

CITY OF HERITAGE CREEK, KENTUCKY

FINANCIAL STATEMENTS

Year Ended June 30, 2021

With

Independent Auditor's Report

CITY OF HERITAGE CREEK, KENTUCKY

FINANCIAL STATEMENTS

Year Ended June 30, 2021

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ADKISSON & COMPANY, PSC

Certified Public Accountants

12730 Townepark Way, Suite 103
Louisville, Kentucky 40243

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Heritage Creek
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund of the City of Heritage Creek, 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 an opinion on the general purpose 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 general purpose financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 statement, 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 appropriated 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of the City of Heritage Creek as of June 30, 2021, and the respective changes in financial position thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Mayor and the City Council
City of Heritage Creek
Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Heritage Creek, Kentucky's financial statements. The accompanying schedules listed in the table of contents as additional information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information presented for the year ended June 30, 2021 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Audit Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2022, on our consideration of the City of Heritage Creek'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 internal control of 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 Heritage Creek's internal control over financial reporting and compliance.

Adkisson & Company, PSC

Certified Public Accountants

February 14, 2022

CITY OF HERITAGE CREEK, KENTUCKY

Management's Discussion and Analysis

FYE 6/30/21

This discussion and analysis of the City of Heritage Creek's financial performances provides an overview of the City's financial activities for the fiscal year ended June 30, 2021. Please review it in conjunction with the attached financial statements.

Our Auditors, Adkisson & Company, PSC, have issued an unqualified opinion on the financial statements of our City.

Financial Highlights

The financial statements included in this report provide insight into the financial operations for the year ended June 30, 2021. Based upon the results of operations through June 30, 2021, the City's net position had an increase of \$71,659.

Overview of the Financial Statements

The management's discussion and analysis serves as an introduction to the City's basic financial statements, which are presented in two government-wide financial statements.

Government-wide financial statements. The government-wide financial statements are designed to report information about the overall finances of the City in a manner similar to a private sector business. They are designed to show a longer view of the City's finances. The Statement of Position presents information on all the City's assets less liabilities resulting in net position. Over time, increases or decreases in net position help determine whether the City's financial position is improving or deteriorating. The Statement of Activities presents information which shows how the City's net position has changes as a result of the year's activities. The statement uses the accrual basis of accounting in an effort to report activities in a manner similar to that used by private-sector businesses. All revenues and expenses are reported regardless of the timing of when cash is received or paid – thus some items will only result in cash flows in the future.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate fiscal accountability. The uses two funds – the general fund and the Road Aid fund.

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Notes to the Financial Statements

The notes to financial statements provide expanded explanations that are essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 9 through 13 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget. This information can be found on page 14 of this report.

Basis of Accounting

The Government-wide financial statements are maintained on the accrual basis of accounting and the Fund financial statements are maintained on the modified accrual basis of accounting. Both are recommended by the Governmental Accounting Standards Board.

CITY OF HERITAGE CREEK, KENTUCKY

Management's Discussion and Analysis (continued)

FYE 6/30/21

Financial Analysis of the City as a whole

As seen on page 5 of the report, the City has total assets of \$1,567,178 made up of current assets of \$834,883 and capital assets of \$732,295. Total liabilities are \$8,522 related to trade payables.

The City's primary sources of revenue are property taxes, charges for services, and insurance taxes. These three sources of revenue comprise 72.4% of total revenue collected. Total revenues for the year ended June 30, 2021 were \$530,023. This represents an increase of \$195,419 compared to the prior fiscal year.

Total City expenditures for the fiscal year ended June 30, 2021 were \$425,854, which represents an increase of \$1,730 compared to the prior year. The two largest expense categories were for General Government operations and Public Safety (Police Department) which combined represented 69.2% of total expenditures for the fiscal year.

Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City Clerk's office at 8700 Justice Way, Louisville, Kentucky 40229.

BASIC FINANCIAL STATEMENTS

CITY OF HERITAGE CREEK, KENTUCKY
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

June 30, 2021

	Fund Balance Sheets			Adjustments	Statement of Net Position
	General Fund	Road Aid Fund	Total		
ASSETS					
Cash	\$ 103,335	\$ 193,563	\$ 296,898	\$ -	\$ 296,898
Investments	500,663		500,663		500,663
Property taxes receivable	26,747	-	26,747	-	26,747
Other receivables	8,495	-	8,495	-	8,495
Prepaid expenses	2,080	-	2,080	-	2,080
Due from other funds	-		-	-	-
Capital assets, net of depreciation	-		-	732,295	732,295
TOTAL ASSETS	\$ 641,320	\$ 193,563	\$ 834,883	\$ 732,295	\$ 1,567,178
LIABILITIES					
Accounts payable	\$ 8,522	\$ -	\$ 8,522	\$ -	\$ 8,522
Other accrued expenses	-	-	-	-	-
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	8,522	-	8,522	-	8,522
FUND BALANCES/NET POSITION					
Fund Balances					
Unrestricted	632,798	-	632,798	(632,798)	\$ -
Restricted	-	193,563	193,563	(193,563)	-
TOTAL FUND BALANCES	632,798	193,563	826,361	(826,361)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 641,320	\$ 193,563	\$ 834,883		
NET POSITION					
Investment in capital assets, net of related debt				732,295	732,295
Unrestricted				632,798	632,798
Restricted				193,563	193,563
TOTAL NET POSITION				1,558,656	1,558,656
TOTAL LIABILITIES AND NET POSITION				\$ 732,295	\$ 1,567,178

