

CITY OF AUDUBON PARK, KENTUCKY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

**CITY OF AUDUBON PARK, KENTUCKY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2016**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 7
FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	8
Statement of Activities	9
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	13
NOTES TO FINANCIAL STATEMENTS	14 – 19
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	20
Budgetary Comparison Schedule – Special Revenue Fund (Road Aid)	21
Budgetary Comparison Schedule – Special Revenue Fund (Sanitation)	21
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	22 – 23

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Councilmembers
City of Audubon Park, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Audubon Park, Kentucky, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Audubon Park, Kentucky, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2-7 and 20-21 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 December 2, 2016, on our consideration of the City of Audubon Park, 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 Audubon Park, Kentucky's internal control over financial reporting and compliance.



Welenken CPAs

Louisville, Kentucky
December 2, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF AUDUBON PARK, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

MAYOR'S MANAGEMENT OVERVIEW

The fiscal year just ended, and the ensuing months leading to this publication, represent a time of growing stability and civic and fiscal health, driven by intensive efforts to solve immediate problems and demands, and meet deferred maintenance and capital needs with the resources available. Best practices to support and sustain these efforts have been devised on the fly, though, leaving documentation and continuity plans as the key remaining challenges to codify the work done, and stretch a sound present footing into a secure future for the City.

City leadership has remained stable through this period, from a lucky combination of circumstances. Because of our two-year election cycle, no elected offices changed hands during this period, save one by relocation. A couple of prospects of talented senior employees being hired away didn't materialize. The City's improved stature, and local contacts, especially in law enforcement, have helped readily replace people who do depart. Enhanced morale, dedication and commitment are encouraging people to stay. And we've been very lucky in borrowing the valuable time and effort of many elected and appointed officials from other demanding jobs that put food on the table.

Those who've had recent business with City government know the thin but potent glue that holds it all together: City Clerk/Treasurer Janette Mercer, who keeps the records, pays the bills, and dispenses all manner of advice and assistance; Chief Doug Sweeney, who with his intrepid crew keeps us safe and orderly, enforcing the City Code and all manner of local, state and Federal law; and Public Works operator Jason Payne, who mows, plows, repairs and maintains our precious City resources.

After trying several different avenues, the City's bookkeeping function is now ably fulfilled by Susan Gordinier on a dedicated part-time appointment that's allowing for robust regular financial reporting, enhanced fiscal recordkeeping, advice and assistance to City agencies, and able participation in the budgeting and auditing process.

Most of the City's officials and board appointments have been filled, at least once, including the ranks of the Code Enforcement, Ethics, Forest, and Parks and Recreation Boards. Vacancies continue to come up in these important positions, of course, as resident moves and other complications arise, so it's been especially encouraging to see continued interest in supporting these important City functions. Outreach efforts to promote community networking have been strenuous and ongoing, including comprehensive Web postings and archives; energetic social media interaction; electronic mail feeds for both routine and emergency notices; hard-copy mail for state-mandated materials; monthly Council meetings, and periodic town hall gatherings; topical surveys; quarterly newsletters; and old-fashioned phone and office calls, and over-the-fence conversation. Having effective means to get the word out, and to hear what comes back, is at least as important as the substance itself.

Capital projects. With the City's fiscal health recovered, some deferred maintenance and capital improvements are ongoing. Rotting window frames and their leaky single panes have been replaced in the most vulnerable areas of City Hall, and the rest budgeted. Failing furnace and A/C units in the police station upstairs have been replaced, and a more serious system overhaul for downstairs is being bid. Entrance columns have been professionally restored, and arrangements set for regular protective care; power supplies for lighting (electric, gas, or both) are under solicitation. Aged and unreliable service vehicles have been sold, and replaced where essential. The most urgent road repairs have been completed, and remaining needs charted for the coming year, as resources permit. Much work still remains, for sure, but progress is encouraging.

