CITY OF ROLLING HILLS,

KENTUCKY

REPORT OF AUDIT

YEAR ENDED JUNE 30, 2025

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RICHARD F. PAULMANN, CPA, LLC
301 MOUNT MERCY ROAD
PEWEE VALLEY, KY 40056
Ph: (502) 550-1568
e-mail: Richardpaulmann@twc.com

INDEPENDENT AUDITOR'S REPORT

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

Opinions

I have audited the accompanying financial statements of the governmental activities and the aggerate remaining fund information of The City of Rolling Hills, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise The City of Rolling Hill 's basic financial statement listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of The City of Rolling Hills, as of June 30, 2025, and the respective changes in financial position and where applicable, cash flows thereof for the year 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 and to meet our ethical responsibilities, in accordance with 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 options.

Responsibility of Management for the Financial Statements

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

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'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 Financial Statements

My 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 my opinion. 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 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 omission, 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 accounting 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 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 discloser 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'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 my judgement, there are conditions or events, considering in the aggregate, that raise substantial doubt about The City of Rolling Hlls's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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 21-22 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 the 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 inquires of management about the methods of preparing the information and comparing the information for consistence with our audit of the basic financial statements. I do not express and opinion or provide and assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Other Reporting Required by Governmental Auditing Standards

In accordance with Governmental Auditing Standards, I have also issued my report dated September 12, 2025 on my consideration of The City of Rolling Hills's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering The City of Rolling Hills's internal control over financial reporting and compliance.

Richard F. Paulmann

Richard F. Paulmann CPA, LLC
Pewee Valley, KY
September 12, 2025

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, 2025.

Financial Highlights
During the fiscal year 2025, the City had general revenues of $392,283, an increase from 2024 of $14,293. This was mainly caused by an increase in insurance premium tax. Total expenditures for fiscal year 2025 were $343,335, representing a decrease of $133,563. With revenues exceeding expenditures by $48,948, the City's Net Assets increased from $538,573 to $615,748.

The financial position of the City remains strong. Tax revenues remain consistent as well as operating expenses. The general fund balance at June 30, 2025 was $615,748, an increase of $21,825. Non--major governmental funds balance was $64,916, an increase of $22,481. Total fund balances increase $77,175 or 12%. 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 $608,092. This reflects an decrease in cash during the year of $92,473.

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.

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.

Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

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 12-20 of this report.

Government-wide Financial Analysis

	FYE'25 Amount	FYE'24 Amount	Increase (Decrease)
Current and other assets	$ 78,524	$ 36,717	$ 41,807
Investments	529,568	663,848	(134,280)
Receivables	34,810	25,561	9,249
Prepaids	-0-	-0-	-0-
Capital Assets and Land	635,195	677,423	(42,228)
Total Assets	$ 1,278,097	$ 1,403,549	$ (125,452)
Payables	$ 27,154	$ 187,553	(160,400)
Accrued Expenses	-0-	-0-	-0-
Deferred Grant Revenue	-0-	-0-	-0-
Notes Payable	128,750	143,750	(15,000)
Total Liabilities	$ 155,904	$ 331,303	$ (175,400)
Invested In Capital Assets	$ 536,445	$ 563,673	$ (42,228)
Restricted	64,916	9,574	22,481
Unrestricted	520,832	498,999	69,695
Total Net Assets	$ 1,122,193	$ 1,072,246	$ 49,948

Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

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.

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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 12-20 of this report.

Government-wide Financial Analysis

	FYE'25 Amount	FYE'24 Amount	Increase (Decrease)
Current and other assets	$ 139,681	$ 36,717	$ 102,964
Investments	468,411	663,848	(195,437)
Receivables	34,810	25,561	9,249
Prepaids	-0-	-0-	-0-
Capital Assets and Land	635,195	677,423	(42,228)
Total Assets	$ 1,278,097	$ 1,403,549	$ (125,452)
Payables	$ 27,154	$ 187,553	(160,400)
Accrued Expenses	-0-	-0-	-0-
Deferred Grant Revenue	-0-	-0-	-0-
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Unrestricted	520,832	498,999	69,695
Total Net Assets	$ 1,122,193	$ 1,072,246	$ 49,948

Management's Discussion and Analysis

The statement of Net Position shows that the City of Rolling Hills, Kentucky has assets of $1,278,097 with liabilities of $155,904. Of the $1,278,097 total assets, $635,195 is comprised of capital assets, net of depreciation. During fiscal year 2025, the total capital assets, net of depreciation decreased by $42,228 or 6 %. This decrease was mostly due to the depreciation of current assets.

