

**CITY OF AUDUBON PARK, KENTUCKY**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**

**CITY OF AUDUBON PARK, KENTUCKY  
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**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, 2017, 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 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, 2017, 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 2-8 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 January 15, 2018, 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  
January 15, 2018

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

**CITY OF AUDUBON PARK, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**MAYOR'S MANAGEMENT OVERVIEW**

The City continues to gain stability and civic and fiscal health, much of it achieved by a focus on expressed community concerns, responding to immediate problems and demands, and meeting deferred maintenance and capital needs as resources permit. Best practices to support and sustain these efforts have been developed on the fly, though, so standardized procedures and continuity plans are still needed to document the work done, and stretch a sound present footing into a secure future for the City. This is the low-visibility part of the enterprise, until you think about how long and hard it's been moving many projects and programs along without an existing routine in place. Count on a surge in this behind-the-scenes foundation work in the months ahead.

City leadership and staffing have undergone some inevitable transitions. A new City Council took office midway through the fiscal year, two-thirds of its membership brand new, but has quickly mastered its agenda with energy and enthusiasm. Police Chief Doug Sweeney accepted a senior position in Metro government in November, after the end of the audit period – but with the strong team he built, succession was smooth, with Deputy Chief Mike Minniear stepping up. The City Attorney, Katie Reisz, moved into other areas of practice in her firm, and was replaced by Samuel 'Chip' Hayward Jr. Chip is an established practitioner of municipal law, serving several years as city attorney for the city of Green Spring, and others represented by his firm.

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 resident elected and appointed officials from other demanding jobs that put food on the table.

Those who've had recent business with City Hall know the key players who hold it all together: City Clerk/Treasurer Janette Mercer, who keeps the records, pays the bills, and dispenses all manner of advice and assistance; Susan Gordinier, part-time bookkeeper doing regular financial reporting, fiscal recordkeeping, and participation in the budgeting and auditing process; Chief Mike Minniear, noted above, 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.

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 demands 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 air conditioning 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) have been more difficult to arrange affordably, but efforts continue. Aged and unreliable service vehicles have been sold, and replaced where essential. The most urgent road repairs and repaving have

**CITY OF AUDUBON PARK, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

gone forward, and remaining needs charted for the coming year, as resources permit. Much work still remains, to be sure, but progress is encouraging.

In this improving fiscal environment, much has been learned about proper accounting to conserve available funds from year to year, to support big-ticket, long-term 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, as mentioned above, but just as urgent for our health as a community, are the updating, revising and streamlining of the City's legal and administrative systems for documentation, planning and procedures. 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 state review of the credentials and professional standing of the City's police force, which affirms its eligibility for KLEFPF (Kentucky Law Enforcement Foundation Program Fund) stipends to full-time officers, and so helps cement the City's standing as a credible player in local law enforcement. The Department passed with flying colors, earning high marks and endorsements from the inspector.

The City took on an ambitious effort this year to acquire a new insurer, after recurring experience with both rising premiums and increasingly common reservations on coverage. As you may know, after policing and waste management, this is the single greatest item of expense in the City budget. Review and evaluation of several proposals eventually produced an arrangement with the Reisert Agency, whose primary vendor is The Travelers. The new policies for the coming year provide a considerable increase in coverage, reduced prospects of reservation, and a significant overall savings in premiums.

*Waste management.* This was the second fiscal year of our current three-year waste collection contract with Waste Management, LLC, with all services provided on Tuesdays; consolidated services for multiple dwellings; large wheeled recycling carts issued to all customers; and updated customer service provisions – all at a net reduced cost amounting to about \$75 annually for each single household. These contract arrangements continue to be working fairly smoothly, 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 have been encouraged to insist that anyone who wants to enter their property show a proper permit – or to call City Hall and ask if one's been issued. Our police are 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.

Among the more prominent projects were those involving fiber-optic cable for super-fast Internet access. AT&T installed trunk lines last year along the main routes in the western part of the City, to Oriole Drive. Individual residences are being connected to these lines as services are ordered by private customers. While expected, no



**CITY OF AUDUBON PARK, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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 the County Attorney has advised cities to proceed individually. 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. This may have contributed to delaying the project, and to rumored changes in installation plans to a below-ground scheme that may be problematic in our forested environment.

