

**CITY OF AUDUBON PARK, KENTUCKY**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2015**

**CITY OF AUDUBON PARK, KENTUCKY  
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YEAR ENDED JUNE 30, 2015**

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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Audubon Park, Kentucky, as of June 30, 2015, 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 15-16 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 November 30, 2015, 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  
November 30, 2015

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

**CITY OF AUDUBON PARK, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**MAYOR'S MANAGEMENT OVERVIEW**

The City's executive group has remained relatively stable through its first full fiscal year, though with a couple of important exceptions noted below. The legislative body, while turning over two-thirds of the City Council at mid-fiscal-year, has continued to work hard to make continued reconstitution and regeneration possible. Improved stability in regular day-to-day business has helped free up efforts to tackle some of the longer-range challenges facing us. While the road ahead remains long, I think it's safe to say we're securely on our way.

**City Staff**

While this still seems like a 'new' group, it's been on station long enough to become a cohesive team. They are so energetic, it's sometimes hard to remember there are only three full-time employees: the Clerk/Treasurer, Police Chief, and Public Works operator. The police force has continued to perform admirably with a cadre of experienced part-time officers already vested with employee benefits from various previous assignments. Other principals are either on retainer or unpaid, many sharing City time with their 'day jobs.' Staff policies and procedures continue to evolve around a strong service ethic, personal responsibility and close community relations.

The City's bookkeeping function has passed through several hands as we've sought a stable and affordable quality solution. Finally resorting to a temporary staffing service this year, we appear, on the fourth try, to have a solid bookkeeping performer on hand who's earned strong marks from auditors, Councilors and the management. Her conversion to a regular part-time employee is in the works, with high hopes for solid regular production that will permit long-awaited system development to get under way in earnest.

**Other City Officials**

Most of the City's board appointments have been filled, including the ranks of the Code Enforcement, Ethics and Forest Boards, and our new Parks and Recreation Board. Vacancies continue to come up in these important positions, of course, as resident moves and other complications arise, so it's been especially encouraging to see continued interest in supporting these City functions.

**Civic Action**

Citizens' willingness to step up when less formal things need doing has proven an inspiration. Participation keeps increasing in Park Beautification Days, Brightside entrance cleanups, spontaneous trash patrols and drain clearance, Garden Club planting and caring for beds, Christmas decoration of public places – and of course there are the inimitable Elves who magically appear whenever mass mailings or hand distribution of essential community information are needed. If you're looking for that special something that defines the spirit of Audubon Park, look no further.

**Budget**

A large volume of City government's work this year has focused on continuing to restore our financial health. As reported in last year's annual audit, the City ended fiscal year 2014 with a net General Fund deficit of some \$70,000. The current report ends FY 2015 at minus \$5,000, as shown in the balances depicted on pages 13 and 15. Had we not insisted on retaining an old due-out from the General Fund to the Road Fund, we actually had a surplus of nearly \$10,000. We kept this due-out on the books as a kind of promise to reinforce the Road Fund when we can, which will be critical as gas prices, and thus tax revenue feeding this fund, continue to fall. Meanwhile, the City remains solvent, due in large measure to superhuman penny-pinching and forbearance by the staff and City Council, and in particular our indefatigable Clerk/Treasurer.

**CITY OF AUDUBON PARK, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

This report contains one other noteworthy improvement: *no material weaknesses or significant deficiencies* in internal controls were identified during our audit. This is a welcome sign that the City's fiscal health is sound in the capable hands of current staff.

**Legal matters**

The City's spirit has remained in contest this year, either by ongoing litigation or its threat, challenging the exercise of essential government functions, and thus its viability as a civic unit. Cases involving building codes, drainage regulation, nuisance abatement and pension policy have unfortunately persisted, while older and more troubling cases of employee discrimination, whistleblower retaliation, police mistreatment and tax/fee policy have largely been resolved. It's ironic that the older cases, generally just involving money damages, are handled largely by our insurer, while the more recent cases of solemn principle we must defend on our own. The nuisance and pension cases are both tied up in appeals, embodying the old adage that it's a marathon, not a sprint. But our fortitude is at stake. Perseverance and focus will remain the keys to preserving the integrity and character of our City.

