

**CITY OF LYNNVIEW, KENTUCKY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**



**MADDOX & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS



## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor  
and Members of 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 (City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 and budgetary comparison on pages 23-25 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 December 2, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

**Maddox & Associates CPAs Inc.**

Fort Thomas, Kentucky

December 2, 2021



As management of the City of Lynnview, Kentucky (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements.

### **FINANCIAL HIGHLIGHTS**

The assets of the City were more than the liabilities by \$528,208 at the close of the current fiscal year. The unrestricted net position, which represents the amounts available to meet the City's ongoing obligations to citizens and creditors, was 119,964. The City's total net position increased \$43,870.

At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$118,540 a decrease of \$80,472 from the prior year. Of this amount, \$107,249 is available for spending at the City's discretion (unassigned fund balance).

At the close of the current fiscal year, the unassigned fund balance was approximately 13% of total fund expenditures.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements. This report also included supplementary information intended to furnish additional detail to support the basic financial statements themselves.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position.

The statement of activities presents information showing how the City 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 the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and unused vacation leave).

The governmental activities of the City include general government and public works.

The government-wide financial statements can be found on pages 8-9 of this report

### **FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law. However, the City may establish other funds to help it control and manage money for particular purposes.

Governmental funds: Governmental funds are used to account for essentially the same functions reported in the governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resource, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and special revenue fund, which are considered to be major funds.

The City adopts an annual appropriated budget for each of the major funds. A budgetary comparison schedule has been provided for the general fund and special revenue fund to demonstrate compliance with this budget.

The fund financial statements can be found on pages 9-13 of this report.

#### **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-22 of this report.

#### **OTHER INFORMATION**

In addition to the basic financial statements and notes to the financial statements, this report also presents required supplementary information concerning the City's budgets. Required supplementary information can be found on pages 23-25 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

	2021	2020
Assets		
Current and other assets	\$ 123,640	\$ 207,827
Capital assets	915,359	486,425
Total assets	1,038,999	694,252
Liabilities		
Current liabilities	2,041	2,831
Long-term liabilities	508,750	207,083
Total liabilities	510,791	209,914
Net position		
Net investment in capital assets	406,609	279,342
Restricted	1,635	81,594
Unrestricted	119,964	123,402
Total net position	\$ 528,208	\$ 484,338

**Statement of Activities**

	2021	2020
Revenues		
Taxes	\$ 235,047	\$ 221,953
Licenses and permits	4,800	5,610
Rents	20,000	2,220
Intergovernmental	20,192	22,728
Charges for services	66,493	68,893
Investment income	1,468	1,997
Other revenue	2,794	969
Total revenues	350,794	324,370
Expenses		
General government	264,397	234,043
Public safety	404	304
Public works	27,875	13,661
Interest on long-term debt	14,248	7,872
Total expenses	306,924	255,880
Decrease in net position	43,870	68,490
Net position - beginning	484,338	415,848
Net position - ending	\$ 528,208	\$ 484,338



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**Capital Assets**

	2021	2020
Buildings and improvements	\$ 445,984	\$ 9,491
Equipment	5,908	6,049
Infrastructure	463,467	470,885
Total capital assets	<u>\$ 915,359</u>	<u>\$ 486,425</u>

**Long-Term Debt**

	2021	2020
Leases payable	\$ 508,750	\$ 207,083

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Budgeted income for the city will continue to be driven by property assessments as determined by the Jefferson County Property Valuation Administrator. Reassessment of Lynnview properties was delayed until the 2022 assessments because of COVID concerns. We anticipate that every property assessment will increase by at least \$30,000. Given this factor alone, the city will see a rise in the associated property taxes for the upcoming fiscal year. The city continues to work toward increased savings, but real property assets now owned by the city will drive increased net worth for the city up significantly.

Indebtedness continues to be forefront in the long-term scope of plans for the city. We will be looking to possibly payoff the Paving bond to decrease city debt. We are encouraged by the rental revenues that continue to help with the payoff on the newly acquired property. This property continues to provide the city with increasing equity and growth opportunities.

