW/OUTFLOW OF RESOURCES

Deferred Outflows:

The City reports decreases in net position or fund balances that relate to future periods as deferred outflows of resources in a separate section of its government-wide Statement of Net Position or in the Fund Financial Statement Balance Sheet - Governmental Funds. No deferred outflows of resources affected either of these financial statements in the current year.

CITY OF LYNNVIEW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE: 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEFERRED INFLOW/OUTFLOW OF RESOURCES (Continued)

Deferred Inflows:

The City reports increases in net position/fund balances that relate 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.

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 - Consists of assets that are restricted by the City's creditors (for example through debt covenants), by 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.

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.

CITY OF LYNNVIEW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE: 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EQUITY CLASSIFICATIONS (Continued)

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.

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and obligations are reported as liabilities. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

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 discount of 2%; 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 will 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 the 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 \$57.50 per household, and a special ad valorem tax to help defray the cost of garbage collection (\$0.1000 per \$100 of assessed value).

CITY OF LYNNVIEW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE: 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

OCCUPATIONAL LICENSE FEES

The City imposes an occupational license fee on all businesses operating within City limits. The minimum fee imposed under this ordinance is \$250.00. Gross receipts in excess of \$100,000 are charged \$1,000 plus \$1 for each \$1,000 or fraction thereof that gross receipts exceeds \$100,000.

INSURANCE TAXES

The City collects insurance premium taxes on the sale of life, property and casualty insurance policies. The City's tax rate assessed on insurance premiums is 5%.

EXPENDITURES/EXPENSES

In the government-wide financial statements, expenses are classified by function.

In the fund financial statements, governmental funds 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.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principals requires the City's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the classifications and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

NOTE: 2. 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 the 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.

CITY OF LYNNVIEW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE: 2. DEPOSITS AND INVESTMENTS (Continued)

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, 2020.

NOTE: 3. CERTIFICATE OF DEPOSIT

The City's investments are in certificates of deposit with federally insured banks. The maturities of these certificates of deposit are as follows:

<u>Maturing</u>	<u>General Fund Fair Value</u>
Within 1 year	\$ 80,698

NOTE: 4. RECEIVABLES

Receivables at June 30, 2020 consisted of the following:

<u>Receivable Type</u>	<u>Statement of Net Position</u>	<u>Balance Sheet - Governmental Funds</u>	
	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Property tax and sanitation fees	\$ 6,702	\$ 6,702	\$ -
Insurance tax	16,635	16,635	
Municipal road aid	1,428		1,428
	<u>\$ 24,765</u>	<u>\$ 23,337</u>	<u>\$ 1,428</u>

NOTE: 5. CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2020 was as follows:

	<u>Balance 6/30/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2020</u>
<u>Governmental Activities</u>				
Depreciable assets:				
Buildings and Improvements	\$ 86,901	\$ -	\$ -	\$ 86,901
Machinery and Equipment	2,960	6,204		9,164
Infrastructure	694,604	50,775		745,379
Total depreciable assets	<u>\$ 784,465</u>	<u>\$ 56,979</u>	<u>\$ -</u>	<u>\$ 841,444</u>

CITY OF LYNNVIEW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE: 5. CAPITAL ASSETS AND DEPRECIATION (Continued)

	<u>Balance 6/30/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2020</u>
<u>Governmental Activities</u>				
Accumulated depreciation:				
Buildings and Improvements	\$ 76,968	\$ 442	\$ -	\$ 77,410
Machinery and Equipment	2,960	155		3,115
Infrastructure	246,081	28,413		274,494
Total accumulated depreciation	\$ 326,009	\$ 29,010	\$ -	\$ 355,019
Governmental Activities Capital assets, Net	<u>\$ 458,456</u>	<u>\$ 27,969</u>	<u>\$ -</u>	<u>\$ 486,425</u>

Depreciation expense of \$29,010 was allocated to the various functions on the statement of activities as follows:

<u>Governmental Activities</u>	
General government	\$ 15,375
Public works	13,635
Total	<u>\$ 29,010</u>

NOTE: 6. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and obligations are reported as liabilities. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Changes in long-term liabilities for the year ended June 30, 2019 were as follows:

	<u>Balance 6/30/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2020</u>
<u>Governmental Activities</u>				
Revenue bonds	\$ 255,000	\$ -	\$ 47,917	\$ 207,083
Total Governmental Activities	<u>\$ 255,000</u>	<u>\$ -</u>	<u>\$ 47,917</u>	<u>\$ 207,083</u>

Amounts due in one year are \$55,000 as of June 30, 2020.