**CITY OF AUDUBON PARK, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

In this improving fiscal environment, one of the more pleasant problems to confront has been the development of proper accounting procedures to conserve available resources from year to year, to set a longer-term perspective for City planning in capital investments like road repair, parks development, legal exposure, storm damage recovery, and reforestation. Research accompanying the current audit, together with fund management tools already adopted, have yielded management and reporting techniques we can use to carry over and incorporate unspent funds to complete unfinished work and/or meet future needs.

Non-capital projects. Less visible, but just as urgent for our health as a community, are the updating, revising and streamlining of the City's legal and administrative systems. Major efforts continue, at the frustratingly slow pace forced by the broad scope of these tasks. The City's code of ordinances is being updated to conform to the last 20 years of new state law; restructured to make a coherent body out of the patchwork of provisions adopted over its lifetime; and simplified to minimize duplication, overlap, obscure text and obsolete provisions.

Similar projects are chartered or under way targeting the City's employee handbook; Council orientation materials; staff procedure manuals; records management system; insurance coverage; and tax assessment and collection system. Ongoing litigation is being rigorously defended, to minimize the City's exposure or vulnerability.

This year also marked the occasion for renewing the state accreditation of the City's police department, which affirms its full range of law enforcement services and authority; provides for a healthy discount in insurance premiums; qualifies full-time officers (both of them) for a modest stipend; and confirms the City's standing as a credible player in local law enforcement efforts. Chief Sweeney and his staff deserve enormous credit for their success in this very demanding effort, even as their regular duties have kept the City's crime rate enviably low, and built strong community relationships.

In addition to the financial audit covered in this report, the City had its first recent audit of insurance factors this year, producing a long checklist of safety- and liability-related items to cover in the course of the various administrative projects noted above. In addition to making the City a safer place, addressing these factors systematically will help reduce our legal exposure, and the resulting risk factors and insurance premiums.

Waste management. This year concluded a three-year waste collection contract. A broad effort to get the best new arrangements possible included a community-wide survey of preferred services, and a comprehensive bid package sent to potential vendors. In the end, the new contract was won by Waste Management, LLC, our previous provider, with a proposal that included providing all services on Tuesdays; reducing household garbage collection from two days to one per week; consolidating services for multiple dwellings; issuing large wheeled recycling carts to all customers; and updating customer service provisions – all at a net reduced cost amounting to about \$75 annually for each single household. The new contract arrangements seem to be working fairly smoothly so far, though close monitoring continues.

Utility and service work. This year saw several utility projects undertaken, large and small, bringing opportunities to remind service providers of their obligation to keep residents informed, and to treat their property responsibly. The main oversight tool we have is the permitting process required for utility work in the City. Citizens were reminded to insist that anyone who wants to enter private property show a proper permit – or call City Hall and ask if one's been issued. Our police remain prepared to assist in resolving any situation that may result. This also helps with outreach, so all providers can be better informed of the reasonable protective and communications functions the City performs by law.

**CITY OF AUDUBON PARK, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Among the more prominent projects were those involving fiber-optic cable for super-fast Internet access. AT&T installed trunk lines along the main routes in the western part of the City, to Oriole Drive. They have not made any connections to individual residences from these lines, and have not disclosed, or perhaps even decided, when they plan to do so. While expected, no application has yet reached City Hall for extending the project into the rest of the City, east of Oriole. Some related issues such as deficient preparatory tree trimming remain under scrutiny and follow-up.

The Google "uniform franchise agreement" for fiber-optic service in the metro area was a subject of intense effort by the Jefferson County League of Cities, but was not successfully concluded, and appears to be in abeyance. AT&T's suit challenging an unexpected Metro ordinance allowing third parties (like Google) to move existing equipment on utility poles to accommodate new lines remains pending, and may have contributed to suspending the project.

Forest Management. The Forest Board has done an admirable job of maintaining and restoring our urban canopy, helping to counter the effects of nearby barren areas like the Fairgrounds and the airport. It's an inspiration to watch their work, and a privilege to pitch in when they call for help. Additional City revenue was made available this year to support the Board's work, and helped pay for major projects like cabling and structural pruning of older trees in the parks. In addition to age and urban environment, the emerald ash borer has joined other insect and disease threats to complicate the Board's work, so they deserve special thanks and support for their steely determination to restore and sustain this defining feature of our community.

