

**REPORT OF THE AUDIT OF THE  
CITY OF WORTHINGTON HILLS**

**For The Fiscal Year Ended  
June 30, 2013**

**ROSS & COMPANY, PLLC  
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To the Mayor and Members of the City Commission  
Worthington Hills, KY

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and the major funds of Worthington Hills, Kentucky, as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

**Basis for Disclaimer of Opinion**

Management's monthly financial reports indicate a cash balance of \$522,023 as of June 30, 2013, however we were unable to obtain sufficient audit evidence for \$231,057 of the total. Management was unable to produce bank statements in support of this amount and a representative of the depository institution confirmed the account in question had a balance of \$0 as of June 30, 2013. Further, the monthly financial reports indicate property tax revenue of \$272,313; however management failed to respond to the auditor's request for supporting documentation thus we were unable to perform adequate tests of the accounting records to provide an opinion.

INDEPENDENT AUDITOR'S REPORT  
Worthington Hills, KY  
(Continued)

**Disclaimer of Opinion**

Because of the significance of the matters as discussed in the Basis for disclaimer of opinion paragraphs, we do not express an opinion on the financial statements of the City of Worthington Hills for the financial year ended June 30, 2013.

**Other Matters**

The city has not presented the management's discussion and analysis information that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents 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 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.

The introductory section and accompanying supplementary financial information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary financial information as listed in the table of contents have not been subjected to the auditing procedures applied to the audit of the basic financial statements and, accordingly, we express no opinion on them.

Based on the results of our audit, we present the accompanying comment and recommendation included herein, which discusses the following report comment:

2013-01 The City of Worthington Hills Lacks An Adequate Segregation Of Accounting Duties

Respectfully submitted,



Ross & Company, PLLC  
Certified Public Accountants  
Louisville, KY  
July 3, 2015

**CITY OF WORTHINGTON HILLS  
STATEMENT OF NET ASSETS**

**June 30, 2013**

**CITY OF WORTHINGTON HILLS  
STATEMENT OF NET ASSETS**

**June 30, 2013**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 552,023
Total Assets	<u>552,023</u>
<b>NET ASSETS</b>	
Restricted	296,057
Unassigned	<u>255,966</u>
Total Net Assets	<u><u>\$ 552,023</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF WORTHINGTON HILLS  
STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2013**





**CITY OF WORTHINGTON HILLS  
BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2013**

**CITY OF WORTHINGTON HILLS  
BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2013**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 255,966	\$ 296,057	\$ 552,023
Total Assets	255,966	296,057	552,023
<b>FUND BALANCES</b>			
<b>Restricted For:</b>			
Roads		296,057	296,057
<b>Unassigned</b>	255,966		255,966
Total Fund Balances	\$ 255,966	\$ 296,057	\$ 552,023
Total Liabilities and Fund Balances	\$ 255,966	\$ 296,057	\$ 552,023

The accompanying notes are an integral part of the financial statements.

**CITY OF WORTHINGTON HILLS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For The Year Ended June 30, 2013**

**CITY OF WORTHINGTON HILLS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For The Year Ended June 30, 2013**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$ 272,313		\$ 272,313
Intergovernmental		42,850	42,850
Miscellaneous	425		425
Interest	312	388	700
Total Revenues	<u>273,050</u>	<u>43,238</u>	<u>316,288</u>
<b>EXPENDITURES</b>			
General Government	87,543		87,543
Public Safety	41,171		41,171
General Health and Sanitation	108,550		108,550
Recreation and Culture	38,746		38,746
Roads	31,071		31,071
Total Expenditures	<u>307,081</u>	<u></u>	<u>307,081</u>
Net Change in Fund Balances	(34,031)	43,238	9,207
Fund Balances - Beginning	<u>289,997</u>	<u>252,819</u>	<u>542,816</u>
Fund Balances - Ending	<u><u>\$ 255,966</u></u>	<u><u>\$ 296,057</u></u>	<u><u>\$ 552,023</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**CITY OF WORTHINGTON HILLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The City of Worthington Hills, KY (city) presents its government-wide and fund financial statements in accordance with accounting principles generally accepted in the United States of America.

**B. Reporting Entity**

The City of Worthington Hills, Kentucky (the City) is a sixth class city located in Jefferson County, Kentucky. It operates under an elected mayor-council form of government. The City provides the following services authorized by its charter: public safety, sanitation, road maintenance, and recreation. Primary revenue sources are property taxes, insurance premium taxes, municipal road aid, franchise taxes, and base court revenue. Those revenues susceptible to accrual are property taxes, insurance premium taxes, municipal road aid, franchise taxes, and base court revenue.

