CITY OF ROLLING HILLS,

KENTUCKY

REPORT OF AUDIT

YEAR ENDED JUNE 30, 2026

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

I have audited the accompanying financial statements of the governmental activities and the aggerate remaining fund information of The City of Rolling Hills, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise The City of Rolling Hill 's basic financial statement listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of The City of Rolling Hills, as of June 30, 2026, and the respective changes in financial position and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The City of Rolling Hills and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit options.

Responsibility of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

In performing an audit in accordance with generally accepted accounting standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and discloser in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The City of Rolling Hills's internal control. Accordingly no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 20-21 be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistence with our audit of the basic financial statements. I do not express and opinion or provide and assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Other Reporting Required by Governmental Auditing Standards

In accordance with Governmental Auditing Standards, I have also issued my report dated October 1, 2026 on my consideration of The City of Rolling Hills's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering The City of Rolling Hills's internal control over financial reporting and compliance.

Richard F. Paulmann

Richard F. Paulmann CPA, LLC
Pewee Valley, KY
October 1, 2026

CITY OF ROLLING HILLS, KENTUCKY

Management's Discussion and Analysis

The management of the City of Rolling Hills, Kentucky desires to offer the readers of these financial statements this narrative and analysis of the financial activities of the City of Rolling Hills, Kentucky for the fiscal year ended June 30, 2026.

Financial Highlights

During the fiscal year 2026, the City had general revenues of $389,741, an decrease from 2025 of $2,542. This was mainly caused by an decrease in insurance premium tax. Total expenditures for fiscal year 2026 were $314,359, representing a decrease of $28,976. With revenues exceeded by expenditures by $75,382, the City's Net Assets increased from $1,122,193 to $1,197,575.

The financial position of the City remains strong. Tax revenues remain consistent as well as operating expenses. The general fund balance at June 30, 2026 was $613,843, an decrease of $1,905. Non–major governmental funds balance was $82,195, an increase of $17,279. Total fund balances decreased $1,905 or 0%. The non-major governmental fund balance is restricted for roads. The general fund balance is not restricted and is available for future use.

The ending cash balance for the City was $601,506. This reflects a decrease in cash during the year of $6,586.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City of Rolling Hills, Kentucky's basic financial statements. These statements consist of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements are designed to provide readers with a broad overview of the City of Rolling Hills, Kentucky's finances, in a manner similar to a private-sector business. The government-wide financial statements consist of a statement of net position, and a statement of activities.

The statement of net position presents information on all of the City of Rolling Hills, Kentucky assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Rolling Hills, Kentucky is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Overview of the Financial Statements (Continued)

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues. The City of Rolling Hills, Kentucky's activities include administration, law enforcement, public works and waste management. Capital outlays and related debt are also supported by these revenue sources. The government-wide financial statements can be found on pages 7-11 of this report.

Fund financial statements are a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The basic government fund financial statements can be found on pages 7-11 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-21 of this report.

Government-wide Financial Analysis

	FYE'26 Amount	FYE'25 Amount	Increase (Decrease)
Current and other assets	$ 90,157	$ 139,681	$ (49,524)
Investments	429,154	468,411	(39,257)
Receivables	38,502	34,810	3,146
Prepaids	-0-	-0-	-0-
Capital Assets and Land	583,732	635,195	(51,463)
Total Assets	$ 1,179,501	$ 1,278,097	$ (98,596)
Payables	$ 26,165	$ 27,154	(989)
Accrued Expenses	-0-	-0-	-0-
Deferred Grant Revenue	-0-	-0-	-0-
Notes Payable	-0-	128,750	(128,750)
Total Liabilities	$ 26,165	$ 155,904	$ (129,739)
Invested In Capital Assets	$ 583,732	$ 536,445	$ 47,287
Restricted	82,195	64,916	17,279
Unrestricted	531,648	520,832	10,816
Total Net Assets	$ 1,197,575	$ 1,122,193	$ 75,382

CITY OF ROLLING HILLS, KENTUCKY

Management's Discussion and Analysis

The statement of Net Position shows that the City of Rolling Hills, Kentucky has assets of $1,223,740 with liabilities of $26,165. Of the $1,223,740 total assets, $583,732 is comprised of capital assets, net of depreciation. During fiscal year 2026, the total capital assets, net of depreciation decreased by $51,463 or 8 %. This decrease was mostly due to the depreciation of current assets.