Revenue Bonds issued are for the purpose of street paving. The City pledges income from Municipal Road Aid to pay the debt.

CITY OF LYNNVIEW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE: 6. LONG-TERM LIABILITIES (Continued)

Revenue bonds outstanding at June 30, 2020 were as follows:

	Interest Rates	Final Maturity Date	Principal at June 30, 2020
Revenue bonds, Series 2019A (1)	2.50%	January 1, 2024	\$ 207,083

(1) \$255,000 Revenue Bond - fully registered bonds payable in monthly installments ranging from \$4,292 to \$5,175 and is due January 1, 2024. Interest is payable monthly; The bond was issued to fund street paving. The bond is backed by the City.

Annual debt service requirements as June 30, 2020 are as follow:

Year ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 55,000	\$ 5,177
2022	57,083	3,802
2023	60,000	2,375
2024	35,000	875
	\$ 207,083	\$ 12,229

NOTE: 7. RESTRICTED NET POSITION/FUND BALANCE

Restricted net position and restricted fund balance, in the amount of \$81,594 as of June 30, 2020, are to be used for streets and roads.

NOTE: 8. ASSIGNED FUND BALANCE

The assigned fund balance, in the amount of \$3,940 as of June 30, 2020, is the amount of prepaid expenses.

NOTE: 9. 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, 2020 that are recorded in the General Fund.

NOTE: 10. INTERFUND TRANSFERS

The permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers and are shown as transfers in/out on the fund financial statements. In the government-wide financial statements, all interfund transfers between governmental funds have been eliminated.

The General Fund transferred \$102,754 to the Special Revenue Fund for the purpose of assisting in the payment of the monthly bond payments.

CITY OF LYNNVIEW
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE: 10. RISK MANAGEMENT

The City is subject to normal insurance risks as other cities of its size. The City carries general liability, workers compensation, and errors and omissions coverage. The City has not had any significant reduction in coverage in the past year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded the commercial coverage in any of the past three years.

NOTE: 11. PUBLIC SAFETY

The City voted and approved an order to discontinue the contract with Kentuckiana Law Enforcement for security services. The City currently uses Louisville Metro Police Department for public safety services.

NOTE: 12. SUBSEQUENT EVENTS

The City has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 25, 2020, which was the date the financial statements were approved by management of the City of Lynnview.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LYNNVIEW
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>				
Taxes:				
Property taxes	\$ 115,000	\$ 115,000	\$ 114,440	\$ (560)
Occupational tax	45,000	45,000	40,661	(4,339)
Franchise tax	3,600	3,600	3,963	363
Insurance premium tax	65,000	65,000	63,816	(1,184)
Motor vehicle tax	4,000	4,000	4,179	179
Intergovernmental revenue:				
Grants - Police and Municipal	500	500	4,837	4,337
License and permits:				
Rental license	12,500	12,500	5,600	(6,900)
Alcohol license	1,080	1,080	0	(1,080)
Yard sale permits	50	50	10	(40)
Charges for services:				
Sanitation user fees and assessments	67,000	67,000	68,893	1,893
Municipal building rental	2,000	2,000	2,220	220
Commercial rental income	7,200	7,200	-	(7,200)
Miscellaneous income	500	500	278	(222)
Penalties and interest	4,000	4,000	691	(3,309)
Interest income	3,500	3,500	1,988	(1,512)
TOTAL REVENUES	\$ 330,930	\$ 330,930	\$ 311,576	\$ (19,354)
<u>EXPENDITURES</u>				
General government				
General and Administrative expenditures				
Attorney fees	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Audit fees	7,000	7,000	5,470	1,530
Community building	10,000	10,000	7,017	2,983
Contract services	6,000	6,000	10,523	(4,523)
Easement cleaning	-	-	10,625	(10,625)
Insurance	3,000	3,000	3,589	(589)
Maintenance	-	-	8,820	(8,820)
Membership fees	500	500	500	-
Mowing	19,000	19,000	16,970	2,030
Office supplies	5,000	5,000	12,301	(7,301)
Payroll - City Clerk	18,000	18,000	19,757	(1,757)
Payroll - City Council	9,000	9,000	8,125	875
Payroll - Mayor	3,000	3,000	2,750	250
Payroll tax expense	2,000	2,000	3,060	(1,060)
Phones and technology	5,000	5,000	4,683	317
Property assessments listing	2,000	2,000	1,953	47
Sanitation and dumpster	68,500	68,500	68,758	(258)
Special events	5,000	5,000	3,708	1,292
Street lights	15,000	15,000	9,972	5,028
Utilities	5,000	5,000	5,271	(271)
Other general government	200	200	4,842	(4,642)
TOTAL GENERAL GOVERNMENT	\$ 193,200	\$ 193,200	\$ 218,694	\$ (25,494)

