

CITY OF AUDUBON PARK, KENTUCKY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**CITY OF AUDUBON PARK, KENTUCKY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 5
FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	6
Statement of Activities	7
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	8
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	11
NOTES TO FINANCIAL STATEMENTS.....	12 – 16
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	17
Budgetary Comparison Schedule – Special Revenue Fund (Road Aid)	18
Budgetary Comparison Schedule – Special Revenue Fund (Sanitation)	18
 INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	
	19 – 20

INDEPENDENT AUDITOR'S 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, 2019, 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.

Auditor's 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Audubon Park, Kentucky, as of June 30, 2019, 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 2-5 and 17-18 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 January 21, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Audubon Park, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Audubon Park, Kentucky's internal control over financial reporting and compliance.



Welenken CPAs

Louisville, Kentucky
January 21, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF AUDUBON PARK, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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, 2019**

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 \$440,151, or 68%, 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 \$39,428 or 6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$170,435, or 26%, represents unrestricted net position.

City of Audubon Park, Kentucky
Condensed Statements of Net Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Increase/ (Decrease)</u>
Current and other assets	\$ 768,336	\$ 898,011	(\$ 129,675)
Capital assets	440,151	297,332	142,819
Total assets	<u>1,208,487</u>	<u>1,195,343</u>	<u>13,144</u>
Current and other liabilities	38,176	64,446	(26,270)
Deferred inflows	520,297	489,659	30,638
Total liabilities and deferred inflows	<u>558,473</u>	<u>554,105</u>	<u>4,368</u>
Net position:			
Invested in capital assets, net	440,151	297,332	142,819
Restricted	39,428	88,404	(48,976)
Unrestricted	170,435	255,502	(85,067)
Total net position	<u>\$ 650,014</u>	<u>\$ 641,238</u>	<u>\$ 8,776</u>

City of Audubon Park, Kentucky
Condensed Statements of Activities
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Increase/ (Decrease)</u>
Revenues:				
Program revenue:				
Charges for services	\$ 233,692	\$ 226,397	\$ 7,295	3.22%
Operating grants	41,971	54,733	(12,762)	(23.32%)
General revenue:				
Property taxes	382,205	375,976	6,229	1.66%
Other taxes	291,720	349,206	(57,486)	(16.46%)
Investment	2,000	4,000	(2,000)	(50.00%)
Other income	12,346	3,424	8,922	260.57%
Total revenues	<u>963,934</u>	<u>1,013,736</u>	<u>(49,802)</u>	<u>(4.91%)</u>
Expenses:				
General government	\$ 202,967	\$ 217,153	(\$ 14,186)	(6.53%)
Sanitation	126,448	126,283	165	0.13%
Public safety	457,653	430,770	26,883	6.24%
Public works	168,090	107,728	60,362	56.03%
Total expenses	<u>955,158</u>	<u>881,934</u>	<u>73,224</u>	<u>8.30%</u>
Change in net position	8,776	131,802	(123,026)	(93.34%)
Net position – beginning	641,238	509,436	131,802	25.87%
Net position – ending	<u>\$ 650,014</u>	<u>\$ 641,238</u>	<u>\$ 8,776</u>	<u>1.37%</u>

Governmental activities increased the City's net position by \$8,776. The increase was attributable to City revenues in excess of expenses.

**CITY OF AUDUBON PARK, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 \$233,863. The General Fund's unassigned fund balance is \$126,637. The General Fund is the chief operating fund of the City. The net decrease in the General Fund balance for the fiscal year was \$86,768.

The Special Revenue Fund (Road Aid) has a total fund balance of \$52,857. The net decrease in the Special Revenue Fund (Road Aid) balance for the fiscal year was \$59,959.

The Special Revenue Fund (Sanitation), which is committed to sanitation expenses, has a total fund balance of \$54,369. The net increase in the Special Revenue Fund (Sanitation) balance for the fiscal year was \$4,684.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were \$205,269 less than the final budgeted amounts. The most significant negative variances occurred in the City's administration where actual expenses were \$17,549 more than budgeted. The most significant positive variance occurred in the City's public works, where actual expenses were \$120,000 less than budgeted.

