

**CITY OF ROLLING HILLS, KENTUCKY**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**CITY OF ROLLING HILLS, KENTUCKY  
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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Rolling Hills, Kentucky as of and for the years ended June 30, 2015 and 2014, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 City'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 City'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 Rolling Hills, Kentucky, as of June 30, 2015 and 2014, and the respective changes in financial position for the years 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 11-12 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 March 4, 2016, on our consideration of the City of Rolling 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 Rolling Hills, Kentucky's internal control over financial reporting and compliance.



Welenken CPAs  
Louisville, Kentucky  
March 4, 2016

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

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

The City of Rolling Hills' ("City") discussion and analysis provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Since this information is designed to focus on the current year's 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. Other 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, \$156,333, or 28%, reflects its investment in capital assets. The City uses these capital assets to provide service to citizens and as a result, these assets are not available for future spending.

An additional portion of City net position, \$70,719, or 13%, represents resources (municipal road aid) that are subject to external restrictions on how they may be used. The remaining balance of \$332,310, or 59%, represents unrestricted net position which may be used to meet the City's ongoing obligations to citizens.

Governmental activities increased City net position by \$8,747. This increase has allowed for additional expendable funds and continues a positive financial trend for the City.

Total assets at June 30, 2015 were \$612,378, of which \$156,333, or 26%, consisted of capital assets. In comparison, total assets for the prior year were \$563,549, of which \$123,602, or 22%, consisted of capital assets.

Total revenues for the 2015 fiscal year, were \$231,795, as compared to prior year total revenues of \$238,367. Approximately 48%, or \$112,376, of current year revenue is from property taxes, which is the largest source of revenue for the City. Property taxes were assessed at .193 per \$100 of assessed value.

Total expenses for the 2015 fiscal year were \$223,048, which was \$30,011 more than prior year total expenses of \$193,037. The City's four major expenses and their percentage of total expenses are as follows:

	<u>2015</u>		<u>2014</u>	
Sanitation	\$ 56,276	26%	\$ 56,276	29%
Ground maintenance	\$ 29,238	14%	\$ 20,995	11%
Police contract	\$ 30,120	14%	\$ 28,123	15%
General government	\$ 26,145	12%	\$ 21,465	11%

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The financial reporting focus of the City of Rolling Hills' *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.

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

At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$375,144. The General Fund is the chief operating fund of the City. At the end of the 2015 fiscal year, the General Fund balance was \$304,425, of which \$177,248 is unassigned, which means it is available for spending at the government's discretion.

The Special Revenue Fund has a total fund balance of \$70,719. The net decrease in the Special Revenue Fund balance was \$38,901 from the prior year.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City's original budget remained the same. The actual charges to appropriations (expenditures) were \$2,381 greater than the final budgeted amounts. The most significant negative variance occurred in the City's street lights and signs expense. The most significant positive variance occurred in the City's estimate of ground maintenance.

In addition, resources available for appropriation were \$23,659 greater than the final budgeted amount. The final budget included \$51,500 of insurance tax revenue in comparison to the \$63,320 actually collected.

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

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

The City's investment in capital assets for governmental activities as of June 30, 2015 is \$156,333 (net of accumulated depreciation). This investment in capital assets includes infrastructure, street signs, and furniture and equipment.

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

The City has no long-term debt.

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

There are currently no economic factors that are expected to change the outlook of the revenues 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 of the City. Questions or requests for additional financial information may be addressed to Dan Linker, Mayor, City of Rolling Hills, P.O. Box 22445, Louisville, KY 40252.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**CITY OF ROLLING HILLS, KENTUCKY**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2015 AND 2014**

	Governmental Activity	
	2015	2014
<b>ASSETS</b>		
Cash	\$ 234,167	\$ 281,515
Certificates of deposit	180,659	107,422
Property taxes receivable	27,885	33,922
Other receivables	12,957	16,776
Prepaid expenses	377	312
Capital assets, net of depreciation	156,333	123,602
Total Assets	612,378	563,549
 <b>LIABILITIES</b>		
Accounts payable	52,117	12,047
Accrued expenses	899	887
Total Liabilities	53,016	12,934
 <b>NET POSITION</b>		
Investment in capital assets	156,333	123,602
Unrestricted	332,310	317,393
Restricted	70,719	109,620
Total net position	\$ 559,362	\$ 550,615

See accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS, KENTUCKY  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2015 AND 2014**

Governmental Activities						
<b>PRIMARY GOVERNMENT</b>	2015			2014		
	Expenses	Charges for Services	Total	Expenses	Charges for Services	Total
<u>FUNCTIONS/PROGRAMS</u>						
General government	\$ 83,444	\$ 21,908	\$ (61,536)	\$ 71,682	\$ 19,023	\$ (52,659)
Roads and sidewalks	23,970	22,891	(1,079)	15,961	24,913	8,952
Sanitation	56,276	317	(55,959)	56,276	9,093	(47,183)
Public safety	30,120	-	(30,120)	28,123	-	(28,123)
Public works	29,238	-	(29,238)	20,995	-	(20,995)
Total Primary Government	223,048	45,116	(177,932)	193,037	53,029	(140,008)
 <b>GENERAL REVENUES</b>						
Property taxes			\$ 112,376			\$ 113,707
Insurance taxes			63,320			70,893
Investment earnings			893			578
Miscellaneous			10,090			160
Total general revenues			186,679			185,338
 <b>CHANGE IN NET ASSETS</b>						
			8,747			45,330
 <b>NET POSITION, BEGINNING OF YEAR</b>						
			550,615			505,285
 <b>NET POSITION, END OF YEAR</b>						
			\$ 559,362			\$ 550,615

See accompanying Notes to Financial Statements.

## **FUND FINANCIAL STATEMENTS**

**CITY OF ROLLING HILLS, KENTUCKY  
BALANCE SHEETS - GOVERNMENTAL FUNDS  
JUNE 30, 2015 AND 2014**

**ASSETS**

	<u>2015</u>			<u>2014</u>		
	General Fund	Special Revenue Fund	Total Governmental Funds	General Fund	Special Revenue Fund	Total Governmental Funds
Cash	\$ 153,224	\$ 80,943	\$ 234,167	\$ 223,469	\$ 58,046	\$ 281,515
Certificates of deposit	180,659	-	180,659	107,422	-	107,422
Property taxes receivable	27,885	-	27,885	33,922	-	33,922
Other receivables	12,957	-	12,957	16,776	-	16,776
Due from General Fund	-	36,297	36,297	-	51,574	51,574
Prepaid expenses	377	-	377	312	-	312
<b>TOTAL ASSETS</b>	<u>\$ 375,102</u>	<u>\$ 117,240</u>	<u>\$ 492,342</u>	<u>\$ 381,901</u>	<u>\$ 109,620</u>	<u>\$ 491,521</u>

**LIABILITIES AND FUND BALANCES**

**LIABILITIES**

Accounts payable	\$ 5,596	\$ 46,521	\$ 52,117	\$ 12,047	\$ -	\$ 12,047
Accrued expenses	899	-	899	887	-	887
Due to Special Revenue Fund	36,297	-	36,297	51,574	-	51,574
<b>TOTAL LIABILITIES</b>	<u>42,792</u>	<u>46,521</u>	<u>89,313</u>	<u>64,508</u>	<u>-</u>	<u>64,508</u>

**DEFERRED INFLOWS OF RESOURCES**

Unavailable revenue - property taxes	27,885	-	27,885	32,246	-	32,246
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>27,885</u>	<u>-</u>	<u>27,885</u>	<u>32,246</u>	<u>-</u>	<u>32,246</u>

**FUND BALANCES**

Nonspendable						
Prepaid items	377	-	377	312	-	312
Restricted						
Special Revenue Fund	-	70,719	70,719	-	109,620	109,620
Assigned						
Subsequent year's budget	51,800	-	51,800	-	-	-
Designated for roads	20,000	-	20,000	20,000	-	20,000
Designated for equipment	30,000	-	30,000	30,000	-	30,000
Designated for emergency	25,000	-	25,000	25,000	-	25,000
Unassigned	177,248	-	177,248	209,835	-	209,835
<b>TOTAL FUND BALANCES</b>	<u>304,425</u>	<u>70,719</u>	<u>375,144</u>	<u>285,147</u>	<u>109,620</u>	<u>394,767</u>