Supplementary Information
Budgetary comparisons of the General Fund and Special Revenue Fund are shown are pages 21-22. 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.

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

	FYE'25 Amount	FYE'24 Amount	Increase Decrease
General Revenue			
Property Taxes	$ 165,761	$ 163,933	$ 1,828
Insurance Premium Taxes	105,130	79,408	25,722
Franchise Fees	5,399	5,529	(130)
Municipal Road Aid	20,342	23,012	(2,670)
Grants	4,560	14,915	(10,355)
Business License and Permits	3,800	3,500	300
Bank Franchise Fees	36,051	37,777	(1,726)
Property License Fee	14,200	13,600	600
Misc.	11,269	1,856	9,416
Total General Revenue	$ 366,512	$ 343,530	$ 22,982
Net Expenses			
General Government	$ 134,490	$ 86,152	$ (48,338)
Public Safety	117,605	129,444	11,839
Public Works	35,100	41,917	$ 6,817
Total Net Expense	$ 287,195	$ 257,513	$ (29,682)
Debit and interest Payments	$ (19,672)	$ (20,159)	487
Capital Assets	(9,239)	(199,226)	189,987
Interest Income	26,769	35,455	(8,686)
Total Other Income/Expense	$ (2,142)	$ 15,296	$ (181,788)
Net Change in Fund Balance	$ 77,175	$ (97,913)	$ 175,088
Beginning Fund Balance	538,573	636,486	(97,913)
Ending Fund Balance	$ 615,748	$ 538,573	$ 77,175

Management's Discussion and Analysis

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, 40252.

CITY OF ROLLING HILLS, KENTUCKY
STATEMENT OF FUND NET POSITION
June 30, 2025

		GOVERNMENTAL ACTIVITIES
ASSETS		
Cash and cash equivalents	$	13,608
Investments		529,568
Receivables (Note 1)		34,810
Cash and cash equivalents restricted (Note 1)		
Municipal Road Fund		64,916
Capital assets: (Note 3)		
Land		256,640
Capital Assets, net of $352,291 depreciation		378,555
TOTAL ASSETS	$	1,278,097
LIABILIITES		
Accounts payable	$	27,154
LONG TERM LIABILIITES		
Due within 1 year		15,000
Due in more than one year		113,750
TOTAL LIABILITIES		155,904
NET POSITION		
Invested in capital assets, net of related debt		536,445
Restricted for:		
Municipal Road Aid		64,916
Unrestricted		520,832
TOTAL NET POSITION	$	1,122,193

See accompanying notes to the financial statements

CITY OF ROLLING HILLS, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30,2025

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
Functions/Programs	**EXPENSES**	**CHARGES FOR SERVICES**	**OPERATING GRANTS**	**CAPITAL GRANTS**	**GOVERNMENTAL ACTIVITIES**
Primary Government:					
Governmental Activites:					
General government	$ (77,705)		$ 4,560		$ (73,145)
Public Works	(230,530)	5,754		$ 20,342	(204,434)
Public Safety	(35,100)	4,933		-	(30,167)
Total Governmental Activities	$ (343,335)	10,687	$ 4,560 $	$ 20,342	(307,746)
General Revenues:					
Property Taxes Leived for General Purpose					165,762
Insurance Premium Taxes					105,130
Bank Franchise deposit tax					36,051
License and permits					-
Franchise Fee					3,800
Rental Property License Fee					14,200
Misc. Income					582
Interest Income					32,168
Total General Revenues					357,693
CHANGE IN NET POSITION					49,947
NET POSITION, beginning of year					1,072,246
NET POSITION, end of year				$	1,122,193

CITY OF ROLLING HILLS, KENTUCKY
BALANCE SHEET --GOVERNMENTAL FUNDS AND RECONCILATION OF THE GOVERNMENT FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITON
June 30, 2025

	GENERAL	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	$ 13,608		$ 13,608
Investments - Money Market	529,568		529,568
Cash and cash equivalents -restricted		$ 64,916	64,916
Receivables (Note 1)	34,810	-	34,810
Due from Special Revenue Fund	-		-
Total Assets	$ 577,986	$ 64,916	$ 642,902
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable and payroll liabilities	$ 27,154	$ -	$ 27,154
Total Liabilties	27,154	-	27,154
FUND BALANCES			
Unassigned	550,832		550,832
Restricted		64,916	64,916
Total Fund Balances	550,832	64,916	615,748
TOTAL LIABILITIES AND FUND BALANCE	$ 577,986	$ 64,916	$ 642,902
TOTAL GOVENMENTAL FUND BALANCE			$ 615,748
Amounts reported for governmental activites in the statement of net assets are different because:			
Capital assets and loan cost, net of accumulated depreciation and amortization, used in governmental activites are not financial resources and, therefore. are not reported in the funds			635,195
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			(128,750)
NET POSITION			$ 1,122,193

