

CITY OF WELLINGTON
STATE OF KENTUCKY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

CITY OF WELLINGTON

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Certified Public Accountants

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Independent Auditor's Report

The Honorable Mayor and
Commissioners of the
City of Wellington, Kentucky

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Wellington, Kentucky as of and for the year ended June 30, 2017, 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 risk 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 and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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 Wellington, Kentucky at June 30, 2017, 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 budgetary comparison information on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2017 on our consideration of the City of Wellington, Kentucky's internal control over financial reporting and on our test 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 result 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 Government Auditing Standards and should be considered in assessing the results of our audit.



Louisville, Kentucky
October 19, 2017

BASIC FINANCIAL STATEMENTS

**CITY OF WELLINGTON, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS

Current Assets

Cash and cash equivalents	\$ 261,681
Insurance premium taxes receivable	14,959
Short term investments	<u>190,149</u>

Total Current Assets 466,789

Capital Assets

Street lighting	48,910
Street signage	25,030
Sidewalk improvements	191,366
Road Improvements	144,337
Equipment	<u>1,485</u>
	411,128
Less accumulated depreciation	<u>160,575</u>

Total Net Capital Assets 250,553

Other Assets

Cash and cash equivalents - restricted	<u>12,360</u>
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TOTAL ASSETS 729,702

LIABILITIES

Current Liabilities

Accounts payable	<u>2,606</u>
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TOTAL LIABILITIES 2,606

NET POSITION

Investment in capital assets	250,553
Restricted for roads	12,360
Unrestricted	<u>464,183</u>

TOTAL NET POSITION \$ 727,096

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

**CITY OF WELLINGTON, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION GOVERNMENTAL ACTIVITIES</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	
Primary Government:				
Governmental Activities:				
General and administrative	\$ (34,567)	\$ 1,434	\$ -	\$ (33,133)
Public safety:				
Fire protection	(35,541)			(35,541)
Police protection	(13,230)		4,402	(8,828)
Public service:				
Sanitation	(39,936)			(39,936)
Roads/Public works	<u>(49,418)</u>	<u>-</u>	<u>15,352</u>	<u>(34,066)</u>
Total Governmental Activities	<u>\$ (172,692)</u>	<u>\$ 1,434</u>	<u>\$ 19,754</u>	(151,504)
General Revenues:				
Taxes:				
Property taxes				104,397
Insurance premium taxes- current year				53,065
Franchise fees				3,323
Investment income				1,421
Special Item-insurance premium taxes- prior years				<u>72,842</u>
Total General Revenues and Special Item				<u>235,048</u>
CHANGE IN NET POSITION				83,544
NET POSITION, Beginning of year				<u>643,552</u>
NET POSITION, End of year				<u>\$ 727,096</u>

The accompanying notes are an integral part of these financial statements

**CITY OF WELLINGTON, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS AND
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2017**

	GENERAL FUND	MUNICIPAL AID ROAD FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 261,681	\$ 12,360	\$ 274,041
Insurance premium taxes receivable	14,959		14,959
Short-term investments	190,149	-	190,149
TOTAL ASSETS	\$ 466,789	\$ 12,360	\$ 479,149
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,606	\$ -	\$ 2,606
TOTAL LIABILITIES	2,606	-	2,606
FUND BALANCES			
Restricted		12,360	12,360
Unassigned	464,183	-	464,183
TOTAL FUND BALANCES	464,183	12,360	476,543
TOTAL LIABILITIES AND FUND BALANCES	\$ 466,789	\$ 12,360	\$ 479,149
TOTAL GOVERNMENTAL FUND BALANCES			\$ 476,543
Capital assets used in governmental activities are not financial resources and therefore are not financial resources and therefore are not reported in the funds. This is the amount by which capital outlays exceeded depreciation.			250,553
NET POSITION			\$ 727,096

