

CITY OF ROLLING HILLS,
KENTUCKY
REPORT OF AUDIT
YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Commission
City of Rolling Hills, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rolling Hills, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Rolling Hills, Kentucky'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, each major fund, and the aggregate remaining fund information of the City of Rolling Hills, Kentucky, as of June 30, 2023, and the respective changes in financial position, and, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 of Rolling Hills, Kentucky 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 audit 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 of Rolling Hills, Kentucky'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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for 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 judgment 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 of Rolling Hills, KY'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Rolling Hills KY'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 on pages 3-6 and 22-23 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2023 on our consideration of the City of Rolling Hills KY's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Rolling Hills KY'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 City of Rolling Hills KY's internal control over financial reporting and compliance.

Richard F. Paulmann CPA, MBA



Pewee Valley, KY
September 16, 2023

CITY OF ROLLING HILLS, KENTUCKY

Management's Discussion and Analysis

The management of the City of Rolling Hills, Kentucky desires to offer the readers of these financial statements this narrative and analysis of the financial activities of the City of Rolling Hills, Kentucky for the fiscal year ended June 30, 2023.

Financial Highlights

During the fiscal year 2023, the City had general revenues of \$334,135, a decrease from 2022 of \$262,230. This was mainly caused by reduction in ARPA funds. Total expenditures for fiscal year 2023 were \$362,230, representing an increase of \$77,799. With revenues exceeded by expenditures by \$1,095, the City's Net Assets decreased from \$664,581 to \$663,486.

The financial position of the City remains strong. Tax revenues remain consistent as well as operating expenses. A decrease in ARPA was main difference The general fund balance at June 30, 2023 was \$663,486, a decrease of \$21,095. Non-major governmental funds balance was \$18,104, an decrease of \$6,575. Total fund balances decreased \$29,095 or 4%. The non-major governmental fund balance is restricted for roads. The general fund balance is not restricted and is available for future use.

The ending cash balance for the City was \$663,470. This reflects a decrease in cash during the year of \$6,052.

The City applied for and received ARPA Funds related expenses and grants for the community due to the COVID-19 pandemic as explained further in footnote 7. The amount received from previous fiscal year was \$260,586.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City of Rolling Hills, Kentucky's basic financial statements. These statements consist of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

CITY OF ROLLING HILLS, KENTUCKY

Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

Government-Wide Financial Statements are designed to provide readers with a broad overview of the City of Rolling Hills, Kentucky's finances, in a manner similar to a private-sector business. The government-wide financial statements consist of a statement of net position, and a statement of activities.

The statement of net position presents information on all of the City of Rolling Hills, Kentucky assets and liabilities with the difference between the two 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 of Rolling Hills, Kentucky is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues. The City of Rolling Hills, Kentucky's activities include administration, law enforcement, public works and waste management. Capital outlays and related debt are also supported by these revenue sources. The government-wide financial statements can be found on pages 7-11 of this report.

Fund financial statements are 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. The basic government fund financial statements can be found on pages 7-11 of this report.

Notes to the financial statements provide additional information that is essential to 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 12-21 of this report.

CITY OF ROLLING HILLS, KENTUCKY

Management's Discussion and Analysis

Government-wide Financial Analysis

	FYE' 23 <u>Amount</u>	FYE'22 <u>Amount</u>	Increase <u>(Decrease)</u>
Current and other assets	\$405,984	\$615,117	(\$209,133)
Investments	257,486	42,301	\$215,185
Receivables	21,893	26,595	(\$4,702)
Prepays			\$0
Capital assets and land	<u>528,613</u>	<u>509,172</u>	<u>\$19,441</u>
Total Assets	<u>\$1,213,976</u>	<u>\$1,193,185</u>	<u>\$20,791</u>
Payables	\$21,877	\$19,432	\$2,445
Accrued expenses		0	\$0
Deferred Grant Revenue	0	0	\$0
Notes Payable	<u>158,750</u>	<u>173,750</u>	<u>(\$15,000)</u>
Total Liabilities	<u>180,627</u>	<u>193,182</u>	<u>(\$12,555)</u>
Invested in Capital Assets	399,863	335,422	\$64,441
Restricted	18,104	24,679	(\$6,575)
Unrestricted	<u>615,382</u>	<u>639,902</u>	<u>(\$24,520)</u>
Total Net Assets	<u>1,033,349</u>	<u>1,000,003</u>	<u>\$33,346</u>

