

CITY OF WELLINGTON, KENTUCKY

FINANCIAL REPORT

JUNE 30, 2023

CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1-3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Activities	5
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
NOTES TO FINANCIAL STATEMENTS	10-17
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	18
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Road Maintenance Fund	19
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>	20-21



Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

Mayor and the City Council
City of Wellington, Kentucky
Louisville, Kentucky

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City of Wellington, Kentucky's basic financial statements as listed in the table of contents.

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, as of June 30, 2023, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Wellington, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Wellington, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 18 and 19 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 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. 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 July 31, 2024, on our consideration of the City of Wellington, 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 solely 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 the effectiveness of the City of Wellington, Kentucky's 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 Wellington, Kentucky's internal control over financial reporting and compliance.

Jones, Nale & Mattingly PC

Louisville, Kentucky
July 31, 2024

CITY OF WELLINGTON, KENTUCKY

STATEMENT OF NET POSITION

June 30, 2023

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 147,004
Insurance premium taxes receivable	14,483
Investments	468,919
Total current assets	<u>630,406</u>
Restricted assets	
Cash and cash equivalents	<u>70,416</u>
Total restricted assets	<u>70,416</u>
Non-current assets	
Capital assets, net	<u>107,251</u>
Total non-current assets	<u>107,251</u>
Total assets	<u><u>\$ 808,073</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	<u>\$ 4,226</u>
Total current liabilities	<u>4,226</u>
NET POSITION	
Net investment in capital assets	107,251
Restricted for road maintenance	67,556
Unrestricted	629,040
Total net position	<u>803,847</u>
Total liabilities and net position	<u><u>\$ 808,073</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF WELLINGTON, KENTUCKY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government
				Governmental Activities
Primary government:				
Governmental activities:				
General government:				
Administration	\$ 4,504	\$ 1,900	\$ --	\$ (2,604)
Insurance	14,425	--	--	(14,425)
Professional fees	8,946	--	--	(8,946)
Property valuation assessments	3,339	--	--	(3,339)
Salaries	12,900	--	--	(12,900)
Website	1,025	--	--	(1,025)
Depreciation	22,662	--	--	(22,662)
Public services:				
Utilities and waste management	40,485	--	--	(40,485)
Lawn services	35,676	--	--	(35,676)
Public safety:				
Fire protection	41,903	--	--	(41,903)
Police protection	13,790	--	3,331	(10,459)
Street maintenance	13,770	--	--	(13,770)
Community services	2,449	--	11,803	9,354
Total governmental activities	<u>215,874</u>	<u>1,900</u>	<u>15,134</u>	<u>(198,840)</u>
Total primary government	<u>\$ 215,874</u>	<u>\$ 1,900</u>	<u>\$ 15,134</u>	<u>\$ (198,840)</u>
General revenues:				
Property taxes				\$ 89,411
Insurance premium taxes				59,931
Franchise tax				3,491
Investment income				15,754
Other revenues				<u>373</u>
Total general revenues				168,960
Change in net position				(29,880)
Net position, beginning of year				<u>833,727</u>
Net position, end of year				<u>\$ 803,847</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF WELLINGTON, KENTUCKY

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023**

	<u>General Fund</u>	<u>Municipal Aid Road Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 147,004	\$ 70,416	\$ 217,420
Insurance premium taxes receivable	14,483	--	14,483
Due from other funds	2,860	--	2,860
Investments	<u>468,919</u>	<u>--</u>	<u>468,919</u>
Total assets	<u><u>\$ 633,266</u></u>	<u><u>\$ 70,416</u></u>	<u><u>\$ 703,682</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 4,226	\$ --	\$ 4,226
Due to other funds	<u>--</u>	<u>2,860</u>	<u>2,860</u>
Total liabilities	<u>4,226</u>	<u>2,860</u>	<u>7,086</u>
FUND BALANCES			
Restricted for road maintenance	--	67,556	67,556
Unassigned	<u>629,040</u>	<u>--</u>	<u>629,040</u>
Total fund balances	<u>629,040</u>	<u>67,556</u>	<u>696,596</u>
Total liabilities and fund balances	<u><u>\$ 633,266</u></u>	<u><u>\$ 70,416</u></u>	<u><u>\$ 703,682</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF WELLINGTON, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2023

TOTAL GOVERNMENTAL FUND BALANCES	\$ 696,596
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Amounts reported for governmental activities in the statement of
net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund financial statements.	<u>107,251</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 803,847</u></u>
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The Notes to Financial Statements are an integral part of this statement.

