

CITY OF WINDY HILLS, KENTUCKY

FINANCIAL REPORT

JUNE 30, 2021

CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1-2
MANAGEMENT’S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	9
Statement of Activities	10
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
NOTES TO FINANCIAL STATEMENTS	15-22
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	23
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Road Maintenance Fund	24
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	25-26



Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

Mayor and the City Council
City of Windy Hills
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the major funds of the City of Windy Hills, Kentucky (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major funds of the City of Windy Hills, Kentucky, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

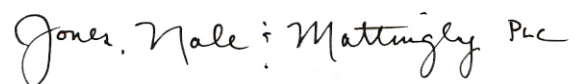
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3 through 8, and pages 23 and 24 be presented to supplement the basic financial statements. Such information, although not 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, economical, 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 August 19, 2022 on our consideration of the City of Windy Hills, Kentucky's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Windy Hills, Kentucky's internal control over financial reporting and compliance.



Louisville, Kentucky
August 19, 2022

**CITY OF WINDY HILLS KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Within this section of the City of Windy Hills, Kentucky (the City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the City's primary government.

The financial statements included in this report provide insight into the financial status of the City as of and for the year ended June 30, 2021.

Financial Highlights

- The City's assets exceeded its liabilities by \$2,133,683 (net position) as of June 30, 2021.
- The largest sources of revenue for the City were property taxes and insurance premium taxes. These sources account for 86% of the City's total revenue. Total revenues for the year ended June 30, 2021 decreased by \$47,295 compared to the previous fiscal year. The change is due to a decrease in property taxes and insurance premium taxes returning to historical amounts.
- The City's expenses of \$599,073 increased by \$45,092 compared to the previous fiscal year. This increase was primarily the result of an increase for maintenance on the roads in the year ended June 30, 2021.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the statement of net position on page 9. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The second government-wide statement is the statement of activities on page 10 which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements show governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, along with user fees and charges. Governmental activities include general government, public safety, and public services.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation, if applicable.

The City has only one type of fund:

Governmental funds are reported in the fund financial statements on pages 11 and 13 and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinct view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Notes to Financial Statements

The accompanying notes to financial statements on pages 15 through 22 provide information essential to a full understanding of the government-wide and fund financial statements. The notes to financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Budgetary comparison statements for the general fund and the major special revenue fund (road maintenance fund) are included as required supplementary information. The budgetary comparison statements demonstrate compliance with the City's adopted and final revised budget. Supplementary information follows the notes to financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Information

The following condensed financial information has been derived from the government-wide financial statements.

The total assets of the City increased by \$53,357 during the fiscal year ended June 30, 2021. This was primarily the result of an increase in the City's cash and money market accounts, as well as capital assets, particularly improvements made to roads and infrastructure in the City.

Financial Analysis of the City as a Whole

The following table provides a summary of the City's net position at June 30, 2021 and 2020:

ASSETS	2021	2020	Variance
Current assets	\$ 1,550,429	\$ 1,517,330	\$ 33,099
Nondepreciable capital asset	400,000	400,000	--
Depreciable capital assets	193,311	173,053	20,258
Total assets	<u>2,143,740</u>	<u>2,090,383</u>	<u>53,357</u>
LIABILITIES			
Current liabilities	10,057	15,941	(5,884)
Total liabilities	<u>10,057</u>	<u>15,941</u>	<u>(5,884)</u>
NET POSITION			
Invested in capital assets	593,311	573,053	20,258
Restricted	305,499	215,256	90,243
Unrestricted	1,234,873	1,286,133	(51,260)
Total net position	<u>\$ 2,133,683</u>	<u>\$ 2,074,442</u>	<u>\$ 59,241</u>

The following table provides a summary of the City's changes in net position for the years ended June 30, 2021 and 2020:

	2021	2020	Variance
Total revenues	\$ 658,314	\$ 705,609	\$ (47,295)
Total expenses	<u>599,073</u>	<u>553,981</u>	<u>45,092</u>
Change in net position	59,241	151,628	(92,387)
Net position, beginning of year	<u>2,074,442</u>	<u>1,922,814</u>	<u>151,628</u>
Net position, end of year	<u>\$ 2,133,683</u>	<u>\$ 2,074,442</u>	<u>\$ 59,241</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental Revenues

REVENUES	2021	2020	Variance
Program Revenues			
Kentucky municipal aid	\$ 47,385	\$ 47,474	\$ (89)
Public safety HB 413	2,211	5,160	(2,949)
Total program revenues	49,596	52,634	(3,038)
General Revenues			
Property taxes	316,090	334,497	(18,407)
Insurance premium taxes	250,005	262,189	(12,184)
Franchise tax	18,414	18,288	126
Interest income	4,798	22,968	(18,170)
Rental registration fees	9,075	8,025	1,050
Penalties and interest	3,358	2,558	800
Green Fund contributions	-	509	(509)
Other revenues	6,978	3,941	3,037
Total general revenues	608,718	652,975	(44,257)
Total revenues	<u>\$ 658,314</u>	<u>\$ 705,609</u>	<u>\$ (47,295)</u>

The City's largest sources of revenue for the City were property taxes and insurance premium taxes. These sources account for 86% of the City's total revenue. Total revenues for the year ended June 30, 2021 decreased by \$47,295 compared to the previous fiscal year. The change is due to a decrease in property and insurance premium taxes returning to historical amounts.

Governmental Expenses

EXPENSES	2021	2020	Variance
Program Expenses			
Sanitation	\$ 254,727	\$ 253,967	\$ 760
Public safety	59,555	57,360	2,195
Unallocated depreciation	10,492	8,442	2,050
Street maintenance and mowing	43,403	27,350	16,053
Street lights and water	40,677	40,733	(56)
Salaries	66,078	70,832	(4,754)
Legal and accounting	16,692	27,298	(10,606)
Insurance	8,379	8,278	101
Annual picnic and city events	1,627	8,012	(6,385)
Dues and subscriptions	1,424	1,857	(433)
Snow removal	38,900	10,000	28,900
Tree board programs	5,925	6,340	(415)
Office expenses	19,113	18,360	753
Other expenses	32,081	15,152	16,929
Total government expenses	<u>\$ 599,073</u>	<u>\$ 553,981</u>	<u>\$ 45,092</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental Expenses (continued)

The City's expenses of \$599,073 increased by \$45,092 compared to the previous fiscal year. This increase was primarily the result of an increase for road maintenance during the fiscal year ended June 30, 2021.

Capital Assets

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Primary government:				
Nondepreciable assets				
Land	\$ 400,000	\$ --	\$ --	\$ 400,000
Depreciable assets				
Infrastructure	79,820	30,750	--	110,570
Improvements	124,839	--	--	124,839
Total depreciable assets	<u>204,659</u>	<u>30,750</u>	<u>--</u>	<u>235,409</u>
Accumulated depreciation				
Infrastructure	(6,638)	(7,371)	--	(14,009)
Improvements	(24,968)	(3,121)	--	(28,089)
Total accumulated depreciation	<u>(31,606)</u>	<u>(10,492)</u>	<u>--</u>	<u>(42,098)</u>
Total	<u>\$ 573,053</u>	<u>\$ 20,258</u>	<u>\$ --</u>	<u>\$ 593,311</u>

The City had capital expenditures during the year ended June 30, 2021. Paving was done throughout the City, totaling \$30,750.

Financial Analysis of the City's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a focus on short-term inflows and outflows of spendable resources. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported fund balances of \$1,540,372 as of June 30, 2021, an increase of \$38,983 from the prior year.

General Fund and Road Maintenance Fund Budgetary Highlights

For the year ended June 30, 2021, general fund revenues of \$610,929 were \$26,420 more than the \$584,509 budgeted. This was primarily a result of increased revenue from the City's property taxes and insurance premium taxes.