In addition, resources available for appropriation were \$10,698 less than than the final budgeted amount. The final budget included \$384,308 of property tax revenue in comparison to the \$382,205 actually collected. Insurance tax revenue was the most significant positive variance, where the actual revenue was \$6,093 greater than budgeted revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The City's investment in capital assets for governmental activities as of June 30, 2019 is \$440,151 (net of accumulated depreciation).

City of Audubon Park, Kentucky
Capital Assets

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Vehicles	\$ 188,070	\$ 182,366
Equipment	171,657	151,332
Building and improvements	174,125	174,125
Infrastructure	354,125	187,194
Land	<u>37,291</u>	<u>37,291</u>
	925,268	732,308
Less accumulated depreciation	(485,117)	(434,976)
Capital assets, net	<u>\$ 440,151</u>	<u>\$ 297,332</u>

B. Long-Term Debt

The City had no long-term debt during the 2018-2019 fiscal year.

**CITY OF AUDUBON PARK, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

A summary for the 2020 fiscal year budgeted expenses are as follows:

General Fund:

- General government - \$203,581
- Public safety - \$498,055
- Public works - \$209,070
- Parks & Recreation Reserve - \$9,487
- Contingency reserve - \$50,000

Road Fund:

- Street paving - \$123,225

Sanitation Fund:

- Sanitation expense - \$136,653
- Storm damage - \$57,327

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 Tony Williams, 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, 2019**

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 586,399
Property taxes receivable	84,509
Other receivables	97,428
Capital assets, net of depreciation	<u>440,151</u>
Total Assets	<u>1,208,487</u>
 LIABILITIES	
Accounts payable	14,176
Other payable	<u>24,000</u>
Total Liabilities	<u>38,176</u>
 DEFERRED INFLOWS OF RESOURCES	
Property tax revenue applicable to future years	382,139
Sanitation fee revenue applicable to future years	<u>138,158</u>
Total Deferred Inflows of Resources	<u>520,297</u>
 NET POSITION	
Invested in capital assets, net of depreciation	440,151
Restricted	39,428
Unrestricted	<u>170,435</u>
Total Net Position	<u><u>\$ 650,014</u></u>

See accompanying notes to financial statements.

**CITY OF AUDUBON PARK, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

PRIMARY GOVERNMENT	Governmental Activities			
	Expenses	Charges for Services	Operating Grants	Total
<u>FUNCTIONS/PROGRAMS</u>				
General government	\$ (202,967)	\$ 8,288	\$ -	\$ (194,679)
Sanitation	(126,448)	136,881	-	10,433
Public safety	(457,653)	88,523	11,867	(357,263)
Public works	(168,090)	-	30,104	(137,986)
	<u>(955,158)</u>	<u>233,692</u>	<u>41,971</u>	<u>(679,495)</u>
GENERAL REVENUES				
Property taxes				382,205
Insurance taxes				254,093
Motor vehicle taxes				29,784
Franchise taxes				7,843
Investment earnings				2,000
Gain on sale of assets				8,794
Miscellaneous				3,552
				<u>688,271</u>
CHANGE IN NET POSITION				8,776
NET POSITION, BEGINNING OF YEAR				<u>641,238</u>
NET POSITION, END OF YEAR				<u>\$ 650,014</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF AUDUBON PARK, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

ASSETS

	General Fund	Special Revenue Fund (Road Aid)	Special Revenue Fund (Sanitation)	Total Governmental Funds
Assets				
Cash	\$ 371,945	\$ 52,857	\$ 161,597	\$ 586,399
Property taxes receivable	84,509	-	-	84,509
Other receivables	66,498	-	30,930	97,428
 Total Assets	 \$ 522,952	 \$ 52,857	 \$ 192,527	 \$ 768,336

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

Liabilities

Accounts payable	\$ 14,176	\$ -	\$ -	\$ 14,176
 Total Liabilities	 14,176	 -	 -	 14,176

Deferred Inflows of Resources

Unearned revenue - property taxes	382,139	-	-	382,139
Unearned revenue - sanitation fees	-	-	138,158	138,158
 Total Deferred Inflows of Resources	 382,139	 -	 138,158	 520,297

Fund Balances

Restricted				
Special Revenue	-	(14,941)	54,369	39,428
Unassigned	126,637	67,798	-	194,435
 Total Fund Balances	 126,637	 52,857	 54,369	 233,863
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 522,952	 \$ 52,857	 \$ 192,527	 \$ 768,336