**Recodification**

This critical project, updating our Code of Ordinances to incorporate newer laws, eliminate inconsistencies, and conform to changes in state and Federal law, is well along this year, with most state grant funds expended on professional packaging and limited conforming of contents. Major efforts have proceeded internally to produce a rational structure and coherent and consistent content, aiming for a readable, understandable and enforceable Code we can be proud of. Final results will also depend heavily, of course, on the results of the legal matters outlined above.

**Records and Archives**

Closely related to getting the City's ordinances in order is getting its records in order – out of uncatalogued folders in unnumbered boxes, and into a state-prescribed file structure in secure containers. On-site and off-, paper and electronic, the whole must provide a clear, complete, searchable and retrievable archive of the City's business. Because of the magnitude and indefinite duration of the effort, a new City official, the Archivist, was established to put together the necessary manpower, equipment and regulatory effort to undertake this work, at minimal expense. The project is progressing, with storage equipment procured, and screening, review and reclassification of files ongoing.

**City Infrastructure**

City Hall still has many deferred areas of upkeep that the FY 15 budget was unable to support. But its automated systems were updated, with some persistent residual bugs to work out. Limited FY 16 funds have been budgeted for other capital projects like window replacements, paint and HVAC; these are being prioritized as updated bids and estimates are collected, and we continue to work with what we have as long as it holds out.

Some funds have also been set aside in the new fiscal year for restoration work and power supplies at the City's entrances. Bid solicitation has been broad, and as documentation is compiled and evaluated we should be in a position to stretch resources as far as they'll go – anticipating more will likely be needed, through both traditional and innovative means, to finish the job.

Like the internal systems in City Hall, the roads define the network that connects the City, and the repairs and resurfacing undertaken in FY 15 used nearly all the resources available to shore things up without taking on massive new debt. A new project has been let for FY 16 to do essential continuing maintenance, by sealing, filling and selected resurfacing.

**CITY OF AUDUBON PARK, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

Keeping the roads clear, with minimal collateral damage, is the focus for the next winter season, of course, so after several close calls with various maintenance problems over the year, it was a major priority to acquire a new truck and plow for the coming season. This was a major investment, but a critical one, with the way made clear by the discipline and successful execution of the FY 15 budget.

**Waste Management**

Several ups and downs have occurred during the first 2 years of a 3-year contract with Waste Management, LLC, including a couple of missed pickups in bad weather not made up; excess charges from failing to update the bill from the previous contract; failure to pick up selected waste in accordance with the contract; an incident of theft from a resident by an employee; and no implementing guidance on revised Metro yard waste policy. For those shortcomings associated with specific costs, reduced payments are shown in the budgetary comparison schedule on page 16.

Along with a careful review of what services are essential to citizens, and how best to provide them fairly and equitably, community dialogue is needed to see what changes may be in order in our next contract, in both size and scope.

**Forest Management**

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

**Parks Development**

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

**Community Activities**

The Parks and Rec Board has closed around an array of neighborhood fellowship activities that have been either discussed or conducted over this past year by various groups and individuals, with the Board providing a City government resource for planning, communicating, supporting and documenting. There have been obvious huge successes with the Forest Fest, Independence Day parade, and Auktoberfest; other prospects discussed have included collateral support for existing events (e.g., Dove Road block party, Memorial and Veterans Day flag ceremonies, Community Christmas celebration); and new activities like movie nights, concerts, farmer's market, a 5- or 10K run event, and similar possibilities.

**CITY OF AUDUBON PARK, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

The scope and extent of essential programs and initiatives discussed in this report will take intensive management to progress in an environment of continuing austerity. City government must therefore renew its best efforts to pursue:

***Innovative resourcing***

- Optimizing tax/fee structures
- Developing programs and mechanisms for deductible voluntary contributions
- Offering local option project funding
- Levying for park maintenance and development
- Identification and pursuit of grant opportunities
- Surplus supply and equipment acquisition (private, intercity, state and Federal)

***Focused budgeting and execution***

- Consistent, transparent reporting and review of expenditures
- Incorporating standard state accounting codes and categories
- Planning and programming future requirements
- Aligning budget and tax cycles, so resources can aim at specific needs
- Reinforcing integrity of fiscal year spending against approved budget allocations

***Aggressive stewardship***

- Compilation of laws and regulations that are current, consistent, readable, and minimal, while still robust and enforceable of civic order
- Development of City administrative systems to standardize orientation, training, and operating procedures for officials, staff, boards, and Council
- Attentiveness to and pursuit of state legislative activity affecting community interests
- Unyielding defense against legal challenges to City viability and integrity
- Contracting and franchising to obtain maximum community benefit at minimum cost
- Intergovernmental coordination/liaison for mutual support without loss of autonomy

In short, an active year concludes, and another beckons. It's been an honor to be part of it, and I look forward to more excitement ahead in the renaissance of our precious community. See you around The Park!