The statement of Net Position shows that the City of Rolling Hills, Kentucky has assets of \$1,213,976 with liabilities of \$180,627. Of the \$1,213,976 total assets, \$399,863 is comprised of capital assets, net of depreciation. During fiscal year 2023, the total capital assets, net of depreciation Increased by \$44,410 or 13 %. This Increase was mostly due to the increase in invested in capital assets charge was \$227,067.

Supplementary Information

Budgetary comparisons of the General Fund and Special Revenue Fund are shown are pages 22-23. These schedules show the original budget as approved and the final budget. The statement also shows a comparison of this final budget to "Actual". The actual is a modified accrual basis that reflects items received or paid for after the fiscal year end. The budget is also prepared on a modified accrual basis. Actual expenditures were under budget in every category. The Municipal Road Aid Fund were also not amended during the fiscal year.

CITY OF ROLLING HILLS, KENTUCKY

Management's Discussion and Analysis

Following is a comparative statement of activities. Expenses are shown net of operating grants.

	FYE' 23	FYE'22	Increase
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>
General Revenue			
Property taxes	\$ 136,880	\$ 141,388	\$ (4,508)
Insurance Premium taxes	73,749	67,841	5,908
Franchise fees	6,389	6,943	(554)
Municipal road aid	20,059	19,609	450
Grants	18,223	275,550	(257,327)
Business License and permits	3,400	3,250	150
Bank Franchise Fees	43,277	64,138	(20,861)
Property License Fee	12,400	12,933	(533)
Misc.	280	3,045	(2,765)
Total General Revenue	<u>\$ 314,657</u>	<u>\$ 594,697</u>	<u>\$ (280,040)</u>
 Net Expenses			
General government	\$ 74,441	\$ 141,998	\$ (67,557)
public Safety	221,081	59,127	161,954
Public Works	46,061	65,183	(19,122)
Total Net Expense	<u>\$ 341,583</u>	<u>\$ 266,308</u>	<u>\$ 75,275</u>
Debt and interest payments	\$ (20,647)	\$ (18,123)	\$ (2,524)
Interest Income	19,478	1,668	17,810
Total Other Income Expense	<u>\$ (1,169)</u>	<u>\$ (16,455)</u>	<u>\$ 15,286</u>
NET CHANGE IN FUND BALANCE	\$ (28,095)	\$ 311,934	\$ (340,029)
BEGINNING FUND BALANCE	664,581	352,647	311,934
ENDING FUND BALANCE	<u>\$ 636,486</u>	<u>\$ 664,581</u>	<u>\$ (28,095)</u>

Summary

The current financial statement reporting model is mandated by the Governmental Accounting Standards Board (GASB). The City of Rolling Hills, Kentucky implemented these changes in 2004.

Request for Information

This report is designed to provide a general overview of the City's finances and to show the City's accountability to its residents. If you have questions about this report or need additional financial information, please direct your request to the City Mayor, City of Rolling Hills, Kentucky, P.O.Box 22445, Rolling Hills, Kentucky, Kentucky, 40252.

CITY OF ROLLING HILLS, KENTUCKY
STATEMENT OF FUND NET POSITION
June 30, 2023

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and cash equivalents	\$ 387,877
Investments	257,489
Receivables (Note 1)	21,893
Cash and cash equivalents restricted (Note 1)	
Municipal Road Fund	18,104
Capital assets: (Note 3)	
Land	
Capital Assets, net of \$221,256 depreciation	<u>528,613</u>
TOTAL ASSETS	<u><u>\$ 1,213,976</u></u>
LIABILITIES	
Accounts payable	\$ 21,877
LONG TERM LIABILITIES	
Due within 1 year	15,000
Due in more than one year	<u>143,750</u>
TOTAL LIABILITIES	<u>180,627</u>
NET POSITION	
Invested in capital assets, net of related debt	399,863
Restricted for:	
Municipal Road Aid	18,104
Unrestricted	<u>615,382</u>
TOTAL NET POSITION	<u><u>\$ 1,033,349</u></u>

