

CITY OF LYNNVIEW, KENTUCKY

FINANCIAL STATEMENTS

JUNE 30, 2025

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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, 2025, 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, 2025 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 conditions 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City basic financial statements. The accompanying schedule of expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2025, 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
November 14, 2025

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, 2025. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the City were more than its liabilities and deferred outflows at the close of the most recent fiscal year by \$1,026,045 (net position). The unrestricted net position, which represents the amounts available to meet the City's ongoing obligations to citizens and creditors, is \$376,163. The City's total net position increased by \$63,271.

At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$376,461, an increase of \$30,071 from the prior year. Of this amount, \$366,045 is available for spending at the City's discretion (unassigned fund balance).

At the close of the current fiscal year, the unassigned fund balance for the general fund is approximately 74% of total general 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.

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. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, police, fire, public works, and parks and recreation.

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on 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. The City considers revenues to be available if they are collected within sixty days of year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

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 City 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 governmental funds.

The City adopts an annual budget for its major funds. A budgetary comparison schedule has been provided for each major fund to demonstrate compliance with the budget.

The fund financial statements can be found on pages 10-13 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 14-23 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 25-27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, 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. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

City of Lynnview, Kentucky
 Management's Discussion and Analysis
 June 30, 2025

Net Position

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Assets			
Current and other assets	\$ 380,692	\$ 350,179	\$ 30,513
Capital assets	<u>909,169</u>	<u>900,969</u>	<u>8,200</u>
Total assets	1,289,861	1,251,148	38,713
Liabilities			
Current liabilities	29,231	249,619	(220,388)
Long-term liabilities	<u>234,585</u>	<u>284,585</u>	<u>(50,000)</u>
Total liabilities	263,816	534,204	(270,388)
Net position			
Net investment in capital assets	649,584	616,384	33,200
Restricted	298	4,369	(4,071)
Unrestricted	<u>376,163</u>	<u>96,191</u>	<u>279,972</u>
Total net position	\$ 1,026,045	\$ 716,944	\$ 309,101

Changes in Net Position

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Revenues	\$ 524,773	\$ 486,113	\$ 38,660
Expenses			
General government	308,419	279,338	29,081
Sanitation	118,816	55,616	63,200
Public works	28,425	30,742	(2,317)
Interest on long-term debt	<u>5,842</u>	<u>8,791</u>	<u>(2,949)</u>
Total expenses	461,502	374,487	87,015
Change in net position	63,271	111,626	(48,355)
Net position - beginning, as restated	962,774	846,148	116,626
Net position - ending, as restated	\$ 1,026,045	\$ 957,774	\$ 68,271

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$908,901 net investment in capital assets.

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Buildings and improvements	\$ 445,845	\$ 411,064	\$ 34,781
Equipment	26,710	25,309	1,401
Infrastructure	<u>436,614</u>	<u>464,596</u>	<u>(27,982)</u>
Total capital assets	\$ 909,169	\$ 900,969	\$ 8,200

Long-Term Obligations

At the end of the fiscal year, the City had \$259,585 in long-term liabilities.

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Leases payable	\$ 259,585	\$ 284,585	\$ (25,000)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

There are no significant economic factors affecting next year's budget.

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 Administrator, 1241 Gilmore Lane, Lynnview, KY 40213.

City of Lynnview, Kentucky
 Statement of Net Position
 June 30, 2025

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 12,298
Restricted cash	298
Certificates of deposit	318,177
Receivables	39,801
Prepaid expenses	10,118
Capital assets, net	909,169
Total assets	1,289,861
Liabilities	
Current liabilities:	
Accounts payable	1,222
Payroll liabilities	3,009
Deferred revenue	-
Leases payable	25,000
Noncurrent liabilities:	
Leases payable	234,585
Total liabilities	263,816
Net position	
Net investment in capital assets	649,584
Restricted	298
Unrestricted	376,163
Total net position	\$ 1,026,045

See accompanying notes to financial statements.