For the year ended June 30, 2021, general fund expenditures of \$554,426 were \$30,083 less than the \$584,509 budgeted. This was primarily a result of lower administrative expenditures and proper budgeting.

For the year ended June 30, 2021, road fund revenues were \$1,615 less than the \$49,000 budgeted. This was primarily a result of decreased revenue from the City's road funds received from the state.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

General Fund and Road Maintenance Fund Budgetary Highlights (continued)

For the year ended June 30, 2021, road fund expenditures of \$64,905 were \$9,205 more than the \$55,700 budgeted. This was primarily a result of snow removal costs that were not budgeted high enough due to the uncertainty. The City had adequate reserves to cover the higher costs within their budget.

The General Fund budget complied with financial policies approved by the City Council and maintained core City services.

Economic Budget and Next Year's Budget

Revenues are expected to remain stable or slightly increase. The City increased their budgeted revenues from \$584,509 to \$607,365 for the fiscal year ending June 30, 2022.

General fund expenditures were budgeted at \$607,365 for the year ending June 30, 2022, an increase of \$22,856 from June 30, 2021.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City Clerk, City of Windy Hills, 4350 Brownsboro Rd #110, Louisville, Kentucky 40207.

CITY OF WINDY HILLS, KENTUCKY

STATEMENT OF NET POSITION

June 30, 2021

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,010,476
Certificates of deposit	154,321
Accounts receivable	1,478
Municipal insurance tax receivable	74,958
Prepaid funds	3,697
Total current assets	1,244,930
Restricted assets	
Cash and cash equivalents	305,499
Total restricted assets	305,499
Non-current assets	
Capital assets, net	593,311
Total non-current assets	593,311
Total assets	\$ 2,143,740
LIABILITIES	
Current liabilities	
Accounts payable	\$ 10,057
Total current liabilities	10,057
NET POSITION	
Net investment in capital assets	593,311
Restricted for road maintenance	305,499
Unrestricted	1,234,873
Total net position	2,133,683
Total liabilities and net position	\$ 2,143,740

The Notes to the Financial Statements are an integral part of this statement.

CITY OF WINDY HILLS, KENTUCKY

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021**

	General Fund	Road Maintenance Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 1,010,476	\$ 305,499	\$ 1,315,975
Certificates of deposit	154,321	--	154,321
Accounts receivable	1,478	--	1,478
Prepaid funds	3,697	--	3,697
Municipal insurance tax receivable	74,958	--	74,958
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,244,930</u>	<u>\$ 305,499</u>	<u>\$ 1,550,429</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	<u>\$ 10,057</u>	<u>\$ --</u>	<u>\$ 10,057</u>
Total liabilities	<u>10,057</u>	<u>--</u>	<u>10,057</u>
FUND BALANCES			
Nonspendable	\$ 3,697	\$ --	\$ 3,697
Restricted for road maintenance	--	305,499	305,499
Unassigned	1,231,176	--	1,231,176
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,234,873</u>	<u>305,499</u>	<u>1,540,372</u>
Total liabilities and fund balances	<u>\$ 1,244,930</u>	<u>\$ 305,499</u>	<u>\$ 1,550,429</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF WINDY HILLS, KENTUCKY

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2021**

TOTAL GOVERNMENTAL FUND BALANCES \$ 1,540,372

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

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as assets
in the governmental fund financial statements.

593,311

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 2,133,683

The Notes to Financial Statements are an integral part of this statement.