See accompanying notes to the financial statements

CITY OF ROLLING HILLS, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	EXPENSES	CHARGES FOR SERVICES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
			OPERATING GRANTS	CAPITAL GRANTS	GOVERNMENTAL ACTIVITIES
Primary Government: Governmental Activities:					
General government	\$ (74,441)		\$ 2,000		\$ (72,441)
Public Works	(180,287)	4,427	7,242	\$ 20,059	(148,559)
Public Safety	(46,061)	4,554		-	(41,507)
Total Governmental Activities	\$ (300,789)	8,981	\$ 9,242	\$ 20,059	(262,507)
General Revenues:					
Property Taxes Leived for General Purpose					136,880
Insurance Premium Taxes					73,749
Bank Franchise deposit tax					43,277
License and permits					3,400
Franchise Fee					6,389
Rental Property License Fee					12,400
Misc. Income					280
Interest Income					19,478
Total General Revenues					295,853
CHANGE IN NET POSITION					33,346
NET POSITION, beginning of year					1,000,003
NET POSITION, end of year					\$ 1,033,349

See accompanying notes to the financial statements

CITY OF ROLLING HILLS, KENTUCKY
BALANCE SHEET --GOVERNMENTAL FUNDS AND
RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023

	GENERAL	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 22,113		\$ 22,113
Investments - Certificates of Deposits	623,253		623,253
Cash and cash equivalents -restricted		\$ 18,104	18,104
Receivables (Note 1)	21,893	-	21,893
Due from Special Revenue Fund	-		-
Total Assets	\$ 667,259	\$ 18,104	\$ 685,363
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable and payroll liabilities	\$ 21,877	\$ -	\$ 21,877
Total Liabilities	21,877	-	21,877
FUND BALANCES			
Unassigned	645,382		645,382
Restricted		18,104	18,104
Total Fund Balances	645,382	18,104	663,486
TOTAL LIABILITIES AND FUND BALANCE	\$ 667,259	\$ 18,104	\$ 685,363
TOTAL GOVERNMENTAL FUND BALANCE			\$ 663,486
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets and loan cost, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the funds			528,613
Long-term debt, including capital leases that are not due and payable in the current period and therefore are not reported in the funds statements			(158,750)
NET POSITION			\$ 1,033,349

See accompanying notes to the financial statements

CITY OF ROLLING HILLS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

REVENUES	GENERAL	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes, including interest and penalty	\$ 136,880		\$ 136,880
Insurance premium taxes	73,749		73,749
Franchise fees	6,389		6,389
Municipal road aid		\$ 20,059	20,059
Grants	18,223		18,223
License and permits	3,400		3,400
Bank Franchise Fees	43,277		43,277
Property License fees	12,400		12,400
Miscellaneous	280		280
Total Revenue	294,598	20,059	314,657
EXPENDITURES			
General government	74,441		74,441
Public Works	145,640	75,441	221,081
Public Safety	46,061		46,061
Total Expenditures	266,142	75,441	341,583
EXCESS REVENUE OVER(UNDER) EXPENDITURES	28,456	(55,382)	(26,926)
OTHER FINANCING SOURCES			
Operating transfers in		48,807	48,807
Operating transfers out	(48,807)		(48,807)
New loan proceeds			-
Debt and Interest payments	(20,647)		(20,647)
Capital assets	-		-
Interest earned	19,478		19,478
Total other financing sources and uses	(49,976)	48,807	(1,169)
NET CHANGE IN FUND BALANCE	(21,520)	(6,575)	(28,095)
FUND BALANCE, Beginning of the year	639,902	24,679	664,581
FUND BALANCE, End of the year	\$ 618,382	\$ 18,104	\$ 636,486

See accompanying notes to the financial statements

CITY OF ROLLING HILLS, KENTUCKY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED, JUNE 30, 2023

Net change of fund balance-total governmental funds \$(28,095)

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 are allocated over their estimated useful lives as depreciation and amortization/expense

This is the amount by which depreciation exceeded net capital outlays in the current period 46,441

Governmental funds report long-term debt borrowings as revenues and long-term debt payments as expenditures. However, the results of these transactions are reflected as changes in debt on the statement of net assets and not on the statement of activities.