More broadly, telecommunications franchising has been heavily impacted by a recent state Supreme Court decision against the centralized fee collection and distribution system previously operated by state government. Developing our own independent fee structure and franchise arrangements for each telecomm vendor poses a profound administrative challenge ahead.

*Forest Management.* The Forest Board has done a terrific 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 'playscapes' initiative begun by the Forest Board has placed fun things that blend smoothly into a natural environment: tire swings and log hops, and potentially treehouses, underbrush fortresses, etc. A reconstituted Parks & Rec Board will be working to identify more suitable locations and facilities for the new generation. Tire swings now hang in Wren, Oriole and Crossbill Parks, with adjoining log hops and infant swings in the first two. Other developments are expected to follow.

*Community Activities.* This fiscal year provided an outstanding combination of public and private fun in our public spaces, from an excellent Independence Day parade starting from Oriole Park, to a spectacular block party on Dove Road, a standout fall Auktoberfest, a memorable Dogwood Festival celebration, an Easter egg hunt and Arbor Day planting in Robin Park, and a second-grade class's school's-out picnic and squirt-gun fight in Wren. The Parks & Rec Board will be studying 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 collaboration, a 5- or 10K run event, and similar possibilities.

Forest management, parks development and community activities are all major undertakings whose success is a direct function of volunteer support. As the City works on outreach channels and appeals for participation in the months to come, citizens will continue to be urged to pitch in, for specific events or in an ongoing role. When civic players emerge, the City gets programs that can keep performing within our limited fiscal resources. Participants get bragging rights, and the pride of playing a direct part in the vibrant Audubon Park community we all know and love.

**CITY OF AUDUBON PARK, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**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, 2017**

**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 \$252,957, or 50%, 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 \$103,445, or 20%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$153,034, or 30%, represents unrestricted net position.

City of Audubon Park, Kentucky  
Condensed Statements of Net Position  
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	Increase/ (Decrease)
Current and other assets	\$ 765,002	\$ 403,631	\$ 361,371
Capital assets	<u>252,957</u>	<u>273,441</u>	( 20,484)
Total assets	<u>1,017,959</u>	<u>677,072</u>	<u>340,887</u>
Current and other liabilities	9,685	40,664	( 30,979)
Deferred inflows	<u>498,838</u>	<u>254,233</u>	<u>244,605</u>
Total liabilities and deferred inflows	<u>508,523</u>	<u>294,897</u>	<u>213,626</u>
Net position:			
Invested in capital assets, net	252,957	273,441	( 20,484)
Restricted	103,445	55,771	47,674
Unrestricted	<u>153,034</u>	<u>52,963</u>	<u>100,071</u>
Total net position	<u>\$ 509,436</u>	<u>\$ 382,175</u>	<u>\$ 127,261</u>

City of Audubon Park, Kentucky  
Condensed Statements of Activities  
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenues:				
Program revenue:				
Charges for services	\$ 236,495	\$ 285,873	(\$ 49,378)	( 17.27%)
Operating grants	49,486	47,688	1,798	3.77%
General revenue:				
Property taxes	374,525	352,983	21,542	6.10%
Other taxes	301,813	285,948	15,865	5.55%
Investment	4,000	2,000	2,000	100.00%
Other income	<u>6,423</u>	<u>2,017</u>	<u>4,406</u>	218.44%
Total revenues	<u>972,742</u>	<u>976,509</u>	( 3,767)	( .39%)
Expenses:				
General government	\$ 173,282	\$ 183,755	(\$ 10,473)	( 5.70%)
Sanitation	126,362	177,642	( 51,280)	( 28.87%)
Public safety	431,990	403,747	28,243	7.00%
Public works	<u>113,847</u>	<u>98,949</u>	<u>14,898</u>	15.06%
Total expenses	<u>845,481</u>	<u>864,093</u>	( 18,612)	( 2.15%)
Change in net position	127,261	112,416	14,845	( 13.21%)
Net position – beginning	<u>382,175</u>	<u>269,759</u>	<u>112,416</u>	41.67%
Net position – ending	<u>\$ 509,436</u>	<u>\$ 382,175</u>	<u>\$ 127,261</u>	33.30%

**CITY OF AUDUBON PARK, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

Governmental activities increased the City's net position by \$127,261. The increase was attributable in part to an increase in most revenue accounts. Expenses increased from prior year. A portion of the increase in public safety expenses was due to the hiring of full time police officers in order to retain qualified officers. Public works expense also increased due in part to tree trimming in the parks.