Supplementary Information

Budgetary comparisons of the General Fund and Special Revenue Fund are shown are pages 20-21. These schedules show the original budget as approved and the final budget. The statement also shows a comparison of this final budget to "Actual". The actual is a modified accrual basis that reflects items received or paid for after the fiscal year end. The budget is also prepared on a modified accrual basis. Actual expenditures were under budget in every category. The Municipal Road Aid Fund were also not amended during the fiscal year.

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

	FYE'26 Amount	FYE'25 Amount	Increase Decrease
General Revenue			
Property Taxes	$ 177,691	$ 165,761	$ 11,930
Insurance Premium Taxes	92,881	105,130	(12,249)
Franchise Fees	4,649	5,399	(750)
Municipal Road Aid	14,816	20,342	(5,526)
Grants	10,623	4,560	6,063
Business License and Permits	3,800	3,800	0
Bank Franchise Fees	46,612	36,051	10,561
Property License Fee	13,400	14,200	(800)
Misc.	100	11,269	$ (11,169)
Total General Revenue	$ 364,572	$ 366,512	(1,940)
Net Expenses			
General Government	$ 74,904	$ 134,490	$ (59,586)
Public Safety	167,787	117,605	50,182
Public Works	20,205	35,100	$ (14,895)
Total Net Expense	$ 262,896	$ 287,197	(24,301)
Debt and interest Payments	$ (128,750)	$ (19,672)	109,078
Capital Assets	-0-	(9,239)	(9,239)
Interest Income	25,169	26,769	1,600
Total Other Income/Expense	$ (103,581)	$ (2,142)	$ 101,439
Net Change in Fund Balance	$ (1,905)	$ 77,175	$ (75,270)
Beginning Fund Balance	615,748	538,573	77,175
Ending Fund Balance	$ 613,843	$ 615,748	$ (1,905)

CITY OF ROLLING HILLS, KENTUCKY

Management's Discussion and Analysis

Summary

The current financial statement reporting model is mandated by the Governmental Accounting Standards Board (GASB). The City of Rolling Hills, Kentucky implemented these changes in 2004.

Request for Information

This report is designed to provide a general overview of the City's finances and to show the City's accountability to its residents. If you have questions about this report or need additional financial information, please direct your request to the City Mayor, City of Rolling Hills, Kentucky, P.O.Box 22445, Rolling Hills, Kentucky, Kentucky, 40252.

CITY OF ROLLING HILLS, KENTUCKY
STATEMENT OF FUND NET POSITION
June 30, 2026

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	$ 11,254
Investments	508,057
Receivables (Note 1)	38,502
Cash and cash equivalents restricted (Note 1)	
Municipal Road Fund	82,195
Capital assets: (Note 3)	
Land	
Capital Assets, net of $ 403,756 depreciation	583,732
TOTAL ASSETS	$ 1,223,740
LIABILIITES	
Accounts payable	$ 26,165
LONG TERM LIABILIITES	
Due within 1 year	-
Due in more than one year	-
TOTAL LIABILITIES	26,165
NET POSITION	
Invested in capital assets, net of related debt	583,732
Restricted for:	
Municipal Road Aid	82,195
Unrestricted	531,648
TOTAL NET POSITION	$ 1,197,575

See accompanying notes to the financial statements

CITY OF ROLLING HILLS, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30,2026

Functions/Programs	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS	PROGRAM REVENUES: CAPITAL GRANTS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: GOVERNMENTAL ACTIVITIES
Primary Government:					
Governmental Activites:					
General government	$ (74,904)		$ -		$ (74,904)
Public Works	(219,250)	5,754		$ 14,816	(198,680)
Public Safety	(20,205)	4,869		-	(15,336)
Total Governmental Activities	$ (314,359)	10,623	$ -	$ $ 14,816	(288,920)
General Revenues:					
Property Taxes Leived for General Purpose					177,691
Insurance Premium Taxes					92,881
Bank Franchise deposit tax					46,612
License and permits					3,800
Franchise Fee					4,649
Rental Property License Fee					13,400
Misc. Income					100
Interest Income					25,169
Total General Revenues					364,302
CHANGE IN NET POSITION					75,382
NET POSITION, beginning of year					1,122,193
NET POSITION, end of year					$ 1,197,575