Parks Development. Because our small parks are public spaces, in addition to maintaining their natural beauty, it's important they attract people, especially our children, with facilities they want to use. The Forest Board began a 'playscapes' initiative to plan fun things that blend smoothly into a natural environment: tire swings, log hops, treehouses, underbrush fortresses, etc. They've worked closely with the Parks & Rec Board to identify suitable locations and facilities for the new generation. Tire and infant swings now hang in Wren and Oriole Parks, and a higher swing awaits installation in Crossbill Park. Other developments are expected to follow.

Community Activities. This year provided an outstanding combination of public and private fun in our public spaces, from a memorable Dogwood Festival celebration, to an impromptu Easter egg hunt in Robin Park, to a first-grade class's school's-out picnic and squirt-gun fight in Wren, to an excellent Independence Day parade starting from Oriole, to a spectacular block party on Dove Road, and a standout fall *Auktoberfest*. The Parks & Rec Board continues to work on other prospects like collateral support for existing events (e.g., Memorial and Veterans Day flag ceremonies, Garden Tour, Community Christmas celebration), and new activities like movie nights, concerts, farmer's market, a 5- or 10K run event, and similar possibilities.

There seems little risk of idle time in the effort to keep up with this large City agenda. I can promise you we'll keep doing our best. When Jason, and the police patrols, and that guy on the bike go by, don't forget to wave!

**CITY OF AUDUBON PARK, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 two Special Revenue Funds (Municipal Road Aid and Sanitation) 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.

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 Funds, in addition to the basic financial statements and accompanying notes.

**CITY OF AUDUBON PARK, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 \$273,441, or 71%, (total net position balance is \$382,175), reflects its net investment in capital assets net of related depreciation. 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 the City's net position \$52,135, or 14%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$56,599, or 15%, represents unrestricted net deficit.

Governmental activities increased the City's net position by \$112,416. This increase has expanded expendable funds.

Total assets at June 30, 2016 were \$677,072, of which \$273,441, or 40%, consisted of capital assets. In comparison, total assets for the prior year were \$878,722, of which \$213,066, or 24%, consisted of capital assets.

Total revenues for the 2015-2016 fiscal year were \$976,509, as compared to prior year total revenue of \$1,021,703. Approximately 36%, or \$349,347 of current year revenue is from property taxes and approximately 20%, or \$190,437 of current year revenue is from sanitation fees. Property taxes was the largest source of revenue for the City. Property taxes were assessed at \$0.27 per \$100 of assessed value.

Total expenses for the 2015-2016 fiscal year were \$864,093, which is \$32,178 greater than prior year total expenses of \$831,915. The City's three major expenses and their percentage of total expenses are as follows:

	<u>2016</u>		<u>2015</u>	
Public safety	\$403,747	47%	\$400,285	48%
General government	\$183,755	21%	\$194,035	23%
Sanitation	\$177,642	21%	\$175,751	21%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

At the end of the fiscal year, the City governmental funds reported combined ending fund balances of \$108,734. The General Fund's unassigned balance is \$42,723. The General Fund is the chief operating fund of the City. At the end of the 2015-2016 fiscal year, the General Fund balance was \$42,723.

The Special Revenue Fund (Road Aid), which is restricted for road expenditures, has a total fund balance of \$41,029. The net decrease in the Special Revenue Fund (Road Aid) balance for the fiscal year was \$9,057.

The Special Revenue Fund (Sanitation), which is committed to sanitation expenses, has a total fund balance of \$24,982. The net increase in the Special Revenue Fund (Sanitation) balance for the fiscal year was \$12,795.

**CITY OF AUDUBON PARK, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were \$16,001 less than the final budgeted amounts. The largest negative variance occurred in the City's public works expense which was over budget by \$892. The most significant positive variance occurred in the City's administration, where the budgeted expenses were \$13,647 greater than actual.