CITY OF WELLINGTON, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2023**

	General Fund	Road Maintenance Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 89,411	\$ --	\$ 89,411
Insurance premium taxes	59,931	--	59,931
Rental permit fee	1,900	--	1,900
Franchise tax	3,491	--	3,491
Investment income	15,485	269	15,754
Grant income	3,331	--	3,331
Municipal road aid	--	11,803	11,803
Other revenues	373	--	373
Total revenues	<u>173,922</u>	<u>12,072</u>	<u>185,994</u>
EXPENDITURES			
Current:			
General government:			
Administration	4,504	--	4,504
Insurance	14,425	--	14,425
Professional fees	8,946	--	8,946
Property valuation assessments	3,339	--	3,339
Salaries	12,900	--	12,900
Website	1,025	--	1,025
Public services:			
Utilities and waste management	40,485	--	40,485
Lawn services	35,676	--	35,676
Public safety:			
Fire protection	41,903	--	41,903
Police protection	13,790	--	13,790
Street maintenance	10,910	2,860	13,770
Community services	2,448	--	2,448
Capital outlay	5,975	--	5,975
Total expenditures	<u>196,326</u>	<u>2,860</u>	<u>199,186</u>
Excess of revenues (under) expenditures	(22,404)	9,212	(13,192)
Fund balances, July 1, 2022	<u>651,444</u>	<u>58,344</u>	<u>709,788</u>
Fund balances, June 30, 2023	<u>\$ 629,040</u>	<u>\$ 67,556</u>	<u>\$ 696,596</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF WELLINGTON, KENTUCKY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (13,192)

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 is
shown as an increase in capital assets. 5,974

Capital assets are depreciated over their estimated useful lives and
reported as depreciation expense in the statement of net activities.
The effect of the current year's depreciation is to decrease net
position. (22,662)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (29,880)

The Notes to Financial Statements are an integral part of this statement.

CITY OF WELLINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The City of Wellington, Kentucky (the City) is a home rule city as defined by Kentucky statute and is located in Jefferson County, Kentucky. The City is a municipal corporation which is operated under a Commission-Mayor form of government. The City provides the following services: general government, public service, public safety and sanitation. Primary revenue sources are property taxes, insurance taxes, franchise taxes, and municipal road aid. Those revenues susceptible to accrual are property taxes, insurance taxes, and municipal road aid.

All significant activities and organizations on which the City exercises oversight responsibility have been included in the City's financial statements, for the year ended June 30, 2023. The following criteria regarding manifestation of oversight were considered by the City in evaluation of the City's 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 City management.

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

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government is presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements (continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges paid by recipients of the goods or services offered by the programs; and (2) grants/contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental funds. Major individual governmental funds are reported in a separate column with composite columns for non-major funds.

Fund financial statements of the City are organized into funds. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balances, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined.

Governmental fund types used by the primary government are as follows:

General Fund – The general fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Municipal Aid Road Fund – The municipal aid road fund is restricted to road construction, repairs and maintenance.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The City's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements.

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the current financial resources measurement focus is used. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Major revenue sources susceptible to accrual include: property taxes, insurance premium taxes, and grants and interest associated with the current fiscal period. In general, other revenues are recognized when cash is received.

In the government-wide statement of net position and statement of activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are recorded when due.

Budgets and Budgetary Process

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 and budget amendments for all funds are adopted on a basis consistent with the modified accrual basis of accounting, which is the basis used in the fund financial statements.

Formal budgetary accounting is employed as a management control for certain funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund and the special revenue fund. Once approved, the City council may amend the legally adopted budget when unexpected modifications are required in estimating revenues and appropriations.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Process (continued)

The budgets are prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected and expenditures are budgeted in the year that the applicable disbursement is expected to occur. Actual results are reported on the U.S. GAAP basis, and variances reflect reconciliation differences primarily due to revenue and expenditure accruals.