**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 \$256,479. The General Fund's unassigned fund balance is \$153,034. The General Fund is the chief operating fund of the City. At the end of the 2016-2017 fiscal year, the General Fund balance was \$153,034.

The Special Revenue Fund (Road Aid), which is restricted for road expenditures, has a total fund balance of \$63,874. The net increase in the Special Revenue Fund (Road Aid) balance for the fiscal year was \$22,845.

The Special Revenue Fund (Sanitation), which is committed to sanitation expenses, has a total fund balance of \$39,571. The net increase in the Special Revenue Fund (Sanitation) balance for the fiscal year was \$10,953.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual charges to appropriations (expenditures) were \$115,368 less than the final budgeted amounts. There were no negative variances that occurred in the City's charges to appropriations. The most significant positive variance occurred in the City's contingency reserve, where the budgeted expenses were \$50,000 and there were no actual expenses.

In addition, resources available for appropriation were \$43,601 greater than the final budgeted amount. The final budget included \$364,990 of property tax revenue in comparison to the \$374,525 actually collected. Insurance taxes were the most significant positive variance, where the actual revenue was \$24,238 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, 2017 is \$252,957 (net of accumulated depreciation).

City of Audubon Park, Kentucky  
Capital Assets

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Vehicles	\$ 174,866	\$ 201,880
Equipment	151,332	142,607
Building	154,766	153,841
Infrastructure	132,293	132,293
Land	37,291	37,291
	<u>650,548</u>	<u>667,912</u>
Less accumulated depreciation	( 397,591)	( 394,471)
Capital assets, net	<u>\$ 252,957</u>	<u>\$ 273,441</u>

**CITY OF AUDUBON PARK, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**B. Long-Term Debt**

The City had no long-term debt during the 2016-2017 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 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 2018 fiscal year budgeted expense are as follows:

General Fund:

- General government - \$180,918
- Public safety - \$428,511
- Public works - \$126,321
- Contingency reserve - \$40,000

Road Fund:

- Street paving - \$122,387

Sanitation Fund:

- Sanitation expense - \$125,851
- Storm damage - \$12,878

**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, 2017**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 644,101
Property taxes receivable	31,847
Other receivables	87,932
Prepaid expenses	1,122
Capital assets, net of depreciation	<u>252,957</u>
Total Assets	<u>1,017,959</u>
<b>LIABILITIES</b>	
Accounts payable	<u>9,685</u>
Total Liabilities	<u>9,685</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue applicable to future years	363,300
Sanitation fee revenue applicable to future years	<u>135,538</u>
Total Deferred Inflows of Resources	<u>498,838</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related depreciation	252,957
Restricted	103,445
Unrestricted	<u>153,034</u>
Total Net Position	<u>\$ 509,436</u>

See accompanying notes to financial statements.

**CITY OF AUDUBON PARK, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

<b>PRIMARY GOVERNMENT</b>	<b>Governmental Activities</b>			<b>Total</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants</b>	
<u><b>FUNCTIONS/PROGRAMS</b></u>				
General government	\$ (173,282)	\$ 19,220	\$ -	\$ (154,062)
Sanitation	(126,362)	138,865	-	12,503
Public safety	(431,990)	78,410	19,860	(333,720)
Public works	(113,847)	-	29,626	(84,221)
 Total Primary Government	 (845,481)	 236,495	 49,486	 (559,500)
 <b>GENERAL REVENUES</b>				
Property taxes				374,525
Insurance taxes				264,238
Motor vehicle taxes				29,228
Franchise taxes				8,347
Investment earnings				4,000
Gain on sale of assets				6,337
Miscellaneous				86
 Total General Revenues				 686,761
 <b>CHANGE IN NET POSITION</b>				 127,261
 <b>NET POSITION, BEGINNING OF YEAR</b>				 382,175
 <b>NET POSITION, END OF YEAR</b>				 <u>\$ 509,436</u>

See accompanying notes to financial statements.



