

CITY OF WINDY HILLS, KENTUCKY

FINANCIAL REPORT

JUNE 30, 2022

CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	10
Statement of Activities	11
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
NOTES TO FINANCIAL STATEMENTS	16-23
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	24
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Road Maintenance Fund	25
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>	26-27



Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Windy Hills, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Windy Hills, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Windy Hills, Kentucky, as of June 30, 2022, 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.

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 Windy Hills, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Windy Hills, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Windy Hills, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 24-25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Windy Hills, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Windy Hills, Kentucky's internal control over financial reporting and compliance.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
December 12, 2022

**CITY OF WINDY HILLS KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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, 2022. 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, 2022.

Financial Highlights

- The City's assets exceeded its liabilities by \$2,704,833 (net position) as of June 30, 2022.
- The largest sources of revenue for the City were property taxes, insurance premium taxes, and American Rescue Plan Funds. These sources account for 93% of the City's total revenue. Total revenues for the year ended June 30, 2022 increased by \$556,395 compared to the previous fiscal year. The change is due to a increase in property taxes and insurance premium taxes, as well as funding from the American Rescue Plan Act for COVID relief.
- The City's expenses of \$643,559 increased by \$44,486 compared to the previous fiscal year. This increase was primarily the result of an increase in contributions during the year ended June 30, 2022. The City donated some of the American Rescue Plan Funds into the community.

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 10. 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 11 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 12 and 14 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 16 through 23 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 \$580,330 during the fiscal year ended June 30, 2022. This was primarily the result of an increase in the City's cash and money market accounts, as they received a large sum of money from the American Rescue Plan Act.

Financial Analysis of the City as a Whole

The following table provides a summary of the City's net position at June 30, 2022 and 2021:

ASSETS	2022	2021	Variance
Current assets	\$ 2,141,251	\$ 1,550,429	\$ 590,822
Nondepreciable capital asset	400,000	400,000	-
Depreciable capital assets	182,819	193,311	(10,492)
Total assets	<u>2,724,070</u>	<u>2,143,740</u>	<u>580,330</u>
LIABILITIES			
Current liabilities	19,237	10,057	9,180
Total liabilities	<u>19,237</u>	<u>10,057</u>	<u>9,180</u>
NET POSITION			
Invested in capital assets	582,819	593,311	(10,492)
Restricted	335,646	305,499	30,147
Unrestricted	1,786,368	1,234,873	551,495
Total net position	<u>\$ 2,704,833</u>	<u>\$ 2,133,683</u>	<u>\$ 571,150</u>

The following table provides a summary of the City's changes in net position for the years ended June 30, 2022 and 2021:

	2022	2021	Variance
Total revenues	\$ 1,214,709	\$ 658,314	\$ 556,395
Total expenses	<u>643,559</u>	<u>599,073</u>	<u>44,486</u>
Change in net position	571,150	59,241	511,909
Net position, beginning of year	2,133,683	2,074,442	59,241
Net position, end of year	<u>\$ 2,704,833</u>	<u>\$ 2,133,683</u>	<u>\$ 571,150</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental Revenues

REVENUES	2022	2021	Variance
Program Revenues			
Kentucky municipal aid	\$ 48,767	\$ 47,385	\$ 1,382
Public safety HB 412/413	4,249	2,211	2,038
Total program revenues	<u>53,016</u>	<u>49,596</u>	3,420
General Revenues			
Property taxes	360,448	316,090	44,358
Insurance premium taxes	251,715	250,005	1,710
American Rescue Plan Act funds	512,925	--	512,925
Franchise tax	21,513	18,414	3,099
Interest income	2,054	4,798	(2,744)
Rental registration fees	8,475	9,075	(600)
Penalties and interest	395	3,358	(2,963)
Green Fund contributions	500	--	500
Other revenues	3,668	6,978	(3,310)
Total general revenues	<u>1,161,693</u>	<u>608,718</u>	<u>552,975</u>
 Total revenues	 <u>\$ 1,214,709</u>	 <u>\$ 658,314</u>	 <u>\$ 556,395</u>

The City's largest sources of revenue were property taxes, insurance premium taxes, and American Rescue Plan Funds. These sources account for 93% of the City's total revenue. Total revenues for the year ended June 30, 2022 increased by \$556,395 compared to the previous fiscal year. The change is due to an increase in property taxes and insurance premium taxes, as well as funding from the American Rescue Plan Act for COVID relief.