See accompanying notes to financial statements

CITY OF HERITAGE CREEK, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2021

Total fund balances for governmental funds \$ 826,361

Total net assets reported for governmental activities
in the statement of net assets is different because:

Capital assets, net of depreciation, used in governmental
activities are not financial resources and, therefore,
not reported in the general fund.

732,295

Total Net Assets of Governmental Activities

\$ 1,558,656

CITY OF HERITAGE CREEK, KENTUCKY
 GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Fund Balance			Adjustments	Statement of Activities
	General Fund	Road Aid Fund	Total		
EXPENDITURES/EXPENSES					
General Government	\$ 194,886	\$ 5,065	\$ 199,951	\$ (5,914)	\$ 194,037
Public Safety	94,680		94,680	-	94,680
Public Services					
Sanitation	86,527	-	86,527	-	86,527
Street lights	27,835	-	27,835	-	27,835
Streets and Roads	5,790	10,104	15,894	-	15,894
Recreation	967	-	967	-	967
Depreciation expense	-	-	-	38,424	38,424
TOTAL EXPENDITURES/EXPENSES	410,685	15,169	425,854	32,510	458,364
PROGRAM REVENUES					
Charges for services					
General Government	2,820	-	2,820	-	2,820
Sanitation	98,567	-	98,567	-	98,567
Public Safety	-	-	-	-	-
Recreation	150	-	150	-	150
Grants and contributions	81,973	-	81,973	-	81,973
TOTAL PROGRAM REVENUES	183,510	-	183,510	-	183,510
GENERAL REVENUES					
Property taxes	187,255	-	187,255	-	187,255
Insurance taxes	95,132	-	95,132	-	95,132
Licenses, permits and fees	5,918	-	5,918	-	5,918
Intergovernmental	5,317	20,914	26,231	-	26,231
Interest income	141	45	186	-	186
Miscellaneous	31,791	-	31,791	-	31,791
TOTAL GENERAL REVENUES	325,554	20,959	346,513	-	346,513
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/NET CHANGE IN FUND BALANCES					
	98,379	5,790	104,169		71,659
FUND BALANCES/NET POSITION BEGINNING					
	534,419	187,773	722,192		1,486,997
FUND BALANCES/NET POSITION ENDING					
	<u>632,798</u>	<u>193,563</u>	<u>826,361</u>		<u>1,558,656</u>

See accompanying notes to financial statements

CITY OF HERITAGE CREEK, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Net change in fund balances - total governmental funds \$ 104,169

The change in net assets reported for governmental activities
in the statement of activities is different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense. This is the amount by
which depreciation (\$38,424) exceeds capital outlay (\$5,914)
in the current period.

(32,510)

Changes in Net Assets of Governmental Activities

\$ 71,659

See accompanying notes to financial statements

CITY OF HERITAGE CREEK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE A - DESCRIPTION OF ORGANIZATION

The City of Heritage Creek, Kentucky (City) was incorporated under the provisions of the Commonwealth of Kentucky. The City operates under a mayor-council form of government and provides the following services as authorized by its charter: police, streets, sanitation, recreation, public improvements, and general administrative services.

All significant activities and organizations on which the City of Heritage Creek, Kentucky 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 the City's organization 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 Kentucky 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 the City management.

No additional entities are deemed to be a component unit of the city.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Two types of financial statements are presented: government-wide statements and fund statements. The Statement of Net Position and the Statement of Activities are government-wide financial statements. They present a long-term view of the City's finances as a whole. The fund financial statements present a short-term view of the City's finances by major funds. The City has two governmental funds; general and road aid. The City has no other fund types, such as fiduciary or proprietary funds, nor does the City have any component units.

The fund financial statements and the government-wide financial statements are presented side-by-side with an adjustment column separating the two. The adjustments column is a reconciliation of the differences between the fund statements and the government-wide statements.

The more significant of the City's accounting policies are described below.