See accompanying notes to the financial statements

CITY OF ROLLING HILLS, KENTUCKY
BALANCE SHEET --GOVERNMENTAL FUNDS AND
RECONCILATION OF THE GOVERNMENT FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITON
June 30, 2026

	GENERAL	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	$ 11,254		$ 11,254
Investments - Certificates of Deposits	508,057		508,057
Cash and cash equivalents -restricted		$ 82,195	82,195
Receivables (Note 1)	38,502	-	38,502
Due from Special Revenue Fund	-		-
Total Assets	$ 557,813	$ 82,195	$ 640,008
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable and payroll liabilities	$ 26,165	$ -	$ 26,165
Total Liabilties	26,165	-	26,165
FUND BALANCES			
Unassigned	531,648		531,648
Restricted		82,195	82,195
Total Fund Balances	531,648	82,195	613,843
TOTAL LIABILITIES AND FUND BALANCE	$ 557,813	$ 82,195	$ 640,008
TOTAL GOVENMENTAL FUND BALANCE			$ 613,843
Amounts reported for governmental activites in the statement of net assets are different because:			
Capital assets and loan cost, net of accumulated depreciation and amortization, used in governmental activites are not financial resources and, therefore. are not reported in the funds			583,732
Long-term debt, including capital leases that are not due and payable in the current period and therefore are not reported in the funds statements			-
NET POSITION			$ 1,197,575

See accompanying notes to the financial statements

CITY OF ROLLING HILLS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2026

	GENERAL	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property taxes, including interest and penalty	$ 177,691		$ 177,691
Insurance premium taxes	92,881		92,881
Franchise fees	4,649		4,649
Municipal road aid		$ 14,816	14,816
Grants	10,623		10,623
License and permits	3,800		3,800
Bank Franchise Fees	46,612		46,612
Property License fees	13,400		13,400
Miscellanous	100		100
Total Revenue	349,756	14,816	364,572
EXPENDITURES			
General government	74,904		74,904
Public Works	167,787	-	167,787
Public Safety	20,205		20,205
Total Expenditures	262,896	-	262,896
EXCESS REVENUE OVER(UNDER) EXPENDITURES	86,860	14,816	101,676
OTHER FINANCING SOURCES			-
Operating transfers in			-
Operating transfers out			-
New loan proceeds			-
Debt and Interest payments			-
Capital assets	(128,750)		(128,750)
Interest earned	-		-
	22,706	2,463	25,169
Total other financing sources and uses	(106,044)	2,463	(103,581)
NET CHANGE IN FUND BALANCE	(19,184)	17,279	(1,905)
FUND BALANCE, Beginning of the year	550,832	64,916	615,748
FUND BALANCE, End of the year	$ 531,648	$ 82,195	$ 613,843

See accompanying notes to the financial statements

CITY OF ROLLING HILLS, KENTUCKY
RECONCILATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED, JUNE 30, 2026

Net change of fund balance-total governmental fund	$ (1,905)
Amounts reported for governmental activities in the statement of activities are difference because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation and amortization/expense	
This is the amount by which depreciation exceeded net capital outlays in the current period	51,465
Governmental funds report long-term debt borrowings as revenues and long-term debt payments as expenditures. However, the results of these transactions are reflected as changes in debt on the statement of net assets and not on the statement of activities.	
This is the amount by which principal payments exceeded borrowings on the long-term debt during the current period.	128,752
Governmental funds report revenue that provide current financial resources. This the amount in receivables that do not provide current financial resourcces:	
Property Taxes	
Change in net position reflected on statement of activity	$ 75,382

See accompanying notes to the financial statements

CITY OF ROLLING HILLS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Rolling Hills, Kentucky have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Financial Reporting Entity

The City operates under a Mayor- Commission form of government and provides the following services as authorized by its charter: streets, sanitation, public improvements, police protection and general administrative services. The City is a home rule Class City as defined by Kentucky Statute.