In addition, resources available for appropriation were \$32,302 greater than the final budgeted amount. The final budget included \$344,971 of property tax revenue in comparison to the \$349,347 actually collected. The proceeds from community activities was the most significant positive variance, due to the fact that this was a new category.

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The City's investment in capital assets for governmental activities as of June 30, 2016 is \$273,441 (net of accumulated depreciation). Road work was completed in fiscal year 2016.

B. Long-Term Debt

The City had no long-term debt during the 2015-2016 fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general financial overview for those interested in the City's government finances. Questions or requests for additional financial information may be addressed to Dorn Crawford, Mayor, City of Audubon Park, 3340 Robin Road, Louisville, KY 40213.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF AUDUBON PARK, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2016**

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 335,223
Property taxes receivable	953
Other receivables	65,882
Prepaid expenses	1,573
Capital assets, net of depreciation	<u>273,441</u>
Total Assets	<u>677,072</u>
 LIABILITIES	
Accounts payable	<u>40,664</u>
Total Liabilities	<u>40,664</u>
 DEFERRED INFLOWS OF RESOURCES	
Property tax revenue applicable to future years	184,128
Sanitation fee revenue applicable to future years	<u>70,105</u>
Total Deferred Inflows of Resources	<u>254,233</u>
 NET POSITION	
Invested in capital assets, net of related depreciation	273,441
Restricted	52,135
Unrestricted	<u>56,599</u>
Total Net Position	<u><u>\$ 382,175</u></u>

See accompanying notes to financial statements.

**CITY OF AUDUBON PARK, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

PRIMARY GOVERNMENT	Governmental Activities			
	Expenses	Services	Grants	Total
<u>FUNCTIONS/PROGRAMS</u>				
General government	\$ (183,755)	\$ -	\$ -	\$ (183,755)
Sanitation	(177,642)	190,437	-	12,795
Public safety	(403,747)	74,520	431	(328,796)
Public works	(98,949)	-	-	(98,949)
Total Primary Government	(864,093)	264,957	431	(598,705)
GENERAL REVENUES				
Property taxes				349,347
Insurance taxes				246,053
Motor vehicle taxes				31,547
Intergovernmental				47,257
Franchise taxes				8,348
Licenses and permits				1,525
Community activities				23,027
Investment earnings				2,000
Gain on sale of assets				632
Miscellaneous				1,385
				711,121
Total General Revenues				711,121
CHANGE IN NET POSITION				112,416
NET POSITION, BEGINNING OF YEAR				269,759
NET POSITION, END OF YEAR				\$ 382,175

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

**CITY OF AUDUBON PARK, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

ASSETS

	General Fund	Special Revenue Fund (Road Aid)	Special Revenue Fund (Sanitation)	Total Governmental Funds
Assets				
Cash	\$ 214,483	\$ 25,956	\$ 94,784	\$ 335,223
Property taxes receivable	953	-	-	953
Other receivables	65,579	-	303	65,882
Prepaid expenses	1,573	-	-	1,573
Due from general fund	-	15,073	-	15,073
Total Assets	<u>\$ 282,588</u>	<u>\$ 41,029</u>	<u>\$ 95,087</u>	<u>\$ 418,704</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

Liabilities

Accounts payable	\$ 40,664	\$ -	\$ -	\$ 40,664
Due to special revenue funds	15,073	-	-	15,073
Total Liabilities	<u>55,737</u>	<u>-</u>	<u>-</u>	<u>55,737</u>

Deferred Inflows of Resources

Unearned revenue - property taxes	184,128	-	-	184,128
Unearned revenue - sanitation fees	-	-	70,105	70,105
Total Deferred Inflows of Resources	<u>184,128</u>	<u>-</u>	<u>70,105</u>	<u>254,233</u>

Fund Balances

Restricted				
Special Revenue	-	41,029	24,982	66,011
Unassigned	42,723	-	-	42,723
Total Fund Balances	<u>42,723</u>	<u>41,029</u>	<u>24,982</u>	<u>108,734</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 282,588</u>	<u>\$ 41,029</u>	<u>\$ 95,087</u>	<u>\$ 418,704</u>

See accompanying notes to financial statements.