Governmental Expenses

EXPENSES	2022	2021	Variance
Program Expenses			
Sanitation	\$ 254,727	\$ 254,727	\$ --
Public safety	54,591	59,555	(4,964)
Unallocated depreciation	10,492	10,492	--
Street maintenance and mowing	50,274	43,403	6,871
Street lights and water	45,313	40,677	4,636
Salaries	65,943	66,078	(135)
Legal and accounting	26,795	16,692	10,103
Insurance	16,115	8,379	7,736
Annual picnic and city events	2,717	1,627	1,090
Dues and subscriptions	2,022	1,424	598
Snow removal	13,310	38,900	(25,590)
Tree board programs	7,308	5,925	1,383
Contributions and donations	44,579	--	44,579
Office expenses	28,459	19,113	9,346
Other expenses	20,914	32,081	(11,167)
Total government expenses	<u>\$ 643,559</u>	<u>\$ 599,073</u>	<u>\$ 44,486</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental Expenses (continued)

The City's expenses of \$643,559 increased by \$44,486 compared to the previous fiscal year. This increase was primarily the result of an increase in contributions during the year ended June 30, 2022. The City donated some of the American Rescue Plan Funds into the community.

Capital Assets

	Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Primary government:				
Nondepreciable assets				
Land	\$ 400,000	\$ --	\$ --	\$ 400,000
Depreciable assets				
Infrastructure	110,570	--	--	110,570
Improvements	124,839	--	--	124,839
Total depreciable assets	<u>235,409</u>	<u>--</u>	<u>--</u>	<u>235,409</u>
Accumulated depreciation				
Infrastructure	(14,009)	(7,371)	--	(21,380)
Improvements	(28,089)	(3,121)	--	(31,210)
Total accumulated depreciation	<u>(42,098)</u>	<u>(10,492)</u>	<u>--</u>	<u>(52,590)</u>
Total	<u>\$ 593,311</u>	<u>\$ (10,492)</u>	<u>\$ --</u>	<u>\$ 582,819</u>

The City had no capital expenditures during the year ended June 30, 2022.

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 \$2,122,014 as of June 30, 2022, an increase of \$581,642 from the prior year.

General Fund and Road Maintenance Fund Budgetary Highlights

For the year ended June 30, 2022, general fund revenues of \$1,165,537 were \$542,172 more than the \$623,365 budgeted. This was primarily a result of increased revenue from the American Rescue Plan Act Funds.

For the year ended June 30, 2022, general fund expenditures of \$614,042 were \$6,677 more than the \$607,365 budgeted. This was primarily a result of higher contributions and donations than budgeted.

For the year ended June 30, 2022, road fund revenues of \$49,172 were \$172 more than the \$49,000 budgeted. This was primarily a result of increased 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, 2022, road fund expenditures of \$15,025 were \$88,475 less than the \$107,500 budgeted. This was primarily a result of paving costs that were budgeted for but not expended. There was also significantly less snow removal than expected.

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

Total revenues are expected to decrease as they will not receive American Rescue Plan Funds. The City increased their budgeted revenues from \$623,365 to \$626,233 for the fiscal year ending June 30, 2023, to account for the increase in property taxes.

General fund expenditures were budgeted at \$626,233 for the year ending June 30, 2023, an increase of \$18,868 from June 30, 2022.

