

**CITY OF WORTHINGTON HILLS, KENTUCKY**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

**CITY OF WORTHINGTON HILLS, KENTUCKY  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2013**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	2 - 4
<b>FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
Statement of Net Position .....	5
Statement of Activities .....	6
<b>FUND FINANCIAL STATEMENTS</b>	
Balance Sheet – Governmental Funds.....	7
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position .....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities .....	10
NOTES TO FINANCIAL STATEMENTS.....	11 – 16
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule – General Fund .....	17
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	18 – 19
SCHEDULE OF FINDINGS AND RESPONSES .....	20

**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and City Commissioners  
City of Worthington Hills, Kentucky

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Worthington Hills, Kentucky, as of and for the year ended June 30, 2013, 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Worthington Hills, Kentucky, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***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 2-4 and 17 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2017, on our consideration of the City of Worthington Hills, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Worthington Hills, Kentucky's internal control over financial reporting and compliance.



Welenken CPAs

Louisville, Kentucky  
February 7, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Worthington Hills's (the City) discussion and analysis provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. Since this information is designed to focus on the current year activities, resulting changes, and currently known facts, it should be read in conjunction with the City's financial statements provided in this document.

### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the City's basic financial statements, which consist of three components: government-wide financial statements, fund financial statements and notes to the financial statements. Other supplemental information in addition to the basic financial statements is also included.

#### **A. Government-Wide Financial Statements**

Government-wide financial statements include the Statement of Net Position and the Statement of Activities. The statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. In accrual accounting, revenues earned and expenses incurred in the fiscal year are taken into account in the financial statements regardless of when cash is actually received or paid.

The Statement of Net Position provides information on all City assets and liabilities, with the difference between assets and liabilities reported as net position. Increases or decreases in the net position over time are one indicator of whether the City's financial health is improving, stagnating, or deteriorating. Information on other factors, such as changes in the revenue structure and the condition of the City's assets, is also needed to assess the overall financial situation of the City.

The Statement of Activities provides information on the City's annual revenues and expenses, as well as other transactions that increase or reduce net position.

#### **B. Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over segregated resources for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City only has governmental funds to be presented in the fund financial statements.

Governmental funds focus on how money flows to and from those funds and the balances left at year-end that are available for spending. Funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The relationship between the governmental activities (reported in the Statement of Net Position and Statement of Activities) and the governmental funds is described in a reconciliation, which is presented immediately following the fund financial statements. Under accounting guidelines, the City considers both the General Fund and the Special Revenue Fund (Municipal Road Aid) to be major governmental funds.

#### **C. Notes to the Financial Statements**

These notes provide additional information needed to fully understand the government-wide and fund financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### D. Required Supplementary Information

This report presents certain required supplementary information concerning the City's budgetary comparison schedules for the General Fund and the Special Revenue Fund, in addition to the basic financial statements and accompanying notes.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As previously indicated, net position may serve over time as a useful indicator of the City's financial position. A portion of the City's net position, \$19,970, or 3%, reflects its net investment in capital assets. The City uses these capital assets to provide services to residents and as a result, these assets are not available for future spending.

An additional portion of City net position, \$296,057, or 46%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$322,765, or 51%, represents unrestricted net position.

Governmental activities increased City net position by \$44,881. This increase has expanded expendable funds.

Total assets at June 30, 2013 were \$642,074, of which \$19,970, or 3%, consisted of capital assets.

Total revenues for the 2012-2013 fiscal year were \$343,274. Approximately 59%, or \$203,392 of current year revenue is from property taxes, which is the largest source of revenue for the City. Property taxes were assessed at \$0.23 per \$100 of assessed value.

Total expenses for the 2012-2013 fiscal year were \$298,393.

#### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The financial reporting focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information, particularly *unassigned fund balance*, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the City governmental funds reported combined ending fund balances of \$618,822. The General Fund's unassigned balance of \$299,365 is available for spending at the government's discretion. The General Fund is the chief operating fund of the City.

At the end of the 2012-2013 fiscal year, the General Fund balance was \$299,365. As a measure of liquidity, a comparison of the unassigned fund balance to total general fund expenditures placed the fund balance at 97% of total expenditures.

The Special Revenue Fund which is restricted for road expenditures has a total fund balance of \$296,057. The net increase in the Special Revenue Fund balance for the fiscal year was \$40,349.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual charges to appropriations (expenditures) were \$120,807 less than the final budgeted amounts. The largest negative variance occurred in the City's street lighting which was over budget by \$1,681. The most significant positive variance occurred in the City's sign and road repairs, where the budgeted expenses were \$36,754 greater than actual.