## **FUND FINANCIAL STATEMENTS**

**CITY OF AUDUBON PARK, KENTUCKY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

**ASSETS**

	General Fund	Special Revenue Fund (Road Aid)	Special Revenue Fund (Sanitation)	Total Governmental Funds
<b>Assets</b>				
Cash	\$416,475	\$ 63,874	\$163,752	\$ 644,101
Property taxes receivable	31,847	-	-	31,847
Other receivables	76,575	-	11,357	87,932
Prepaid expenses	1,122	-	-	1,122
<b>Total Assets</b>	<u>\$526,019</u>	<u>\$ 63,874</u>	<u>\$175,109</u>	<u>\$ 765,002</u>

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

**Liabilities**

Accounts payable	\$ 9,685	\$ -	\$ -	\$ 9,685
<b>Total Liabilities</b>	<u>9,685</u>	<u>-</u>	<u>-</u>	<u>9,685</u>

**Deferred Inflows of Resources**

Unearned revenue - property taxes	363,300	-	-	363,300
Unearned revenue - sanitation fees	-	-	135,538	135,538
<b>Total Deferred Inflows of Resources</b>	<u>363,300</u>	<u>-</u>	<u>135,538</u>	<u>498,838</u>

**Fund Balances**

Restricted				
Special Revenue	-	63,874	39,571	103,445
Unassigned	153,034	-	-	153,034
<b>Total Fund Balances</b>	<u>153,034</u>	<u>63,874</u>	<u>39,571</u>	<u>256,479</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$526,019</u>	<u>\$ 63,874</u>	<u>\$175,109</u>	<u>\$ 765,002</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, 2017**

Total fund balances for governmental funds	\$ 256,479
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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

<u>252,957</u>
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Total net position of governmental activities
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<u><u>\$ 509,436</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, 2017**

	General Fund	Special Revenue Fund (Road Aid)	Special Revenue Fund (Sanitation)	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 374,525	\$ -	\$ -	\$ 374,525
Insurance taxes	264,238	-	-	264,238
Sanitation fees	-	-	138,865	138,865
Motor vehicle taxes	29,228	-	-	29,228
Franchise fees	8,347	-	-	8,347
Intergovernmental revenue	19,860	29,626	-	49,486
Police and public works	78,410	-	-	78,410
License and permits	1,750	-	-	1,750
Investment earnings	4,000	-	-	4,000
Proceeds from community activities	17,470	-	-	17,470
Miscellaneous revenue	86	-	-	86
<b>Total Revenues</b>	<b>797,914</b>	<b>29,626</b>	<b>138,865</b>	<b>966,405</b>
<b>EXPENDITURES</b>				
Police department	432,333	-	-	432,333
Public works	85,759	6,781	1,550	94,090
Sanitation	-	-	126,362	126,362
Administration	172,652	-	-	172,652
<b>Total Expenditures</b>	<b>690,744</b>	<b>6,781</b>	<b>127,912</b>	<b>825,437</b>
<b>Excess of Revenues over Expenditures</b>	<b>107,170</b>	<b>22,845</b>	<b>10,953</b>	<b>140,968</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	6,777	-	-	6,777
<b>Total Other Financing Sources</b>	<b>6,777</b>	<b>-</b>	<b>-</b>	<b>6,777</b>
<b>Net Change in Fund Balance</b>	<b>113,947</b>	<b>22,845</b>	<b>10,953</b>	<b>147,745</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>39,087</b>	<b>41,029</b>	<b>28,618</b>	<b>108,734</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 153,034</b>	<b>\$ 63,874</b>	<b>\$ 39,571</b>	<b>\$ 256,479</b>

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, 2017**

Changes in fund balances - governmental funds	\$ 147,745
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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	15,300
Depreciation expense	(35,345)

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	(32,664)
Accumulated depreciation	<u>32,225</u>

Change in net position of governmental activities	<u><u>\$ 127,261</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 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.

**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 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."

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 15, 2018, 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.