**CITY OF AUDUBON PARK, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**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, 2015**

**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 \$213,066, or 79%, (total net position balance is \$269,759), 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 \$248,874, or 92%, (total net position balance is \$269,759), represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of (\$192,181), or (71%), represents unrestricted net deficit.

Governmental activities increased the City's net position by \$189,788. This increase has expanded expendable funds.

Total assets at June 30, 2015 were \$878,722, of which \$213,066, or 24%, consisted of capital assets. In comparison, total assets for the prior year were \$784,643, of which \$138,259, or 17%, consisted of capital assets.

Total revenues for the 2014-2015 fiscal year were \$1,021,703, as compared to prior year total revenue of \$1,097,409. Approximately 34%, or \$342,832 of current year revenue is from property taxes and approximately 18%, or \$187,938 of current year revenue is from sanitation fees. Property taxes was the largest source of revenue for the City. Property taxes were assessed at \$0.294 per \$100 of assessed value.

Total expenses for the 2014-2015 fiscal year were \$831,915, which is \$75,606 less than prior year total expenses of \$907,521. The City's three major expenses and their percentage of total expenses are as follows:

	<u>2015</u>		<u>2014</u>	
Public safety	\$400,285	48%	\$445,982	49%
General government	\$194,035	23%	\$230,993	25%
Sanitation	\$175,751	21%	\$184,658	21%

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

At the end of the fiscal year, the City governmental funds reported combined ending fund balances of \$56,693. The General Fund's unassigned balance is (\$5,580). The General Fund is the chief operating fund of the City. At the end of the 2014-2015 fiscal year, the General Fund deficit balance was (\$5,580).

The Special Revenue Fund (Road Aid), which is restricted for road expenditures, has a total fund balance of \$50,086. The net decrease in the Special Revenue Fund (Road Aid) balance for the fiscal year was \$61,648.

The Special Revenue Fund (Sanitation), which is committed to sanitation expenses, was segregated in fiscal year 2014 for revenue and expenses relating to fiscal year 2015 and later. Fund balance at June 30, 2015 was \$12,187.

**CITY OF AUDUBON PARK, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual charges to appropriations (expenditures) were \$11,315 less than the final budgeted amounts. The largest negative variance occurred in the City's administration expense which was over budget by \$31,043. The most significant positive variance occurred in the City's police department, where the budgeted expenses were \$32,665 greater than actual.

In addition, resources available for appropriation were \$53,127 greater than the final budgeted amount. The final budget included \$351,320 of property tax revenue in comparison to the \$342,832 actually collected. The insurance taxes was the most significant positive variance.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**A. Capital Assets**

The City's investment in capital assets for governmental activities as of June 30, 2015 is \$213,066 (net of accumulated depreciation). Road work was completed in fiscal year 2015.

**B. Long-Term Debt**

The City had no long-term debt during the 2014-2015 fiscal year.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

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

**REQUESTS FOR INFORMATION**

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

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF AUDUBON PARK, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 561,356
Property taxes receivable	39,686
Other receivables	64,614
Capital assets, net of depreciation	<u>213,066</u>
Total Assets	<u>878,722</u>
<b>LIABILITIES</b>	
Accounts payable	27,152
Note payable - line of credit	<u>40,000</u>
Total Liabilities	<u>67,152</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue applicable to future years	342,437
Sanitation fee revenue applicable to future years	<u>199,374</u>
Total Deferred Inflows of Resources	<u>541,811</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related depreciation	213,066
Restricted	248,874
Unrestricted	<u>(192,181)</u>
Total Net Position	<u>\$ 269,759</u>

See accompanying notes to financial statements.