In addition, resources available for appropriation were \$17,281 less than the final budgeted amount. The final budget included \$228,000 of property tax revenue in comparison to the \$202,797 actually collected. In addition, insurance tax revenue was the most significant positive variance at \$25,582.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **A. Capital Assets**

The City's investment in capital assets for governmental activities as of June 30, 2013 is \$19,970 (net of accumulated depreciation).

#### **B. Long-Term Debt**

The City had no long-term debt at June 30, 2013.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

There are currently no economic factors that are expected to change the outlook of the revenue or expenses for the City in the next year. In addition, no rate changes or large budget changes are anticipated.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general financial overview for those interested in the City of Worthington Hills government finances. Questions or requests for additional financial information may be addressed to Glenn Sea, Mayor, City of Worthington Hills, P.O. Box 22586, Louisville, KY 40252-0586.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**CITY OF WORTHINGTON HILLS - KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 552,023
Property taxes receivable	43,882
Receivable - other	26,199
Capital assets, net of depreciation	<u>19,970</u>
Total Assets	<u>642,074</u>
 <b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	<u>3,282</u>
Total Liabilities	<u>3,282</u>
 <b>NET POSITION</b>	
Invested in capital assets	19,970
Restricted	296,057
Unrestricted	<u>322,765</u>
Total net position	<u><u>\$ 638,792</u></u>

See accompanying notes to financial statements.

**CITY OF WORTHINGTON HILLS, KENTUCKY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

	Governmental Activities		
	Expenses	Operating Grants and Contributions	Total
<b>PRIMARY GOVERNMENT</b>			
<u>FUNCTIONS/PROGRAMS</u>			
General government	\$ 134,899	\$ -	\$ (134,899)
Roads and sidewalks	32,524	39,960	7,436
Sanitation	108,550	-	(108,550)
Public safety	22,420	-	(22,420)
	<u>298,393</u>	<u>39,960</u>	<u>(258,433)</u>
Total Primary Government			
<b>GENERAL REVENUES</b>			
Property taxes			203,392
Insurance taxes			95,582
Franchise fees			3,818
Investment earnings			312
Miscellaneous			210
			<u>303,314</u>
Total general revenues			
<b>CHANGE IN NET POSITION</b>			44,881
<b>NET POSITION, BEGINNING OF YEAR</b>			<u>593,911</u>
<b>NET POSITION, END OF YEAR</b>			<u>\$ 638,792</u>

See accompanying notes to financial statements.

## **FUND FINANCIAL STATEMENTS**

**CITY OF WORTHINGTON HILLS, KENTUCKY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013**

**ASSETS**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 255,966	\$ 296,057	\$ 552,023
Property taxes receivable	43,882	-	43,882
Receivable - other	26,199	-	26,199
<b>TOTAL ASSETS</b>	<u>\$ 326,047</u>	<u>\$ 296,057</u>	<u>\$ 622,104</u>

**LIABILITIES AND FUND BALANCES**

<b>LIABILITIES</b>			
Accounts payable	\$ 3,282	\$ -	\$ 3,282
<b>TOTAL LIABILITIES</b>	<u>3,282</u>	<u>-</u>	<u>3,282</u>
<b>FUND BALANCES</b>			
Restricted			
Special Revenue Fund	-	296,057	296,057
Assigned			
Subsequent year's budget	23,400	-	23,400
Unassigned	299,365	-	299,365
<b>TOTAL FUND BALANCES</b>	<u>322,765</u>	<u>296,057</u>	<u>618,822</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 326,047</u>	<u>\$ 296,057</u>	<u>\$ 622,104</u>

See accompanying notes to financial statements.

**CITY OF WORTHINGTON HILLS, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

Total fund balances for governmental funds	\$ 618,822
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets, net of depreciation, used in governmental activities are not financial resources and, therefore, not reported in the general fund	<u>19,970</u>
Total net position of governmental activities	<u><u>\$ 638,792</u></u>

See accompanying notes to financial statements.

**CITY OF WORTHINGTON HILLS, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Property taxes	\$ 202,797	\$ -	\$ 202,797
Insurance taxes	95,582	-	95,582
Franchise fees	3,818	-	3,818
Municipal road aid	-	39,960	39,960
Intergovernmental	60	-	60
Interest income	312	389	701
Miscellaneous	150	-	150
	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	302,719	40,349	343,068
<b>EXPENDITURES</b>			
Sanitation	108,550	-	108,550
Open space maintenance	38,746	-	38,746
Snow removal	29,825	-	29,825
Salaries	44,820	-	44,820
Street lighting	21,681	-	21,681
Security	22,420	-	22,420
Sign and road repairs	1,246	-	1,246
Attorney fees	489	-	489
Utilities	3,225	-	3,225
Office equipment	18,738	-	18,738
General government	13,741	-	13,741
Insurance	1,533	-	1,533
Property valuation	3,622	-	3,622
	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	308,636	-	308,636
	<u>          </u>	<u>          </u>	<u>          </u>
Excess (deficit) of revenues over expenditures	(5,917)	40,349	34,432
	<u>          </u>	<u>          </u>	<u>          </u>
<b>CHANGES IN FUND BALANCES</b>	(5,917)	40,349	34,432
	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	328,682	255,708	584,390
	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 322,765</u>	<u>\$ 296,057</u>	<u>\$ 618,822</u>

See accompanying notes to financial statements.

