

**CITY OF LYNNVIEW, KENTUCKY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2022**

|   |              |
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## INDEPENDENT AUDITOR'S REPORT

Member of City Council  
City of Lynnview, Kentucky  
Lynnview, Kentucky

### Report on the Audit of the Financial Statements

#### ***Opinions***

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022 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.

#### ***Basis of Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are condition or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



***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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 October 2, 2022, 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 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'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's internal control over financial reporting and compliance.

***Maddox & Associates CPAs Inc.***

Fort Thomas, Kentucky  
October 2, 2022

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, 2022. 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 \$788,928 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 \$68,962. The City's total net position increased \$260,720.

At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$315,159, an increase of \$196,619 from the prior year. Of this amount, \$58,642 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 14% 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 and, 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 9-10 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 11-14 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 15-23 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 24-26 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Position

|                                  | 2022       | 2021       |
|----------------------------------|------------|------------|
| Assets                           |            |            |
| Current and other assets         | \$ 322,644 | \$ 123,640 |
| Capital assets                   | 903,353    | 915,359    |
| Total assets                     | 1,225,997  | 1,038,999  |
| Liabilities                      |            |            |
| Current liabilities              | 7,485      | 2,041      |
| Long-term liabilities            | 429,584    | 508,750    |
| Total liabilities                | 437,069    | 510,791    |
| Net position                     |            |            |
| Net investment in capital assets | 473,769    | 406,609    |
| Restricted                       | 246,197    | 1,635      |
| Unrestricted                     | 68,962     | 119,964    |
| Total net position               | \$ 788,928 | \$ 528,208 |

### Statement of Activities

|                            | 2022       | 2021       |
|----------------------------|------------|------------|
| Revenues                   |            |            |
| Taxes                      | \$ 239,660 | \$ 235,047 |
| Licenses and permits       | 4,800      | 4,800      |
| Rents                      | 22,000     | 20,000     |
| Intergovernmental          | 23,242     | 20,192     |
| Charges for services       | 67,325     | 66,493     |
| Investment income          | 68         | 1,468      |
| Grants                     | 245,831    | -          |
| Other revenue              | 7,631      | 2,794      |
| Total revenues             | 610,557    | 350,794    |
| Expenses                   |            |            |
| General government         | 330,680    | 264,397    |
| Public safety              | 5,900      | 404        |
| Public works               | -          | 27,875     |
| Interest on long-term debt | 13,257     | 14,248     |
| Total expenses             | 349,837    | 306,924    |
| Decrease in net position   | 260,720    | 43,870     |
| Net position - beginning   | 528,208    | 484,338    |
| Net position - ending      | \$ 788,928 | \$ 528,208 |



### Capital Assets

|                            | 2022              | 2021              |
|----------------------------|-------------------|-------------------|
| Buildings and improvements | \$ 447,197        | \$ 445,984        |
| Equipment                  | 11,274            | 5,908             |
| Infrastructure             | 444,882           | 463,467           |
| Total capital assets       | <u>\$ 903,353</u> | <u>\$ 915,359</u> |

### Long-Term Debt

|                | 2022       | 2021       |
|----------------|------------|------------|
| Leases payable | \$ 429,584 | \$ 508,750 |

### Economic Factors and Next Year's Budget

Budgeted income for the city increased for the upcoming fiscal year due to the property assessment increases implemented by the Jefferson County Property Valuation Administrator. 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 as property values for both the city hall property and the 1231 Property have increased significantly.

Indebtedness continues to be forefront in the long-term scope of plans for the city. Because of the contractual obligations for the Paving Bond, the city was unable to make an early payoff and achieve the interest savings originally anticipated. However, 2023 will dramatically reduce this indebtedness with payoff completed in January of 2024. We are encouraged by the rental revenues on the property at 1231 which by the end of 2023 will have repaid the city for all expenditures required to bring the property into code compliance and make it a more formidable property. This was a strategic move toward future plans for a new Lynnview City Hall which will be built on that property as it is quite large with ample parking and room for the additional building to be constructed. 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 have worked diligently to access all funding available to assist in this project and have been awarded funding allocations from MSD and the State of Kentucky to ensure completion. This project will 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.

As part of a four-year initiative Lynnview has begun a landscaping project in the Preston Drive median area abutting Preston Highway. Several phases of this project will happen to include seasonal plantings, berms, irrigation, and beautification. A historical marker will be located in the area as well as the city

was recently designated as part of the historic registry of places. 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.