**CITY OF AUDUBON PARK, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

<b>PRIMARY GOVERNMENT</b>	Governmental Activities				Total
	Expenses	Charges for Services	Operating Grants	Capital Grants	
<u>FUNCTIONS/PROGRAMS</u>					
General government	\$ 194,035	\$ -	\$ 8,300	\$ -	\$ (185,735)
Sanitation	175,751	187,938	-	-	12,187
Public safety	400,285	72,410	1,738	10,000	(316,137)
Public works	61,844	-	32,183	-	(29,661)
Total Primary Government	831,915	260,348	42,221	10,000	(519,346)
<b>GENERAL REVENUES</b>					
Property taxes					342,832
Insurance taxes					272,789
Motor vehicle taxes					28,972
Intergovernmental					17,830
Franchise taxes					8,348
Licenses and permits					1,700
Investment earnings					6,322
Gain on sale of assets					15,750
Insurance proceeds					12,673
Miscellaneous					1,918
Total General Revenues					709,134
<b>CHANGE IN NET POSITION</b>					189,788
<b>NET POSITION, BEGINNING OF YEAR</b>					79,971
<b>NET POSITION, END OF YEAR</b>					<u>\$ 269,759</u>

See accompanying notes to financial statements.

## **FUND FINANCIAL STATEMENTS**

**CITY OF AUDUBON PARK, KENTUCKY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

**ASSETS**

	General Fund	Special Revenue Fund (Road Aid)	Special Revenue Fund (Sanitation)	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 314,782	\$ 35,013	\$ 211,561	\$ 561,356
Property taxes receivable	39,686	-	-	39,686
Other receivables	64,614	-	-	64,614
Due from general fund	-	15,073	-	15,073
	<u>-</u>	<u>15,073</u>	<u>-</u>	<u>15,073</u>
Total Assets	<u>\$ 419,082</u>	<u>\$ 50,086</u>	<u>\$ 211,561</u>	<u>\$ 680,729</u>

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

<b>Liabilities</b>				
Accounts payable	\$ 27,152	\$ -	\$ -	\$ 27,152
Note payable - line of credit	40,000	-	-	40,000
Due to special revenue funds	15,073	-	-	15,073
	<u>15,073</u>	<u>-</u>	<u>-</u>	<u>15,073</u>
Total Liabilities	<u>82,225</u>	<u>-</u>	<u>-</u>	<u>82,225</u>
<b>Deferred Inflows of Resources</b>				
Unearned revenue - property taxes	342,437	-	-	342,437
Unearned revenue - sanitation fees	-	-	199,374	199,374
	<u>-</u>	<u>-</u>	<u>199,374</u>	<u>199,374</u>
Total Deferred Inflows of Resources	<u>342,437</u>	<u>-</u>	<u>199,374</u>	<u>541,811</u>
<b>Fund Balances</b>				
Restricted				
Special Revenue	-	50,086	12,187	62,273
Unassigned	(5,580)	-	-	(5,580)
	<u>(5,580)</u>	<u>-</u>	<u>-</u>	<u>(5,580)</u>
Total Fund Balances	<u>(5,580)</u>	<u>50,086</u>	<u>12,187</u>	<u>56,693</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 419,082</u>	<u>\$ 50,086</u>	<u>\$ 211,561</u>	<u>\$ 680,729</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, 2015**

Total fund balances for governmental funds	\$ 56,693
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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>213,066</u>
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Total net position of governmental activities	<u><u>\$ 269,759</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, 2015**

	General Fund	Special Revenue Fund (Road Aid)	Special Revenue Fund (Sanitation)	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 342,832	\$ -	\$ -	\$ 342,832
Insurance taxes	272,789	-	-	272,789
Sanitation fees	-	-	187,938	187,938
Motor vehicle taxes	28,972	-	-	28,972
Franchise fees	8,348	-	-	8,348
Intergovernmental revenue	37,868	32,183	-	70,051
Police and public works	72,410	-	-	72,410
License and permits	1,700	-	-	1,700
Investment earnings	6,322	-	-	6,322
Miscellaneous revenue	1,918	-	-	1,918
Total Revenues	<u>773,159</u>	<u>32,183</u>	<u>187,938</u>	<u>993,280</u>
<b>EXPENDITURES</b>				
Police department	391,186	-	-	391,186
Public works	53,310	93,831	-	147,141
Sanitation	-	-	175,751	175,751
Administration	193,459	-	-	193,459
<b>Debt service</b>				-
Principal	100,000	-	-	100,000
Total Expenditures	<u>737,955</u>	<u>93,831</u>	<u>175,751</u>	<u>1,007,537</u>
Excess (Deficiency) of Revenues over Expenditures	<u>35,204</u>	<u>(61,648)</u>	<u>12,187</u>	<u>(14,257)</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from insurance claims	12,673	-	-	12,673
Proceeds from sale of capital assets	16,565	-	-	16,565
Total Other Financing Sources	<u>29,238</u>	<u>-</u>	<u>-</u>	<u>29,238</u>
<b>Net Change in Fund Balance</b>	64,442	(61,648)	12,187	14,981
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>(70,022)</u>	<u>111,734</u>	<u>-</u>	<u>41,712</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ (5,580)</u>	<u>\$ 50,086</u>	<u>\$ 12,187</u>	<u>\$ 56,693</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, 2014**