CITY OF LYNNVIEW
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2020

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
<u>EXPENDITURES (Continued)</u>				
Public safety				
Contract safety service	\$ 72,000	\$ 72,000	\$ 304	\$ 71,696
TOTAL PUBLIC SAFETY	\$ 72,000	\$ 72,000	\$ 304	\$ 71,696
Capital outlay				
Capital expenditures	\$ 45,000	\$ 45,000	\$ 20,109	\$ 24,891
TOTAL CAPITAL OUTLAY	\$ 45,000	\$ 45,000	20,109	24,891
TOTAL EXPENDITURES	310,200	310,200	\$ 239,107	\$ 71,093
EXCESS OF REVENUE OVER EXPENDITURES	\$ 20,730	\$ 20,730	\$ 72,469	\$ 51,739
OTHER FINANCING SOURCES (USES):				
Sale of surplus property	\$ -	\$ -	\$ 3,000	\$ 3,000
Transfer out			(102,754)	(102,754)
TOTAL OTHER FINANCING SOURCES (USES)	\$ -	\$ -	\$ (99,754)	\$ (99,754)
NET CHANGE IN FUND BALANCES	\$ 20,730	\$ 20,730	\$ (27,285)	\$ (48,015)
FUND BALANCE, Beginning of year	176,105	176,105	144,703	(31,402)
FUND BALANCE, End of year	\$ 196,835	\$ 196,835	\$ 117,418	\$ (79,417)

CITY OF LYNNVIEW
BUDGETARY COMPARISON SCHEDULE - MUNICIPAL AID ROAD FUND
YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>				
Intergovernmental revenue	\$ 25,500	\$ 25,500	\$ 17,891	\$ (7,609)
Interest income	-	-	9	9
TOTAL REVENUES	\$ 25,500	\$ 25,500	\$ 17,900	\$ (7,600)
<u>EXPENDITURES</u>				
Municipal Road Aid				
Capital outlay	\$ 65,000	\$ 65,000	\$ 36,870	\$ 28,130
Maintenance	3,000	3,000	-	3,000
Mowing	5,000	5,000	-	5,000
Debt service:				
Principal	-	-	47,917	(47,917)
Interest and fees	-	-	7,872	(7,872)
TOTAL EXPENDITURES	\$ 73,000	\$ 73,000	\$ 92,659	\$ (19,659)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (47,500)	\$ (47,500)	\$ (74,759)	\$ (27,259)
OTHER FINANCING SOURCES:				
Transfer in	-	-	102,754	102,754
TOTAL FINANCING SOURCES	\$ -	\$ -	\$ 102,754	\$ 102,754
NET CHANGE IN FUND BALANCES	\$ (47,500)	\$ (47,500)	\$ 27,995	\$ 75,495
FUND BALANCE, Beginning of year	(45,316)	(45,316)	53,599	98,915
FUND BALANCE, End of year	\$ (92,816)	\$ (92,816)	\$ 81,594	\$ 174,410

CITY OF LYNNVIEW
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION ON
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2020

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.

Stewardship

Expenditures exceeded budget in the following departments:

<u>Department</u>	
General Government	\$ 25,494
Municipal Road Aid	\$ 19,659



BECHTLER, PARKER & WATTS
CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor and
Members of the 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, 2020, 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 November 25, 2020.

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 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2020-1, 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

The City of Lynnview, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The 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.



Bechtler, Parker & Watts

Louisville, Kentucky

November 25, 2020

CITY OF LYNNVIEW, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020

Findings:

2020-1 *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 footnote 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.