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, 2019**

Total fund balances for governmental funds	\$ 233,863
Total net position reported for governmental activities in the statement of net position is different because:	
Governmental funds do not record a long-term liability for litigation settlement	(24,000)
Capital assets, net of depreciation, used in governmental activities are not financial resources and, therefore, not reported in the governmental funds	<u>440,151</u>
Total net position of governmental activities	<u>\$ 650,014</u>

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, 2019

	General Fund	Special Revenue Fund (Road Aid)	Special Revenue Fund (Sanitation)	Total Governmental Funds
REVENUES				
Property taxes	\$ 382,205	\$ -	\$ -	\$ 382,205
Insurance taxes	254,093	-	-	254,093
Sanitation fees	-	-	136,881	136,881
Motor vehicle taxes	29,784	-	-	29,784
Franchise fees	7,843	-	-	7,843
Intergovernmental revenue	18,835	30,104	-	48,939
Police and public works	81,320	-	-	81,320
License and permits	1,550	-	-	1,550
Investment earnings	2,000	-	-	2,000
Proceeds from community activities	6,738	-	-	6,738
Miscellaneous revenue	3,552	-	-	3,552
	<u>787,920</u>	<u>30,104</u>	<u>136,881</u>	<u>954,905</u>
EXPENDITURES				
Police department	470,371	-	-	470,371
Public works	140,308	157,861	5,750	303,919
Sanitation	-	-	126,447	126,447
Administration	205,105	-	-	205,105
	<u>815,784</u>	<u>157,861</u>	<u>132,197</u>	<u>1,105,842</u>
Excess (Deficit) of Revenues over Expenditures	<u>(27,864)</u>	<u>(127,757)</u>	<u>4,684</u>	<u>(150,937)</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	8,894	-	-	8,894
Transfers in (out)	(67,798)	67,798	-	-
	<u>(58,904)</u>	<u>67,798</u>	<u>-</u>	<u>8,894</u>
Net Change in Fund Balance	(86,768)	(59,959)	4,684	(142,043)
FUND BALANCES, BEGINNING OF YEAR	<u>213,405</u>	<u>112,816</u>	<u>49,685</u>	<u>375,906</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 126,637</u></u>	<u><u>\$ 52,857</u></u>	<u><u>\$ 54,369</u></u>	<u><u>\$ 233,863</u></u>

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, 2019**

Changes in fund balances - governmental funds	\$ (142,043)
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report payments to settle litigation as expenditures in the year they are paid. However, in the statements of activities, the total cost of the settlement is expensed in the year the settlement is ordered.

Current year installment	8,000
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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.

Capital outlays	202,560
Depreciation expense	(59,641)

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.

Cost of asset sold	(9,600)
Accumulated depreciation	9,500

Change in net position of governmental activities	<u><u>\$ 8,776</u></u>
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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

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 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.

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.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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 of America requires management to make estimates and assumptions that affect the 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.

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.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balances

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

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 Commonwealth 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."

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 January 21, 2020, the date the financial statements were available to be issued.

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

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. The City's deposits are insured or fully collateralized at June 30, 2019.

Cash balances at June 30, 2019 were as follows:

<u>Fund</u>	<u>Financial Institution</u>	<u>Bank Balance</u>	<u>Insured</u>	<u>Collateralized</u>
General	Commonwealth Bank	\$ 384,952	\$ 250,000	\$ 245,398
Sanitation	Commonwealth Bank	172,134	-	172,134
Road Aid	Commonwealth Bank	<u>52,857</u>	-	52,857
		<u>\$ 609,943</u>		

NOTE D – CAPITAL ASSETS

	<u>Year Ending June 30, 2019</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Building and improvements	\$ 174,125	\$ -	\$ -	\$ 174,125
Land	37,291	-	-	37,291
Infrastructure (road repaving)	187,194	166,931	-	354,125
Vehicles	182,366	8,704	(3,000)	188,070
Equipment	114,175	23,905	(6,600)	131,480
Office equipment	<u>37,157</u>	<u>3,020</u>	<u>-</u>	<u>40,177</u>
Total Cost	732,308	202,560	(9,600)	925,268
Less: accumulated depreciation	(434,976)	(59,641)	<u>9,500</u>	(485,117)
Net Book Value	<u>\$ 297,332</u>	<u>\$ 142,919</u>	(\$ 100)	<u>\$ 440,151</u>

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

Public safety	\$ 9,489
General government	8,883
Public works	<u>41,269</u>
	<u>\$ 59,641</u>

NOTE E – OTHER RECEIVABLES

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

Insurance tax	\$ 66,498
Sanitation fee	<u>30,930</u>
Total	<u>\$ 97,428</u>

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

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 2019 was \$0.28 per \$100 of assessed valuation. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. Bills paid on or after June 1, but before July 1 pay the face amount of the bill. Bills paid after July 1, but before August 1 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 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, 2019 that are recorded in the General Fund.