**CITY OF WORTHINGTON HILLS, KENTUCKY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

Changes in fund balances - governmental funds	\$ 34,432
---	-----------

The change in net position reported for governmental activities in the statement of net position is different 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 and reported as depreciation expense.

Capital asset purchases capitalized	13,096
Depreciation expense	<u>(2,647)</u>

Change in net position of governmental activities	<u><u>\$ 44,881</u></u>
---	-------------------------

See accompanying notes to financial statements.

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

**NOTE A - DESCRIPTION OF ORGANIZATION**

The City of Worthington Hills, Kentucky (the City) operates under the Kentucky Revised Statutes, as amended. The City operates under the Mayor-Commissioner form of government and provides the following services as authorized by its charter: municipal services, including care and maintenance of streets, police protection, garbage collection, and administrative services. As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements present the activities of the City.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-Wide Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all activities of the City. The effect of interfund activity has been removed from these statements.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental type activities are those financed through property taxes, intergovernmental revenues, municipal aid, and other non-exchange revenues and are usually reported in governmental and internal service funds. The City has no business-type activities.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 or activity, and (2) grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Reporting on governmental-type activities is based on FASB Statements and Interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

**Fund Financial Statements**

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Fund is used to account for the proceeds or specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. Municipal road aid revenue and expenditures are accounted for within this fund.



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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**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 recognized when earned or, for property tax revenues, in the period for which levied, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows in the statement of activities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property taxes, insurance taxes, franchise fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**Budgetary Accounting**

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts in the financial statements are as adopted by ordinance of the City including any authorized revisions

**Management's Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**Cash and Cash Equivalents**

The City considers all cash in bank and highly liquid investments with a maturity of ninety days or less to be cash and cash equivalents.

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property Taxes and Other Receivables**

Property taxes and other receivables are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

**Capital Assets**

Capital assets, which include equipment and infrastructure (i.e. sidewalks, signage, etc.), are reported in the governmental activity column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Under the requirements of GASB Statement No. 34, the City is considered a Phase 3 government, as its total annual revenues are less than \$10 million. Such governments are not required to report major general infrastructure assets, although the City has chosen to record these assets prospectively from July 1, 2003.

Capital assets of the City are depreciated using the straight-line method over their estimated useful lives.

**Net Position/Fund Balances**

In the statement of net position, the difference between the City's assets and liabilities is recorded as net position. The three components of net position are as follows:

**Invested in Capital Assets** – This category records capital assets net of accumulated depreciation.

**Restricted Net Position** – Net position that is restricted by external sources or by law are reported separately as restricted net position. When assets are required to be retained in perpetuity, the non-expendable net position is recorded separately from expendable net position. These are components of restricted net position. The City has restricted net position related to municipal road aid monies received from the Commonwealth of Kentucky.

**Unrestricted Net Position** – All other net position that do not meet the definition of "restricted" or "invested in capital assets"

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Position/Fund Balances (Continued)**

In the balance sheet of governmental funds, fund balances are segregated as follows:

**Nonspendable** – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements, or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of the other governments.

**Committed** – amounts that can be used only for specific purposes determined by a formal action of the City Commission. The Commission is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Commission.

**Assigned** – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Commission adopted policy, only the City Commission may assign amounts for specific purposes.

**Unassigned** – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Commission has provided otherwise in its commitment or assignment functions.

**Subsequent Events**

The City has evaluated subsequent events through February 7, 2017, the date the financial statements were available to be issued.

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

**NOTE C – DEPOSITS AND INVESTMENTS**

Under Kentucky Revised Statutes the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

The City invests surplus cash at local banks in the form of a money market account. These investments subject the City to custodial credit risk, which is the risk that in the event of bank failure the City's deposits may not be recovered. However, the City considers this risk immaterial, and as such, the City does not have a formal investment policy to deal with such risk.

The City categorizes deposits at local financial institutions to give an indication of the level of custodial credit risk assumed by the City.

The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uncollateralized.