CITY OF WINDY HILLS, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2021**

	General Fund	Road Maintenance Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 316,090	\$ --	\$ 316,090
Insurance premium taxes	250,005	--	250,005
Franchise tax	18,414	--	18,414
Interest income	4,798	--	4,798
Rental registration fees	9,075	--	9,075
Penalties and interest	3,358	1,029	4,387
Intergovernmental	2,211	46,356	48,567
Other revenues	6,978	--	6,978
Total revenues	<u>610,929</u>	<u>47,385</u>	<u>658,314</u>
EXPENDITURES			
Current:			
General government:			
Salaries	66,078	--	66,078
Legal and accounting fees	16,692	--	16,692
Insurance	8,379	--	8,379
Annual picnic and city events	1,627	--	1,627
Dues and subscriptions	1,424	--	1,424
Snow removal	8,900	30,000	38,900
Tree board programs	5,925	--	5,925
Office expenses	19,113	--	19,113
Other expenses	32,080	--	32,080
Public safety	59,555	--	59,555
Public services:			
Sanitation	254,727	--	254,727
Street maintenance and mowing	39,249	4,155	43,404
Street lights and water	40,677	--	40,677
Capital outlay	--	30,750	30,750
Total expenditures	<u>554,426</u>	<u>64,905</u>	<u>619,331</u>
Excess of revenues over (under) expenditures	56,503	(17,520)	38,983
Transfers:			
Transfers in	--	107,763	107,763
Transfers (out)	<u>(107,763)</u>	<u>--</u>	<u>(107,763)</u>
Total transfers	(107,763)	107,763	--
Fund balances, July 1, 2020	<u>1,286,133</u>	<u>215,256</u>	<u>1,501,389</u>
Fund balances, June 30, 2021	<u>\$ 1,234,873</u>	<u>\$ 305,499</u>	<u>\$ 1,540,372</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF WINDY HILLS, KENTUCKY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 38,983

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is shown as an increase in capital assets. 30,750

Capital assets are depreciated over their estimated useful lives and reported as depreciation expense in the statement of net activities. The effect of the current year's depreciation is to decrease net position. (10,492)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 59,241

The Notes to Financial Statements are an integral part of this statement.

CITY OF WINDY HILLS KENTUCKY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The City of Windy Hills, Kentucky (the City) is a home rule city as defined by Kentucky statute and is located in Jefferson County, Kentucky. The City is a municipal corporation which is operated under an elected mayor and a six-member City Council. The City provides the following services: streets and public works, sanitation, public safety and general administrative services. Primary revenue sources are property taxes, insurance taxes, franchise taxes, and municipal road aid. Those revenues susceptible to accrual are property taxes, insurance taxes, and municipal road aid.

All significant activities and organizations on which the City exercises oversight responsibility have been included in the City's financial statements, for the year ended June 30, 2021. The following criteria regarding manifestation of oversight were considered by the City in evaluation of City's organizations and activities:

Financial interdependency – The City is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the City.

Election of the government authority – The locally elected City Council is exclusively responsible for all public decisions and accountable for the decisions it makes.

Ability to significantly influence operations – The City Council has the statutory authority under the provisions of the Revised Statutes to significantly influence operations. The authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

Accountability of fiscal matters – The responsibility and accountability over all funds is vested in City management.

After consideration of the above criteria, no additional entities are deemed to be component units of the City.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government is presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements (continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines, forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental funds. Major individual governmental funds are reported in a separate column with composite columns for non-major funds.

Fund financial statements of the City are organized into funds. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined.

Governmental fund types used by the primary government are as follows:

General Fund – The general fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Road maintenance funds are accounted for in this fund.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The City's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements.

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the current financial resources measurement focus is used. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Major revenue sources susceptible to accrual include: property taxes, insurance premium taxes, and intergovernmental revenues. In general, other revenues are recognized when cash is received.

In the government-wide statement of net position and statement of activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are recorded when due.

Budgets and Budgetary Process

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets and budget amendments for all funds are adopted on a basis consistent with the modified accrual basis of accounting, which is the basis used in the fund financial statements.

Formal budgetary accounting is employed as a management control for certain funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund and the special revenue fund. Once approved, the City council may amend the legally adopted budget when unexpected modifications are required in estimating revenues and appropriations.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Process (continued)

The budgets are prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected and expenditures are budgeted in the year that the applicable disbursement is expected to occur. Actual results are reported on the U.S. GAAP basis, and variances reflect reconciliation differences primarily due to revenue and expenditure accruals.