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 I – INDUSTRIAL REVENUE BOND ISSUES

The City has issued revenue bonds as of June 30, 2019. The bonds are 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 J - OTHER PAYABLE

As a result of litigation, the City entered into an agreement in May 2018 to pay \$40,000 to Louisville Regional Airport Authority. The amount is payable in five annual installments of \$8,000. The balance due at June 30, 2019 is \$24,000.

NOTE K – 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AUDUBON PARK, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows):				
Property taxes	\$ 381,452	\$ 384,308	\$ 382,205	\$ (2,103)
Insurance taxes	265,000	248,000	254,093	6,093
Motor vehicle taxes	29,000	33,675	29,784	(3,891)
Franchise fees	8,000	8,505	7,843	(662)
Intergovernmental revenue	26,000	24,987	18,835	(6,152)
Police and public works	83,300	83,580	81,320	(2,260)
License and permits	2,000	1,800	1,550	(250)
Investment earnings	2,000	4,000	2,000	(2,000)
Proceeds from community activities	10,000	8,321	6,738	(1,583)
Proceeds from sale of capital assets	10,000	7,802	8,894	1,092
Miscellaneous revenue	500	2,534	3,552	1,018
Amounts available for appropriation	<u>817,252</u>	<u>807,512</u>	<u>796,814</u>	<u>(10,698)</u>
Charges to appropriations (outflows):				
Police department	448,519	471,701	470,371	1,330
Public works	145,817	241,796	140,308	101,488
Administration	192,916	187,556	205,105	(17,549)
Contingency reserve	30,000	120,000	-	120,000
Total charges to appropriations	<u>817,252</u>	<u>1,021,053</u>	<u>815,784</u>	<u>205,269</u>
Transfer out	<u>-</u>	<u>-</u>	<u>(67,798)</u>	<u>(67,798)</u>
Net change in fund balance	-	(213,541)	(86,768)	126,773
Fund balance - beginning	<u>213,405</u>	<u>213,405</u>	<u>213,405</u>	<u>-</u>
Fund balance - ending	<u>\$ 213,405</u>	<u>\$ (136)</u>	<u>\$ 126,637</u>	<u>\$ 126,773</u>

CITY OF AUDUBON PARK, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND (ROAD AID)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows):				
Municipal road aid	\$ 30,000	\$ 29,798	\$ 30,104	\$ 306
Amounts available for appropriation	30,000	29,798	30,104	306
Charges to appropriations (outflows):				
Streets and roads	186,376	210,406	157,861	52,545
Total charges to appropriations	186,376	210,406	157,861	52,545
Transfer in	43,376	67,792	67,798	6
Net change in fund balance	(113,000)	(112,816)	(59,959)	52,857
Fund balance - beginning	112,816	112,816	112,816	-
Fund balance - ending	<u>\$ (184)</u>	<u>\$ -</u>	<u>\$ 52,857</u>	<u>\$ 52,857</u>

CITY OF AUDUBON PARK, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND (SANITATION)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows):				
Sanitation fees	\$ 138,730	\$ 184,978	\$ 136,881	\$ (48,097)
Amounts available for appropriation	138,730	184,978	136,881	(48,097)
Charges to appropriations (outflows):				
Sanitation expense	125,852	125,852	126,447	(595)
Storm damage reserve	12,878	59,126	5,750	53,376
Total charges to appropriations	138,730	184,978	132,197	52,781
Net change in fund balance	-	-	4,684	4,684
Fund balance - beginning	49,685	49,685	49,685	-
Fund balance - ending	<u>\$ 49,685</u>	<u>\$ 49,685</u>	<u>\$ 54,369</u>	<u>\$ 4,684</u>

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

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 the City of Audubon Park, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 21, 2020.

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. 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
January 21, 2020