

CITY OF AUDUBON PARK, KENTUCKY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

**CITY OF AUDUBON PARK, KENTUCKY
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YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Audubon Park, Kentucky, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 19-20 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 April 19, 2023, 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
April 19, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF AUDUBON PARK, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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, 2022**

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 \$617,591, or 96%, reflects its 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 \$52,313 or 8%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$24,889), or (4%), represents unrestricted net position.

City of Audubon Park, Kentucky
Condensed Statements of Net Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	Increase/ (Decrease)
Current and other assets	\$ 873,065	\$ 812,298	\$ 60,767
Capital assets	617,591	637,562	(19,971)
Total assets	<u>1,490,656</u>	<u>1,449,860</u>	<u>40,796</u>
Current and other liabilities	166,364	207,072	(40,708)
Deferred inflows	679,277	565,906	113,371
Total liabilities and deferred inflows	<u>845,641</u>	<u>772,978</u>	<u>72,663</u>
Net position:			
Invested in capital assets, net	617,591	637,562	(19,971)
Restricted	52,313	70,071	(17,758)
Unrestricted	(24,889)	(30,751)	5,862
Total net position	<u>\$ 645,015</u>	<u>\$ 676,882</u>	<u>(\$ 31,867)</u>

City of Audubon Park, Kentucky
Condensed Statements of Activities
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenues:				
Program revenue:				
Charges for services	\$ 248,033	\$ 218,990	\$ 29,043	13.26%
Operating grants	145,047	196,888	(51,841)	(26.33%)
General revenue:				
Property taxes	404,707	398,842	5,865	1.47%
Other taxes	294,417	312,774	(18,357)	(5.87%)
Investment	1,738	5,592	(3,854)	(68.92%)
Other income	6,369	13,952	(7,583)	(54.35%)
Total revenues	<u>1,100,311</u>	<u>1,147,038</u>	<u>(46,727)</u>	<u>(4.07%)</u>
Expenses:				
General government	\$ 216,763	\$ 217,308	(\$ 545)	(.25%)
Sanitation	122,051	126,061	(4,010)	(3.18%)
Public safety	527,629	509,904	17,725	3.48%
Public works	265,735	222,462	43,273	19.45%
Total expenses	<u>1,132,178</u>	<u>1,075,735</u>	<u>56,443</u>	5.25%
Change in net position	(31,867)	71,303	(103,170)	(144.69%)
Net position – beginning	676,882	605,579	71,303	11.77%
Net position – ending	<u>\$ 645,015</u>	<u>\$ 676,882</u>	<u>(\$ 31,867)</u>	<u>(4.71%)</u>

Governmental activities decreased the City's net position by \$31,867. The decrease was attributable to City expenses in excess of revenue.

**CITY OF AUDUBON PARK, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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 \$177,695. The General Fund's unassigned fund balance is \$103,872. The General Fund is the chief operating fund of the City. The net decrease in the General Fund balance for the fiscal year was \$58,259.

The Special Revenue Fund (Road Aid) has a total fund balance of \$1,048. The net increase in the Special Revenue Fund (Road Aid) balance for the fiscal year was \$171.

The Special Revenue Fund (Sanitation), which is committed to sanitation expenses, has a total fund balance of \$72,755. The net increase in the Special Revenue Fund (Sanitation) balance for the fiscal year was \$568.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were \$281,135 less than the final budgeted amounts. There were no negative variances in the City's general government. The most significant positive variance occurred in the City's public works, where actual expenses were \$108,855 less than budgeted.

In addition, resources available for appropriation were \$158,147 less than the final budgeted amount. The final budget included \$444,703 of property tax revenue in comparison to the \$404,707 actually collected. Proceeds from police and public works was the most significant positive variance, where the actual revenue was \$14,454 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, 2022 is \$617,591 (net of accumulated depreciation).

City of Audubon Park, Kentucky
Capital Assets

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Vehicles	\$ 107,791	\$ 101,791
Equipment	195,665	182,804
Building and improvements	188,900	174,125
Infrastructure	733,644	685,809
Land	<u>37,291</u>	<u>37,291</u>
	1,263,291	1,181,820
Less accumulated depreciation	<u>(645,700)</u>	<u>(544,258)</u>
Capital assets, net	<u>\$ 617,591</u>	<u>\$ 637,562</u>

**CITY OF AUDUBON PARK, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

B. Long-Term Debt

The City entered into a lease agreement with Independence Bank of Kentucky during the year to borrow \$220,000 for road paving to be repaid over 10 years. The outstanding balance at June 30, 2022 was \$150,251.