This is the amount by which principal payments exceeded borrowings on the long-term debt during the current period. 15,000

Governmental funds report revenue that provide current financial resources. This is the amount in receivables that do not provide current financial resources:

Property taxes -0-

Change in net position reflected on statement of activities \$33,346

CITY OF ROLLING HILLS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Rolling Hills, Kentucky have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Financial Reporting Entity

The City operates under a Mayor-Commission form of government and provides the following services as authorized by its charter: streets, sanitation, public improvements, police protection and general administrative services. The City is a home rule Class City as defined by Kentucky Statute.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities reflect financial information of the City as a whole. These statements include the primary government and its component units if applicable. Government-wide statements distinguish between governmental and business – type activities. Currently, the City does not engage in any business-type activities nor have any reportable component units.

The governmental -wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

These financial statements follow the provisions of GASB Statement "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."

Governmental' activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Currently the city does not engage in any business-type activities.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure.

Invested in capital assets, net of related debt- This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and are reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. If there is significant unspent proceeds at year-end, the

CITY OF ROLLING HILLS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
{CONTINUED}**

portion of debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt;. The portion of the debt included in the same net position component as unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position-This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The City's policy is to use restricted assets first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The Statement of Net Position and Statement of Net Activities reflect information of the City as a whole. These statements include the primary government and its component units if applicable. Governmental-wide statements distinguish between governmental and business-type activities. Currently, the City does not engage in any business-type, inter-governmental revenues, and non-exchange revenue type activities.

The statement of activities presents direct expenses, which are clearly identifiable with a specific function or segment. Program revenues include 1), grants from the State of Kentucky for public safety/police protection 2), Kentucky Municipal Aid grants for public safety/road improvements, repairs and maintenance. Taxes and other revenue items are reported as general revenues.

Long-term debt is reflected on the statement of net assets and principal payments on long-term debt are reported as reductions of long-term debt.

Fund Financial Statements

The City uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions relating to certain governmental functions or activities. A fund is a separate entity with a self-balancing set of accounts. Funds of the City's general activities including the collection of legally restricted monies, administrative expense and the acquisition or construction of capital assets.

CITY OF ROLLING HILLS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

The government reports the following funds of the financial reporting entity: The general fund is the government's primary operating fund, and is considered the City's only major governmental fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund. The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The City accounts for Kentucky municipal road aid, the local government economic assistance in the special revenue funds group. Municipal road aid is restricted to road construction, repairs and maintenance.

Measurement Focus and Basis of Accounting

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 related cash flows. Revenues are recognized in the year for which they are due. This method differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds. Expenses are classified by function.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business – type activities of the City and for each governmental program. Program revenues include charges paid by the recipients 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. The City's program revenue for the year included charges for services and operating grants including police grants and municipal aid road grants. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenue and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis to accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when they are measurable and available. Measurable means the amount can be determined.

CITY OF ROLLING HILLS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Available means collectible within the period or soon enough thereafter to pay current liabilities. The City considers property taxes as available if they are collected within sixty days after year-end. A ninety-day period is used for revenue recognition for all other governmental fund revenues. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for capital asset acquisitions and general obligation debt and interest which are reported as expenditures in the year due.

Budgetary Accounting

The budget information reflected in the financial statements is the annual budget adopted by the City in accordance with the provisions of Kentucky law. It is presented to the Council in the form of an ordinance and may be amended by subsequent ordinance.

