

**CITY OF HERITAGE CREEK, KENTUCKY**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**With**

**Independent Auditor's Report**

**CITY OF HERITAGE CREEK, KENTUCKY**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

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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, 2022, 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, 2022, 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, 2022 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 16, 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 16, 2022

## CITY OF HERITAGE CREEK, KENTUCKY

### Management's Discussion and Analysis

FYE 6/30/22

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, 2022. 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, 2022. Based upon the results of operations through June 30, 2022, the City's net position had an increase of \$99,179.

#### **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 \$1,672,459 made up of current assets of \$929,196 and capital assets of \$743,263. Total liabilities are \$14,624 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 63.2% of total revenue collected. Total revenues for the year ended June 30, 2022 were \$585,467. This represents an increase of \$55,444 compared to the prior fiscal year.

Total City expenditures for the fiscal year ended June 30, 2022 were \$497,256, which represents an increase of \$71,402 compared to the prior year. The two largest expense categories were for General Government operations and Public Safety (Police Department) which combined represented 73.8% 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, 2022

	Fund Balance Sheets			Adjustments	Statement of Net Position
	General Fund	Road Aid Fund	Total		
<b>ASSETS</b>					
Cash	\$ 107,621	\$ 195,462	\$ 303,083	\$ -	\$ 303,083
Investments	626,113		626,113		626,113
Property taxes receivable	-	-	-	-	-
Other receivables	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Due from other funds	-	-	-	-	-
Capital assets, net of depreciation	-	-	-	743,263	743,263
<b>TOTAL ASSETS</b>	<b>\$ 733,734</b>	<b>\$ 195,462</b>	<b>\$ 929,196</b>	<b>\$ 743,263</b>	<b>\$ 1,672,459</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 14,624	\$ -	\$ 14,624	\$ -	\$ 14,624
Other accrued expenses	-	-	-	-	-
Due to other funds	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>14,624</b>	<b>-</b>	<b>14,624</b>	<b>-</b>	<b>14,624</b>
<b>FUND BALANCES/NET POSITION</b>					
Fund Balances					
Unrestricted	719,110	-	719,110	(719,110)	\$ -
Restricted	-	195,462	195,462	(195,462)	-
<b>TOTAL FUND BALANCES</b>	<b>719,110</b>	<b>195,462</b>	<b>914,572</b>	<b>(914,572)</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 733,734</b>	<b>\$ 195,462</b>	<b>\$ 929,196</b>		
<b>NET POSITION</b>					
Investment in capital assets, net of related debt				743,263	743,263
Unrestricted				719,110	719,110
Restricted				195,462	195,462
<b>TOTAL NET POSITION</b>				<b>1,657,835</b>	<b>1,657,835</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>				<b>\$ 743,263</b>	<b>\$ 1,672,459</b>

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, 2022

Total fund balances for governmental funds \$ 929,196

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.

743,263

Total Net Assets of Governmental Activities

\$ 1,672,459

See accompanying notes to financial statements

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

Year Ended June 30, 2022

	Fund Balance			Adjustments	Statement of Activities
	General Fund	Road Aid Fund	Total		
<b>EXPENDITURES/EXPENSES</b>					
General Government	\$ 240,259	\$ 9,788	\$ 250,047	\$ (54,232)	\$ 195,815
Public Safety	117,157		117,157	-	117,157
Public Services					
Sanitation	87,336	-	87,336	-	87,336
Street lights	31,377	-	31,377	-	31,377
Streets and Roads	-	10,332	10,332	-	10,332
Recreation	1,007	-	1,007	-	1,007
Depreciation expense	-	-	-	42,257	42,257
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>477,136</b>	<b>20,120</b>	<b>497,256</b>	<b>(11,975)</b>	<b>485,281</b>
<b>PROGRAM REVENUES</b>					
Charges for services					
General Government	-	-	-	-	-
Sanitation	90,500	-	90,500	-	90,500
Public Safety	-	-	-	-	-
Recreation	100	-	100	-	100
Grants and contributions	147,138	-	147,138	-	147,138
<b>TOTAL PROGRAM REVENUES</b>	<b>237,738</b>	<b>-</b>	<b>237,738</b>	<b>-</b>	<b>237,738</b>
<b>GENERAL REVENUES</b>					
Property taxes	177,049	-	177,049	-	177,049
Insurance taxes	102,294	-	102,294	-	102,294
Licenses, permits and fees	6,706	-	6,706	-	6,706
Intergovernmental	8,575	22,002	30,577	-	30,577
Interest income	80	17	97	-	97
Miscellaneous	31,006	-	31,006	(1,007)	29,999
<b>TOTAL GENERAL REVENUES</b>	<b>325,710</b>	<b>22,019</b>	<b>347,729</b>	<b>(1,007)</b>	<b>346,722</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/NET CHANGE IN FUND BALANCES</b>	<b>86,312</b>	<b>1,899</b>	<b>88,211</b>		<b>99,179</b>
<b>FUND BALANCES/NET POSITION BEGINNING</b>	<b>632,798</b>	<b>193,563</b>	<b>826,361</b>		<b>1,558,656</b>
<b>FUND BALANCES/NET POSITION ENDING</b>	<b>719,110</b>	<b>195,462</b>	<b>914,572</b>		<b>1,657,835</b>