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, except for the funds awarded to the City from the American Rescue Plan Act as disclosed in Note B - Subsequent Events to the financial statements. In addition, no significant tax rate changes or large budget changes are anticipated.

A summary for the 2023 fiscal year budgeted expenses are as follows:

General Fund:

- General government - \$247,343
- Public safety - \$662,737
- Public works - \$387,445
- Parks and recreation reserve - \$7,510
- Contingency reserve - \$50,000

Road Fund:

- Street paving - \$0
- Debt payments - \$38,793

Sanitation Fund:

- Sanitation expense - \$125,852
- Storm damage - \$3,000

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 Madeline Bozeman, 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, 2022

	Governmental Activities
<hr/>	
ASSETS	
Cash	\$ 760,786
Property taxes receivable	37,169
Other receivables	75,110
Capital assets, net of depreciation	<u>617,591</u>
Total Assets	<u>1,490,656</u>
LIABILITIES	
Accounts payable	16,113
Lease payable	<u>150,251</u>
Total Liabilities	<u>166,364</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue applicable to future years	406,529
Sanitation fee revenue applicable to future years	130,310
Police service revenue applicable to future years	36,000
ARPA funds applicable to future years	<u>106,438</u>
Total Deferred Inflows of Resources	<u>679,277</u>
NET POSITION	
Invested in capital assets, net of depreciation	617,591
Restricted	52,313
Unrestricted	<u>(24,889)</u>
Total Net Position	<u><u>\$ 645,015</u></u>

See accompanying notes to financial statements.

**CITY OF AUDUBON PARK, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

PRIMARY GOVERNMENT	Governmental Activities			Total
	Expenses	Charges for Services	Operating Grants	
<u>FUNCTIONS/PROGRAMS</u>				
General government	\$ (216,763)	\$ 13,203	\$ 100,530	\$ (103,030)
Sanitation	(122,051)	133,207	-	11,156
Public safety	(527,629)	101,623	14,397	(411,609)
Public works	(265,735)	-	30,120	(235,615)
Total Primary Government	<u>(1,132,178)</u>	<u>248,033</u>	<u>145,047</u>	<u>(739,098)</u>
GENERAL REVENUES				
Property taxes				404,707
Insurance taxes				237,009
Motor vehicle taxes				40,723
Franchise taxes				16,685
Investment earnings				1,738
Miscellaneous				<u>6,369</u>
Total General Revenues				<u>707,231</u>
CHANGE IN NET POSITION				(31,867)
NET POSITION, BEGINNING OF YEAR				<u>676,882</u>
NET POSITION, END OF YEAR				<u><u>\$ 645,015</u></u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF AUDUBON PARK, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

ASSETS

	General Fund	Special Revenue Fund (Road Aid)	Special Revenue Fund (Sanitation)	Total Governmental Funds
Assets				
Cash	\$ 569,746	\$ 1,048	\$ 189,992	\$ 760,786
Property taxes receivable	37,169	-	-	37,169
Other receivables	62,037	-	13,073	75,110
 Total Assets	 <u>\$ 668,952</u>	 <u>\$ 1,048</u>	 <u>\$ 203,065</u>	 <u>\$ 873,065</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

Liabilities

Accounts payable	\$ 16,113	\$ -	\$ -	\$ 16,113
 Total Liabilities	 <u>16,113</u>	 <u>-</u>	 <u>-</u>	 <u>16,113</u>

Deferred Inflows of Resources

Unearned revenue - property taxes	406,529	-	-	406,529
Unearned revenue - sanitation fees	-	-	130,310	130,310
Unearned revenue - police services	36,000	-	-	36,000
Unearned revenue - ARPA funds	106,438	-	-	106,438
 Total Deferred Inflows of Resources	 <u>548,967</u>	 <u>-</u>	 <u>130,310</u>	 <u>679,277</u>

Fund Balances

Restricted				
Special Revenue	-	(20,442)	72,755	52,313
Unassigned	103,872	21,490	-	125,362
 Total Fund Balances	 <u>103,872</u>	 <u>1,048</u>	 <u>72,755</u>	 <u>177,675</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 668,952</u>	 <u>\$ 1,048</u>	 <u>\$ 203,065</u>	 <u>\$ 873,065</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, 2022**