Budgetary Comparison Schedules

As required by generally accepted governmental accounting principles, the budget comparison schedules have been prepared in the same form as the legally adopted budget; therefore its form varies somewhat from the Statement of Revenues, Expenditures and Changes in Fund Balances on page 10. The City prepares its annual budget on the modified accrual basis of accounting which is consistent with the amounts reflected in the funds financial statements. During the year, the City amended its general fund budget.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as money market accounts. For purposes of these financial statements the City considers as cash equivalents all highly liquid investments with maturities of three months or less when purchased and readily convertible to cash.

Generally, the City's investing activities are managed under the custody of the City Treasurer. Investing is performed in accordance with investing policies complying with state statutes and the City Charter. City funds may be invested in: (1) obligation of the United States and its agencies and instrumentalities, (2) obligations of any corporation of the United States government, (3) certificates of deposit in institutions insured by the Federal Deposit Insurance Corporation (FDIC) and (4) bonds or certificates of indebtedness of the Commonwealth of Kentucky.

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, certificate of deposit, money market savings accounts, repurchase agreement, passbooks and other available bank investment provided that such financial institutions are insured by an agency of the U.S. Government. Investment in excess of the insured amount must be secured with approved securities pledged by the financial institution.

CITY OF ROLLING HILLS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

As of June 30, 2022, \$24,679 was restricted for road construction and related repairs.

Property Taxes and Property Tax Receivable

Property taxes are due as of September 1, on assessed value listed as of the proceeding January 1 for all real and personal property located in the City. The tax assessed for the year ended June 30, 2021 to finance general fund operations was based on \$.1567 per \$100 assessed valuation for real and personal property. The gross tax (or face value) is due if paid by September 1; and a 20% penalty is assessed if paid after September 1 with 1% per month interest after September 1. A lien may be placed on the property if the balance is not paid within six months.

The statement of net position reflects property taxes receivable for amounts billed during the year ended June 30, 2023 and prior, for which tax liens have been placed on the properties.

The balance sheet – governmental funds reflected properties taxes receivable for accounts collected within sixty days after year end in accordance with the modified accrual basis of accounting. None of the delinquent tax bills at June 30, 2023 have been collected during the ensuing sixty day period.

Insurance Premium Taxes

Insurance premium taxes are assessed at a tax rate of 5%. The tax is assessed on first year life insurance premiums and on non-life premiums except for health insurance policies issued to individuals and state employees.

Prepaid Expenses

Prepaid expenses represent payments to vendors that benefit future reporting periods. Prepaid expenses are reported in government-wide and fund financial statements.

CITY OF ROLLING HILLS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Capital Assets

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the government fund statements and capitalized (recorded and accounted for) in the government-wide statements of net assets.

Effective for the year ended June 30, 2004, the City implemented GASB Statement No. 34. One of the requirements of GASB 34 is to capitalize and depreciate infrastructure expenditures and other capital assets. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost.

Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The City's policy is to record as capital assets those expenditures amounting to \$1,000 and over with useful lives of three years or more.

In accordance with GASB Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries, City's management evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of capital assets has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. No impairment losses were identified or recognized for the year ended June 30, 2023.

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

The estimated useful lives of various classes of capital assets are as *follows*:

Buildings	40 years
Building improvements	10 years
Furniture, machinery and equipment	5-7 years
Road, sidewalk and bridge improvements	12-15 years

CITY OF ROLLING HILLS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Net Position and Fund Balance

Net position on the statement of net position is the difference between assets and liabilities. Net position is restricted when constraints are placed on net assets use either externally imposed by creditors, grantors or contributors or regulations of governments, or imposed by law.

The City's policy is to use restricted assets according to budgeted amounts.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes for the governmental fund financial statements.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable, such as fund balance amounts associated with inventories, prepaids, long- term loans and notes receivable; and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.
4. Assigned fund balance classification is intended to be used by the government for specific purpose but not meeting the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Expenditures/Expenses

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

In the fund financial statements, governmental funds are classified by character and function. In the fund financial statements governmental funds report expenditures of financial resources.

The City's policy for spending restricted resources is to allocate disbursements to restricted funds to the extent such disbursements were budgeted to be paid from restricted fund.