All significant activities and organizations on which the City of Worthington Hills, Kentucky exercises oversight responsibility have been included in the City's financial statements, for the year ended June 30, 2013. The following criteria regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

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

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

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

Accountability of fiscal matters - The responsibility and accountability over all funds is vested in the City Commission.

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

**CITY OF WORTHINGTON HILLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The city may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**CITY OF WORTHINGTON HILLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the city. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for municipal road aid, and transportation grants. The Department for Local Government requires the city to maintain these receipts and disbursements separately from the General Fund.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the city to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).



**CITY OF WORTHINGTON HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

Buildings	40	years
Vehicles	5 to 10	years
Equipment	5 to 15	years
Furniture and Fixtures	5 to 10	years
Infrastructure	10 to 25	years

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**CITY OF WORTHINGTON HILLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the city using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the City or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the city issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the city has designated the clerk to carry out the intent of the fiscal court.

It is the policy of the City to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

**Note 2. Deposits and Investments**

**A. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(D).. According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**CITY OF WORTHINGTON HILLS  
BUDGETARY COMPARISON SCHEDULES  
Required Supplementary Information**

**For The Year Ended June 30, 2013**

**CITY OF WORTHINGTON HILLS  
BUDGETARY COMPARISON SCHEDULES  
Required Supplementary Information**

**For The Year Ended June 30, 2013**

<b>GENERAL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 315,000	\$ 315,000	\$ 272,313	\$ (42,687)
Intergovernmental				
Fees				
Miscellaneous	10,000	10,000	425	(9,575)
Interest			312	312
Total Revenues	325,000	325,000	273,050	(51,950)
<b>EXPENDITURES</b>				
General Government	100,250	100,250	87,543	12,707
Public Safety	42,000	42,000	41,171	829
General Health and Sanitation	130,000	130,000	108,550	21,450
Recreation and Culture	75,000	75,000	38,746	36,254
Roads	73,000	73,000	31,071	41,929
Total Expenditures	420,250	420,250	307,081	113,169
Net Changes in Fund Balance	(95,250)	(95,250)	(34,031)	(61,219)
Fund Balance - Beginning	95,250	95,250	289,997	(194,747)
Fund Balance - Ending	\$ 0	\$ 0	\$ 255,966	\$ (255,966)

**CITY OF WORTHINGTON HILLS**  
**BUDGETARY COMPARISON SCHEDULES (CONTINUED)**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2013**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$	\$	\$ 42,850	\$ 42,850
Interest			388	388
Total Revenues			<u>43,238</u>	<u>43,238</u>
Net Changes in Fund Balance			43,238	43,238
Fund Balance - Beginning			<u>252,819</u>	<u>252,819</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 296,057</u>	<u>\$ 296,057</u>

**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**

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To the Mayor and Members of the City Commission  
Worthington Hills, KY

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

We have audited the financial statements of the governmental activities and the business-type activities of the City of Worthington Hills, Kentucky, as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements, as listed in the table of contents and have issued our report thereon dated July 3, 2015. 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.

Internal Control Over Financial Reporting

Management of the City of Worthington Hills is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Worthington Hills's internal control over financial reporting as a basis for designing our auditing procedures 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 Worthington Hills's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Worthington Hills's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying comment and recommendation to be a material weakness as item 2013-01.


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  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the City of Worthington Hills's financial statements as of and for the year ended June 30, 2013, are free of 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.

This report is intended solely for the information and use of management, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross and Co., PLLC".

Ross and Co., PLLC  
July 3, 2015



**CITY OF WORTHINGTON HILLS  
COMMENT AND RECOMMENDATION**

**For The Year Ended June 30, 2013**

**CITY OF WORTHINGTON HILLS  
COMMENT AND RECOMMENDATION**

**For The Year Ended June 30, 2013**

2013-01 The City of Worthington Hills Lacks An Adequate Segregation Of Accounting Duties

The Treasurer has signature authority, authority to record transactions and performs the monthly bank reconciliation. This condition exists because the city lacks the resources to hire adequate personnel to segregate duties. The condition could result in improper or fraudulent expenditures and misstated financial reporting. Proper segregation of duties would place responsibility for custody of assets, authorization for asset use, and record keeping with different individuals. When resources do not allow the city to hire an adequate number of individuals to segregate duties, compensating controls can be implemented. See compensating control descriptions in the "Kentucky Cities Financial Manual" as produced by the Office of Financial Management and Administration. We recommend implementation of compensating controls.