- (1) **Reporting Entity** – The financial statements present the activities of the City of Heritage Creek, Kentucky. The City has no oversight responsibilities for any other governmental entity since no other entities are controlled by or dependent on the City.
- (2) **Government-Wide and Fund Financial Statements** – The financial statement presentation for the City includes separate reporting of a statement of net position and a statement of activities. These statements present a government-wide presentation of all activities of the City.

CITY OF HERITAGE CREEK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (3) **Measurement Focus, Basis of Accounting, and Financial Statement Presentation** – Government-wide financial statements are focused on the measurement of economic resources and use the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are focused on the measurement of current financial resources and use the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets and liabilities.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. Expenditures related to claims and judgments are recognized when the obligations are expected to be liquidated with expendable financial resources. The City considers revenues to be available if they are collectible within 60 days after year end. Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest, charges for services, and federal and state grants. Revenues from fines, permits, and donations are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Earned grant revenue that is not available (as defined above) is deferred to future periods.

- (4) **Fund Accounting** – The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the City except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the laws of the Commonwealth of Kentucky.

Restricted Fund (Municipal Road Aid Fund) – The Restricted Fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purpose.

CITY OF HERITAGE CREEK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (5) **Budget** – The City adopts an annual budget for the general fund. The budget is prepared on the cash basis, a comprehensive basis of accounting other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized and recorded when received in cash and when paid, respectively. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.
- (6) **Cash and Cash Equivalents** – For the purpose of these financial statements, cash equivalents include demand deposits, certificate of deposit, and all highly liquid debt instruments with original maturities of three months or less.
- (7) **Net Positions** – Net position present the difference between assets and liabilities in the statement of net position. Net position invested in capital assets are reduced by the outstanding balances of any borrowing, if any, used for the acquisition, construction or improvement of those assets. Net positions are reported as restricted if and when there are legal limitations imposed on their use by City legislation or external restrictions by creditors, grantors, laws or regulations of other governments.
- (8) **Capital Assets** – Land, buildings, and other capital assets with useful lives of more than one year resulting from expenditures in the governmental funds are recorded at cost (or estimated historical cost) net of accumulated depreciation in the government-wide statement of net assets but are reported as expenditures in governmental fund financial statements. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The City depreciates capital assets using the straight-line method of depreciation over the estimated useful life of the asset.
- (9) **Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits

At June 30, 2021, the carrying amount of the City's deposits (cash and cash equivalents) was \$797,561. Of the bank balance, all is covered by federal depository insurance (FDIC) or is secured by pledged securities held by the pledging financial institution's agent in the City's name as collateral for bank balances in excess of the FDIC insured amount. Cash deposited in bank accounts that is restricted for specific expenditures as specified by grant or other funding agreements is reported as restricted cash. The City's deposits consisted of demand deposits and certificates of deposit.

CITY OF HERITAGE CREEK, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

Kentucky law establishes the following as legal investments and deposits for the City:

- (1) Obligations of the United States and its agencies and instrumentalities.
- (2) Bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities.
- (3) Shares of any saving and loan associations insured by the agency of the United States government up to the amount so insured.
- (4) Interest-bearing deposits in national or state banks chartered in Kentucky and insured by an agency of the United States government up to the amount insured, and insured in larger amounts providing the bank pledges as security obligations of the United States government, its agencies and instrumentalities.

The City's investments are categorized as follows to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the city's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or its trust department or agent but not in the City's name.

At June 30, 2021, the City had deposits/investments classified as category 1 of \$250,000 and category 2 of \$547,561 and none classified as Category 3.

NOTE D - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	\$ 198,300	\$ -	\$ -	\$ 198,300
Buildings	790,295	-	-	790,295
Improvements	102,380	-	-	102,380
Machinery and equipment	120,392	5,914	-	126,306
Furniture and fixtures	8,676	-	-	8,676
Vehicles	<u>224,998</u>	<u>-</u>	<u>-</u>	<u>224,998</u>
Total Cost	1,445,041	5,914	-	1,450,955
Less:				
Accumulated Depreciation	(680,236)	(38,424)	<u>-</u>	(718,660)
Net Book Value	<u>\$ 764,805</u>	<u>\$ (32,510)</u>	<u>\$ -</u>	<u>\$ 732,295</u>

Depreciation expense for the year ended June 30, 2021 was \$38,424.

CITY OF HERITAGE CREEK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE E - PROPERTY TAXES

As generally provided in the Constitution of the Commonwealth of Kentucky, the City's property tax is levied each July 1 on the assessed value listed as of the prior January 1 for all real property located in the City. The Jefferson County Property Valuation Administrator establishes assessed values. The tax payments are due and payable when levied. All unpaid taxes become delinquent December 1.

Property tax revenues are recognized when they become available. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided. Interest and penalties accruing to delinquent taxes are not recorded, as they are not currently measurable.