This fiscal year the city will embark upon the largest project it has ever undertaken to rehabilitate the wastewater and stormwater drainage systems. In conjunction with the Kentucky Infrastructure Planning and Design Agency, along with Metropolitan Sewer District and other key players, all drainage systems within the city's 4.2 miles will be replaced. This is critical because portions of the system have been failing for several years. All dollars received from the American Rescue Plan have been allocated for this project and the city is committing some additional dollars to help secure the project. We anticipate that grant funding and other opportunities will exist to completely cover the costs of this potentially million-dollar project. This project could be ongoing for up to two years once it is started. The city will continue to look for all opportunities to welcome new businesses into the area to accelerate growth and continued success of the Lynnview Shopping Center. We are excited about the momentum of the Prosper Preston Project and the increased efforts to realign the Preston corridor with a plan to increase revenues and activities for both business and residential neighboring property owners.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk's office at 1241 Gilmore Lane, Louisville, KY 40213.



City of Lynnview, Kentucky  
Statement of Net Position  
June 30, 2021

	Governmental Activities	Total
<b>Assets</b>		
Cash and cash equivalents	\$ 18,367	\$ 18,367
Restricted cash	1,635	1,635
Investments	72,265	72,265
Receivables	21,717	21,717
Prepaid expenses	9,656	9,656
Capital assets, net	915,359	915,359
<b>Total assets</b>	<b>1,038,999</b>	<b>1,038,999</b>
<b>Liabilities</b>		
Accounts payable	718	718
Payroll liabilities	1,323	1,323
Noncurrent liabilities:		
Due within one year:		
Leases payable	79,166	79,166
Due in more than one year:		
Leases payable	429,584	429,584
<b>Total liabilities</b>	<b>510,791</b>	<b>510,791</b>
<b>Net position</b>		
Net investment in capital assets	406,609	406,609
Restricted	1,635	1,635
Unrestricted	119,964	119,964
<b>Total net position</b>	<b>\$ 528,208</b>	<b>\$ 528,208</b>

See accompanying notes to financial statements.

**City of Lynnview, Kentucky**  
**Statement of Activities**  
**Year Ended June 30, 2021**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Grants and Contributions		Governmental Activities	Total
			Operating	Capital		
<b>Governmental activities</b>	<b>Expenses</b>					
General government	\$ 264,397	\$ 66,493	\$ 0	\$ 0	(197,904)	\$ (197,904)
Public safety	404		3,855		3,451	3,451
Public works	27,875		16,337		(11,538)	(11,538)
Interest on long-term debt	14,248				(14,248)	(14,248)
Total governmental activities	306,924	66,493	20,192	0	(220,239)	(220,239)
<b>General Revenues</b>						
					235,047	235,047
Taxes					4,800	4,800
Licenses and permits					20,000	20,000
Rents					1,468	1,468
Investment income					2,794	2,794
Other revenue						
Total general revenues					264,109	264,109
Change in net position					43,870	43,870
Net position - beginning					484,338	484,338
Net position - end of year					\$ 528,208	\$ 528,208

See accompanying notes to financial statements.

City of Lynnview, Kentucky  
Balance Sheet – Governmental Funds  
Year Ended June 30, 2021

	General Fund	Special Revenue	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 18,367	\$	\$ 18,367
Restricted cash		1,635	1,635
Investments	72,265		72,265
Receivables	21,717		21,717
Prepaid expenditures	9,656		9,656
<b>Total assets</b>	<b>\$ 122,005</b>	<b>\$ 1,635</b>	<b>\$ 123,640</b>
<b>Liabilities</b>			
Accounts payable	\$ 718	\$	\$ 718
Payroll liabilities	1,323		1,323
Deferred revenue	3,059		3,059
<b>Total liabilities</b>	<b>5,100</b>	<b>0</b>	<b>5,100</b>
<b>Fund balances</b>			
Restricted		1,635	1,635
Assigned	9,656		9,656
Unassigned	107,249		107,249
<b>Total fund balances</b>	<b>116,905</b>	<b>1,635</b>	<b>118,540</b>
<b>Total liabilities and fund balances</b>	<b>\$ 122,005</b>	<b>\$ 1,635</b>	<b>\$ 123,640</b>

See accompanying notes to financial statements.