City of Lynnview, Kentucky
 Statement of Activities
 Year Ended June 30, 2025

Governmental activities	Expenses	Program Revenues			Net Revenue Expense Governmental Activities	
		Charges for Services	Grants and Contributions			
			Operating	Capital		
General government	\$ 308,419	\$ -	\$ 543	\$ -	(307,876)	
Sanitation	118,816	59,304	-	-	(59,512)	
Public safety	-	-	-	-	-	
Public works	28,425	-	19,388	-	(9,037)	
Interest on long-term debt	5,842	-	-	-	(5,842)	
Total governmental activities	461,502	59,304	19,931	-	(382,267)	
General Revenues						
Taxes					222,272	
Motor vehicle tax					8,017	
Franchise tax					4,033	
Occupational license					60,536	
Insurance tax					92,329	
Licenses and permits					8,200	
Rents					24,000	
Investment income					17,130	
Other revenue					9,021	
Total general revenues					445,538	
Change in net position					63,271	
Net position - beginning, as restated					962,774	
Net position - end of year					\$ 1,026,045	

See accompanying notes to financial statements.

City of Lynnview, Kentucky
 Balance Sheet – Governmental Funds
 June 30, 2025

	General Fund	Special Revenue	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 12,298	\$ -	\$ 12,298
Restricted cash	-	298	298
Certificates of deposit	318,177	-	318,177
Receivables	39,801	-	39,801
Prepaid expenditures	10,118	-	10,118
Total assets	\$ 380,394	\$ 298	\$ 380,692
Liabilities			
Accounts payable	\$ 1,222	\$ -	\$ 1,222
Payroll liabilities	3,009	-	3,009
Total liabilities	4,231	-	4,231
Fund balances			
Restricted	-	298	298
Assigned	10,118	-	10,118
Unassigned	366,045	-	366,045
Total fund balances	376,163	298	376,461
Total liabilities and fund balances	\$ 380,394	\$ 298	\$ 380,692

See accompanying notes to financial statements.

City of Lynnview, Kentucky
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
June 30, 2025

Total governmental fund balances \$ 376,461

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. 909,169

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

Leases payable (259,585)

Net position of governmental activities \$ 1,026,045

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, 2025

	General Fund	Special Revenue	Total Governmental Funds
Revenues			
Property taxes	\$ 222,272	\$ -	\$ 222,272
Motor vehicle	8,017	-	8,017
Franchise fees	4,033	-	4,033
Insurance premium tax	92,329	-	92,329
Occupational tax	60,536	-	60,536
Licenses and permits	8,200	-	8,200
Intergovernmental	543	19,388	19,931
Investment income	17,089	41	17,130
Charges for services	59,304	-	59,304
Rents	24,000	-	24,000
Other revenue	9,021	-	9,021
Total revenues	505,344	19,429	524,773
Expenditures			
General government	276,218	-	276,218
Sanitation	118,816	-	118,816
Capital outlay	68,826	-	68,826
Debt service:			
Principal	25,000	-	25,000
Interest	5,842	-	5,842
Total expenditures	494,702	-	494,702
Excess of revenues over (under) expenditures	10,642	19,429	30,071
Other financing sources (uses)			
Transfers in	23,500	-	23,500
Transfers out	-	(23,500)	(23,500)
Total other financing sources (uses)	23,500	(23,500)	-
Net change in fund balances	34,142	(4,071)	30,071
Fund balances - beginning of year, as restated	342,021	4,369	346,390
Fund balances - end of year	\$ 376,163	\$ 298	\$ 376,461

See accompanying notes to financial statements.

City of Lynnview, Kentucky

Reconciliation of the Statement of Revenues, Expenditures and Changes in

Fund Balances – Governmental Funds to the Statement of Activities

Year Ended June 30, 2025

Net change in fund balances - total governmental funds	\$ 30,071
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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	68,826
Depreciation expense	(60,626)

Repayment of long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

25,000

Change in net position of governmental activities	\$ 63,271
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See accompanying notes to financial statements

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.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

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.

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 City considers revenues to be available if they are collected within sixty days of year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

The following are the City's major governmental funds:

The General Fund 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. This is a major fund of the city.

The Road Fund accounts for the proceeds of municipal aid road funds received from the Commonwealth of Kentucky as provided in KRS 174 that are legally restricted to disbursements for specified purposes. The City has elected to treat this as a major fund.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within sixty days of year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures as well as expenditures related to long-term compensated absences and postemployment benefits are recorded only when payment is due.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance

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.