**CITY OF AUDUBON PARK, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total fund balances for governmental funds \$ 108,734

Total net position reported for governmental activities
in the statement of net position is different because:

Capital assets, net of depreciation, used in
governmental activities are not financial
resources and, therefore, not reported in
the governmental funds 273,441

Total net position of governmental activities \$ 382,175

See accompanying notes to financial statements.

CITY OF AUDUBON PARK, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund (Road Aid)	Special Revenue Fund (Sanitation)	Total Governmental Funds
REVENUES				
Property taxes	\$ 349,347	\$ -	\$ -	\$ 349,347
Insurance taxes	246,053	-	-	246,053
Sanitation fees	-	-	190,437	190,437
Motor vehicle taxes	31,547	-	-	31,547
Franchise fees	8,348	-	-	8,348
Intergovernmental revenue	18,284	29,405	-	47,689
Police and public works	74,520	-	-	74,520
License and permits	1,525	-	-	1,525
Investment earnings	2,000	-	-	2,000
Proceeds from community activities	23,027	-	-	23,027
Miscellaneous revenue	1,385	-	-	1,385
Total Revenues	756,036	29,405	190,437	975,878
EXPENDITURES				
Police department	402,719	-	-	402,719
Public works	114,915	38,462	-	153,377
Sanitation	-	-	177,642	177,642
Administration	193,974	-	-	193,974
Total Expenditures	711,608	38,462	177,642	927,712
Excess (Deficiency) of Revenues over Expenditures	44,428	(9,057)	12,795	48,166
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	3,875	-	-	3,875
Total Other Financing Sources	3,875	-	-	3,875
Net Change in Fund Balance	48,303	(9,057)	12,795	52,041
FUND BALANCES, BEGINNING OF YEAR	(5,580)	50,086	12,187	56,693
FUND BALANCES, END OF YEAR	\$ 42,723	\$ 41,029	\$ 24,982	\$ 108,734

See accompanying notes to financial statements.

**CITY OF AUDUBON PARK, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Changes in fund balances - governmental funds \$ 52,041

The change in net position reported for governmental activities
in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$94,821) are greater than depreciation (\$31,202) in the current period.

63,619

Governmental funds report gross proceeds from sale of capital assets as revenue. However, in the statement of activities, the cost of these assets are netted against the proceeds from the sale of the asset. This is the cost of the asset sold less depreciation.

(3,244)

Change in net position of governmental activities

\$ 112,416

See accompanying notes to financial statements.

**CITY OF AUDUBON PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A - DESCRIPTION OF ORGANIZATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Implementation of New Accounting Standards

Prior to fiscal year ended June 30, 2015, the City implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. The effect of the implementation was to reclassify the liability, deferred revenue, as a Deferred Inflows of Resources – Property tax revenue applicable to future years and sanitation fee revenue applicable to future years, on both the government wide and governmental funds financial statements.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the 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 consistent with legal and managerial requirements.

The City reports the following major governmental funds:

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

The Special Revenue Funds (Road Aid and Sanitation) are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted or committed to expenditures for specified purposes. Municipal road aid and sanitation revenue and expenditures are accounted for within these funds. Surpluses from the Special Revenue Fund (Sanitation) are restricted for future storm damage expenditures.

**CITY OF AUDUBON PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned or, for property tax revenues, in the period for which levied, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows in the statement of activities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Grant revenue is recognized for cost reimbursement grants when the expenditure occurs in accordance with GASB Statement 1. When the expenditure is incurred, grant revenue is considered to have been earned and therefore available and recognized as revenue. The City considers all revenue reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

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.

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.

**CITY OF AUDUBON PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$500 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.

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

Depreciation expense for the year was charged to functions/programs of the primary government as follows:

Public safety	\$ 8,736
General government	7,692
Public works	<u>14,774</u>
	<u>\$ 31,202</u>

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, Net of Depreciation – This category records capital assets net of accumulated depreciation.