Total fund balances for governmental funds	\$ 177,675
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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.	617,591
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Lease payable is not a current financial obligation, therefore, it is not included in the governmental funds.	<u>(150,251)</u>
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Total net position of governmental activities	<u><u>\$ 645,015</u></u>
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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, 2022

	General Fund	Special Revenue Fund (Road Aid)	Special Revenue Fund (Sanitation)	Total Governmental Funds
REVENUES				
Property taxes	\$ 404,707	\$ -	\$ -	\$ 404,707
Insurance taxes	237,009	-	-	237,009
Sanitation fees	-	-	133,207	133,207
Motor vehicle taxes	40,723	-	-	40,723
Franchise fees	16,685	-	-	16,685
Intergovernmental revenue	34,187	30,120	-	64,307
Public safety	81,654	-	-	81,654
License and permits	1,200	-	-	1,200
Grants	100,530	-	-	100,530
Investment earnings	1,465	2	271	1,738
Proceeds from community activities	12,003	-	-	12,003
Miscellaneous revenue	6,369	-	-	6,369
	<u>936,532</u>	<u>30,122</u>	<u>133,478</u>	<u>1,100,132</u>
EXPENDITURES				
General government	223,889	-	-	223,889
Sanitation	-	-	122,051	122,051
Public safety	525,965	-	-	525,965
Public works	225,821	51,441	8,485	285,747
	<u>975,675</u>	<u>51,441</u>	<u>130,536</u>	<u>1,157,652</u>
Excess (Deficit) of Revenues over Expenditures	<u>(39,143)</u>	<u>(21,319)</u>	<u>2,942</u>	<u>(57,520)</u>
OTHER FINANCING SOURCES				
Transfers in (out)	<u>(19,116)</u>	<u>21,490</u>	<u>(2,374)</u>	<u>-</u>
Total Other Financing Sources	<u>(19,116)</u>	<u>21,490</u>	<u>(2,374)</u>	<u>-</u>
Net Change in Fund Balance	(58,259)	171	568	(57,520)
FUND BALANCES, BEGINNING OF YEAR	<u>162,131</u>	<u>877</u>	<u>72,187</u>	<u>235,195</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 103,872</u></u>	<u><u>\$ 1,048</u></u>	<u><u>\$ 72,755</u></u>	<u><u>\$ 177,675</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, 2022**

Changes in fund balances - governmental funds	\$ (57,520)
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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.

Capital outlays	81,471
Depreciation expense	(101,443)

Long-term debt proceeds provide current financial resources to governmental funds, however issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt principal is an expenditure in the governmental funds, however the repayment reduces long-term liabilities in the Statement of Net Position.

Principle payments	<div style="border-top: 1px solid black; display: inline-block;">45,625</div>
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Change in net position of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ (31,867)</div>
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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 was awarded \$391,753 in funds from American Rescue Plan Act to be used for qualifying expenditures and projects. In July 2021 \$192,795 of the funds was received by the City and the remaining balance of \$198,958 was received in July 2022.

The City has evaluated subsequent events through April 19, 2023, 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, 2022.

Cash balances at June 30, 2022 were as follows:

<u>Fund</u>	<u>Financial Institution</u>	<u>Bank Balance</u>	<u>Insured</u>	<u>Collateralized</u>
General	Independence Bank	\$ 502,738	\$ 250,000	\$ 252,738
General	Independence Bank	120,432	-	120,432
Sanitation	Independence Bank	1,048	-	1,048
Road Aid	Independence Bank	189,992	-	189,992
		<u>\$ 814,210</u>		

NOTE D – CAPITAL ASSETS

	<u>Year Ending June 30, 2022</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Building and improvements	\$ 174,125	\$ 14,775	\$ -	\$ 188,900
Land	37,291	-	-	37,291
Infrastructure	685,809	47,835	-	733,644
Vehicles	101,791	6,000	-	107,791
Equipment	182,804	12,861	-	195,665
Total Cost	1,181,820	81,471	-	1,263,291
Less: accumulated depreciation	(544,257)	(101,443)	-	(645,700)
Net Book Value	<u>\$ 637,563</u>	<u>(\$ 19,972)</u>	<u>\$ -</u>	<u>\$ 617,591</u>

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

General government	\$ 7,648
Public Safety	20,345
Public works	73,450
	<u>\$101,443</u>

NOTE E – OTHER RECEIVABLES

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

Insurance tax	\$ 62,037
Sanitation fee	13,073
Total	<u>\$ 75,110</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 2022 was \$0.24 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 September 1 pay the face amount of the bill. Bills paid after September 1, but before October 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 September 30 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, 2022 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, 2022. 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. No fees were collected during the year.