The City is authorized by state statute to invest in the following subject to additional requirements of KRS 66.480:

- Obligations of the United States and of its Agencies and instrumentalities
- Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Bonds and Securities of other State and Local Governments
- Mutual Funds, Exchange Traded Funds, Individual Equity Securities and High-quality Corporate bonds managed by a professional investment manager

Investments

Investments with a maturity of less than one year are stated at cost. Investments with a maturity greater than one year are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Receivables

Property taxes are levied as of July 1 on property values assessed as of the same date. The taxes are billed on approximately August 1. If paid by November 1, a two-percent (2%) discount is applied. The face amount is due December 31. A 10% penalty is applied January 1 in addition to interest at 12% per annum.

Accounts receivables are presented, when necessary, net of an allowance for doubtful accounts. No allowance has been recorded for the current fiscal year.

Capital Assets

General capital and leased assets are those assets that 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.

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. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings	25-50 years
Improvements	20 years
Utility system	40 years
Vehicles	5-10 years
Equipment	7 years
Other	10 years

Payables and Accrued Liabilities

All payables and accrued liabilities are reported on the government-wide financial statements and fund 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, compensated absences, contractually required pension and OPEB contributions 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 other long-term obligations are recognized as a liability on the governmental fund financial statements when due.

Compensated Absences

The City's policy does not provide for vacation time, sick time, or any other compensated absences. Therefore, no liability has been recorded.

Long-Term Obligations

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. Long-term debt consists of bonds, notes, and lease liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as an other financing source and payment of principal and interest are reported as expenditures.

Deferred Inflows

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, are therefore, deferred until that time. In the governmental funds, certain revenue transactions have been reported as unavailable (deferred) revenue.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets 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 are included in this component of net position.

Restricted net position consists of restricted net assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use by external parties or by law through enabling legislation.

Unrestricted net position is the amount of net amount of assets, deferred outflows, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Fund Balance

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. 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. Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed. Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance.

Assigned. Amounts that are designated for a specific purpose but are not spendable until a budget ordinance is passed or a there is majority passed vote by City Council.

Unassigned. All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance, and then to committed, assigned, and unassigned fund balances in that order.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenditures/Expenses

Revenues

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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. 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.

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.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

An annual budget is adopted for each governmental fund by ordinance prior to July 1. The budget can be amended by a subsequent ordinance. Expenditures may not legally exceed budgeted appropriations at the function level.

Subsequent Events

The City evaluated subsequent events for potential recognition and disclosure through November 14, 2025, the date the financial statements were available to be issued.

NOTE 2: CASH AND INVESTMENTS

Deposits

Custodial credit risk. This is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. At year end, the City's carrying amount was \$12,596. The bank balance is covered by FDIC insurance.

Investments

Custodial credit risk. This is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City maintains an investment account with a brokerage institution which holds investment's in the City's name.

Interest rate risk. This is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate risk.

Credit risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. At year end, the City held US Treasury notes and certificates of deposit at insured banks.

At year end, the City had the following investments:

	Fair Value	Maturity Less Than One year	Fair Value Measurement	
			Level 1 Inputs	
			\$	107,154
Certificate of deposit	\$ 107,154	\$ 107,154	\$	107,154
Certificate of deposit	108,394	108,394		108,394
Certificate of deposit	51,405	51,405		51,405
Certificate of deposit	25,612	25,612		25,612
Certificate of deposit	25,612	25,612		25,612
Total	<u>\$ 318,177</u>	<u>\$318,177</u>		<u>\$ 318,177</u>

NOTE 3: RECEIVABLES AND REVENUE

Receivables at year end consist of the following:

Occupational tax	\$ 13,073
Motor vehicle tax	2,036
Insurance tax	24,692
Total receivables	\$ 39,801

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year is summarized below:

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Governmental activities				
Buildings and improvements	\$ 565,708	\$ 57,606	\$ -	\$ 623,314
Equipment	41,324	8,720	-	50,044
Infrastructure	855,486	2,500	-	857,986
Total capital assets	1,462,518	68,826	-	1,531,344
Accumulated depreciation				
Buildings and improvements	154,644	22,825	-	177,469
Equipment	16,015	7,319	-	23,334
Infrastructure	390,890	30,482	-	421,372
Total accumulated depreciation	561,549	60,626	-	622,175
Net governmental capital assets	\$ 900,969	\$ 8,200	\$ -	\$ 909,169

Depreciation was charged to the following functions:

General government	\$ 32,201
Public works	28,425
	\$ 60,626

NOTE 5: LONG-TERM LIABILITIES

Long-term liability activity for the year is summarized below:

	Balance			Balance June 30, 2025	Due Within	
	June 30, 2024	Additions	Retirements		One Year	Long-Term
2020 Lease	284,585	-	25,000	259,585	25,000	234,585
Total	\$ 284,585	\$ -	\$ 25,000	\$ 259,585	\$ 25,000	\$ 234,585

Obligations outstanding at year end are as follows:

Issue	Lease Issue		Lease Balance
	Proceeds	Rates	
2020	\$ 375,000	2.00% - 2.25%	\$ 259,585

Debt service requirements for the City are as follows:

Year Ending June 30,	2020 Lease		
	Principal	Interest	Total
2026	\$ 25,000	\$ 6,427	\$ 31,427
2027	25,000	5,878	30,878
2025	25,000	5,315	30,315
2029	25,000	4,753	29,753
2030	25,000	4,190	29,190
2031-2035	134,585	11,291	145,876
Total	\$ 259,585	\$ 37,854	\$ 297,439

NOTE 6: OPERATING LEASES

The City has no operating leases requiring disclosure as right of use assets.

NOTE 7: CONTINGENCIES

Grants. The City receives funding from federal and state agencies in the form of grants. These funds are to be used for designated purposes only. If the federal or state grantor finds that funds have not been used for the intended purposes, the grantor may request a refund of monies advanced or refuse to reimburse the City for its expenditures. The amount of such future refunds and unreimbursed expenditures, if any, is not expected to be significant. Continuation of the City's grant programs is contingent upon the grantors satisfaction that the funds provided are being spent as intended and the grantors intent to continue their programs.

NOTE 7: CONTINGENCIES - CONTINUED

Litigation. 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 and its legal counsel 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 any cases has been made in the accompanying financial statements.

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, 2025, 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 year.

NOTE 9: ADJUSTMENTS TO BEGINNING NET POSITION AND FUND BALANCE

Beginning net position and fund balance were increased by \$245,830 to properly report deferred revenue.

	As previously reported			As adjusted / corrected	
	6/30/2024 Net Position / Fund Balance	Change to or Within the Reporting Entity		Error Correction	6/30/2024 Net Position / Fund Balance
		Change in Accounting Principle			
Government-wide					
Governmental activities	\$ 716,944	\$ -	\$ -	\$ 245,830	\$ 962,774
Governmental funds					
General fund	\$ 96,191	\$ -	\$ -	\$ 245,830	\$ 342,021
Road fund	4,369				4,369
	<u>\$ 100,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 245,830</u>	<u>\$ 346,390</u>

NOTE 10 – FUND TRANSFERS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
Road Fund	General Fund	Debt service	\$ 23,500

REQUIRED SUPPLEMENTARY INFORMATION

City of Lynnview, Kentucky
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2025

	Budgeted Amounts			Variances	
	Original	Final	Actual	Final to Actual	
Revenues					
Property taxes	\$ 223,000	\$ 223,000	\$ 222,272	\$ (728)	
Motor vehicle	14,000	14,000	8,017	(5,983)	
Franchise fees	4,000	4,000	4,033	33	
Insurance premium tax	68,000	68,000	92,329	24,329	
Occupational tax	45,000	45,000	60,536	15,536	
Licenses and permits	8,500	8,500	8,200	(300)	
Intergovernmental	-	-	543	543	
Investment income	3,000	3,000	17,089	14,089	
Charges for services	44,600	44,600	59,304	14,704	
Rents	30,000	30,000	24,000	(6,000)	
Other revenue	1,050	1,050	9,021	7,971	
Total revenues	441,150	441,150	505,344	64,194	
Expenditures					
General government	185,700	185,700	276,218	(90,518)	
Sanitation	126,600	126,600	118,816	7,784	
Public safety	25,000	25,000	-	25,000	
Capital outlay	56,000	56,000	68,826	(12,826)	
Debt service	36,000	36,000	30,842	5,158	
Total expenditures	429,300	429,300	494,702	(65,402)	
Excess (deficiency) of revenues over expenditures	11,850	11,850	10,642	(1,208)	
Other financing sources (uses)					
Transfer in	-	-	23,500	23,500	
Total other financing sources (uses)	-	-	23,500	23,500	
Net change in fund balances	11,850	11,850	34,142	22,292	
Budgetary fund balance - beginning of year	75,000	75,000	342,021	267,021	
Budgetary fund balance - end of year	\$ 86,850	\$ 86,850	\$ 376,163	\$ 289,313	