City of Lynnview, Kentucky  
**Reconciliation of Balance Sheet – Governmental Funds to Statement of Net Position**  
**June 30, 2021**

Total governmental fund balances	\$ 118,540
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$1,318,392, net of accumulated depreciation of \$403,033 used in governmental activities are not financial resources and, therefore, are not reported in the funds.	915,359
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	
Leases payable	(508,750)
Certain tax revenues are earned but not available and therefore are shown as unavailable revenue in the fund financial statements	<u>3,059</u>
Net position of governmental activities	<u>\$ 528,208</u>

See accompanying notes to financial statements.

City of Lynnview, Kentucky  
Statement of Revenues, Expenditures and Changes in  
Fund Balances – Governmental Funds  
Year Ended June 30, 2021

	General Fund	Special Revenue	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 124,362	\$	\$ 124,362
Motor vehicle	5,731		5,731
Franchise fees	3,991		3,991
Insurance premium tax	65,020		65,020
Occupational tax	38,868		38,868
Intergovernmental	3,855	16,337	20,192
Investment income	1,448	20	1,468
Licenses and permits	4,800		4,800
Charges for services	66,493		66,493
Rents	20,000		20,000
Other revenue	2,794		2,794
<b>Total revenues</b>	<b>337,362</b>	<b>16,357</b>	<b>353,719</b>
<b>Expenditures</b>			
General government	244,245		244,245
Public safety	404		404
Public works		12	12
Capital outlay	476,949		476,949
Debt service:			
Principal	73,333		73,333
Interest	14,248		14,248
<b>Total expenditures</b>	<b>809,179</b>	<b>12</b>	<b>809,191</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(471,817)</b>	<b>16,345</b>	<b>(455,472)</b>
<b>Other financing sources (uses)</b>			
Transfers in	96,304		96,304
Transfers out		(96,304)	(96,304)
Lease proceeds	375,000		375,000
<b>Total other financing sources (uses)</b>	<b>471,304</b>	<b>(96,304)</b>	<b>375,000</b>
<b>Net change in fund balances</b>	<b>(513)</b>	<b>(79,959)</b>	<b>(80,472)</b>
<b>Fund balances - beginning of year</b>	<b>117,418</b>	<b>81,594</b>	<b>199,012</b>
<b>Fund balances - end of year</b>	<b>\$ 116,905</b>	<b>\$ 1,635</b>	<b>\$ 118,540</b>

See accompanying notes to financial statements.

City of Lynnview, Kentucky  
**Reconciliation of Statement of Revenues, Expenditures and Changes in  
Fund Balances – Governmental Funds to Statement of Activities  
Year Ended June 30, 2021**

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Net change in fund balances - total governmental funds	\$	(80,472)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	476,949	
Depreciation expense	(48,014)	
Total capital asset activity		428,935

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds		(2,926)
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Lease proceeds provide current financial resources to governmental funds, increase long-term liabilities in the statement of net position. Repayment of lease principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position.

Lease proceeds	(375,000)	
Principal paid on leases	73,333	
Total debt activity		(301,667)

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Change in net position of governmental activities	\$	43,870
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See accompanying notes to financial statements.



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**NOTE 1: ACCOUNTING POLICIES**

Kentucky Revised Statutes and Ordinances of the City Council of the City of Lynnview, Kentucky (City) designate the purpose, function and restrictions of the various funds.

***Reporting Entity***

The City operates under a City Council government comprised of the Mayor and six council members. The financial statements of the City include all of the funds for which the Mayor and City Council are financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards was determined on the basis of the City's ability to significantly influence operations, select the governing authority, participate in fiscal management, and the scope of public services. The City has no component units or entities for which the government is considered to be financially accountable.

***Basis of Presentation***

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to determine legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

***Fund Accounting***

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

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**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

**Governmental Fund Types**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows, liabilities, and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

*General Fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky.

*Special Revenue Fund* - The municipal road aid fund accounts for the allocation of funds from the Commonwealth of Kentucky as provided in KRS 174 for design, right-of-way acquisitions, utilities, construction, and other municipal road aid expenditures.

***Measurement Focus and Basis of Accounting***

**Government-wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (e.g. revenues and other financing sources) and uses (e.g. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government -wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the financial statements for governmental funds.

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and deferred outflows, and in the presentation of expenses versus expenditures.