NOTE F - RISK MANAGEMENT

The City is exposed to various forms of losses associated with the risks of fire; personal liability; vehicular accidents; errors and omissions; torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. Each of these risk areas is covered through the purchase of commercial insurance. The City has purchased certain policies that are retrospectively rated, which include worker's compensation insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE G - SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 14, 2022, which is the date the financial statements were available to be issued, and there are no events or issues to report.

NOTE H - COVID-19 CONTINGENCIES

On March 11, 2021, the World Health Organization classified the COVID-19 outbreak as a pandemic, triggering volatility in the financial markets and a significant negative impact on the global economy. As of February 14, 2022, economic uncertainties exist which may or may not have a negative effect on the city's future financial position and results of operations. The total impact of the COVID-19 outbreak is unknown at the date the financial statements were issued. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HERITAGE CREEK, KENTUCKY
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET (NON GAAP CASH BASIS) AND ACTUAL

Year Ended June 30, 2021

	Original/ Final Budget	General Fund	Road Aid Fund	Total Funds	Over (Under) Budget
Revenues					
Property taxes	\$ 164,000	\$ 169,858	\$ -	\$ 169,858	\$ 5,858
Insurance premium taxes	75,000	92,449	-	92,449	17,449
Sanitation	85,565	89,148	-	89,148	3,583
Licenses, permits and fees	5,000	5,918	-	5,918	918
Municipal aid	20,000	-	20,914	20,914	914
Interest income	1,200	141	45	186	(1,014)
Miscellaneous	12,400	122,051	-	122,051	109,651
Total Revenues	363,165	479,565	20,959	500,524	137,359
Expenditures:					
General Government	24,486	193,148	5,065	198,213	173,727
Public Safety	199,014	96,813	-	96,813	(102,201)
Public Services					
Sanitation	85,665	86,527	-	86,527	862
Street lights	30,000	27,835	-	27,835	(2,165)
Streets and Roads	20,000	-	15,894	15,894	(4,106)
Recreation	4,000	367	-	367	(3,633)
Total Expenditures	363,165	404,690	20,959	425,649	62,484
Change in Fund Balance	\$ -	\$ 74,875	\$ -	\$ 74,875	\$ 74,875

BUDGET TO GAAP RECONCILIATION:

A reconciliation of the cash basis actual amounts to the GAAP basis actual amounts in the fund statements follows:

	<u>General Fund</u>
Sources/revenues	
Actual amounts (budgetary basis)	\$ 363,165
Differences - budget to GAAP:	
The City budgets for property taxes and other revenues only to the extent expected to be received, rather than on the modified accrual basis.	<u>166,858</u>
Total revenues as reported on the governmental fund statement of revenues, expenditures, and changes in fund balances.	<u>\$ 530,023</u>
Uses/expenditures:	
Actual amounts (budgetary basis)	\$ 363,165
Differences - budget to GAAP:	
The City budgets for expenditures only to the extent expected to be paid, rather than on the modified accrual basis.	<u>62,689</u>
Total expenditures as reported on the governmental fund statement of revenues, expenditures, and changes in fund balance.	<u>\$ 425,854</u>

See accompanying notes to financial statements

GOVERNMENTAL AUDITING STANDARDS

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

ADKISSON & COMPANY, PSC

Certified Public Accountants

12730 Townepark Way, Suite 103
Louisville, Kentucky 40243

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*

To the Mayor and City Council
City of Heritage Creek
Louisville, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Heritage Creek as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Heritage Creek, Kentucky's basic financial statements and have issued our report thereon dated February 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Heritage Creek's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Heritage Creek's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Heritage Creek'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. We consider the deficiency described in the accompanying schedule of findings as 2021-1 to be a material weakness.

To the Mayor and City Council
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Heritage Creek'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 communications is not suitable for any other purpose.

Adkisson & Company, PSC

Certified Public Accountants

February 14, 2022

CITY OF HERITAGE CREEK, KENTUCKY

SCHEDULE OF FINDINGS

June 30, 2021

2021-1 Condition: Although the City has implemented compensating controls to address the presence of a situation of lack of segregation of duties, that situation continues to exist as the City does not have a complete segregation of duties over cash receipts, and disbursements. The City Clerk maintains the general ledger, collects receipts, makes bank deposits, prepares checks, maintains tax rolls, and reconciles bank accounts.

Criteria: Management is responsible for implementing and maintaining a strong internal control environment. Segregation of custodial and recordkeeping duties is one of the basic premises of internal control.

Effect: The potential for fraud and undetected errors is increased when segregation of duties is limited.

Cause: Segregation of duties is not always possible in a small organization because of inherent limitations in the number of qualified personnel and insufficient economic resources to pay for the level of staffing needed to implement an adequate segregation of duties.

Auditors' Recommendation: The Mayor and city officials should continuously provide oversight of all functions as extensive as possible to mitigate this lack of segregation of duties.