City of Lynnview, Kentucky
 Budgetary Comparison Schedule – Special Revenue Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Variances	
	Original	Final	Actual	Final to Actual
Revenues				
Intergovernmental	\$ 29,000	\$ 29,000	\$ 19,388	\$ (9,612)
Investment income	-	-	41	41
Total revenues	29,000	29,000	19,429	(9,571)
Expenditures				
Public works	19,000	19,000	-	19,000
Debt service	-	-	-	-
Total expenditures	19,000	19,000	-	19,000
Excess (deficiency) of revenues over expenditures	10,000	10,000	19,429	9,429
Other financing sources (uses)				
Transfers out	-	-	(23,500)	(23,500)
Total other financing sources (uses)	-	-	(23,500)	(23,500)
Net change in fund balances	10,000	10,000	(4,071)	(14,071)
Budgetary fund balance - beginning of year	15,000	15,000	4,369	(10,631)
Budgetary fund balance - end of year	\$ 25,000	\$ 25,000	\$ 298	\$ (24,702)

NOTE 1: BUDGETS AND BUDGETARY PROCESS

The City follows the procedures established 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.

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

Expenditures exceeded budgeted amounts in the general government and capital outlay functions.

SUPPLEMENTARY INFORMATION

City of Lynnview, Kentucky

Schedule of Expenditures

Year Ended June 30, 2025

	<u>Expenditures</u>
1231 Gilmore Lane	\$ 13,243
Audit Fees	7,000
Bond Expense	178
Cleaning	3,850
Community Building	1,489
Contract - Accounting Services	31,500
Contract - Admin Officer	11,000
Contract labor	350
Fees	(300)
Garbage	128,934
Insurance	2,539
Legal fees	14,300
Maintenance	56,837
Membership Fees	685
Miscellaneous expense	(71)
Office Expense	23,680
Parking	40
Payroll:City Clerk	3,042
Payroll:Council	18,450
Payroll:Mayor	24,479
Payroll taxes	3,526
Special events	29,347
Square fee	15
Subscriptions	3,774
Utilities	20,636
Quickbooks expenses	398,523
Principal payments	25,000
Capital outlay	70,164
Prepaid expenses	(52)
<u>Payroll liabilities</u>	<u>1,067</u>
<u>Audit report expenditures</u>	<u>\$ 494,702</u>

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, 2025 and the related notes to the financial statements, which collectively comprise the City basic financial statements and have issued our report thereon dated November 14, 2025.

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.

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*

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 September 6, 2025.

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

November 14, 2025

City of Lynnview, Kentucky

Management Letter

June 30, 2025

Honorable Mayor

and City Administrator

City of Lynnview, Kentucky

In planning and performing our audit of the financial statements of the City of Lynnview, Kentucky (City) for the year ended June 30, 2025, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. A separate report dated November 14, 2025 contains our report on the City's internal control. This letter does not affect our report dated November 14, 2025, on the financial statements of the City.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and recommendations with various City personnel, and we will be pleased to discuss them in further detail at our convenience, to perform additional study of these matters, or to assist you in implementing the recommendations

Maddox & Associates CPAs Inc.

November 14, 2025

Current Year Comments

2025-01 Form 1099-NEC

The IRS requires Form 1099-NEC to be filed for services over \$600 performed by someone who is not your employee. Based on our testing, it appears that forms 1099-NEC were not filed for payments made to the City Administrator and Impellizzeri Accounting Services. The IRS can issue significant penalties to the City for failure to file required forms. This is a repeat comment from the prior year.

City Response. The City will start issuing Forms 1099-NEC as required.

2025-02 Expenditures in Excess of Appropriations

General fund expenditures exceeded appropriations by \$90,518 and capital outlay expenditures exceeded appropriations by \$12,286. The City is required to amend its budget to approve additional appropriations to cover the amount of the expenditures. This is a repeat comment from the prior year.

City Response. The City will start approving budget amendments as necessary.

2025-03 Separation of Duties.

Due to the size of the city staff, sufficient separation of duties is difficult to implement. We recommend City Council take an active role in providing oversight of City finances and in monitoring transactions.

City Response. City management has reviewed these recommendations and will consider implementation where practical.