CITY OF WORTHINGTON HILLS, KENTUCKY

FINANCIAL STATEMENTS

Year Ended June 30, 2026

WITH

Independent Auditors' Report

CITY OF WORTHINGTON HILLS, KENTUCKY

FINANCIAL STATEMENTS

Year Ended June 30, 2026

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CITY OF WORTHINGTON HILLS, KENTUCKY

CITY OFFICIALS

Year Ended June 30, 2026

Mayor

Robert Stonum

List of Commissioners

Dennis Metcalf

Susan Maupin

Cristina Recendez

Linda Beville

City Treasurer

Dan Small

City Clerk

Beverly Lush

City Attorney

Robert DeWees III

BRAMEL & ACKLEY, PSC

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor
City Commissioners
City of Worthington Hills, 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 Worthington Hills, Kentucky (the City), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the City'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, as of June 30, 2026, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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'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.

Auditors' 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 auditors' 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'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'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 the management's discussion and analysis and budgetary comparison information on pages 5-8 and pages 21-23 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2026, on our consideration of the City of Worthington Hills, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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'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 the City's internal control over financial reporting and compliance.

Bramel & Ackley, P.S.C.

November 10, 2026

CITY OF WORTHINGTON HILLS, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2026

Management's Discussion and Analysis (MD&A) is required supplementary information per the Government Accounting Standards Board (GASB) that provides management with the opportunity to provide both short-term and long-term analysis of the City of Worthington Hills, Kentucky's financial activities. The MD&A should be read in conjunction with the City's basic financial statements, which begin on page 9.

Overview of the Financial Statements

This management 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.

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.

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.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

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

The City adopts annual appropriated budgets for the general and special revenue funds as required by state statute. Budgetary comparison statements have been provided for the general and special revenue funds to demonstrate compliance with the adopted budgets.

Financial Summary

Table 1 presented below provides a summary of the City's assets, liabilities, and net position for the fiscal year 2026 compared to fiscal year 2025.

TABLE 1 - NET POSITION

	2026	2025	Increase (Decrease)	Percent Change
Current assets	$ 1,339,128	$ 1,147,876	$ 191,252	16.66%
Capital assets, net	53,824	59,865	(6,041)	-10.09%
Total assets	1,392,952	1,207,741	185,211	15.34%
Current liabilities	40,455	16,296	24,159	148.25%
Total liabilities	40,455	16,296	24,159	148.25%
Net investment in capital assets	53,824	59,865	(6,041)	-10.09%
Restricted	395,865	359,571	36,294	10.09%
Unrestricted	902,808	772,009	130,799	16.94%
Total net position	$ 1,352,497	$ 1,191,445	$ 161,052	13.52%

Table 2 presented below provides a summary of the City's revenues, expenses and the change in net position for fiscal year 2026 compared to fiscal year 2025.

TABLE 2 - CHANGE IN NET POSITION

	2026	2025	Increase (Decrease)	Percent Change
Revenues				
Program revenue				
Operating grants	$ 23,655	$ 30,673	$ (7,018)	-22.88%
General revenue				
Property taxes	221,361	211,524	9,837	4.65%
Insurance taxes	273,058	261,288	11,770	4.50%
Franchise fees	4,658	4,658	-	0.00%
Interest income	41,194	17,090	24,104	141.04%
Miscellaneous	483	703	(220)	-31.29%
Total revenues	564,409	525,936	38,473	7.32%
Expenses				
General government	166,252	138,724	27,528	19.84%
Roads and sidewalks	63,020	59,635	3,385	5.68%
Sanitation	154,288	143,689	10,599	7.38%
Public safety	19,797	26,300	(6,503)	-24.73%
Total expenses	403,357	368,348	35,009	9.50%
Change in net position	$ 161,052	$ 157,588	$ 3,464	2.20%

Property taxes were assessed at $0.1798 per $100 of assessed value.

Detailed Analyses

A portion of the City's net position, $53,824, or 4%, reflects its net investment in capital assets. The City uses these capital assets to provide services to residents and as a result, these assets are not available for future spending.

An additional portion of City net position, $395,865 or 29%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of $902,808, or 67%, represents unrestricted net position.

The majority (95.8%) of revenue supporting all government activities is general revenue. Property and insurance taxes are significant sources of general revenue. The City realized $41,194 in interest income during the year, more than double the prior year, due to investing in Certificates of Deposit.

General government expenses increased by $27,528 over the prior year, primarily due to landscaping projects and the installation of a new flagpole.