Cash and Cash Equivalents

The City considers all cash in bank and highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

Receivables

Receivables are reported at net realizable value. The City has determined that an allowance for doubtful accounts is not necessary since future uncollectible accounts are immaterial.

In the government-wide statements, receivables consist of all revenues earned and not yet received. The fund financial statements include receivables collectible within sixty days after year-end. Major receivable balances include property taxes, insurance taxes, and intergovernmental receivables.

Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. For financial reporting purposes, the City has decided to capitalize individual assets with a value of \$3,000 or greater. Capital assets are not reported in the fund financial statements.

Prior to June 30, 2003, governmental funds' infrastructure assets were not required to be capitalized by the City nor were these assets capitalized by the City. Starting on July 1, 2003, the City was required to keep a record of all infrastructure assets placed in service from that date forward. The following presents the estimated lives of the City's capital assets:

Infrastructure	40 years
Improvements	15 to 20 years

Due To and Due From Other Funds

Interfund receivables and payables are recorded by all funds in the period in which the transactions are executed on the fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Net Position – Government-Wide Financial Statements

Net position is classified as follows:

- Net investment in capital assets, net of related debt – Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted – All other net position that do not meet the definition of restricted or invested in capital assets, net of related debt.

Fund Balance – Fund Financial Statements

Fund balance is classified as follows:

- Nonspendable – amounts that are not in spendable form (such as prepaid expenses) or are required to be maintained intact.
- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned – amounts that are available for any purpose.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated by in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as purchase of capital assets, construction, debt service, or for other purposes).

Property Taxes

Property taxes are levied annually on or before October 1st and are based on the assessed value of the property as listed on the previous January 1st. Bills are mailed on or before October 1st and payable by December 31st. Bills paid prior to November 1st are allowed a discount of 45%. Bills paid after November 1st but before January 1st of the following year are not allowed a discount. Bills paid on or after January 1st of the following year will be considered delinquent and will bear interest of 1.5% per month, compounded monthly until paid (with a minimum of \$10), plus lien filing and release fees. In addition, delinquent tax collection expenses will include a collection/attorney fee of \$150 which will be deemed an additional penalty.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Property Taxes (Continued)

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Over time, substantially all property taxes are collected.

Insurance Premium Taxes

The City levies an insurance premium tax on non-health insurance premium policies sold to City residents. The assessed tax is 5% of gross premium payments.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, government fund expenditures are classified by character: current, debt service and capital outlay. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the classifications and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through August 19, 2022, the date the financial statements were available to be issued.

Note 2. Deposits and Investments

Under Kentucky Revised Statutes, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest-bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

The City invests surplus cash in local bank certificates of deposit and savings accounts. This investment class subjects the City to custodial credit risk.

Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the City may not be able to recover the value of its deposits and investments or collateral securities that are in possession of the financial institution. The entire bank balances were covered by federal depository insurance or by collateralized U.S. government agency and local government agency securities held by the City's agent in the City's name as of June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

The City categorizes deposits at local financial institutions to give an indication of the level of risk assumed by the City at year end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging institution's trust department or agent, but not in the City's name.

Category 3 – Uncollateralized

At June 30, 2021, the bank's carrying amount of the City's cash and certificate of deposits was \$1,515,192. The carrying amount is defined as the balances based on the applicable bank statements and does not consider reconciling items such as deposits in transit or outstanding check disbursements, which would be included in the balance as reported on the accompanying balance sheets.

The City was fully collateralized under Category 1 listed above as of June 30, 2021.

Note 3. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state and local entities. The primary restricted revenue source is listed below:

Revenue Source: Municipal Road Aid Funds
Legal Restriction of Use: Road and Street Maintenance

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Primary government:				
Nondepreciable assets				
Land	\$ 400,000	\$ --	\$ --	\$ 400,000
Depreciable assets				
Infrastructure	79,820	30,750	--	110,570
Improvements	124,839	--	--	124,839
Total depreciable assets	204,659	30,750	--	235,409
Accumulated depreciation				
Infrastructure	(6,638)	(7,371)	--	(14,009)
Improvements	(24,968)	(3,121)	--	(28,089)
Total accumulated depreciation	(31,606)	(10,492)	--	(42,098)
Total	\$ 573,053	\$ 20,258	\$ --	\$ 593,311

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (Continued)

Depreciation expense of \$10,492 for the year ended June 30, 2021 was charged to the general government function.