Continued growth of property values as well as significantly decreasing indebtedness will cement the stance of this administration that ZERO increases in tax revenue will be required for the foreseeable future.

#### **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, 2022

|                                  | Governmental<br>Activities | Total             |
|----------------------------------|----------------------------|-------------------|
| <b>Assets</b>                    |                            |                   |
| Cash and cash equivalents        | \$ 41,958                  | \$ 41,958         |
| Restricted cash                  | 246,197                    | 246,197           |
| Receivables                      | 24,169                     | 24,169            |
| Prepaid expenses                 | 10,320                     | 10,320            |
| Capital assets, net              | 903,353                    | 903,353           |
| <b>Total assets</b>              | <b>1,225,997</b>           | <b>1,225,997</b>  |
| <b>Liabilities</b>               |                            |                   |
| Accounts payable                 | 6,119                      | 6,119             |
| Payroll liabilities              | 1,366                      | 1,366             |
| Noncurrent liabilities:          |                            |                   |
| Due within one year:             |                            |                   |
| Leases payable                   | 85,000                     | 85,000            |
| Due in more than one year:       |                            |                   |
| Leases payable                   | 344,584                    | 344,584           |
| <b>Total liabilities</b>         | <b>437,069</b>             | <b>437,069</b>    |
| <b>Net position</b>              |                            |                   |
| Net investment in capital assets | 473,769                    | 473,769           |
| Restricted                       | 246,197                    | 246,197           |
| Unrestricted                     | 68,962                     | 68,962            |
| <b>Total net position</b>        | <b>\$ 788,928</b>          | <b>\$ 788,928</b> |



City of Lynnview, Kentucky  
Statement of Activities  
Year Ended June 30, 2022

| Governmental activities       | Expenses   | Program Revenues        |                          |         | Net (Expense) Revenue<br>and Changes in Net Position |              |
|-------------------------------|------------|-------------------------|--------------------------|---------|--|--------------|
|                               |            | Charges<br>for Services | Grants and Contributions |         | Governmental<br>Activities                           | Total        |
|                               |            |                         | Operating                | Capital |  |              |
| General government            | \$ 330,680 | \$ 67,325               | \$ 0                     | \$ 0    | (263,355)  | \$ (263,355) |
| Public safety                 | 5,900      |                         | 4,553                    |         | (1,347)  | (1,347)      |
| Public works                  | 0          |                         | 18,689                   |         | 18,689   | 18,689       |
| Interest on long-term debt    | 13,257     |                         |                          |         | (13,257)   | (13,257)     |
| Total governmental activities | 349,837    | 67,325                  | 23,242                   | 0       | (259,270)  | (259,270)    |
| <b>General Revenues</b>       |            |                         |                          |         |  |              |
| Taxes                         |            |                         |                          |         | 239,660  | 239,660      |
| Licenses and permits          |            |                         |                          |         | 4,800  | 4,800        |
| Rents                         |            |                         |                          |         | 22,000   | 22,000       |
| Investment income             |            |                         |                          |         | 68   | 68           |
| Grants                        |            |                         |                          |         | 245,831  | 245,831      |
| Other revenue                 |            |                         |                          |         | 7,631  | 7,631        |
| Total general revenues        |            |                         |                          |         | 519,990  | 519,990      |
| Change in net position        |            |                         |                          |         | 260,720  | 260,720      |
| Net position - beginning      |            |                         |                          |         | 528,208  | 528,208      |
| Net position - end of year    |            |                         |                          |         | \$ 788,928   | \$ 788,928   |

City of Lynnview, Kentucky  
Balance Sheet – Governmental Funds  
June 30, 2022

|  | General<br>Fund   | Special<br>Revenue | Total<br>Governmental<br>Funds |
|--|-------------------|--------------------|--------------------------------|
| <b>Assets</b>                              |                   |                    |                                |
| Cash and cash equivalents                  | \$ 41,958         | \$                 | \$ 41,958                      |
| Restricted cash                            | 245,867           | 330                | 246,197                        |
| Receivables                                | 24,169            |                    | 24,169                         |
| Prepaid expenditures                       | 10,320            |                    | 10,320                         |
| <b>Total assets</b>                        | <b>\$ 322,314</b> | <b>\$ 330</b>      | <b>\$ 322,644</b>              |
| <b>Liabilities</b>                         |                   |                    |                                |
| Accounts payable                           | \$ 6,119          | \$                 | \$ 6,119                       |
| Payroll liabilities                        | 1,366             |                    | 1,366                          |
| <b>Total liabilities</b>                   | <b>7,485</b>      | <b>0</b>           | <b>7,485</b>                   |
| <b>Fund balances</b>                       |                   |                    |                                |
| Restricted                                 | 245,867           | 330                | 246,197                        |
| Assigned                                   | 10,320            |                    | 10,320                         |
| Unassigned                                 | 58,642            |                    | 58,642                         |
| <b>Total fund balances</b>                 | <b>314,829</b>    | <b>330</b>         | <b>315,159</b>                 |
| <b>Total liabilities and fund balances</b> | <b>\$ 322,314</b> | <b>\$ 330</b>      | <b>\$ 322,644</b>              |