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

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

**CITY OF AUDUBON PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council. The Council 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 Council.

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 Council adopted policy, only the City Council may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment functions. However, the City reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Subsequent Events

The City has evaluated subsequent events through December 2, 2016, the date the financial statements were available to be issued.

NOTE C – 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.

Cash balances at June 30, 2016 were as follows:

<u>Fund</u>	<u>Financial Institution</u>	<u>Bank Balance</u>	<u>Insured</u>	<u>Collateralized</u>
General	Commonwealth Bank	\$ 30,936		
Road Aid	Commonwealth Bank	25,956		
Ordinance	Commonwealth Bank	<u>1,500</u>		
		<u>\$ 58,392</u>	FDIC	
General	American Founders Bank	\$183,402		
General	American Founders Bank	9,228		
Sanitation	American Founders Bank	<u>131,449</u>		
		<u>\$324,079</u>	FDIC	Pledge Agreement

**CITY OF AUDUBON PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE D – CAPITAL ASSETS

	Year Ending June 30, 2016			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Building and improvements	\$ 143,744	\$ 10,097	\$ -	\$ 153,841
Land	37,291	-	-	37,291
Infrastructure (road repaving)	93,831	38,462	-	132,293
Vehicles	196,611	33,793	(28,524)	201,880
Equipment	202,570	4,655	(101,775)	105,450
Office equipment	<u>32,338</u>	<u>7,814</u>	<u>(2,995)</u>	<u>37,157</u>
Total Cost	706,385	94,821	(133,294)	667,912
Less: accumulated depreciation	<u>(493,319)</u>	<u>(31,202)</u>	<u>130,050</u>	<u>(394,471)</u>
Net Book Value	<u>\$ 213,066</u>	<u>\$ 63,619</u>	<u>(\$ 3,244)</u>	<u>\$ 273,441</u>

NOTE E – OTHER RECEIVABLES

Other receivables in the government-wide financial statements consist of the following:

Insurance tax	\$ 57,683
Motor vehicle tax	3,000
Parking fines	60
Community activities	651
Building permits	50
Court revenue	3,618
Sanitation revenue	303
KLEFPF	<u>517</u>
Total	<u>\$ 65,882</u>

NOTE F – PROPERTY TAXES

As generally provided in the Constitution of the Commonwealth of Kentucky, the City levies a property tax 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 July 1.

Property tax revenues are recognized in the assessment year. The ad valorem tax for the fiscal year 2016 was \$0.27 per \$100 of assessed valuation. 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 June 1, 2015. Bills paid after that date but before July 1, 2015 are not allowed a discount or subject to a penalty. Bills paid after July 1, 2015 but before August 1, 2015 are charged a penalty of 5% plus interest at the rate of 1.5% per month, or part thereof, until paid. All bills paid after July 31, 2015 are charged a penalty of 10% plus interest at the rate of 1.5% per month, or part thereof, until paid. The City has no policy regarding lien dates.

NOTE G – INTERGOVERNMENTAL REVENUE

Under the provisions of state law, the Commonwealth of Kentucky reimbursed the City for police incentive training and other miscellaneous operating costs during the year ended June 30, 2016 that are recorded in the General Fund.

**CITY OF AUDUBON PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE H – POLICE SERVICES

The City has entered into several agreements wherein the City's police force provides policing services for other communities in the area for an agreed-upon fee.

NOTE J – COMPENSATED ABSENCES

At June 30, 2016, the City had accumulated unpaid vacation and sick pay totaling \$11,388, which is not accrued.

NOTE K – INDUSTRIAL REVENUE BOND ISSUES

The City has issued revenue bonds as of June 30, 2016. The bond is not a debt to the City and the City has no obligation to repay principal and interest. The City receives annual fees as consideration for issuing the bonds. Fees received during the current fiscal year totaled \$2,000.