**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

***Cash and Cash Equivalents***

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. The City's infrastructure consists of sidewalks, streets, and traffic signals. Infrastructure acquired prior to the implementation of GASB Statement No. 34 has been reported.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000 with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value to the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Building and improvements	25 years
Infrastructure	15-25 years
Equipment	5 years

***Accrued Liabilities and Long-Term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and retirement incentives that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.



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**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

***Net Position***

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of programs to enhance the security of persons and property.

***Fund Balances***

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - amounts are intended to be used by the City Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council.

Unassigned - the residual classification for the general fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used.

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**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

***Revenues***

**Exchange and Nonexchange Transactions**

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty days of year end.

**Nonexchange transactions**

Transactions in which the City receives value without directly giving equal value in return, include property taxes, and grants. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, for which the City must provide local resources to be used for a specified purpose, and expenditure requirements, for which the resources are provided to the City on a reimbursement basis.

On the modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: state-levied locally shared taxes.

***Expenses/Expenditures***

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on the decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

***Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, where are presented as internal balances.



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**NOTE 1: ACCOUNTING POLICIES (CONTINUED)*****Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the City's management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

***Budgetary Process***

Budgetary Basis of Accounting - The City's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and GAAP basis are: (1) revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP); and (2) expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/objective level. All budget appropriations lapse at year-end.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the City Council.

***Subsequent Events***

Subsequent to year end, the City received \$120,804 in funding from the American Relief Plan Act. The City evaluated subsequent events for potential recognition and disclosure through December 2, 2021, the date the financial statements were available to be issued.

**NOTE 2: CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the City's cash and cash equivalents was covered by Federal Deposit Insurance Corporation (FDIC). The City has not experienced any losses in its accounts and believes it is not exposed to any significant custodial credit risk or concentration of credit risk.

**NOTE 3: INVESTMENTS**

The City's investments consist of a certificate of deposit maturing in less than one year.



**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2021 is summarized below:

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Governmental activities				
Buildings and improvements	\$ 86,901	\$ 455,128	\$	\$ 542,029
Equipment	9,164	1,375		10,539
Infrastructure	745,379	20,445		765,824
Total capital assets	841,444	476,948	0	1,318,392
Accumulated depreciation				
Buildings and improvements	77,410	18,635		96,045
Equipment	3,115	1,516		4,631
Infrastructure	274,494	27,863		302,357
Total accumulated depreciation	355,019	48,014	0	403,033
Net governmental capital assets	\$ 486,425	\$ 428,934	\$ 0	\$ 915,359

Depreciation was charged to following government funds:

General government	\$ 20,151
Public works	27,863
Total depreciation	\$ 48,014

**NOTE 5: RECEIVABLES**

Receivables due the city at year end are as follows:

Property taxes	\$ 3,059
HB 413	1,034
Motor vehicle	571
Motor vehicle	480
Insurance	16,573
Total receivables	\$ 21,717

**NOTE 6: LONG-TERM OBLIGATIONS**

The amount shown in the accompanying financial statements as lease obligations represents the City's future obligations to make lease payments relating to the bonds issued by the City.

The original amount of each issue, the issue date, and interest rates are summarized as follows:

Issue	Bond Issue		Lease
	Proceeds	Rates	Balance
2019	\$ 255,000	2.50%	\$ 152,083
2020	\$ 375,000		\$ 356,667

Changes in long-term obligations are as follows:

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Amounts Due Within One Year
2019 Lease	\$ 207,083	\$	\$ 55,000	\$ 152,083	\$ 57,083
2020 Lease		375,000	18,333	356,667	22,083
<b>Total</b>	<b>\$ 207,083</b>	<b>\$ 375,000</b>	<b>\$ 73,333</b>	<b>\$ 508,750</b>	<b>\$ 79,166</b>

The minimum obligations of the City at June 30, 2021 for debt service (principal and interest) are as follows:

Year Ended June 30	Leases Payable		
	Principal	Interest	Total
2022	\$ 79,166	\$ 13,257	\$ 92,423
2023	85,000	11,191	96,191
2024	60,000	8,790	68,790
2025	25,000	6,993	31,993
2026	25,000	6,427	31,427
2027 - 2031	127,084	23,766	150,850
2032 - 2036	107,500	7,662	115,162
	<b>\$ 508,750</b>	<b>\$ 78,086</b>	<b>\$ 586,836</b>