Changes in fund balances - governmental funds	\$ 14,981
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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. This is the amount by which capital outlays (\$108,583) are greater than depreciation (\$32,186) in the current period.	76,397
--	--------

Governmental funds report gross proceeds from sale of capital assets as revenue. However, in the statement of activities, the cost of these assets are netted against the proceeds from the sale of the asset. This is the cost of the asset sold less depreciation.	(1,590)
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Governmental funds report loan payments and capital lease payments as expenditures. However, in the statement of activities, the payments are allocated over the term of the loan or lease. Governmental funds also report loan proceeds as revenue. This is the amount of loan payments in the current period.	<u>100,000</u>
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Change in net position of governmental activities	<u><u>\$ 189,788</u></u>
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See accompanying notes to financial statements.

**CITY OF AUDUBON PARK, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Budgetary fund balance, July 1	\$ (70,022)	\$ (70,022)	\$ (70,022)	\$ -
Resources (inflows):				
Property taxes and sanitation fees	351,320	351,320	342,832	(8,488)
Insurance taxes	220,000	220,000	272,789	52,789
Motor vehicle taxes	22,800	22,800	28,972	6,172
Franchise fees	8,000	8,000	8,348	348
Intergovernmental revenue	37,000	47,800	37,868	(9,932)
Police and public works	75,000	75,000	72,410	(2,590)
License and permits	2,000	2,000	1,700	(300)
Investment earnings	2,000	2,000	6,322	4,322
Proceeds from sale of capital assets	18,000	18,000	16,565	(1,435)
Proceeds from insurance claim	-	-	12,673	12,673
Miscellaneous revenue	<u>1,000</u>	<u>2,350</u>	<u>1,918</u>	<u>(432)</u>
Amounts available for appropriation	<u>667,098</u>	<u>679,248</u>	<u>732,375</u>	<u>53,127</u>
Charges to appropriations (outflows):				
Police department	413,851	423,851	391,186	32,665
Public works	61,653	63,003	53,310	9,693
Administration	161,616	162,416	193,459	(31,043)
Line of credit payments	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total charges to appropriations	<u>737,120</u>	<u>749,270</u>	<u>737,955</u>	<u>11,315</u>
Budgetary fund balance, June 30	<u><u>\$ (70,022)</u></u>	<u><u>\$ (70,022)</u></u>	<u><u>\$ (5,580)</u></u>	<u><u>\$ 64,442</u></u>

See accompanying notes to financial statements.

**CITY OF AUDUBON PARK, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND (ROAD AID)**  
**YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 111,734	\$ 111,734	\$ 111,734	\$ -
Resources (inflows):				
Municipal road aid	36,000	36,000	32,183	(3,817)
Amounts available for appropriation	147,734	147,734	143,917	(3,817)
Charges to appropriations (outflows):				
Streets and roads	46,000	129,000	93,831	35,169
Total charges to appropriations	46,000	129,000	93,831	35,169
Budgetary fund balance, June 30	<u>\$ 101,734</u>	<u>\$ 18,734</u>	<u>\$ 50,086</u>	<u>\$ 31,352</u>

**CITY OF AUDUBON PARK, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND (SANITATION)**  
**YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Sanitation fees	189,981	189,981	187,938	(2,043)
Amounts available for appropriation	189,981	189,981	187,938	(2,043)
Charges to appropriations (outflows):				
Sanitation expense	177,642	177,642	175,751	1,891
Storm damage reserve	12,339	12,339	-	12,339
Total charges to appropriations	189,981	189,981	175,751	14,230
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,187</u>	<u>\$ 12,187</u>

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

### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Implementation of New Accounting Standards**

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

#### **Government-Wide Financial Statements**

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

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

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

Reporting on governmental-type activities is based on FASB Statements and Interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