**TOTAL LIABILITIES, DEFERRED INFLOWS  
OF RESOURCES, AND FUND BALANCES**

<u>\$ 375,102</u>	<u>\$ 117,240</u>	<u>\$ 492,342</u>	<u>\$ 381,901</u>	<u>\$ 109,620</u>	<u>\$ 491,521</u>
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See accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEETS - GOVERNMENTAL  
FUNDS TO THE STATEMENTS OF NET POSITION  
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
Total fund balances for governmental funds	\$ 375,144	\$ 394,767
Total net position reported for governmental activities in the statement of net position is different because:		
Certain property tax collections and other revenues are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds	27,885	32,246
Capital assets, net of depreciation, used in governmental activities are not financial resources and, therefore, not reported in the general fund	156,333	123,602
Total net position of governmental activities	\$ 559,362	\$ 550,615

See accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS, KENTUCKY**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<b>2015</b>			<b>2014</b>		
	General Fund	Special Revenue Fund	Total Governmental Funds	General Fund	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 119,623	\$ -	\$ 119,623	\$ 113,377	\$ -	\$ 113,377
Insurance taxes	63,320	-	63,320	70,893	-	70,893
Municipal road aid	-	22,891	22,891	-	24,913	24,913
Bank deposit tax	9,292	-	9,292	8,504	-	8,504
Licenses, fees, fines, and miscellaneous	16,466	-	16,466	2,663	-	2,663
Cable TV franchise	3,354	-	3,354	3,477	-	3,477
Sanitation revenue	317	-	317	9,093	-	9,093
Interest income	887	6	893	573	5	578
<b>Total Revenues</b>	<b>213,259</b>	<b>22,897</b>	<b>236,156</b>	<b>208,580</b>	<b>24,918</b>	<b>233,498</b>
<b>EXPENDITURES</b>						
Sanitation	56,276	-	56,276	56,276	-	56,276
Ground maintenance	29,238	-	29,238	20,995	-	20,995
Police contract	30,120	-	30,120	28,123	-	28,123
Street lights	24,896	-	24,896	20,185	-	20,185
Road maintenance	-	61,798	61,798	60,934	18,475	79,409
Property valuation assessment	2,957	-	2,957	2,946	-	2,946
Accounting	5,600	-	5,600	5,450	-	5,450
Insurance	4,912	-	4,912	4,924	-	4,924
Legal fees	6,637	-	6,637	6,600	-	6,600
City Clerk/Treasurer salary	7,200	-	7,200	6,536	-	6,536
General government	26,145	-	26,145	21,465	78	21,543
<b>Total Expenditures</b>	<b>193,981</b>	<b>61,798</b>	<b>255,779</b>	<b>234,434</b>	<b>18,553</b>	<b>252,987</b>
Excess (deficit) of revenues over expenditures	19,278	(38,901)	(19,623)	(25,854)	6,365	(19,489)
<b>CHANGES IN FUND BALANCES</b>	<b>19,278</b>	<b>(38,901)</b>	<b>(19,623)</b>	<b>(25,854)</b>	<b>6,365</b>	<b>(19,489)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>285,147</b>	<b>109,620</b>	<b>394,767</b>	<b>311,001</b>	<b>103,255</b>	<b>414,256</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 304,425</b>	<b>\$ 70,719</b>	<b>\$ 375,144</b>	<b>\$ 285,147</b>	<b>\$ 109,620</b>	<b>\$ 394,767</b>

See accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS, KENTUCKY  
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
Net change in fund balances - total governmental funds	\$ (19,623)	\$(19,489)
<p>The change in net assets reported for governmental activities in the statement of activities is different because:</p>		
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds	(4,361)	4,870
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. This is the amount by which capital outlays (\$46,520 and \$71,345 for 2015 and 2014, respectively) are greater (less) than depreciation (\$13,789 and \$11,396, for 2015 and 2014, respectively) in the current period	32,731	59,949
Change in net assets of governmental activities	\$ 8,747	\$ 45,330

See accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULES - GENERAL FUND**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	2015				2014			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Budgetary undesignated fund balance, July 1	\$ 285,147	\$ 285,147	\$ 285,147	\$ -	\$ 311,001	\$ 311,001	\$ 311,001	\$ -
Resources (inflows):								
Property taxes	120,000	120,000	119,623	(377)	120,000	120,000	113,377	(6,623)
Insurance taxes	51,500	51,500	63,320	11,820	39,000	39,000	70,893	31,893
Bank deposit tax	8,500	8,500	9,292	792	10,000	10,000	8,504	(1,496)
Licenses, fees, fines, and miscellaneous	2,000	2,000	16,466	14,466	2,400	2,400	2,663	263
Newsletter ads	-	-	-	-	750	750	-	(750)
Cable TV franchise	4,500	4,500	3,354	(1,146)	4,500	4,500	3,477	(1,023)
Sanitation revenue	3,100	3,100	317	(2,783)	3,100	3,100	9,093	5,993
Interest income	-	-	887	887	3,200	3,200	573	(2,627)
Transfer from other funds	-	-	-	-	4,000	4,000	-	(4,000)
Amounts available for appropriation	<u>474,747</u>	<u>474,747</u>	<u>498,406</u>	<u>23,659</u>	<u>497,951</u>	<u>497,951</u>	<u>519,581</u>	<u>21,630</u>
Charges to appropriations (outflows):								
Sanitation	56,200	56,200	56,276	(76)	56,200	56,200	56,276	(76)
Ground maintenance	34,300	34,300	29,238	5,062	32,000	32,000	20,995	11,005
Police contract	32,000	32,000	30,120	1,880	34,500	34,500	28,123	6,377
Street lights	19,000	19,000	24,896	(5,896)	19,000	19,000	20,185	(1,185)
Road maintenance	-	-	-	-	-	-	60,934	(60,934)
Property valuation assessment	3,000	3,000	2,957	43	2,800	2,800	2,946	(146)
Accounting	5,300	5,300	5,600	(300)	3,600	3,600	5,450	(1,850)
Insurance	5,000	5,000	4,912	88	5,000	5,000	4,924	76
Legal fees	6,600	6,600	6,637	(37)	7,500	7,500	6,600	900
City Clerk/Treasurer salary	7,200	7,200	7,200	-	6,426	6,426	6,536	(110)
General government	23,000	23,000	26,145	(3,145)	19,174	19,174	21,465	(2,291)
Total charges to appropriations	<u>191,600</u>	<u>191,600</u>	<u>193,981</u>	<u>(2,381)</u>	<u>186,200</u>	<u>186,200</u>	<u>234,434</u>	<u>(48,234)</u>
Budgetary undesignated fund balance, June 30	<u>\$ 283,147</u>	<u>\$ 283,147</u>	<u>\$ 304,425</u>	<u>\$ 21,278</u>	<u>\$ 311,751</u>	<u>\$ 311,751</u>	<u>\$ 285,147</u>	<u>\$ (26,604)</u>

See accompanying Notes to Financial Statements.



**CITY OF ROLLING HILLS, KENTUCKY  
BUDGETARY COMPARISON SCHEDULES - SPECIAL REVENUE FUND  
YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>				<u>2014</u>			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Budgetary fund balance, July 1	\$ 109,620	\$ 109,620	\$ 109,620	\$ -	\$ 103,255	\$ 103,255	\$ 103,255	\$ -
Resources (inflows):								
Municipal road aid	20,500	20,500	22,891	2,391	14,500	14,500	24,913	10,413
Interest income	-	-	6	6	-	-	5	5
Transfer from other funds	-	-	-	-	4,000	4,000	-	(4,000)
Amounts available for appropriation	<u>130,120</u>	<u>130,120</u>	<u>132,517</u>	<u>2,397</u>	<u>121,755</u>	<u>121,755</u>	<u>128,173</u>	<u>6,418</u>
Charges to appropriations (outflows):								
Street lights and signs	-	-	-	-	2,500	2,500	-	2,500
Road maintenance	20,500	20,500	61,798	(41,298)	16,000	16,000	18,475	(2,475)
General government	-	-	-	-	-	-	78	(78)
Total charges to appropriations	<u>20,500</u>	<u>20,500</u>	<u>61,798</u>	<u>(41,298)</u>	<u>18,500</u>	<u>18,500</u>	<u>18,553</u>	<u>(53)</u>
Budgetary fund balance, June 30	<u>\$ 109,620</u>	<u>\$ 109,620</u>	<u>\$ 70,719</u>	<u>\$ (38,901)</u>	<u>\$ 103,255</u>	<u>\$ 103,255</u>	<u>\$ 109,620</u>	<u>\$ 6,365</u>

See accompanying Notes to Financial Statements.