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, 2022

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 883,282
Certificates of deposit	854,677
Accounts receivable	2,883
Municipal insurance tax receivable	64,763
Total current assets	<u>1,805,605</u>
Restricted assets	
Cash and cash equivalents	<u>335,646</u>
Total restricted assets	<u>335,646</u>
Non-current assets	
Capital assets, net	<u>582,819</u>
Total non-current assets	<u>582,819</u>
Total assets	<u>\$ 2,724,070</u>
LIABILITIES	
Current liabilities	
Accounts payable	<u>\$ 19,237</u>
Total current liabilities	<u>19,237</u>
NET POSITION	
Net investment in capital assets	582,819
Restricted for road maintenance	335,646
Unrestricted	<u>1,786,368</u>
Total net position	<u>2,704,833</u>
Total liabilities and net position	<u>\$ 2,724,070</u>

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

CITY OF WINDY HILLS, KENTUCKY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary government:					
Governmental activities:					
General government:					
Salaries	\$ 65,943	\$ --	\$ --	\$ --	\$ (65,943)
Legal and accounting fees	26,795	--	--	--	(26,795)
Insurance	16,115	--	--	--	(16,115)
Annual picnic and city events	2,717	--	--	--	(2,717)
Dues and subscriptions	2,022	--	--	--	(2,022)
Snow removal	13,310	--	--	--	(13,310)
Tree board programs	7,308	--	--	--	(7,308)
Contributions and donations	44,579	--	--	--	(44,579)
Office expenses	28,459	--	--	--	(28,459)
Other expenses	20,914	--	--	--	(20,914)
Depreciation	10,492	--	--	--	(10,492)
Public safety	54,591	--	4,249	--	(50,342)
Public services:					
Sanitation	254,727	--	--	--	(254,727)
Street maintenance and mowing	50,274	--	48,767	--	(1,507)
Street lights and water	45,313	--	--	--	(45,313)
Total governmental activities	<u>643,559</u>	<u>--</u>	<u>53,016</u>	<u>--</u>	<u>(590,543)</u>
 Total primary government	 <u>\$ 643,559</u>	 <u>\$ --</u>	 <u>\$ 53,016</u>	 <u>\$ --</u>	 <u>\$ (590,543)</u>
General revenues:					
Taxes:					
				\$	360,448
					251,715
					512,925
					8,475
					395
					21,513
					2,054
					4,168
			Total general revenues		<u>1,161,693</u>
			Change in net position		571,150
			Net position, beginning of year		<u>2,133,683</u>
			Net position, end of year	\$	<u><u>2,704,833</u></u>

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

CITY OF WINDY HILLS, KENTUCKY

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022**

	General Fund	Road Maintenance Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 883,282	\$ 335,646	\$ 1,218,928
Certificates of deposit	854,677	--	854,677
Accounts receivable	2,883	--	2,883
Municipal insurance tax receivable	64,763	--	64,763
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,805,605</u>	<u>\$ 335,646</u>	<u>\$ 2,141,251</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	<u>\$ 19,237</u>	<u>\$ --</u>	<u>\$ 19,237</u>
Total liabilities	<u>19,237</u>	<u>--</u>	<u>19,237</u>
FUND BALANCES			
Restricted for road maintenance	\$ --	\$ 335,646	\$ 335,646
Unassigned	1,786,368	--	1,786,368
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,786,368</u>	<u>335,646</u>	<u>2,122,014</u>
Total liabilities and fund balances	<u>\$ 1,805,605</u>	<u>\$ 335,646</u>	<u>\$ 2,141,251</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, 2022**

TOTAL GOVERNMENTAL FUND BALANCES \$ 2,122,014

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.

582,819

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 2,704,833

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, 2022**

	<u>General Fund</u>	<u>Road Maintenance Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 360,448	\$ --	\$ 360,448
Insurance premium taxes	251,715	--	251,715
American Rescue Plan Act funds	512,925		512,925
Franchise tax	21,513	--	21,513
Interest income	1,650	404	2,054
Rental registration fees	8,475	--	8,475
Penalties and interest	395	--	395
Intergovernmental	4,248	48,768	53,016
Green Fund contributions	500		500
Other revenues	3,668	--	3,668
Total revenues	<u>1,165,537</u>	<u>49,172</u>	<u>1,214,709</u>
EXPENDITURES			
Current:			
General government:			
Salaries	65,943	--	65,943
Legal and accounting fees	26,795	--	26,795
Insurance	16,115	--	16,115
Annual picnic and city events	2,717	--	2,717
Dues and subscriptions	2,022	--	2,022
Snow removal	4,400	8,910	13,310
Tree board programs	7,308	--	7,308
Contributions and donations	44,579	--	44,579
Office expenses	28,459	--	28,459
Other expenses	20,914	--	20,914
Public safety	54,591	--	54,591
Public services:			
Sanitation	254,727	--	254,727
Street maintenance and mowing	40,159	10,115	50,274
Street lights and water	45,313	--	45,313
Total expenditures	<u>614,042</u>	<u>19,025</u>	<u>633,067</u>
Excess of revenues over expenditures	551,495	30,147	581,642
Fund balances, July 1, 2021	<u>1,234,873</u>	<u>305,499</u>	<u>1,540,372</u>
Fund balances, June 30, 2022	<u>\$ 1,786,368</u>	<u>\$ 335,646</u>	<u>\$ 2,122,014</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, 2022**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 581,642