CITY OF ROLLING HILLS, KENTUCKY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)**

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires City's management to make estimates and assumptions that affect the reported amounts of assets and liabilities; and disclosure of contingent assets and liabilities at the date of financial statement; and the reported amounts of receipts and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments are recorded at costs (which approximates market value) and consists of the following:

	<u>Government Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
<u>Cash and Cash Equivalents</u>			
General Fund Checking	\$22,113	\$ -0-	22,113
PNC & L&N Investments	622,898	-0-	622,898
Municipal Road Aid	-0-	18,104	18,104
Savings	355	-0-	355
Total	<u>\$645,366</u>	<u>\$18,104</u>	<u>\$663,470</u>

At June 30, 2023, the City's held deposit balances in excess of FDIC coverage limitations.

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

The following summarizes the changes to capital assets for the year ended June 30, 2022.

	Balance <u>07/01/22</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/23</u>
Infrastructure	\$ 414,812	45,595	\$ -0-	\$ 490,253
Street Signs	54,177	-0-	-0-	54,177
Land	256,640	-0-	-0-	256,640
Furniture and Equipment	4,798	-0-	-0-	4,798
Total Capital Assets	<u>\$ 730,427</u>	<u>\$ 45,595</u>	<u>\$ -0-</u>	<u>\$ 779,022</u>
<u>Less Accumulated Depreciation</u>				
	<u>\$ 221,255</u>	<u>\$ 29,154</u>	<u>\$ -0-</u>	<u>\$ 250,409</u>
Capital Assets Net	<u>\$509,172</u>	<u>\$ 19,411</u>	<u>\$ -0-</u>	<u>\$ 528,613</u>

CITY OF ROLLING HILLS, KENTUCKY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION (Continued)

Depreciation was charged to function on the Statement of Activities as follows:

General Government	\$ 551
Public Works	<u>28,603</u>
Total	<u>\$ 29,154</u>

NOTE 4 – RISK MANAGEMENT

The City is subject to normal insurance risks as other cities its size. The City carries general liability, worker's compensation and errors and omissions coverage. The City has not had any significant reduction in coverage in the past year.

NOTE 5 - COMMITMENTS

The City has the following contractual commitments at June 30, 2023.

- The City has contractual commitment for police protection at June 30, 2023.

NOTE 6 – LONG – TERM DEBT

The City entered into an agreement with Kentucky Bond Corporation (KBC) on August 2, 2018 for financing the purchase of land. The agreement terminates on February 1, 2033. The agreement requires monthly payments of principal, interest, and fees. The note has 3.25% interest rate.

Changes in Long – term obligations for the year ended June 30, 2022 are as follows:

	<u>July 1 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30 2023</u>	<u>Due within One Year</u>
Notes from Borrowing	<u>\$173,750</u>		\$ 15,000	\$158,750	\$ 15,000

Interest expense on all loans during 2023 was \$5,647.

Maturity of the long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>
2024	\$15,000	\$ 5,159
2025	15,000	4,672
2026	15,000	4,187
2027	15,000	3,411
2028	12,500	2,438
2029-2033	86,250	9,347
	<u>20</u>	<u>\$158,750</u> <u>\$29,214</u>

CITY OF ROLLING HILLS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 7 – APRA - American Rescue Plan Act

The City received \$260,586 from the American Rescue Plan Act (ARPA) during the previous Fiscal Year. This represents the entire amount allocated to the City. The Department of Treasury, effective April 1, 2022 issued the Final Rule regarding use of Coronavirus Local Fiscal Recovery Funds established under ARPA. In the Final Rule, a provision allows municipalities to use a standard allowance of up to \$10 million for the revenue loss category as an alternative to the previous revenue loss calculation formula. This provision allows the City to claim the entirety of the State and Local Fiscal Recovery Fund grant under revenue loss. Amounts claimed under revenue loss can be used for general government services. General government services include any service traditionally provided by a government such as roads, maintenance, administration, and provision of police and other public safety services (including purchase of police vehicles). As such, the funds received are listed under the General Fund of the City. \$13,000 was spent on Grants, \$3,100 on speed bump signs and \$6,603 on greenspace during this fiscal year.