NOTE J – LEASE PAYABLE

The City entered into a lease agreement with Independence Bank of Kentucky on April 6, 2020 for financing a portion of the cost of paving roads. The agreement requires monthly payments of \$2,143 for a period of 10 years and bears interest at 3.15% per annum.

Lease payable matures as follows:

Years ending June 30,	
2023	\$ 21,293
2024	21,973
2025	22,675
2026	23,400
2027	24,148
Thereafter	36,762

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

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, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Resources (inflows):				
Property taxes	\$ 412,600	\$ 444,703	\$ 404,707	\$ (39,996)
Insurance taxes	260,490	256,437	237,009	(19,428)
Motor vehicle taxes	33,675	40,723	40,723	-
Franchise fees	17,476	16,685	16,685	-
Intergovernmental revenue	27,300	29,581	34,187	4,606
Police and public works	66,500	67,200	81,654	14,454
License and permits	2,150	1,250	1,200	(50)
Grants	204,836	207,609	100,530	(107,079)
Investment earnings	4,000	-	1,465	1,465
Proceeds from community activities	7,000	10,500	12,003	1,503
Proceeds from sale of capital assets	6,286	-	-	-
Miscellaneous revenue	3,500	19,992	6,369	(13,623)
Amounts available for appropriation	<u>1,045,813</u>	<u>1,094,679</u>	<u>936,532</u>	<u>(158,147)</u>
Charges to appropriations (outflows):				
General government	240,208	246,733	223,889	22,844
Public safety	567,363	605,401	525,965	79,436
Public works	329,406	334,676	225,821	108,855
Contingency reserve	50,000	70,000	-	70,000
Total charges to appropriations	<u>1,186,977</u>	<u>1,256,810</u>	<u>975,675</u>	<u>281,135</u>
Transfer out	<u>-</u>	<u>-</u>	<u>(19,116)</u>	<u>(19,116)</u>
Net change in fund balance	(141,164)	(162,131)	(58,259)	103,872
Fund balance - beginning	<u>162,131</u>	<u>162,131</u>	<u>162,131</u>	<u>-</u>
Fund balance - ending	<u>\$ 20,967</u>	<u>\$ -</u>	<u>\$ 103,872</u>	<u>\$ 103,872</u>

CITY OF AUDUBON PARK, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND (ROAD AID)
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Resources (inflows):				
Municipal road aid	\$ 27,593	\$ 27,593	\$ 30,120	\$ 2,527
Investment earnings	-	-	2	2
Amounts available for appropriation	27,593	27,593	30,122	2,529
Charges to appropriations (outflows):				
Debt payments	53,313	53,313	51,441	1,872
Streets and roads	-	6,000	-	6,000
Total charges to appropriations	53,313	59,313	51,441	7,872
Transfer in	51,440	51,440	21,490	(29,950)
Net change in fund balance	25,720	19,720	171	(19,549)
Fund balance - beginning	877	877	877	-
Fund balance - ending	<u>\$ 26,597</u>	<u>\$ 20,597</u>	<u>\$ 1,048</u>	<u>\$ (19,549)</u>

CITY OF AUDUBON PARK, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND (SANITATION)
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Resources (inflows):				
Sanitation fees	\$ 137,852	\$ 137,852	\$ 133,207	\$ (4,645)
Investment earnings	-	-	271	271
Amounts available for appropriation	137,852	137,852	133,478	(4,374)
Charges to appropriations (outflows):				
Sanitation expense	125,852	125,852	122,051	3,801
Storm damage reserve	3,000	3,000	8,485	(5,485)
Total charges to appropriations	128,852	128,852	130,536	(1,684)
Transfer out	-	-	(2,374)	(2,374)
Net change in fund balance	9,000	9,000	568	(8,432)
Fund balance - beginnng	72,187	72,187	72,187	-
Fund balance - ending	<u>\$ 81,187</u>	<u>\$ 81,187</u>	<u>\$ 72,755</u>	<u>\$ (8,432)</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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 19, 2023.

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 script is cursive and fluid.

Welenken CPAs

Louisville, Kentucky
April 19, 2023