Basis of Presentation

Government- wide Financial Statements

The Statement of Net Position and Statement of Activities reflect financial information of the City as a whole. These statements include: the primary government and its component units if applicable. Government–wide statements distinguish between governmental and business – type activities. Currently, the City does not engage in any business-type activities nor have any reportable component units.

The governmental -wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non- fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

These financial statements follow the provisions of GASB Statement "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."

Governmental' activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Currently the city does not engage in any business-type activities.

Amounts paid to acquire capital assets are capitalized as assets in the government–wide financial statements, rather than reported as an expenditure.

Invested in capital assets, net of related debt- This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and are reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. If there is significant unspent proceeds at year-end, the portion of debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. The portion of the debt included in the same net position component as unspent proceeds

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position-This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The City's policy is to use restricted assets first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The Statement of Net Position and Statement of Net Activities reflect information of the City as a whole. These statements include the primary government and its component units if applicable. Governmental-wide statements distinguish between governmental and business-type activities. Currently, the City does not engage in any business-type, inter-governmental revenues, and non-exchange revenue type activities.

The statement of activities presents direct expenses, which are clearly identifiable with a specific function or segment. Program revenues include 1), grants from the State of Kentucky for public safety/police protection 2), Kentucky Municipal Aid grants for public safety/road improvements, repairs and maintenance. Taxes and other revenue items are reported as general revenues.

Long- term debt is reflected on the statement of net assets and principal payments on long- term debt are reported as reductions of long- term debt.

Fund Financial Statements

The City uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions relating to certain governmental functions or activities. A fund is a separate entity with a self-balancing set of accounts. Funds of the City's general activities including the collection of legally restricted monies, administrative expense and the acquisition or construction of capital assets.

The government reports the following funds of the financial reporting entity: The general fund is the government's primary operating fund, and is considered the City's only major governmental fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund. The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The City accounts for Kentucky municipal road aid, the local government economic assistance in the special revenue funds group. Municipal road aid is restricted to road construction, repairs and maintenance.

NOTE 1 – SUMMARY OFSIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The government -wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred; regardless of the timing of related cash flows. Revenues are recognized in the year for which they are due. This method differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government- wide statements and the statements of governmental funds. Expenses are classified by function.

The government- wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business – type activities of the City and for each governmental program. Program revenues include charges paid by the recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The City's program revenue for the year included charges for services and operating grants including police grants and municipal aid road grants. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenue and expenses identifies the extent to which each program or business segment is self- financing or draws from the general revenues of the City.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis to accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when they are measureable and available. Measureable means the amount can be determined.

Available means collectible within the period or soon enough thereafter to pay current liabilities. The City considers property taxes as available if they are collected within sixty days after year- end. A ninety- day period is used for revenue recognition for all other governmental fund revenues. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for capital asset acquisitions and general obligation debt and interest which are reported as expenditures in the year due.

Budgetary Accounting

The budget information reflected in the financial statements is the annual budget adopted by the City in accordance with the provisions of Kentucky law. It is presented to the Council in the form of an ordinance and may be amended by subsequent ordinance or by municipal order.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Comparison Schedules

As required by generally accepted governmental accounting principles, the budget comparison schedules have been prepared in the same form as the legally adopted budget; therefore, its form varies somewhat from the Statement of Revenues, Expenditures and Changes in Fund Balances on page 20. The City prepares its annual budget on the modified accrual basis of accounting which is consistent with the amounts reflected in the fund's financial statements. During the year, the City amended its general fund budget.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as money market accounts. For purposes of these financial statements the City considers as cash equivalents all highly liquid investments with maturities of three months or less when purchased and readily convertible to cash.

Generally, the City's investing activities are managed under the custody of the City Treasurer. Investing is performed in accordance with investing policies complying with state statues and the City Charter. City funds may be invested in: (1) obligation of the United States and its agencies and instrumentalities, (2) obligations of any corporation of the United States government, (3) certificates of deposit in institutions insured by the Federal Deposit Insurance Corporation (FDIC) and (4) bonds or certificates of indebtedness of the Commonwealth of Kentucky.

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, certificate of deposit, money market savings accounts, repurchase agreement, passbooks and other available bank investment provided that such financial institutions are insured by an agency of the U.S. Government. Investment in excess of the insured amount must be secured with approved securities pledged by the financial institution.