Note 5. Office Lease

The City leases their office facilities. The current lease term is one year beginning September 1, 2020 and ending August 31, 2021. Monthly rent for the current lease term is \$1,034. Rent expense was \$14,287 for the year ended June 30, 2021.

Minimum future lease payments are as follows:

June 30, 2022	<u>\$</u> <u>2,068</u>
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Note 6. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance for each of the above risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

Note 7. Uncertainty

Local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the City as of August 19, 2022 management believes that a material impact on the City's financial position and results of future operations is reasonably possible.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WINDY HILLS, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
REVENUES				
Property taxes	\$ 306,059	\$ 306,059	\$ 316,090	\$ 10,031
Municipal insurance tax	240,000	240,000	250,005	10,005
Cable TV franchise	18,000	18,000	18,414	414
Rental ordinance registration fee	8,250	8,250	9,075	825
Interest income	5,000	5,000	8,157	3,157
Public safety HB413	4,600	4,600	2,211	(2,389)
Green Fund contributions	750	750	--	(750)
Other revenues	1,850	1,850	6,977	5,127
	<u>584,509</u>	<u>584,509</u>	<u>610,929</u>	<u>26,420</u>
EXPENDITURES				
General government	258,564	258,564	240,144	(18,420)
Public safety	60,000	60,000	59,555	(445)
Sanitation	254,727	254,727	254,727	--
Emergency fund	11,218	11,218	--	(11,218)
	<u>584,509</u>	<u>584,509</u>	<u>554,426</u>	<u>(30,083)</u>
Excess of revenues over expenditures	--	--	56,503	56,503
Transfers:				
Transfers (out)	--	--	(107,763)	(107,763)
Fund balance, July 1, 2020	<u>1,286,133</u>	<u>1,286,133</u>	<u>1,286,133</u>	<u>--</u>
Fund balance, June 30, 2021	<u>\$ 1,286,133</u>	<u>\$ 1,286,133</u>	<u>\$ 1,234,873</u>	<u>\$ (51,260)</u>

CITY OF WINDY HILLS, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD MAINTENANCE FUND
Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
Municipal road aid	\$ 48,000	\$ 48,000	\$ 46,356	\$ (1,644)
Interest income	1,000	1,000	1,029	29
Total revenues	<u>49,000</u>	<u>49,000</u>	<u>47,385</u>	<u>(1,615)</u>
EXPENDITURES				
Paving	45,700	45,700	30,750	(14,950)
Street maintenance	--	--	4,155	4,155
Snow removal	10,000	10,000	30,000	20,000
Total expenditures	<u>55,700</u>	<u>55,700</u>	<u>64,905</u>	<u>9,205</u>
Excess of revenues over (under) expenditures	\$ (6,700)	\$ (6,700)	\$ (17,520)	\$ (10,820)
Transfers:				
Transfers in	<u>6,700</u>	<u>6,700</u>	<u>107,763</u>	<u>101,063</u>
Fund balance, July 1, 2020	<u>215,256</u>	<u>215,256</u>	<u>215,256</u>	<u>--</u>
Fund balance, June 30, 2021	<u>\$ 215,256</u>	<u>\$ 215,256</u>	<u>\$ 305,499</u>	<u>\$ 90,243</u>



Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and the City Council
City of Windy Hills
City of Windy Hills, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the City of Windy Hills, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Windy Hills, Kentucky's basic financial statements and have issued our report thereon dated August 19, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Windy Hills, Kentucky'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 the City of Windy Hills, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Windy 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Windy Hills, Kentucky'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
August 19, 2022