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, 2022

Net change in fund balances - total governmental funds \$ 88,211

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 capital outlay (\$53,225) exceeds depreciation (\$42,257)  
in the current period.

10,968

Changes in Net Assets of Governmental Activities

\$ 99,179

See accompanying notes to financial statements

CITY OF HERITAGE CREEK, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

**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, 2022. 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, 2022

**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.

CITY OF HERITAGE CREEK, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

- (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, 2022, the carrying amount of the City's deposits (cash and cash equivalents) was \$929,196. 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, 2022

**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, 2022, the City had deposits/investments classified as category 1 of \$250,000 and category 2 of \$679,196 and none classified as Category 3.

**NOTE D - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 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	126,306	4,467	(2,348)	128,425
Furniture and fixtures	8,676	-	-	8,676
Vehicles	<u>224,998</u>	<u>49,765</u>	<u>-</u>	<u>274,763</u>
Total Cost	1,450,955	54,232	(2,348)	1,502,839
Less:				
Accumulated Depreciation	( 718,660)	( 42,257)	<u>1,341</u>	( 759,576)
Net Book Value	<u>\$ 732,295</u>	<u>\$ 11,975</u>	<u>\$ ( 1,007)</u>	<u>\$ 743,263</u>

Depreciation expense for the year ended June 30, 2022 was \$42,257.

CITY OF HERITAGE CREEK, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

**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 16, 2022, which is the date the financial statements were available to be issued, and there is are no events or issues to report.

**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, 2022

	Original/ Final Budget	General Fund	Road Aid Fund	Total Funds	Over (Under) Budget
<b>Revenues</b>					
Property taxes	\$ 178,770	\$ 204,458	\$ -	\$ 204,458	\$ 25,688
Insurance premium taxes	85,000	110,788	-	110,788	25,788
Sanitation	98,250	98,522	-	98,522	272
Licenses, permits and fees	5,000	6,706		6,706	1,706
Municipal aid	20,000	-	22,002	22,002	2,002
Interest income	400	97	17	114	(286)
Miscellaneous	13,400	211,001	-	211,001	197,601
<b>Total Revenues</b>	<b>400,820</b>	<b>631,572</b>	<b>22,019</b>	<b>653,591</b>	<b>252,771</b>
<b>Expenditures:</b>					
General Government	90,749	175,636	9,788	185,424	94,675
Public Safety	151,721	138,880	-	138,880	(12,841)
Public Services					
Sanitation	98,350	87,336	-	87,336	(11,014)
Street lights	40,000	28,945	-	28,945	(11,055)
Streets and Roads	20,000		10,332	10,332	(9,668)
Recreation	-	100	-	100	100
<b>Total Expenditures</b>	<b>400,820</b>	<b>430,897</b>	<b>20,120</b>	<b>451,017</b>	<b>50,197</b>
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 200,675</b>	<b>\$ 1,899</b>	<b>\$ 202,574</b>	<b>\$ 202,574</b>

**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)	\$ 653,591
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.	(68,124)
Total revenues as reported on the governmental fund statement of revenues, expenditures, and changes in fund balances.	<u>\$ 585,467</u>
Uses/expenditures:	
Actual amounts (budgetary basis)	\$ 451,017
Differences - budget to GAAP:	
The City budgets for expenditures only to the extent expected to be paid, rather than on the modified accrual basis.	46,239
Total expenditures as reported on the governmental fund statement of revenues, expenditures, and changes in fund balance.	<u>\$ 497,256</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, 2022, 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 16, 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 2022-1 to be a material weakness.

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

### **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 16, 2022

CITY OF HERITAGE CREEK, KENTUCKY

SCHEDULE OF FINDINGS

June 30, 2022

2022-1 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.