NOTE 8 – SUBSEQUENT EVENTS

City management has evaluated subsequent events through September 16, 2023

which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

As a result of the COVID-19 Coronavirus, economic uncertainties have arisen which could negatively impact the owner's equity. Other financial impact could occur, however, such potential impact is unknown at this time.

**CITY OF ROLLING HILLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	Variance with Final Budget Favorable (Unfavorable)
Fund Balance Beginning	0	0	\$ 639,902	\$ 639,902
REVENUES				
Property taxes	\$ 137,700	137,700	\$ 136,880	(820)
Insurance premium taxes	65,000	65,000	73,749	8,749
Bank Deposits taxes	54,000	54,000	43,277	(10,723)
Franchise taxes	22,700	22,700	6,389	(16,311)
Police	-	-	4,554	4,554
Rental Income	-	-	12,400	12,400
Misc. Income	-	-	280	280
Sanitation	4,400	4,400	4,428	28
Grants	131,000	131,000	12,641	(118,359)
Total Revenue	414,800	414,800	294,598	(120,202)
Total Revenue and Resources	414,800	414,800	934,500	519,700
EXPENDITURES				
General Government	84,690	84,690	74,441	10,249
Public Works	139,850	139,850	145,640	(5,790)
Public Safety	40,400	40,400	46,061	(5,661)
Total Expenditures	264,940	264,940	266,142	(1,202)
REVENUES OVER EXPENDITURES	149,860	149,860	28,456	(121,404)
OTHER FINANCING SOURCES				
New Loan Proceeds	-	-	-	-
Debt and Interest	(21,800)	(21,800)	(20,647)	1,153
Transfers from Reserves	7,660	7,660	(48,807)	(56,467)
Capital Assets	(136,320)	(136,320)	0	136,320
Interest Income	600	600	19,478	18,878
Total Other Financing Sources	\$ (149,860)	\$ (149,860)	\$ (49,976)	\$ 99,884
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ (21,520)	\$ (21,520)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 618,382	\$ 618,382

**CITY OF ROLLING HILLS
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	Variance with Final Budget Favorable (Unfavorable)
Fund Balance Beginning	0	0	\$ 24,679	\$ 24,679
REVENUES				
Municipal road aid	19600	19600	20059	459
Total Revenue	<u>19600</u>	<u>19600</u>	<u>20059</u>	<u>459</u>
EXPENDITURES				
Roads sidewalks and signs	53600	53600	75441	21841
Total Expenditures	<u>53600</u>	<u>53600</u>	<u>75441</u>	<u>21841</u>
Excess of revenue over Expenditures	<u>-34000</u>	<u>-34000</u>	<u>-55382</u>	<u>-21382</u>
OTHER FINANCING SOURCES				
Transfers from Reserves	34000	34000	48807	14807
NET CHANGE IN FUND BALANCE	<u>0</u>	<u>0</u>	<u>-6575</u>	<u>-6575</u>
FUND BALANCES, ENDING	<u>0</u>	<u>0</u>	<u>\$ 18,104</u>	<u>\$ 18,104</u>

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS**

To the Honorable Mayor and Commission
City of Rolling Hills, KY

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements for the City of Rolling Hills, KY for the year ended June 30, 2023 in accordance with accounting standards generally accepted in the United States of America, I considered City of Rolling Hills KY's internal control over financial reporting (internal control) as a basis for designing 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 City of Rolling Hills KY's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Rolling Hills KY's internal control.

My 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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, I identified certain deficiencies in internal control that I consider to be a material weakness and one compliance problem.

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.

Material adjustments were required to adjust Depreciation and fixed assets.

Management Views-In the future this will be adjusted before the audit.

Report on Compliance and Other Matters

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

City of Rolling Hills KY's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Rolling Hills KY's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Rolling Hills KY's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

This communication is intended solely for the information and use of management, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Richard Paulmann, CPA, LLC



Pewee Valley, KY
September 16, 2023