**NOTE 7: CONTINGENCIES**

The City is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor possible to estimate the effects adverse decisions may have on the future expenditures or revenue sources of the City. In the opinion of City management, these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of this and similar cases has been made in the accompanying financial statements

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**NOTE 8: RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2021, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

**NOTE 9: FUND TRANSFERS**

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Special revenue	General	Debt service	\$ 96,304

City of Lynnview, Kentucky  
Budgetary Comparison Schedule  
General Fund  
June 30, 2021

	Budgeted Amounts			Variances
	Original	Final	Actual	Final to Actual
<b>Revenues</b>				
Property taxes	\$ 142,000	\$ 142,000	\$ 130,093	\$ (11,907)
Franchise fees	3,600	3,600	3,991	391
Insurance premium tax	65,000	65,000	65,020	20
Occupational tax	45,000	45,000	38,868	(6,132)
Intergovernmental	0	0	3,855	3,855
Investment income	4,000	4,000	1,448	(2,552)
Licenses and permits	8,500	8,500	4,800	(3,700)
Charges for services	39,000	39,000	66,493	27,493
Rents	9,200	9,200	20,000	10,800
Other revenue	6,250	6,250	2,794	(3,456)
<b>Total revenues</b>	<b>322,550</b>	<b>322,550</b>	<b>337,362</b>	<b>14,812</b>
<b>Expenditures</b>				
General government	250,200	250,200	244,245	5,955
Public safety	12,000	12,000	404	11,596
Capital outlay			476,949	(476,949)
Debt service	60,000	60,000	87,581	(27,581)
<b>Total expenditures</b>	<b>322,200</b>	<b>322,200</b>	<b>809,179</b>	<b>(486,979)</b>
Excess (deficiency) of revenues over expenditures	350	350	(471,817)	(472,167)
<b>Other financing sources (uses)</b>				
Transfer in			96,304	96,304
Lease proceeds			375,000	375,000
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>471,304</b>	<b>471,304</b>
Net change in fund balances	350	350	(513)	(863)
Budgetary fund balance - beginning of year	75,000	75,000	117,418	42,418
<b>Budgetary fund balance - end of year</b>	<b>\$ 75,350</b>	<b>\$ 75,350</b>	<b>\$ 116,905</b>	<b>\$ 41,555</b>



City of Lynnview, Kentucky  
 Budgetary Comparison Schedule  
 Special Revenue Fund  
 June 30, 2021

	Budgeted Amounts			Variances
	Original	Final	Actual	Final to Actual
<b>Revenues</b>				
Intergovernmental	\$ 25,500	\$ 25,500	\$ 16,337	\$ (9,163)
Investment income	0	0	20	20
Total revenues	25,500	25,500	16,357	(9,143)
<b>Expenditures</b>				
Public works	8,000	8,000	12	7,988
Debt service	21,000	21,000		21,000
Total expenditures	29,000	29,000	12	28,988
Excess (deficiency) of revenues over expenditures	(3,500)	(3,500)	16,345	19,845
<b>Other financing sources (uses)</b>				
Transfers out			(96,304)	(96,304)
Total other financing sources (uses)	0	0	(96,304)	(96,304)
Net change in fund balances	(3,500)	(3,500)	(79,959)	(76,459)
Budgetary fund balance - beginning of year	3,500	3,500	81,594	78,094
Budgetary fund balance - end of year	\$ 0	\$ 0	\$ 1,635	\$ 1,635

**NOTE 1: BUDGETS AND BUDGETARY PROCESS**

The City follows the procedures establish pursuant to KRS 91A.030 in establishing the budgetary data included in the required supplementary information. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Expenditures exceeded budget amounts in the general fund due to the purchase of 1231 Gilmore Avenue.



**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**

Honorable Mayor  
and Members of 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 (City) as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the City basic financial statements and have issued our report thereon dated December 2, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's District'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City in a separate letter dated December 2, 2021.

**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

**Maddox & Associates CPAs Inc.**

Fort Thomas, Kentucky

December 2, 2021