At the end of the fiscal year, the City governmental funds reported combined ending fund balances of $1,269,964, an increase of $159,525 from prior year balance. The General Fund's unassigned balance of $874,099 is available for spending at the government's discretion. This balance increased by $123,231 over the prior year. As a measure of liquidity, a comparison of the unassigned fund balance to total general fund expenditures placed the fund balance at 230.21% of total expenditures.

The Special Revenue Fund which is restricted for road expenditures has a total fund balance of $395,865. The net increase in the Special Revenue Fund balance for the fiscal year was $36,294.

Significant Capital Asset Activity

The City's investment in capital assets for governmental activities as of June 30, 2026, is $53,824 (net of accumulated depreciation). There were no additions or disposals to Capital Assets during the 2025-2026 fiscal year.

CAPITAL ASSETS

	2026	2025
Infrastructure	$ 132,430	$ 132,430
Equipment	14,732	14,732
	147,162	147,162
Less accumulated depreciation	(93,338)	(87,297)
Capital assets, net	$ 53,824	$ 59,865

Currently Known Facts, Decisions, or Conditions

There are currently no economic factors that are expected to change the outlook of the revenues or expenditures for the City in the next year. The City approved a tax rate of $0.14875 per $100 of assessed value for fiscal year 2027.

Fiscal year 2027 budgeted General Fund expenses are $475,250.

CITY OF WORTHINGTON HILLS, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2026

	Governmental Activities
Assets	
Cash and cash equivalents	$ 459,351
Certificates of deposit	776,475
Property taxes receivable	28,708
Receivable - other	67,393
Prepaid expense	7,201
Capital assets, net of depreciation	53,824
Total Assets	1,392,952
Liabilities	
Accounts payable	40,455
Total Liabilities	40,455
Net Position	
Invested in capital assets	53,824
Restricted	395,865
Unrestricted	902,808
Total Net Position	$ 1,352,497

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

CITY OF WORTHINGTON HILLS, KENTUCKY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2026

Primary Government	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Functions/Programs				
General government	$ (166,252)	$ -	$ -	$ (166,252)
Roads and sidewalks	(63,020)	-	23,655	(39,365)
Sanitation	(154,288)	-	-	(154,288)
Public safety	(19,797)	-	-	(19,797)
Total Primary Government	$ (403,357)	$ -	$ 23,655	(379,702)
General revenues				
Property taxes				221,361
Insurance taxes				273,058
Franchise fees				4,658
Interest income				41,194
Miscellaneous				483
Total general revenues				540,754
Change in net position				161,052
Net position, beginning				1,191,445
Net position, ending				$ 1,352,497

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

CITY OF WORTHINGTON HILLS, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2026

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 322,311	$ 137,040	$ 459,351
Certificates of deposit	517,650	258,825	776,475
Property taxes receivable	28,708	-	28,708
Receivable - other	67,393	-	67,393
Prepaid expense	7,201	-	7,201
Total Assets	$ 943,263	$ 395,865	$ 1,339,128
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 40,455	$ -	$ 40,455
Total Liabilities	40,455	-	40,455
Deferred Inflows of Resources			
Unavailable revenue - property taxes	28,709	-	28,709
Total Deferred Inflows of Resources	28,709	-	28,709
Fund Balances			
Restricted			
Special revenue fund	-	395,865	395,865
Unassigned	874,099	-	874,099
Total Fund Balances	874,099	395,865	1,269,964
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 943,263	$ 395,865	$ 1,339,128

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

CITY OF WORTHINGTON HILLS, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
Year Ended June 30, 2026

Total fund balances for governmental funds	$	1,269,964
Total net position reported for governmental activities in the statement of net position is different because:		
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.		28,709
Capital assets, net of depreciation, used in governmental activities are not financial resources and therefore not reported in the funds.		53,824
Total net position of governmental activities	$	1,352,497

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

CITY OF WORTHINGTON HILLS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2026