#### **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.

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

### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

#### **Measurement Focus and Basis of Accounting**

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

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

#### **Budgetary Accounting**

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts in the financial statements are as adopted by ordinance of the City including any authorized revisions

#### **Management's Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

#### **Property Taxes and Other Receivables**

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

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

Capital assets are reported in the governmental activity column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Buildings and Improvements	15 – 40 Years
Infrastructure	10 Years
Vehicles	5 Years
Equipment	3 – 10 Years

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

Public safety	\$ 16,647
General government	7,006
Public works	<u>8,533</u>
	<u>\$ 32,186</u>

**Net Position/Fund Balances**

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

**Invested in Capital Assets, Net of Depreciation** – This category records capital assets net of accumulated depreciation.

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

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

# CITY OF AUDUBON PARK, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**Committed** – amounts that can be used only for specific purposes determined by a formal action of the City Council. The Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

**Assigned** – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Council adopted policy, only the City Council may assign amounts for specific purposes.

**Unassigned** – all other spendable amounts.

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

### **Subsequent Events**

The City has evaluated subsequent events through November 30, 2015, the date the financial statements were available to be issued.

### **NOTE C – DEPOSITS**

Under Kentucky Revised Statutes the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

Cash balances at June 30, 2015 were as follows:

<u>Fund</u>	<u>Financial Institution</u>	<u>Bank Balance</u>	<u>Insured</u>	<u>Collateralized</u>
General	Commonwealth Bank	\$313,242		
Road Aid	Commonwealth Bank	35,013		
Sanitation	Commonwealth Bank	<u>2,300</u>		
		<u>\$350,555</u>	FDIC	Pledge Agreement
General	American Founders Bank	\$ 20,549		
Sanitation	American Founders Bank	<u>215,759</u>		
		<u>\$236,308</u>	FDIC	

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

**NOTE D – CAPITAL ASSETS**

	<b>Year Ending June 30, 2015</b>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Building and improvements	\$ 143,744	\$ -	\$ -	\$ 143,744
Land	37,291	-	-	37,291
Infrastructure (road repaving)	-	93,831	-	93,831
Vehicles	291,288	3,775	( 130,341)	164,722
Equipment	202,570	-	-	202,570
Office equipment	<u>21,361</u>	<u>10,977</u>	<u>-</u>	<u>32,338</u>
Total Cost	696,254	108,583	( 130,341)	674,496
Less: accumulated depreciation	( 557,995)	( 32,186)	128,751	( 461,430)
Net Book Value	<u>\$ 138,259</u>	<u>\$ 76,397</u>	<u>(\$ 1,590)</u>	<u>\$ 213,066</u>

**NOTE E – OTHER RECEIVABLES**

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

Insurance tax	\$ 52,437
Police services	1,250
Motor vehicle tax	1,888
Parking fines	50
KLEFPF	517
Neighborhood Development grant	5,000
Sale of asset	1,472
Bond revenue	<u>2,000</u>
Total	<u>\$ 64,614</u>

**NOTE F – PROPERTY TAXES**

As generally provided in the Constitution of the Commonwealth of Kentucky, the City's property tax is levied each March 31 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 2015 was \$0.294 per \$100 of assessed valuation. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. A discount of 2% shall be allowed on tax bills paid prior to June 1, 2014. Bills paid after that date but before July 1, 2014 are not allowed a discount or subject to a penalty. Bills paid after July 1, 2014 but before August 1, 2014 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, 2014 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, 2015 that are recorded in the General Fund.

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

**NOTE H – POLICE SERVICES**

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

**NOTE I – LINE OF CREDIT**

The City has a \$100,000 line of credit with a bank. Interest at 3.25% accrues on the outstanding balance. The line is secured by a mortgage on real property. All outstanding principal plus all accrued interest is due on May 7, 2016. At June 30, 2015, the balance due on the line of credit was \$40,000.

**NOTE J – COMPENSATED ABSENCES**

At June 30, 2015, the City had accumulated unpaid vacation and sick pay totaling \$6,358, which is not accrued.

**NOTE K – INDUSTRIAL REVENUE BOND ISSUES**

The City has issued revenue bonds as of June 30, 2015. The bond is not a debt to the City and the City has no obligation to repay principal and interest. The City receives annual fees as consideration for issuing the bonds. Fees received during the current fiscal year totaled \$6,000.

**NOTE L – CONTINGENCIES AND LITIGATION**

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

**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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2015.

**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  
November 30, 2015