City of Lynnview, Kentucky  
Reconciliation of the Balance Sheet – Governmental Funds  
to the Statement of Net Position  
June 30, 2022

---

|                                  |            |
|----------------------------------|------------|
| Total governmental fund balances | \$ 315,159 |
|----------------------------------|------------|

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

|  |         |
|--|---------|
| Capital assets used in governmental activities are not financial<br>resources and, therefore, are not reported in the funds. | 903,353 |
|--|---------|

|   |  |
|---|--|
| Long-term liabilities are not due and payable in the current period<br>and, therefore, are not reported in the funds. |  |
|---|--|

|                |           |
|----------------|-----------|
| Leases payable | (429,584) |
|----------------|-----------|

|   |                   |
|---|-------------------|
| Net position of governmental activities | <u>\$ 788,928</u> |
|---|-------------------|



City of Lynnview, Kentucky  
Statement of Revenues, Expenditures and Changes in Fund  
Balances – Governmental Funds  
Year Ended June 30, 2022

|   | General<br>Fund | Special<br>Revenue | Total<br>Governmental<br>Funds |
|---|-----------------|--------------------|--------------------------------|
| <b>Revenues</b>                                 |                 |                    |                                |
| Property taxes                                  | \$ 123,859      | \$                 | \$ 123,859                     |
| Motor vehicle                                   | 5,212           |                    | 5,212                          |
| Franchise fees                                  | 4,026           |                    | 4,026                          |
| Insurance premium tax                           | 67,352          |                    | 67,352                         |
| Occupational tax                                | 42,269          |                    | 42,269                         |
| Intergovernmental                               | 4,553           | 18,689             | 23,242                         |
| Investment income                               | 62              | 6                  | 68                             |
| Licenses and permits                            | 4,800           |                    | 4,800                          |
| Charges for services                            | 67,325          |                    | 67,325                         |
| Rents   | 22,000          |                    | 22,000                         |
| Grants  | 245,831         |                    | 245,831                        |
| Other revenue                                   | 7,631           |                    | 7,631                          |
| Total revenues                                  | 594,920         | 18,695             | 613,615                        |
| <b>Expenditures</b>                             |                 |                    |                                |
| General government                              | 211,508         |                    | 211,508                        |
| Sanitation                                      | 68,223          |                    | 68,223                         |
| Public safety                                   | 5,900           |                    | 5,900                          |
| Capital outlay                                  | 38,942          |                    | 38,942                         |
| Debt service:                                   |                 |                    |                                |
| Principal                                       | 79,166          |                    | 79,166                         |
| Interest  | 13,257          |                    | 13,257                         |
| Total expenditures                              | 416,996         | -                  | 416,996                        |
| Excess of revenues over (under)<br>expenditures | 177,924         | 18,695             | 196,619                        |
| <b>Other financing sources (uses)</b>           |                 |                    |                                |
| Transfers in                                    | 20,000          |                    | 20,000                         |
| Transfers out                                   |                 | (20,000)           | (20,000)                       |
| Total other financing sources (uses)            | 20,000          | (20,000)           | 0                              |
| Net change in fund balances                     | 197,924         | (1,305)            | 196,619                        |
| Fund balances - beginning of year               | 116,905         | 1,635              | 118,540                        |
| Fund balances - end of year                     | \$ 314,829      | \$ 330             | \$ 315,159                     |

City of Lynnview, Kentucky  
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund  
Balances – Governmental Funds to the Statement of Activities  
June 30, 2022

---

|  |    |         |
|--|----|---------|
| Net change in fund balances - total governmental funds | \$ | 196,619 |
|--|----|---------|

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 asset is  
allocated over their estimated useful lives and reported as  
depreciation expense.

|                      |          |
|----------------------|----------|
| Capital outlay       | 38,942   |
| Depreciation expense | (50,948) |

|  |         |
|--|---------|
| Revenues in the statement of activites that do not provide<br>current financial resources are not reported in the funds. | (3,059) |
|--|---------|

|   |        |
|---|--------|
| Repayment of long-term debt are expenditures in the governmental<br>funds, but the repayment reduces long-term liabilities in the statement<br>of net position. | 79,166 |
|---|--------|

|   |           |                |
|---|-----------|----------------|
| Change in net position of governmental activities | <u>\$</u> | <u>260,720</u> |
|---|-----------|----------------|

## **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.



## **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:

| <u>Description</u>        | <u>Estimated Lives</u> |
|---------------------------|------------------------|
| 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.