Cash balances at June 30, 2017 were as follows:

<u>Fund</u>	<u>Financial Institution</u>	<u>Bank Balance</u>	<u>Insured</u>	<u>Collateralized</u>
General	Commonwealth Bank	\$332,953		
Sanitation	Commonwealth Bank	124,181		
Road Aid	Commonwealth Bank	63,874		
		<u>\$521,008</u>	FDIC	Pledge Agreement
General	American Founders Bank	\$ 94,612		
Sanitation	American Founders Bank	39,571		
		<u>\$134,183</u>	FDIC	

**NOTE D – CAPITAL ASSETS**

	<u>Year Ending June 30, 2017</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Building and improvements	\$ 153,841	\$ 925	\$ -	\$ 154,766
Land	37,291	-	-	37,291
Infrastructure (road repaving)	132,293	-	-	132,293
Vehicles	201,880	5,650	( 32,664)	174,866
Equipment	105,450	8,725	-	114,175
Office equipment	37,157	-	-	37,157
Total Cost	667,912	15,300	( 32,664)	650,548
Less: accumulated depreciation	( 394,471)	( 35,345)	32,225	( 397,591)
Net Book Value	<u>\$ 273,441</u>	<u>(\$ 20,045)</u>	<u>(\$ 439)</u>	<u>\$ 252,957</u>

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

Public safety	\$ 6,718
General government	8,871
Public works	19,756
	<u>\$ 35,345</u>

**NOTE E – OTHER RECEIVABLES**

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

Insurance tax	\$ 72,447
Motor vehicle tax	3,018
Parking fines	110
Sanitation fee	11,357
KLEFPF	1,000
Total	<u>\$ 87,932</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 2017 was \$0.282 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, 2016, 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, 2017 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, 2017. 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 \$4,000.

**NOTE J – 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, 2017**

	<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	\$ 364,990	\$ 364,990	\$ 374,525	\$ 9,535
Insurance taxes	240,000	240,000	264,238	24,238
Motor vehicle taxes	24,000	24,000	29,228	5,228
Franchise fees	8,000	8,000	8,347	347
Intergovernmental revenue	15,700	15,700	19,860	4,160
Police and public works	78,000	78,000	78,410	410
License and permits	2,000	2,000	1,750	(250)
Investment earnings	2,000	2,000	4,000	2,000
Proceeds from community activities	5,000	19,900	17,470	(2,430)
Proceeds from sale of capital assets	6,000	6,000	6,777	777
Miscellaneous revenue	500	500	86	(414)
Amounts available for appropriation	<u>746,190</u>	<u>761,090</u>	<u>804,691</u>	<u>43,601</u>
Charges to appropriations (outflows):				
Police department	409,625	437,105	432,333	4,772
Public works	115,766	124,266	85,759	38,507
Administration	180,799	194,741	172,652	22,089
Contingency reserve	40,000	50,000	-	50,000
Total charges to appropriations	<u>746,190</u>	<u>806,112</u>	<u>690,744</u>	<u>115,368</u>
Net change in fund balance	-	(45,022)	113,947	158,969
Fund balance - beginning	<u>39,087</u>	<u>39,087</u>	<u>39,087</u>	-
Fund balance - ending	<u>\$ 39,087</u>	<u>\$ (5,935)</u>	<u>\$ 153,034</u>	<u>\$ 158,969</u>



**CITY OF AUDUBON PARK, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND (ROAD AID)**  
**YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Resources (inflows):				
Municipal road aid	\$ 30,000	\$ 30,000	\$ 29,626	\$ (374)
Amounts available for appropriation	30,000	30,000	29,626	(374)
Charges to appropriations (outflows):				
Streets and roads	60,073	81,073	6,781	74,292
Total charges to appropriations	60,073	81,073	6,781	74,292
Transfer In	15,073	25,073	-	(25,073)
Net change in fund balance	(15,000)	(26,000)	22,845	48,845
Fund balance - beginning	41,029	41,029	41,029	-
Fund balance - ending	\$ 26,029	\$ 15,029	\$ 63,874	\$ 48,845

**CITY OF AUDUBON PARK, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND (SANITATION)**  
**YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Resources (inflows):				
Sanitation fees	\$ 138,730	\$ 138,730	\$ 138,865	\$ 135
Amounts available for appropriation	138,730	138,730	138,865	135
Charges to appropriations (outflows):				
Sanitation expense	125,852	125,852	126,362	(510)
Storm damage reserve	12,878	12,878	1,550	11,328
Total charges to appropriations	138,730	138,730	127,912	10,818
Net change in fund balance	-	-	10,953	10,953
Fund balance - beginning	28,618	28,618	28,618	-
Fund balance - ending	\$ 28,618	\$ 28,618	\$ 39,571	\$ 10,953

**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, 2017, 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 15, 2018.

**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 script is cursive and fluid.

Welenken CPAs

Louisville, Kentucky  
January 15, 2018