NOTE L – CONTINGENCIES AND LITIGATION

The City is subject to various legal proceedings, claims, and litigation arising in the ordinary course of operating. The City defends itself vigorously against any such claims. Although the City believes it has substantial defenses in these matters, it could incur judgments or enter into settlements of claims that could have a material adverse effect on results of operations in any particular period.

CITY OF AUDUBON PARK, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Budgetary fund balance, July 1	\$ (5,580)	\$ (5,580)	\$ (5,580)	\$ -
Resources (inflows):				
Property taxes	344,971	344,971	349,347	4,376
Insurance taxes	240,000	240,000	246,053	6,053
Motor vehicle taxes	21,138	21,138	31,547	10,409
Franchise fees	8,000	8,000	8,348	348
Intergovernmental revenue	24,000	24,000	18,284	(5,716)
Police and public works	74,500	74,500	74,520	20
License and permits	2,000	2,000	1,525	(475)
Investment earnings	2,000	2,000	2,000	-
Proceeds from community activities	5,000	5,000	23,027	18,027
Proceeds from sale of capital assets	6,000	6,000	3,875	(2,125)
Miscellaneous revenue	-	-	1,385	1,385
	<u>722,029</u>	<u>722,029</u>	<u>754,331</u>	<u>32,302</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
Police department	405,965	405,965	402,719	3,246
Public works	114,023	114,023	114,915	(892)
Administration	207,621	207,621	193,974	13,647
	<u>727,609</u>	<u>727,609</u>	<u>711,608</u>	<u>16,001</u>
Total charges to appropriations				
Budgetary fund balance, June 30	<u><u>\$ (5,580)</u></u>	<u><u>\$ (5,580)</u></u>	<u><u>\$ 42,723</u></u>	<u><u>\$ 48,303</u></u>

See accompanying notes to financial statements.

CITY OF AUDUBON PARK, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND (ROAD AID)
YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Budgetary fund balance, July 1	\$ 50,086	\$ 50,086	\$ 50,086	\$ -
Resources (inflows):				
Municipal road aid	<u>36,000</u>	<u>36,000</u>	<u>29,405</u>	<u>(6,595)</u>
Amounts available for appropriation	<u>86,086</u>	<u>86,086</u>	<u>79,491</u>	<u>(6,595)</u>
Charges to appropriations (outflows):				
Streets and roads	<u>66,000</u>	<u>66,000</u>	<u>38,462</u>	<u>27,538</u>
Total charges to appropriations	<u>66,000</u>	<u>66,000</u>	<u>38,462</u>	<u>27,538</u>
Budgetary fund balance, June 30	<u><u>\$ 20,086</u></u>	<u><u>\$ 20,086</u></u>	<u><u>\$ 41,029</u></u>	<u><u>\$ 20,943</u></u>

CITY OF AUDUBON PARK, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND (SANITATION)
YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Budgetary fund balance, July 1	\$ 12,187	\$ 12,187	\$ 12,187	\$ -
Resources (inflows):				
Sanitation fees	<u>186,763</u>	<u>186,763</u>	<u>190,437</u>	<u>3,674</u>
Amounts available for appropriation	<u>198,950</u>	<u>198,950</u>	<u>202,624</u>	<u>3,674</u>
Charges to appropriations (outflows):				
Sanitation expense	<u>177,642</u>	<u>177,642</u>	<u>177,642</u>	<u>-</u>
Storm damage reserve	<u>9,121</u>	<u>9,121</u>	<u>-</u>	<u>9,121</u>
Total charges to appropriations	<u>186,763</u>	<u>186,763</u>	<u>177,642</u>	<u>9,121</u>
Budgetary fund balance, June 30	<u><u>\$ 12,187</u></u>	<u><u>\$ 12,187</u></u>	<u><u>\$ 24,982</u></u>	<u><u>\$ 12,795</u></u>

See accompanying notes to financial statements.

**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 Councilmembers
City of Audubon Park, 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 Audubon Park, Kentucky, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 2, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free 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 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.

A handwritten signature in black ink that reads "Welenken CPAs". The letters are cursive and somewhat stylized.

Welenken CPAs

Louisville, Kentucky
December 2, 2016