# **CITY OF ROLLING HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS**

## **NOTE A - DESCRIPTION OF ORGANIZATION**

The City of Rolling Hills, Kentucky (City) was incorporated in 1966, and 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: streets, sanitation, public improvements, planning and zoning, and general 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 statements of net position and the statements of activities) report information on all of the 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.

# CITY OF ROLLING HILLS, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

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

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 road expenditures are accounted for within this fund.

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, franchise taxes, licenses, municipal road aid, 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 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.

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

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

**Cash**

The City's checking accounts, money market accounts and certificates of deposit were insured by federal depository insurance or by collateral held by the custodial banks in the City's name. Kentucky Revised Statutes authorize municipalities to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies and in deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States or its agencies.

**Property Taxes and Other Receivables**

Property taxes and other receivables are recorded at gross amounts 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 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 costs 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 the following estimated useful lives:

Infrastructure	10 – 16 Years
Street signs, furniture, and equipment	5 – 10 Years

**Deferred Inflows of Resources**

In addition to liabilities, the balance sheets – governmental funds report a separate section for deferred inflows of resources. This separate financial statement element is for certain receivables that are not available to pay for current-period expenditures and arises only under the modified accrual basis of accounting. Accordingly, the items, unavailable revenue, is reported only in the balance sheets – governmental funds. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts became available.

## CITY OF ROLLING HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS

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

#### **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:

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

**Restricted Net Position** – Net position that is restricted by external sources such as banks or by law are reported separately as restricted net position. When assets are required to be retained in perpetuity, these non-expendable net positions are 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.

**Unrestricted Net Position** – This category represents net position not appropriate for expenditures or legally segregated for a specific future use.

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 the City Commission has provided otherwise in its commitment or assignment functions.

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

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

**Subsequent Events**

The City has evaluated subsequent events through March 4, 2016, the date the financial statements were available to be issued.

**NOTE C – CAPITAL ASSETS**

	<b><u>2015</u></b>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Infrastructure	\$ 182,894	\$ 46,520	\$ -	\$ 229,414
Street signs	12,248	-	-	12,248
Furniture and equipment	<u>2,042</u>	<u>-</u>	<u>-</u>	<u>2,042</u>
Total Cost	197,184	46,520	-	243,704
Less: accumulated depreciation	<u>( 73,582)</u>	<u>( 13,789)</u>	<u>-</u>	<u>( 87,371)</u>
Net Book Value	<u>\$ 123,602</u>	<u>\$ 32,731</u>	<u>\$ -</u>	<u>\$ 156,333</u>

	<b><u>2014</u></b>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Infrastructure	\$ 111,549	\$ 71,345	\$ -	\$ 182,894
Street signs	12,248	-	-	12,248
Furniture and equipment	<u>2,042</u>	<u>-</u>	<u>-</u>	<u>2,042</u>
Total Cost	125,839	-	-	197,184
Less: accumulated depreciation	<u>( 62,186)</u>	<u>( 11,396)</u>	<u>-</u>	<u>( 73,582)</u>
Net Book Value	<u>\$ 63,653</u>	<u>\$ 59,949</u>	<u>\$ -</u>	<u>\$ 123,602</u>

**NOTE D – 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 face value amount payment dates are July 1 to September 1. All unpaid taxes become delinquent September 1 and are assessed a 20% penalty and 1% interest per month until paid.

Property taxes revenues are recognized when they become available. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

**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 Rolling 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 Rolling Hills, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 4, 2016.

**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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2015-1 and 2015-2.

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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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*.

### **City of Rolling Hills, Kentucky's Response to Finding**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of 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 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  
March 4, 2016



**CITY OF ROLLING HILLS, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2015**

**Findings:**

- 2015-1 Based on the City's limited number of accounting personnel, the City lacks proper segregation of duties within the accounting function.
- 2015-2 Material misstatements to the financial statements were identified and corrected as a result of the audit.

**Management's Response to Audit Findings:**

- 2015-1 The City Commission will be updating the accounting software to a multi-user license which will allow the Finance Commissioner and Mayor to easily review, advise and have instant visibility to the City's accounting records.
- 2015-2 The City Commission will actively monitor and review the monthly general ledger to avoid misstatements in the financial statements.