As of June 30, 2026, $ 82,195 was restricted for road construction and related repairs.

Property Taxes and Property Tax Receivable

Property taxes are levied as of September 1, on assessed value listed as of the proceeding January 1 for all real and personal property located in the City. The tax assessed for the year ended June 30, 2026 to finance general fund operations was based on $.1877 per $100 assed valuation for real and personal property. The gross tax (or face value) is due if paid by September 1; and 20% penalty is assessed of paid after September 1 with 1% per month interest after September 1. A lien may be placed on the property if balance is not paid within six months

The statement of net position reflects property taxes receivable for amounts billed during the year ended June 30, 2026 and prior, for which tax liens have been placed on the properties.

The balance sheet – governmental funds reflected properties taxes receivable for accounts collected within sixty days after year end in accordance with the modified accrual basis of accounting. None of the delinquent tax bills at June 30, 2026 have been collected during the ensuing sixty day period.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Insurance Premium Taxes

Insurance premium taxes are assessed at a tax rate of 5 %. The tax is assessed on first year life insurance premiums and on non-life premiums except for health insurance policies issued to individuals and state employees.

Prepaid Expenses

Prepaid expenses represent payments to vendors that benefit future reporting periods. Prepaid expenses are reported in government-wide and fund financial statements.

Due from General Fund

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

Capital Assets

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long– lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the government fund statements and capitalized (recorded and accounted for) in the government-wide statements of net assets.

Effective for the year ended June 30, 2004, the City implemented GASB Statement No. 34. One of the requirements of GASB 34 is to capitalized and depreciate infrastructure expenditures and other capital assets. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost.

Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The City's policy is to record as capital assets those expenditures amounting to $1,000 and over with useful lives of three years or more.

In accordance with GASB Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries, City's management evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of capital assets has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. No impairment losses were identified or recognized for the year ended June 30, 2026.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental- wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net assets.

The estimated useful lives of various classes of capital assets are as follows:

Buildings	40 years
Building Improvements	10 years
Furniture, machinery and equipment	5-7 years
Road, sidewalk, and bridge improvements	12-15 years

Net Position and Fund Balance

Net position on the statement of net position is the difference between assets and liabilities. Net position is restricted when constraints are placed on net assets use either externally imposed by creditors, grantors or contributors or regulations of governments, or imposed by law.

The City's policy is to use restricted assets according to budgeted amounts.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes for the governmental fund financial statements.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable, such as fund balance amounts associated with inventories, prepaids, long- term loans and notes receivable; and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.
4. Assigned fund balance classification is intended to be used by the government for specific purpose but not meeting the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Expenditures/Expenses

In the government - wide financial statements, expenses are classified by function.

In the fund financial statements, governmental funds are classified by character and function. In the fund financial statements governmental funds report expenditures of financial resources.

The City's policy for spending restricted resources is to allocate disbursements to restricted funds to the extent such disbursements were budgeted to be paid from restricted fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires City's management to make estimates and assumptions that affect the reported amounts of assets and liabilities; and disclosure of contingent assets and liabilities at the date of financial statement; and the reported amounts of receipts and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments are recorded at costs (which approximates market value) and consists of the following:

	Government Fund Type		
Cash and Cash Equivalents	General	Special Revenue	Total
General Fund Checking	$ 11,444		$ 11,444
PNC Investments	508,057		508,057
Municipal Road Aid		$ 78,713	78,713
Savings	356	3,482	3,838
Total	$ 519,857	$ 82,195	$ 602,052

At June 30, 2026, the City's does not hold deposit balances in excess of FDIC coverage limitations.

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

The following summarizes the changes to capital assets for the year ended June 30, 2026

	Balance 7/1/2025	Additions	Disposals	Balance 06/30/2026
Infrastructure	$ 653,428	$ -0-	$ -0-	$ 653,428
Street Signs	54,177	-0-	-0-	54,177
Land	256,640	-0-	-0-	256,640
Furniture	23,242	-0-	-0-	23,242
Total Capital Assets	$ 987,487	$ -0-	$ -0-	$ 987,487
Less Accumulated Depreciation	$ 352,291	$ 51,465	$ -0-	$ 403,756
Capital Assets Net	$ 635,196	$ 51,465	$ -0-	$ 583,731

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION (Continued)

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

General Government	$ 1,600
Public Works	49,865
Total	$ 51,465

NOTE 4 – RISK MANAGEMENT

The City is subject to normal insurance risks as other cities it size. The City carries general liability, worker's compensation and errors and omissions coverage. The City has not had any significant reduction in coverage in the past year.