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

**CITY OF WELLINGTON , KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>GENERAL FUND</u>	<u>MUNICIPAL AID ROAD FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Property taxes	\$ 104,397	\$ -	\$ 104,397
Insurance premium taxes	53,065		53,065
Franchise fees	3,323		3,323
Grants	8,402		8,402
Municipal road aid		11,352	11,352
Rental permit fees	1,434		1,434
Investment income	<u>1,398</u>	<u>23</u>	<u>1,421</u>
 Total Revenues	 172,019	 11,375	 183,394
EXPENDITURES			
General and administrative	34,567		34,567
Public safety:			-
Fire protection	35,541		35,541
Police protection	13,230		13,230
Public service:			-
Sanitation	39,936		39,936
Roads/Public works	43,189	20,000	63,189
Capital outlays	<u>-</u>	<u>-</u>	<u>-</u>
 Total Expenditures	 <u>166,463</u>	 <u>20,000</u>	 <u>186,463</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 5,556	 (8,625)	 (3,069)
SPECIAL ITEM			
Insurance premium taxes- prior years	<u>72,842</u>	<u>-</u>	<u>72,842</u>
 NET CHANGE IN FUND BALANCES	 78,398	 (8,625)	 69,773
 FUND BALANCES, Beginning of year	 <u>385,785</u>	 <u>20,985</u>	 <u>406,770</u>
 FUND BALANCES, End of year	 <u>\$ 464,183</u>	 <u>\$ 12,360</u>	 <u>\$ 476,543</u>

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

**CITY OF WELLINGTON, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30,2017**

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Net change in fund balances - total governmental funds \$ 69,773

Amounts reported for governmental activities in the statement
of activities are 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 as depreciation
expense:

This is the amount by which capital outlays exceeded
depreciation in the current period

13,771

Change in net position as reflected on the Statement of Activities \$ 83,544

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

CITY OF WELLINGTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Wellington, Kentucky (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government 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 Commission-Mayor form of government and provides the following services as authorized by its charter: general government, public service, public safety and sanitation.

Basis of Presentation

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 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 No. 34 (as amended) - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. However, the City has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be a part of the basic financial statements.

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 reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are 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. That portion of the debt is included in the same net position component as the unspent proceeds.

CITY OF WELLINGTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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**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 positions that do 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 positions are available.

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, inter-governmental revenues, and other non-exchange revenues 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.

Fund Financial Statements

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, receipts and expenditures for expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds of the City are all governmental fund types described as follows:

- **General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Municipal Aid Road Fund** – The Municipal Aid Road Fund is restricted to road construction, repairs and maintenance.

CITY OF WELLINGTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

The City considers all of its funds to be major funds.

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 governmental program. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues 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 of accounting for governmental fund types.

The modified accrual basis of accounting recognizes revenues when they are “measurable and available”. Measurable means the amount can be determined. Available means collectable within the period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, insurance premium taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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 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

**CITY OF WELLINGTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Commission in the form of an ordinance and may be amended by subsequent ordinance or by municipal order. The City's policy is to use restricted assets according to budgeted amounts.

Budgetary Comparison Schedule

As required by generally accepted government accounting principles, the budget comparison schedules have been prepared in the same form as the legally adopted budget; therefore its form and content varies somewhat from the Statement of Revenues, Expenditures and Changes in Fund Balances on page 6. The City prepares its annual budget on the modified accrual basis of accounting which is consistent with the funds financial statements.

Component Units

There are no governmental component units incorporated in the basic government-wide financial statements. A *component unit* is a legally separate entity that is included in the primary government's financial reporting entity using the criteria of the Government Standards Accounting Board.

Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents include amounts deposited in checking and sweep accounts and a money market savings account. For purposes of these financial statements, the City considers as cash equivalents all highly liquid investments with a maturity of three months or less when purchased and are readily convertible to cash.

Short term investments consist of certificates of deposit with maturities within one year of June, 30, 2017.

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

The City maintains its deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC).

All of the City's cash and cash equivalents and short-term investment accounts at June 30, 2017 are either covered by FDIC insurance or are collateralized with securities held by the bank in the City's name.

**CITY OF WELLINGTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Cash and cash equivalents and short-term investments are further described in Notes 2 and 3.