Cash and Cash Equivalents

The City considers all cash in bank and highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. Restricted cash and cash equivalents consist of Municipal Road Aid Funds, restricted for road construction, repairs and maintenance.

Investments

Investments are carried at fair value, which is based on quoted market price. Realized and unrealized gains and losses are reflected in the statement of activities and statement of revenues, expenditures, and changes in fund balances – governmental funds as investment income (loss). Investments for road funds are reflected as restricted assets in the government-wide financial statements.

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%.

Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. For financial reporting purposes, the City has decided to capitalize individual assets with a value of \$500 or greater. Capital assets are not reported in the fund financial statements.

Prior to June 30, 2003, governmental funds' infrastructure assets were not required to be capitalized by the City nor were these assets capitalized by the City. Starting on July 1, 2003, the City was required to keep a record of all infrastructure assets placed in service from that date forward. The following presents the estimated lives of the City's capital assets:

Street lighting	15 years
Road and sidewalk improvements	10-15 years
Equipment	5 years

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Net Position – Government-Wide Financial Statements

Net position is classified as follows:

Net investment in capital assets, net of related debt – Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – All other net position that do not meet the definition of restricted or invested in capital assets, net of related debt.

Fund balance is classified as follows:

Nonspendable – amounts that are not in spendable form (such as prepaid expenses) or are required to be maintained intact.

Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned – amounts that are available for any purpose.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated by in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as purchase of capital assets, construction, debt service, or for other purposes).

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Property Taxes

Property taxes are levied as of September 1st on the assessed value listed as of January 1st for all real and personal property located in the City. The tax assessed for the year ended June 30, 2023 to finance general fund operations was based on \$.1338 per \$100 of assessed valuation for real and personal property. Gross tax (or face value) is due by December 31st and a 10% penalty is assessed if paid after December 31st. On tax bills paid after January 31st, a 12% penalty is due. If paid after February 28th, a penalty of 12% and interest of 1.50% per month is charged thereafter plus a lien filing fee of \$100.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, government fund expenditures are classified by character: current, debt service and capital outlay. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the classifications and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through July 31, 2024, the date the financial statements were available to be issued.

Note 2. 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 in local bank savings accounts and investment accounts. This investment class subjects the City to custodial credit risk.

Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the City may not be able to recover the value of its deposits and investments or collateral securities that are in possession of the financial institution. The entire bank balances were covered by federal depository insurance or by collateralized U.S. government agency and local government agency securities held by the City's agent in the City's name as of June 30, 2023.

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

The City categorizes deposits at local financial institutions to give an indication of the level of risk assumed by the City at year end. 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 institution's trust department or agent, but not in the City's name.

Category 3 – Uncollateralized

At June 30, 2023, the City's carrying amount through multiple bank accounts was \$217,421. The carrying amount is defined as the balances based on the applicable bank statements and considers reconciling items such as deposits in transit or outstanding check disbursements, which would be included in the balance as reported on the accompanying statement of net position and balance sheets.

The City was fully collateralized as of June 30, 2023.

GAAP provides a framework for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methodology for measuring fair value specifies a three-tier hierarchy of valuation techniques based upon whether the inputs to those valuation techniques are based on quoted prices of identical assets or liabilities (Level 1), significant other observable inputs (Level 2), or significant other unobservable inputs that reflect a City's own assumptions of market participant valuation (Level 3).

Financial instruments that are subject to fair value measurements are limited to investments. Fair values of these financial instruments have been valued using a market approach and are measured using Level 1 inputs. The fair value of investments approximated its carrying amount.