## **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.



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

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.

***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.

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

##### ***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.

##### ***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***

The City evaluated subsequent events for potential recognition and disclosure through October 2, 2022, 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 exceeded limits 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: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022 is summarized below:

|                                 | Balance<br>July 1, 2021 | Additions   | Disposals | Balance<br>June 30, 2022 |
|---------------------------------|-------------------------|-------------|-----------|--------------------------|
| Governmental activities         |                         |             |           |                          |
| Buildings and improvements      | \$ 542,029              | \$ 20,675   | \$        | \$ 562,704               |
| Equipment                       | 10,539                  | 8,603       |           | 19,142                   |
| Infrastructure                  | 765,824                 | 9,664       |           | 775,488                  |
| Total capital assets            | 1,318,392               | 38,942      | 0         | 1,357,334                |
| Accumulated depreciation        |                         |             |           |                          |
| Buildings and improvements      | 96,045                  | 19,462      |           | 115,507                  |
| Equipment                       | 4,631                   | 3,237       |           | 7,868                    |
| Infrastructure                  | 302,357                 | 28,249      |           | 330,606                  |
| Total accumulated depreciation  | 403,033                 | 50,948      | 0         | 453,981                  |
| Net governmental capital assets | \$ 915,359              | \$ (12,006) | \$ 0      | \$ 903,353               |

Depreciation was charged to following government funds:

|                    |           |
|--------------------|-----------|
| General government | \$ 22,699 |
| Public works       | 28,249    |
| Total depreciation | \$ 50,948 |

## NOTE 4: RECEIVABLES

Receivables due the city at year end are as follows:

|                   |           |
|-------------------|-----------|
| Property taxes    | \$ 694    |
| Occupational tax  | 6,158     |
| Motor vehicle     | 697       |
| Insurance         | 16,620    |
| Total receivables | \$ 24,169 |



#### NOTE 5: 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<br>Balance |
|-------|------------|---------------|------------------|
|       | Proceeds   | Rates         |                  |
| 2019  | \$ 255,000 | 2.50%         | \$ 95,000        |
| 2020  | \$ 375,000 | 2.00% - 2.25% | \$ 334,584       |

Changes in long-term obligations are as follows:

|              | Balance<br>June 30, 2021 | Additions   | Retirements      | Balance<br>June 30, 2022 | Amounts<br>Due Within<br>One Year |
|--------------|--------------------------|-------------|------------------|--------------------------|-----------------------------------|
| 2019 Lease   | \$ 152,083               | \$          | \$ 57,083        | \$ 95,000                | \$ 60,000                         |
| 2020 Lease   | 356,667                  |             | 22,083           | 334,584                  | 25,000                            |
| <b>Total</b> | <b>\$ 508,750</b>        | <b>\$ -</b> | <b>\$ 79,166</b> | <b>\$ 429,584</b>        | <b>\$ 85,000</b>                  |

The minimum obligations of the City at June 30, 2022 for debt service (principal and interest) are as follows:

| Year Ended<br>June 30 | Leases Payable    |                  |                   |
|-----------------------|-------------------|------------------|-------------------|
|                       | Principal         | Interest         | Total             |
| 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                  | 25,000            | 5,878            | 30,878            |
| 2028 - 2032           | 132,084           | 20,906           | 152,990           |
| 2033 - 2036           | 77,500            | 4,644            | 82,144            |
|                       | <b>\$ 429,584</b> | <b>\$ 64,829</b> | <b>\$ 494,413</b> |

#### NOTE 6: 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

**NOTE 7: 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, 2022, 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 8: 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   | \$ 20,000     |