Property Taxes and Property Tax Receivable

Property taxes are levied as of September 1, 2016 on the assessed value listed as of January 1, 2016 for all real and personal property located in the City. The tax assessed for the year ended June 30, 2017 to finance general fund operations was based on \$.1935 per \$100 of assessed valuation for real and personal property. The total assessed value of the tax roll on January 1, 2016, upon which the levy for 2017 fiscal year was based, was \$53,714,550 resulting in gross taxes of \$103,938. The gross tax (or face value) is due if paid by December 31, 2016 and a 10% penalty is assessed if paid after December 31, 2016. On tax bills paid after January 31, 2017, a 12% penalty is due. If paid after February 28, 2017, a penalty of 12% and interest of 1.50% per month is charged thereafter plus a lien filing fee of \$100. Property tax revenues include interest and penalties of \$286.

Insurance Premium Taxes

An insurance premium tax is imposed on insurance premiums collected by insurance companies on policies within the City limits. Insurance premium taxes are assessed at a tax rate of 5%. See Note 8.

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 governmental fund statements and capitalized (recorded and accounted for) in the government-wide statements of net position at cost.

Effective for the year ended June 30, 2004, the City implemented GASB Statement Number 34. One of the requirements of GASB 34 is to capitalize and depreciate infrastructure expenditures and other capital assets. The City elected to implement this standard prospectively, as it related to the capitalization of infrastructure and land expenditures. 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 expenditures; renewals and betterments are capitalized.

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

CITY OF WELLINGTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

respective balance sheet. The minimum capitalization threshold is any individual item with a total cost greater than \$500.

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

Street lighting	15 years
Road and sidewalk improvements	15 years
Equipment	5 years

Impairment of Capital Assets

In accordance with GASB Statement No. 42 “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries” the City’s management evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset 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 circumstance is outside the normal life cycle of the capital asset. No impairment losses were identified or recognized for the year ended June 30, 2017.

Net Position/Fund Equity

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

The Government Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental 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 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 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 Commission,
4. *Assigned* fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

**CITY OF WELLINGTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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.

Fair Value of Financial Investments

The carrying amount of cash, receivables, investments and payables approximates their fair market values as of June 30, 2017.

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 the financial statements 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

Cash and cash equivalents consist of the following accounts with Republic Bank:

General Fund

Operating checking/sweep account yielding .02% per annum	\$ 43,515
Money market account yielding .08% per annum	<u>218,166</u>
Total	261,681

Municipal Aid Fund

Checking/sweep account yielding .02% per annum	<u>12,360</u>
Total Cash and Cash Equivalents	<u>\$274,041</u>

**CITY OF WELLINGTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3-SHORT-TERM INVESTMENTS

Short-term investments consist of the following:

General Fund

Sixth month certificate of deposit with PBI Bank, matures August 21, 2017, yielding .65% per annum	\$ 41,039
Sixth month certificate of deposit with PBI Bank, matures September 23, 2017, yielding .65% per annum	<u>149,110</u>
Total Short-term Investments	<u>\$190,149</u>

NOTE 4- CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2017 consists of the following:

	<u>Balance 6-30-16</u>	<u>Additions</u>	<u>Balance 6-30-17</u>
Street lighting	\$ 43,251	\$ 5,659	\$ 48,910
Sidewalk improvements	160,716	30,650	191,366
Road improvements	144,337		144,337
Street signs and posts	20,807	4,223	25,030
Equipment	<u>1,485</u>	<u>-</u>	<u>1,485</u>
	370,596	40,532	411,128
Accumulated depreciation	<u>133,814</u>	<u>26,761</u>	<u>160,575</u>
Total Capital Assets, Net	<u>\$236,782</u>	<u>\$ 13,771</u>	<u>\$250,553</u>

The cost and related accumulated depreciation for each capital asset category at June 30, 2017 is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Street lighting	\$ 48,910	\$ 11,949	\$ 36,961
Sidewalk improvements	191,366	50,901	140,465
Road improvements	144,337	91,409	52,928
Street signs and posts	25,030	4,831	20,199
Equipment	<u>1,485</u>	<u>1,485</u>	<u>-</u>
Totals	<u>\$411,128</u>	<u>\$ 160,575</u>	<u>\$250,553</u>

**CITY OF WELLINGTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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NOTE 4- CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

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

Roads/Public works	\$26,761
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NOTE 5 – MANAGEMENT RISK

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

NOTE 6 – COMMITMENTS

The City entered into a sanitation contract to provide waste removal and recycling services to its residents at a monthly cost of \$13.00 per household, with an average monthly total cost of \$3,328 through June 30, 2021.