CITY OF ROLLING HILLS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	GENERAL	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property taxes, including interest and penalty	$ 165,761		$ 165,761
Insurance premium taxes	105,130		105,130
Franchise fees	5,399		5,399
Municipal road aid		$ 20,342	20,342
Grants	4,560		4,560
Police	4,933		4,933
Sanitation	5,754		5,754
License and permits	3,800		3,800
Bank Franchise Fees	36,051		36,051
Property License fees	14,200		14,200
Miscellanous	582		582
Total Revenue	346,170	20,342	366,512
EXPENDITURES			
General government	134,490		134,490
Public Works	117,605	-	117,605
Public Safety	35,100		35,100
Total Expenditures	287,195	-	287,195
EXCESS REVENUE OVER(UNDER) EXPENDITURES	58,975	20,342	79,317
			-
OTHER FINANCING SOURCES			-
Operating transfers in			-
Operating transfers out			-
New loan proceeds			-
Debt and Interest payments	(19,672)		(19,672)
Capital assets	(9,239)		(9,239)
Interest earned	24,630	2,139	26,769
Total other financing sources and uses	(4,281)	2,139	(2,142)
NET CHANGE IN FUND BALANCE	54,694	22,481	77,175
FUND BALANCE, Beginning of the year	496,138	42,435	538,573
FUND BALANCE, End of the year	$ 550,832	$ 64,916	$ 615,748

See accompanying notes to the financial statements

CITY OF ROLLING HILLS, KENTUCKY
RECONCILATION 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, 2025

Net change of fund balance-total governmental fund	$	77,175
Amounts reported for governmental activities in the statement of activities are difference 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		42,228
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 cchanges 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 debtr during the current period.		15,000
Governmental funds report revenue that provide current financial resources. This the amount in receivables that do not provide current financial resourcces:		
Property Taxes		
Change in net position reflected on statement of activity	$	49,947

See accompanying notes to the financial statements

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 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES {CONTINUED)

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.

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.

NOTE 1 - SUMMARY OFSIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 or by municipal order.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 18. The City prepares its annual budget on the modified accrual basis of accounting which is consistent with the amounts reflected in the fund's financial statements. During the year, the City did not 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 statues 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 i nstitution.

As of June 30, 2025, $64,916 was restricted for road construction and related repairs.

Property Taxes and Property Tax Receivable

Property taxes are levied as of October 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, 2025 to finance general fund operations was based on $.1835 per $100 assed valuation for real and personal property. The gross tax (or face value) is due if paid by September 1; and 20% penalty is assessed of paid after September 1 with 1% per month interest after September 1. A lien may be placed on the property if 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, 20223 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, 2025 have been collected during the ensuing sixty day period.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Due from General Fund

Certain revenues are temporarily deposited into the General Fund bank account on behalf of the Municipal Road Aid Fund and the other Funds and are expected to be reimbursed within the following fiscal period.

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 capitalized 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, 2025.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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:

	Government Fund Type		
Cash and Cash Equivalents	General	Special Revenue	Total
General Fund Checking	$ 13,608		$ 13,608
PNC Investments	529,568		529,568
Municipal Road Aid		$ 64,916	64,916
Total	$ 543,176	$ 64,916	$ 608,092

At June 30, 2025, 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, 2025

	Balance 7/1/2024	Additions	Disposals	Balance 06/30/2025
Infrastructure	$ 653,428	$ -0-	$ -0-	$ 653,428
Street Signs	54,177	-0-	-0-	54,177
Land	256,640	-0-	-0-	256,640
Furniture	14,022	9,239	-0-	23,241
Total Capital Assets	$ 978,247	$ 9,239	$ -0-	$ 987,486
Less Accumulated Depreciation	$ 300,825	$ 51,466	$ -0-	$ 352,291
Capital Assets Net	$ 677,422	$ (42,227)	$ -0-	$ 635,195

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION (Continued)

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

General Government	$ 1,601
Public Works	49,865
Total	$ 51,466

NOTE 4 - RISK MANAGEMENT

The City is subject to normal insurance risks as other cities it 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, 2025.