	General Fund	Special Revenue Funds	Total Governmental Funds
Revenues			
Taxes			
Property	$ 213,793	$ -	$ 213,793
Insurance premiums	273,058	-	273,058
Franchise fees	4,658	-	4,658
Municipal road aid	-	23,655	23,655
Interest income	28,555	12,639	41,194
Miscellaneous	483	-	483
Total Revenues	520,547	36,294	556,841
Expenditures			
Sanitation	154,288	-	154,288
Open space maintenance	27,497	-	27,497
Tree and stump removal	7,475	-	7,475
Landscaping	27,910	-	27,910
Snow removal	31,325	-	31,325
Salaries	45,594	-	45,594
Payroll taxes and fees	5,369	-	5,369
Street lighting	31,695	-	31,695
Security	19,797	-	19,797
Audit	9,450	-	9,450
Utilities	1,186	-	1,186
Property valuation	7,509	-	7,509
General government	6,959	-	6,959
Dues and subscriptions	2,116	-	2,116
Media	8,964	-	8,964
Office equipment	2,991	-	2,991
Insurance	7,191	-	7,191
Total Expenditures	397,316	-	397,316
Excess Revenues Over Expenditures	123,231	36,294	159,525
Fund Balances Beginning of Year	750,868	359,571	1,110,439
Fund Balances End of Year	$ 874,099	$ 395,865	$ 1,269,964

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

CITY OF WORTHINGTON HILLS, 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, 2026

Changes in fund balances - governmental funds	$	159,525
The change in net position reported for governmental activities in the statement of net position is different because:		
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. This is the amount the current year deferred inflow exceeded the prior year deferred inflow.		7,568
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		
Depreciation expense		(6,041)
Change in net position of governmental activities	$	161,052

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Worthington Hills, Kentucky (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The City operates under the Kentucky Revised Statutes, as amended. The City operates under the Mayor-Commissioner form of government and provides the following services as authorized by its charter: municipal services, including care and maintenance of streets, police protection, garbage collection, and administrative services.

Government-Wide Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and (2) grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 consistently with legal and managerial requirements. Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. The City in general considers revenues available if they are collected within 180 days after year-end, except for property taxes, which the City considers available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

For the governmental funds financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, interest, special assessments, charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Property Taxes and Other Receivables

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

Capital Assets

Capital assets, which include equipment and infrastructure (i.e. sidewalks, signage, etc.), are reported in the governmental activity column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of $1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Deferred Inflows of Resources

In addition to liabilities, the balance sheet – 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 sheet – 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 become available.

Net Position/Fund Balances

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Nonspendable – amounts that cannot be spent either because they are not in spendable 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.

Use of Restricted Resources

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.

NOTE B – DEPOSITS

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.

NOTE B – DEPOSITS (CONTINUED)

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

The categories are described as follows:

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

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

Category 3: Uncollateralized.

Deposits categorized by level of risk at June 30, 2026, are as follows:

Account	Bank Balance	Category 1	Category 2	Category 3
Total	$1,243,709	$ 250,000	$ 993,709	$ -

NOTE C – CAPITAL ASSETS

	Year Ending June 30, 2026			
	Beginning Balance	Additions	Disposals	Ending Balance
Infrastructure	$ 132,430	$ -	$ -	$ 132,430
Equipment	14,732	-	-	14,732
Total cost	$ 147,162	$ -	$ -	$ 147,162
Less accumulated depreciation	(87,297)	(6,041)	-	(93,338)
Net book value	$ 59,865	$ (6,041)	$ -	$ 53,824

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

Roads and sidewalks	$ 6,041
Total	$ 6,041

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 tax payments are due and payable when levied. All unpaid taxes become delinquent December 1.

NOTE D – PROPERTY TAXES (CONTINUED)

Property tax revenues are recognized when they become available. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. A discount of 2% shall be allowed on tax bills paid prior to August 1. Bills paid after that date but before September 1 are not allowed a discount or subject to a penalty. All bills paid after August 31st are charged interest of 12% on the base tax. All bills paid after September 30 are charged an additional 2% monthly interest on the base tax until paid plus administration fees. The City has no policy regarding lien dates.

NOTE E - COMMITMENTS

The City maintains contractual relationships relating to services provided for the benefit of the City. These commitments include annual contractual obligations for sanitation and maintenance services. All contracts are current and no invoices are outstanding.

NOTE F – CLAIMS AND JUDGMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE G – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and/or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has effectively managed risk through insurance coverage and various employee education and prevention programs.

NOTE H – ECONOMIC DEPENDENCY

The City receives approximately 50% of its general fund revenues from insurance premium taxation. If legislation were enacted to disallow this tax, the operations of the City would be heavily impacted.

NOTE I – SUBSEQUENT EVENTS

The City has evaluated subsequent events through November 10, 2026, the date which the financial statements were available to be issued. No events have occurred which would have a material effect on the financial statements of the City as of that date.