The City has an annual contract with its lawn care provider through November 2017 for a total contract of \$7,856.

NOTE 7- CONTINGENCIES

The City is presently a party to a legal matter before the courts; however, the City is not subject to financial exposure or loss in this matter.

NOTE 8- SPECIAL ITEM- INSURANCE PREMIUM TAX REVENUES- PRIOR YEARS

In August of 2016, the City received and deposited \$72,842 of insurance premium tax receipts from State Farm for back taxes for the period 2004 through the second quarter of 2016. State Farm discovered that the City's insurance premium tax was incorrectly being paid to the unincorporated community of Wellington in Menifee County, Kentucky.

NOTE 9 – SUBSEQUENT EVENTS

City management has evaluated subsequent events through October 19, 2017, 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.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WELLINGTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2017**

	GENERAL FUND			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
BEGINNING FUND BALANCE AT JUNE 30, 2016	\$ 380,000	\$ 380,000	\$ 385,965	\$ 5,965
REVENUE				
Assessments	108,000	108,000	104,397	(3,603)
Insurance premium tax	37,000	111,000	125,907	14,907
Miscellaneous revenue	13,100	13,100	14,557	1,457
Total Revenues	158,100	232,100	244,861	12,761
EXPENDITURES				
Garbage and recycling	40,100	40,100	39,936	164
Fire protection	36,000	36,000	35,541	459
Police protection	15,000	15,000	13,230	1,770
General and administrative	67,000	79,000	77,756	1,244
Total Expenditures	158,100	170,100	166,463	3,637
SURPLUS	-	62,000	78,398	16,398
ENDING FUND BALANCE AT JUNE 30, 2017	\$ 380,000	\$ 442,000	\$ 464,363	\$ 22,363

	MUNICIPAL ROAD AID FUND			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL AND FINAL BUDGET	ACTUAL		
BEGINNING FUND BALANCE AT JUNE 30, 2016	\$ 30,000	\$ 20,985	\$	(9,015)
REVENUES				
Road fund revenue	10,500	11,352		852
Investment income	10	23		13
Total Revenues	10,510	11,375		865
EXPENDITURES				
Sidewalk improvements	25,000	20,000		5,000
General and administrative	3,000	-		3,000
Total Expenditures	28,000	20,000		8,000
SURPLUS (DEFICIT)	(17,490)	(8,625)		8,865
ENDING FUND BALANCE AT JUNE 30, 2017	\$ 12,510	\$ 12,360	\$	(150)

McIntyre & Wooldridge, PSC
Certified Public Accountants

3103 Breckenridge Lane, Suite 3
Louisville, Kentucky 40220
502/493-9373 or 493-9374 (fax)

The Honorable Mayor and
Commissioners of the City
Of Wellington, Kentucky

**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 major funds as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the City of Wellington's (the City) basic financial statements and have issued our report thereon dated October 19, 2017. 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

In planning and performing our audit of the financial statements, we considered the City'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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 the City's financial statements 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 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.

The City of Wellington, Kentucky's response to the finding identified in our audit is described in the accompanying schedule of findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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



Louisville, Kentucky
October 19, 2017

**CITY OF WELLINGTON, KENTUCKY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

Finding 2017-1

We noted the City did not advertise for bid a four year sanitation service contract amounting to \$39,936 per year. Kentucky law requires bid advertisements on contracts exceeding \$20,000.

Recommendation- Finding 2017-1

We recommend the City advertise for bid all contracts exceeding \$20,000.

City Management Response- Finding 2017-1

City management extended the expiration date of the contract with the renewal representing no change to the amount paid to the vendor. The contract will be advertised for bid upon expiration.