- The City has contractual commitment for police protection at June 30, 2025.

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, 2025 are as follows:

	July 1 2024	Additions	Deductions	June 30 2025	Due within One Year
Notes from Borrowing	$143,750		$ 15,000	$128,750	$ 15,000

Interest expense on all loans during 2025 was $4,672.

Maturity of the long-term debt are as follows:

	Principal	Interest
2026	15,000	4,187
2027	15,000	3,411
2028	12,500	2,438
2029	12,500	2,438
2030-2033	73,750	6,909
	$ 128,750	$ 19,393

NOTE 7 – SUBSEQUENT EVENTS

City management has evaluated subsequent events through September 12, 2025 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.

CITY OF ROLLING HILLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance with Final Budget Favorable (Unfavorable)
Fund Balance Beginning	$ 491,884	$491,884	$ 538,573	$ 46,689
REVENUES				
Property taxes	$ 166,840	166,840	$ 165,761	(1,079)
Insurance premium taxes	76,000	76,000	105,130	29,130
Bank Deposits taxes	33,000	33,000	36,051	3,051
Franchise taxes	21,300	21,300	5,399	(15,901)
Municipal Road Aid			20,342	20,342
Police	4,600	4,600	4,933	333
Rental Income	-	-	14,200	14,200
License and Permits		-	3,800	3,800
Misc. Income	-	-	582	582
Sanitation	5,750	5,750	5,754	4
Grants		-	4,560	4,560
Total Revenue	307,490	307,490	366,512	59,022
Total Revenue and Resources	307,490	307,490	905,085	105,711
EXPENDITURES				
General Government	153,560	153,560	134,490	19,070
Public Works	138,500	138,500	117,605	20,895
Public Saftey	43,400	43,400	35,100	8,300
Total Expenditures	335,460	335,460	287,195	48,265
REVENUES OVER EXPENDITURES	(27,970)	(27,970)	79,317	107,287
OTHER FINANCING SOURCES				
New Loan Proceeds		-		
Debt and Interest	(149,482)	(149,482)	(19,672)	129,810
Transfers from Reserves	-	-	-	-
Capital Assets	-	-	(9,239)	-
Interest Income	19,000	19,000	26,769	7,769
Total Other Financing Sources	$ (130,482)	$ (130,482)	$ (2,142)	$ 137,579
NET CHANGE IN FUND BALANCE	$ (158,452)	$ (158,452)	$ 77,175	$ 244,866
FUND BALANCES, ENDING	$ 333,432	$ 333,432	$ 615,748	$ 291,555

CITY OF ROLLING HILLS
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance with Final Budget Favorable (Unfavorable)
Fund Balance Beginning	37204	37204	$ 42,435	$ 5,231
REVENUES				
Municipal road aid	22,500	22,500	20,342	(2,158)
Totol Revenue	22,500	22,500	20,342	(2,158)
EXPENDITURES				
Roads sidewalks and signs	55,000	55,000	-	(55,000)
Total Expenditures	55,000	55,000	-	(55,000)
Excess of revenue over Expenditures	(32,500)	(32,500)	20,342	52,842
OTHER FINANCING SOURCES				
Transfers from Reserves	-	-	2,139	2,139
NET CHANGE IN FUND BALANCE	(32,500)	(32,500)	22,481	54,981
FUND BALANCES, ENDING	(32,500)	(32,500)	64,916	60,212

RICHARD F. PAULMANN, CPA, LLC
301 MOUNT MERCY ROAD
PEWEE VALLEY, KY 40056
Ph: (502) 550-1568
e-mail: Richardpaulmann@twc.com

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

The Honorable Mayor
and Council of the City
of Rolling Hills,
Kentucky

I 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 statement of the governmental activities, each major fund and aggregate fund information of the City of Rolling Hills, Kentucky as of and for the year June 30, 2025, and the related notes to the financial statements, which collectively comprise City of Rolling Hills, Kentucky's basic financial statements and have issued my report thereon dated September 12, 2025.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Rolling Hills, Kentucky's internal control over financial reporting (internal control); to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements; but not for the purpose of expressing an opinion on the effectiveness of City of Rolling Hills, Kentucky's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Rolling Hills, Kentucky's financial statements are free from material misstatement, I performed test 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results to that testing; and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richard F. Paulmann, CPA, LLC.
Richard F. Paulmann

Pewee Valley, KY
September 12, 2025