NOTE 5 - COMMITMENTS

The City had no commitments at June 30, 2026.

NOTE 6 – LONG – TERM DEBT

The City entered into an agreement with Kentucky Bond Corporation (KBC) on August 2, 2018 for financing the purchase of land. The agreement terminates on February 1, 2033. The agreement requires monthly payments of principal, interest, and fees. The note has 3.25% interest rate.

Changes in Long – term obligations for the year ended June 30, 2026 are as follows:

	July 1 2025	Additions	Deductions	June 30 2026	Due within One Year
Notes from Borrowing	$128,750		$ 128,750	$0	$ 0

Interest expense on all loans during 2026 was $2,559.

NOTE 7 – SUBSEQUENT EVENTS

City management has evaluated subsequent events through October 1, 2026 which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

CITY OF ROLLING HILLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2026

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance with Final Budget Favorable (Unfavorable)
Fund Balance Beginning	542681	542681	$ 550,832	$ 8,151
REVENUES				
Property taxes	$ 173,000	173,000	$ 177,691	4,691
Insurance premium taxes	94,000	94,000	92,881	(1,119)
Bank Deposits taxes	32,000	32,000	46,612	14,612
Franchise taxes	22,000	22,000	4,649	(17,351)
Police	4,600	4,600	-	(4,600)
Rental Income	-	-	13,400	13,400
Misc. Income	-	-	3,900	3,900
Sanitation	5,750	5,750	-	(5,750)
Grants		-	10,623	10,623
Total Revenue	331,350	331,350	349,756	18,406
Total Revenue and Resources	331,350	331,350	900,588	26,557
EXPENDITURES				
General Government	194,977	194,977	74,904	120,073
Public Works	185,000	185,000	167,787	17,213
Public Saftey	44,400	44,400	20,205	24,195
Total Expenditures	424,377	424,377	262,896	161,481
REVENUES OVER EXPENDITURES	(93,027)	(93,027)	86,860	179,887
OTHER FINANCING SOURCES				
New Loan Proceeds		-		
Debt and Interest	(133,706)	(133,706)	(128,750)	4,956
Transfers from Reserves	-	-	-	-
Capital Assets	-	-	-	-
Interest Income	18000	18,000	22,706	4,706
Total Other Financing Sources	$ (115,706)	$ (115,706)	$ (106,044)	$ 9,662
NET CHANGE IN FUND BALANCE	$ (208,733)	$ (208,733)	$ (19,184)	$ 189,549
FUND BALANCES, ENDING	$ 333,948	$ 333,948	$ 531,648	$ 197,700

CITY OF ROLLING HILLS
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2026

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance with Final Budget Favorable (Unfavorable)
Fund Balance Beginning	$ 59,704	59,704	$ 64,916	$ 5,212
REVENUES				
Municipal road aid	21,500	21,500	17,279	(4,221)
Totol Revenue	21,500	21,500	17,279	(4,221)
EXPENDITURES				
Roads sidewalks and signs	60,000	60,000	-	(60,000)
Total Expenditures	60,000	60,000	-	(60,000)
Excess of revenue over Expenditures	(38,500)	(38,500)	17,279	55,779
OTHER FINANCING SOURCES				
Transfers from Reserves	-	-	-	-
NET CHANGE IN FUND BALANCE	(38,500)	(38,500)	17,279	55,779
FUND BALANCES, ENDING	21,204	21,204	82,195	60,991

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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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; the financial statement of the governmental activities, each major fund and aggregate fund information of the City of Rolling Hills, Kentucky as of and for the year June 30, 2026, and the related notes to the financial statements, which collectively comprise City of Rolling Hills, Kentucky's basic financial statements and have issued my report thereon dated October 1, 2026.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Rolling Hills, Kentucky's financial statements are free from material misstatement, I performed test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Richard F. Paulmann, CPA, LLC.

Richard F Paulmann

Pewee Valley, KY
October 1, 2026