Investments by Fair Value Level	June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Unrestricted investments:				
KLOC Dividen Focus Equity Pool	\$ 47,548	\$ 47,548	\$ --	\$ --
KLOC Government Bond Fund	44,519	44,519	--	--
KLOC Corporate Bond Fund	45,686	45,686	--	--
KLOC Equity S&P 500 Index Fund	49,548	49,548	--	--
Certificates of Deposit	281,618	--	281,618	--
	<u>468,919</u>	<u>187,301</u>	<u>281,618</u>	<u>--</u>
Total Investments by Fair Value Level	<u>\$ 468,919</u>	<u>\$ 187,301</u>	<u>\$ 281,618</u>	<u>\$ --</u>

NOTES TO FINANCIAL STATEMENTS

Note 3. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state and local entities. The primary restricted revenue source is listed below:

Revenue Source: Municipal Road Aid Funds
Legal Restriction of Use: Road and Street Maintenance

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Balance June 30, 2023
Street Lighting	\$ 48,910	\$ - -	\$ 48,910
Sidewalk Improvements	197,606	5,975	203,581
Road Improvements	148,927	- -	148,927
Street Signs and Posts	25,030	- -	25,030
Equipment	1,485	- -	1,485
	<u>421,958</u>	<u>5,975</u>	<u>427,933</u>
Accumulated Depreciation	298,020	22,662	320,682
	<u>298,020</u>	<u>22,662</u>	<u>320,682</u>
Total Capital Assets, Net	<u>\$ 123,938</u>	<u>\$ (16,687)</u>	<u>\$ 107,251</u>

The cost and related accumulated depreciation for each capital asset category at June 30, 2023 is as follows:

	Cost	Accumulated Depreciation	Net
Street Lighting	\$ 48,910	\$ 30,118	\$ 18,792
Sidewalk Improvements	203,581	128,409	75,172
Road Improvements	148,927	146,864	2,063
Street Signs and Posts	25,030	13,806	11,224
Equipment	1,485	1,485	- -
	<u>427,933</u>	<u>320,682</u>	<u>107,251</u>
Totals	<u>\$ 427,933</u>	<u>\$ 320,682</u>	<u>\$ 107,251</u>

Depreciation expense for the year ended June 30, 2023 was \$22,662.

Note 5. Risk Management

The City is subject to normal insurance risks as other cities of its size. The City has general liability law enforcement, public official liability and auto liability coverage through Louisville Area Governmental Self Insurance Trust. The coverage is subject to a \$10,000 deductible and has \$1,000,000 limit of liability per occurrence. The City has not had any significant reduction in coverage in the past two years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WELLINGTON, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2023**

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Property taxes assessments	\$ 89,557	\$ 89,557	\$ 89,411	\$ (146)
Insurance premium taxes	55,000	55,000	59,931	4,931
Grants	5,000	5,000	3,331	(1,669)
Interest earned	1,250	1,250	15,485	14,235
Miscellaneous revenue	5,050	5,050	5,764	714
Total revenues	155,857	155,857	173,922	18,065
EXPENDITURES				
Sanitation	42,000	41,000	40,485	(515)
Fire protection	40,024	42,000	35,676	(6,324)
Police protection	20,000	18,000	13,790	(4,210)
General and administrative	85,470	113,000	106,375	(6,625)
Total expenditures	187,494	214,000	196,326	(17,674)
Excess of revenues over (under) expenditures	(31,637)	(58,143)	(22,404)	35,739
Fund balance, July 1, 2022	651,444	651,444	651,444	- -
Fund balance, June 30, 2023	\$ 619,807	\$ 593,301	\$ 629,040	\$ 35,739

CITY OF WELLINGTON, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD MAINTENANCE FUND
Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
Municipal road aid	\$ 11,100	\$ 11,100	\$ 11,803	\$ 703
Interest earned	4	4	269	265
Total revenues	11,104	11,104	12,072	968
EXPENDITURES				
General and administrative	- -	6,000	2,860	(3,140)
Capital outlay	- -	- -	- -	- -
Total expenditures	- -	6,000	2,860	(3,140)
Excess of revenues over expenditures	11,104	5,104	9,212	4,108
Fund balance, July 1, 2022	58,344	58,344	58,344	- -
Fund balance, June 30, 2023	<u>\$ 69,448</u>	<u>\$ 63,448</u>	<u>\$ 67,556</u>	<u>\$ 4,108</u>



Jones, Nale & Mattingly PLC

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Mayor and the City Council
City of Wellington, Kentucky
Louisville, 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 the City of Wellington, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Wellington, Kentucky's basic financial statements and have issued our report thereon dated July 31, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Wellington, Kentucky's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Wellington, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Wellington, 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. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wellington, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Jones, Nale & Mattingly PC

Louisville, Kentucky
July 31, 2024