## REQUIRED SUPPLEMENTARY INFORMATION

City of Lynnview, Kentucky  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2022

|   | Budgeted Amounts |                  | Actual            | Variances         |
|---|------------------|------------------|-------------------|-------------------|
|   | Original         | Final            |                   | Final to Actual   |
| <b>Revenues</b>                                   |                  |                  |                   |                   |
| Property taxes                                    | \$ 114,000       | \$ 114,000       | \$ 129,071        | \$ 15,071         |
| Franchise fees                                    | 3,600            | 3,600            | 4,026             | 426               |
| Insurance premium tax                             | 65,000           | 65,000           | 67,352            | 2,352             |
| Occupational tax                                  | 45,000           | 45,000           | 42,269            | (2,731)           |
| Intergovernmental                                 | 0                | 0                | 4,553             | 4,553             |
| Investment income                                 | 2,000            | 2,000            | 62                | (1,938)           |
| Licenses and permits                              | 1,200            | 1,200            | 4,800             | 3,600             |
| Charges for services                              | 67,000           | 67,000           | 67,325            | 325               |
| Rents   | 30,000           | 30,000           | 22,000            | (8,000)           |
| Other revenue                                     | 13,550           | 13,550           | 253,462           | 239,912           |
| <b>Total revenues</b>                             | <b>341,350</b>   | <b>341,350</b>   | <b>594,920</b>    | <b>253,570</b>    |
| <b>Expenditures</b>                               |                  |                  |                   |                   |
| General government                                | 199,000          | 199,500          | 211,508           | (12,008)          |
| Sanitation  | 67,500           | 67,500           | 68,223            | (723)             |
| Public safety                                     | 12,000           | 12,000           | 5,900             | 6,100             |
| Capital outlay                                    |                  |                  | 38,942            | (38,942)          |
| Debt service                                      | 60,000           | 60,000           | 92,423            | (32,423)          |
| <b>Total expenditures</b>                         | <b>338,500</b>   | <b>339,000</b>   | <b>416,996</b>    | <b>(77,996)</b>   |
| Excess (deficiency) of revenues over expenditures | 2,850            | 2,350            | 177,924           | 175,574           |
| <b>Other financing sources (uses)</b>             |                  |                  |                   |                   |
| Transfer in                                       |                  |                  | 20,000            | 20,000            |
| <b>Total other financing sources (uses)</b>       | <b>0</b>         | <b>0</b>         | <b>20,000</b>     | <b>20,000</b>     |
| Net change in fund balances                       | 2,850            | 2,350            | 197,924           | 195,574           |
| Budgetary fund balance - beginning of year        | 75,000           | 75,000           | 116,905           | 41,905            |
| <b>Budgetary fund balance - end of year</b>       | <b>\$ 77,850</b> | <b>\$ 77,350</b> | <b>\$ 314,829</b> | <b>\$ 237,479</b> |

City of Lynnview, Kentucky  
 Budgetary Comparison Schedule – Special Revenue Fund  
 Year Ended June 30, 2022

|   | Budgeted Amounts |           |           | Variances       |
|---|------------------|-----------|-----------|-----------------|
|   | Original         | Final     | Actual    | Final to Actual |
| <b>Revenues</b>                                   |                  |           |           |                 |
| Intergovernmental                                 | \$ 20,000        | \$ 20,000 | \$ 18,689 | \$ (1,311)      |
| Investment income                                 | 0                | 0         | 6         | 6               |
| Total revenues                                    | 20,000           | 20,000    | 18,695    | (1,305)         |
| <b>Expenditures</b>                               |                  |           |           |                 |
| Public works                                      | 8,000            | 8,000     |           | 8,000           |
| Debt service                                      | 21,000           | 21,000    |           | 21,000          |
| Total expenditures                                | 29,000           | 29,000    | -         | 29,000          |
| Excess (deficiency) of revenues over expenditures | (9,000)          | (9,000)   | 18,695    | 27,695          |
| <b>Other financing sources (uses)</b>             |                  |           |           |                 |
| Transfers out                                     |                  |           | (20,000)  | (20,000)        |
| Total other financing sources (uses)              | 0                | 0         | (20,000)  | (20,000)        |
| Net change in fund balances                       | (9,000)          | (9,000)   | (1,305)   | 7,695           |
| Budgetary fund balance - beginning of year        | 9,000            | 9,000     | 1,635     | (7,365)         |
| Budgetary fund balance - end of year              | \$ 0             | \$ 0      | \$ 330    | \$ 330          |



**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*

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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 October 2, 2022.

#### **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*.

1407 Alexandria Pike  
Fort Thomas, KY 41075

3863 Glenmore Ave  
Cincinnati, OH 45211

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*

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We noted certain matters that we reported to management of the City in a separate letter dated October 2, 2022.

**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

October 2, 2022