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

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

\$ 571,150

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, 2022. 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 an original 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 December 12, 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, 2022.

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, 2022, the bank's carrying amount of the City's cash and certificate of deposits was \$2,082,034. 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, 2022.

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, 2022 was as follows:

	Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Primary government:				
Nondepreciable assets				
Land	\$ 400,000	\$ --	\$ --	\$ 400,000
Depreciable assets				
Infrastructure	110,570	--	--	110,570
Improvements	124,839	--	--	124,839
Total depreciable assets	235,409	--	--	235,409
Accumulated depreciation				
Infrastructure	(14,009)	(7,371)	--	(21,380)
Improvements	(28,089)	(3,121)	--	(31,210)
Total accumulated depreciation	(42,098)	(10,492)	--	(52,590)
Total	\$ 593,311	\$ (10,492)	\$ --	\$ 582,819

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (Continued)

Depreciation expense of \$10,492 for the year ended June 30, 2022 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, 2021 and ending August 31, 2022. Monthly rent for the current lease term is \$1,034. Rent expense was \$12,610 for the year ended June 30, 2022.

Minimum future lease payments are as follows:

June 30, 2023	<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.

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, 2022**

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Over (Under)
REVENUES				
Property taxes	\$ 346,065	\$ 346,065	\$ 360,448	\$ 14,383
Municipal insurance tax	240,000	240,000	251,715	11,715
Cable TV franchise	18,000	18,000	18,702	702
Rental ordinance registration fee	8,250	8,250	8,475	225
Interest income	4,000	4,000	1,650	(2,350)
Public safety HB413	5,100	5,100	4,248	(852)
Green Fund contributions	100	100	500	400
Penalty	2,000	2,000	600	(1,400)
Other revenues	1,850	1,850	519,199	517,349
Total revenues	625,365	625,365	1,165,537	540,172
EXPENDITURES				
General government	299,420	299,420	304,724	5,304
Public safety	60,000	60,000	54,591	(5,409)
Sanitation	254,727	254,727	254,727	- -
Emergency fund	11,218	11,218	- -	(11,218)
Total expenditures	625,365	625,365	614,042	(11,323)
Excess of revenues over expenditures	- -	- -	551,495	551,495
Fund balance, July 1, 2021	1,234,873	1,234,873	1,234,873	- -
Fund balance, June 30, 2022	\$ 1,234,873	\$ 1,234,873	\$ 1,786,368	\$ 551,495

CITY OF WINDY HILLS, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD MAINTENANCE FUND
Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
Municipal road aid	\$ 48,000	\$ 48,000	\$ 48,768	\$ 768
Interest income	1,000	1,000	404	(596)
Total revenues	49,000	49,000	49,172	172
EXPENDITURES				
Paving	87,500	87,500	10,115	(77,385)
Snow removal	20,000	20,000	8,910	(11,090)
Total expenditures	107,500	107,500	19,025	(88,475)
Excess of revenues over (under) expenditures	\$ (58,500)	\$ (58,500)	\$ 30,147	\$ 88,647
Transfers:				
Transfers in	58,500	58,500	--	(58,500)
Fund balance, July 1, 2021	305,499	305,499	305,499	--
Fund balance, June 30, 2022	<u>\$ 305,499</u>	<u>\$ 305,499</u>	<u>\$ 335,646</u>	<u>\$ 30,147</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, 2022, 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 December 12, 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
December 12, 2022