NOTE J – IMPLEMENTATION OF NEW ACCOUNTING STANDARD GASB STATEMENT NO. 103

Effective July 1, 2025, the City implemented GASB Statement No. 103, *Financial Reporting Model Improvements.* This Statement improves key components of the financial reporting model by enhancing the effectiveness in providing information that is essential for decision making and assessing accountability. GASB Statement No. 103 primarily modifies the presentation and content of management's discussion and analysis (MD&A), requires new presentation rules for unusual or infrequent items, and changes the presentation of budgetary comparison schedules for the general and major funds. The implementation of GASB Statement No. 103 impacted reporting layout and financial statement structure but did not result in restatement of beginning fund balance or net position.

CITY OF WORTHINGTON HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL - GENERAL FUND
Year Ended June 30, 2026

	Original Budget	Final Budget	Variance with Original Budget Favorable (Unfavorable)	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues					
Taxes					
Property	$ 203,250	$ 203,250	$ -	$ 213,793	$ 10,543
Insurance premiums	212,000	212,000	-	273,058	61,058
Franchise fees	4,500	4,500	-	4,658	158
Interest income	6,500	6,500	-	28,555	22,055
Miscellaneous	500	500	-	483	(17)
Total Revenues	426,750	426,750	-	520,547	93,797
Expenditures					
Sanitation/utilities	145,750	155,650	(9,900)	155,474	176
Open space maintenance	39,000	65,000	(26,000)	62,882	2,118
Snow removal	40,000	40,000	-	31,325	8,675
Street lighting	40,000	32,000	8,000	31,695	305
Salaries and payroll taxes	52,500	52,500	-	50,963	1,537
Security	45,000	25,100	19,900	19,797	5,303
Signage	2,000	2,000	-	-	2,000
Audit	10,000	9,450	550	9,450	-
Property valuation	7,000	7,600	(600)	7,509	91
Insurance	7,200	7,200	-	7,191	9
General government	25,000	16,950	8,050	9,950	7,000
Media	13,000	13,000	-	11,080	1,920
Total Expenditures	426,450	426,450	-	397,316	29,134
Changes in fund balances	300	300	-	123,231	122,931
Budgetary fund balance, July 1	750,868	750,868	-	750,868	-
Budgetary fund balance, June 30	$ 751,168	$ 751,168	$ -	$ 874,099	$ 122,931

The accompanying notes to the budgetary comparison schedule are an integral part to this statement.

CITY OF WORTHINGTON HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL - SPECIAL REVENUE FUND
Year Ended June 30, 2026

	Original Budget	Final Budget	Variance with Original Budget Favorable (Unfavorable)	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues					
Road aid	$ 28,000	$ 28,000	$ -	$ 23,655	$ (4,345)
Interest income	4,000	4,000	-	12,639	8,639
Total Revenues	32,000	32,000	-	36,294	4,294
Expenditures					
Sign and road repairs	150,000	150,000	-	-	150,000
Total Expenditures	150,000	150,000	-	-	150,000
Changes in fund balance	(118,000)	(118,000)	-	36,294	154,294
Budgetary fund balance, July 1	359,571	359,571	-	359,571	-
Budgetary fund balance, June 30	$ 241,571	$ 241,571	$ -	$ 395,865	$ 154,294

The accompanying notes to the budgetary comparison schedule are an integral part to this statement.

CITY OF WORTHINGTON HILLS, KENTUCKY
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2026

Significant Variances in Budgetary Comparison Schedule – General Fund

Original Budget vs Final Budget:

- Open space maintenance expense budget was increased by $26,000 to allow for landscaping and installation of a new flagpole.
- Security expense budget was decreased by $19,900. Flock safety cameras were installed, and that expense was expected to reduce the cost of security services.

Final Budget vs Actual:

- Insurance tax premiums exceeded the budget estimate by $61,058. The City budgeted for this revenue source conservatively. Insurance tax premiums were 4.5% higher than the prior year.
- Interest income was $22,055 higher than the budgeted amount due to the City's decision to invest in a Certificate of Deposit.
- Actual expenditures were $29,134 less than budgeted. Snow removal had the largest variance at $8,675 below budget. The City budgets conservatively each year for this weather dependent expense.

Significant Variances in Budgetary Comparison Schedule – Special Revenue Fund

Final Budget vs Actual:

- Interest income was $8,639 higher than the budgeted amount due to the City's decision to invest in a Certificate of Deposit.
- Sign and road repairs were budgeted for $150,000, but no expenses were incurred this fiscal year.

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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*

Honorable Mayor
City Commissioners
City of Worthington Hills, Kentucky

We have audited, in accordance with the 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 Worthington Hills, Kentucky (the City), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 10, 2026.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an 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 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'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 financial statements. 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.

Bramel & Ackley, P.S.C.

November 10, 2026