Deposits categorized by level of risk at June 30, 2013 are as follows:

Account	Bank Balance	Category		
		1	2	3
Total	\$ 552,023	\$ 250,000	\$ -	\$ 302,023

**NOTE D – CAPITAL ASSETS**

	Year Ending June 30, 2013			
	Beginning Balance	Additions	Disposals	Ending Balance
Infrastructure	\$ 12,900	\$ -	\$ -	\$ 12,900
Equipment	1,636	13,096	-	14,732
Total Cost	14,536	13,096	-	27,632
Less: accumulated depreciation	( 5,015)	( 2,647)	-	( 7,662)
Net Book Value	<u>\$ 9,521</u>	<u>\$ 10,449</u>	<u>\$ -</u>	<u>\$ 19,970</u>

Depreciation expense was charged to functions of the primary government as follows:

General government	\$ 1,194
Roads and sidewalks	<u>1,453</u>
Total	<u>\$ 2,647</u>

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

**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. A discount of 2% shall be allowed on tax bills paid prior to August 1. Bills paid after that date but before September 1 are not allowed a discount or subject to a penalty. All bills paid after August 30 are charged interest of 11% on the base tax. All bills paid after September 30 are charged an addition 1% monthly interest on the base tax until paid. The City has no policy regarding lien dates.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WORTHINGTON HILLS, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 328,682	\$ 328,682	\$ 328,682	\$ -
Resources (inflows):				
Property taxes	228,000	228,000	202,797	(25,203)
Insurance taxes	70,000	70,000	95,582	25,582
Franchise fees	7,000	7,000	3,818	(3,182)
Intergovernmental	-	-	60	60
Interest income	5,000	5,000	312	(4,688)
Miscellaneous	10,000	10,000	150	(9,850)
Amounts available for appropriation	<u>648,682</u>	<u>648,682</u>	<u>631,401</u>	<u>(17,281)</u>
Charges to appropriations (outflows):				
Sanitation	130,000	130,000	108,550	21,450
Open space maintenance	75,000	75,000	38,746	36,254
Snow removal	35,000	35,000	29,825	5,175
Salaries	45,000	45,000	44,820	180
Street lighting	20,000	20,000	21,681	(1,681)
Security	22,000	22,000	22,420	(420)
Sign and road repairs	38,000	38,000	1,246	36,754
Attorney fees	5,500	5,500	489	5,011
Utilities	7,500	7,500	3,225	4,275
Office equipment	3,000	18,590	18,738	(148)
General government	22,250	25,853	13,741	12,112
Insurance	2,000	2,000	1,533	467
Property valuation	5,000	5,000	3,622	1,378
Total charges to appropriations	<u>410,250</u>	<u>429,443</u>	<u>308,636</u>	<u>120,807</u>
Budgetary fund balance, June 30	<u>\$ 238,432</u>	<u>\$ 219,239</u>	<u>\$ 322,765</u>	<u>\$ 103,526</u>

**INDEPENDENT AUDITORS' 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 Honorable Mayor and City Commissioners  
City of Worthington Hills, Kentucky

We have audited, 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, the financial statements of the governmental activities and each major fund of City of Worthington Hills, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Worthington Hills, Kentucky's basic financial statements, and have issued our report thereon dated February 7, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Worthington 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Worthington Hills, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Worthington Hills, Kentucky's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. 2013-1 and 2013-2.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Worthington Hills, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-3 and 2013-4.

### **City of Worthington Hills, Kentucky's Response to Findings**

The City of Worthington Hills, Kentucky's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of Worthington Hills, Kentucky's responses and, accordingly, we express no opinion on them.

### **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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Welenken CPAs

Louisville, Kentucky  
February 7, 2017

**CITY OF WORTHINGTON HILLS, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2013**

**Findings:**

2013-1 The City lacks adequate segregation of duties as it relates to the accounting function of the City. The same individual is responsible for receiving and opening the mail, preparing deposits and taking them to the bank, writing the checks to vendors, and reconciling the bank accounts of the City.

***Management's Response:***

*The City is aware of this problem and has implemented other safeguards to help minimize risk including monthly review of financial information at the commission meetings.*

2013-2 Accurate financial records are not maintained because the City's internal financial information is prepared on the cash basis of accounting. The City does not prepare monthly bank reconciliations.

***Management's Response:***

*The City treasurer will start recording cash transactions on the accrual basis.*

2013-3 The City did not prepare a budget for the special revenue fund for fiscal year 2013.

***Management's Response:***

*The City did prepare a budget for the general fund and inadvertently failed to prepare a budget for the special revenue fund. The City is currently preparing budgets for both the general fund and the special revenue fund.*

2013-4 At June 30, 2013, the City had cash and cash equivalents in excess of insured or collateralized amounts.

***Management's Response:***

*The City currently uses two different banks and will address collateralization policies with each bank.*