

**CITY OF WATTERSON PARK, KENTUCKY**  
**FINANCIAL STATEMENTS**  
**WITH REPORT OF INDEPENDENT AUDITOR**  
**YEAR ENDED JUNE 30, 2022**

CITY OF WATTERSON PARK, KENTUCKY

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# COBB & ASSOCIATES PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Watterson Park, Kentucky

### Report on the Audit of the Financial Statements

#### Opinions

We have audited accompanying the financial statements of the governmental activities and each major fund, of the City of Watterson Park, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Watterson Park, Kentucky's basic financial statements as listed in the table of contents.

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

#### Basis for Opinions

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

#### Responsibilities of Management for the Financial Statements

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

### **Required Supplementary Information**

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the management's budgetary comparison information on pages 25-26 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 27, 2023 on our consideration of the City of Watterson Park, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Watterson Park, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Watterson Park, Kentucky's internal control over financial reporting and compliance.

*Cobb & Associates PLLC*

COBB & ASSOCIATES PLLC  
Louisville, Kentucky

January 27, 2023

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF WATTERSON PARK, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

		<u><b>Governmental Activities</b></u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	382,399
Cash and Cash Equivalents, Restricted		21,060
Short Term Investments		1,449,823
Prepaid Expenses		13,987
Accrued Interest Receivable		17,218
Insurance Premium Tax Receivable		95,364
Total Current Assets		<u>1,979,851</u>
Noncurrent Assets:		
Property Taxes Receivable		3,585
Investments		5,324,354
Capital Assets (Net)		627,550
Total Noncurrent Assets		<u>5,955,489</u>
Total Assets		<u>7,935,340</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable		33,790
Accrued Payroll Liabilities		592
Unearned Revenue		164,631
Total Current Liabilities		<u>199,013</u>
Total Liabilities		<u>199,013</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets		627,550
Restricted for Roads		21,060
Unrestricted		7,087,717
Total Net Position	\$	<u><u>7,736,327</u></u>

See accompanying notes to financial statements

**CITY OF WATTERSON PARK, KENTUCKY**  
**STATEMENT OF NET ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues Operating Grants</b>	<b>Net (Expense) Revenue and Changes in Net Position Primary Governmental Activities</b>
<b>PRIMARY GOVERNMENT:</b>			
Governmental Activities:			
General Government	\$ 201,764	\$ -	\$ (201,764)
Public Works	128,023	19,957	(108,066)
Public Safety	72,631	-	(72,631)
Sanitation	62,313	-	(62,313)
Unallocated Depreciation	67,161	-	(67,161)
Total Governmental Activities	531,892	19,957	(511,935)
Total Primary Government	\$ 531,892	\$ 19,957	\$ (511,935)
General Revenues:			
Property Taxes		\$	309,948
Insurance Premium Taxes			558,400
Franchise Fees			3,113
Investment Income			85,936
Net Decrease in Fair Value of Investments			(430,916)
American Rescue Plan Act			104,123
Other Revenue			3,214
Total General Revenues			633,818
Change in Net Position			121,883
Net Position - Beginning of Year			7,614,444
Net Position - June 30, 2022		\$	7,736,327

See accompanying notes to financial statements



## **FUND FINANCIAL STATEMENTS**

**CITY OF WATTERSON PARK, KENTUCKY**  
**BALANCE SHEET**  
**JUNE 30, 2022**

	<u>General Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 382,399	\$ 21,060	\$ 403,459
Investments	6,774,177	-	6,774,177
Insurance Premium Taxes Receivable	95,364	-	95,364
Accrued Interest Receivable	17,218	-	17,218
Prepaid Expenses	13,987	-	13,987
Total Assets	<u>\$ 7,283,145</u>	<u>\$ 21,060</u>	<u>\$ 7,304,205</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 33,790	\$ -	\$ 33,790
Accrued Payroll Liabilities	592	-	592
Unearned Revenue	164,631	-	164,631
Total Liabilities	<u>199,013</u>	<u>-</u>	<u>199,013</u>
 <b>FUND BALANCE</b>			
Restricted for:			
Road Maintenance	-	21,060	21,060
Nonspendable	13,987	-	13,987
Unassigned, reported in:			
General Fund	7,070,145	-	7,070,145
Total Fund Balance	<u>7,084,132</u>	<u>21,060</u>	<u>7,105,192</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 7,283,145</u>	<u>\$ 21,060</u>	<u>\$ 7,304,205</u>

See accompanying notes to financial statements

**CITY OF WATTERSON PARK, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2022**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance	\$	7,105,192
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		627,550
Taxes receivable in the statement of net position are reported on using the accrual basis of accounting whereas the balance sheet-governmental funds reflects the modified accrual basis. This is the difference between the two methods.		<u>3,585</u>
Net Position of Governmental Activities	\$	<u><u>7,736,327</u></u>

**CITY OF WATTERSON PARK, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>General Fund</b>	<b>Municipal Road Aid Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Property Taxes	\$ 309,948	\$ -	\$ 309,948
Insurance Premium Taxes	558,400	-	558,400
State Municipal Aid		19,957	19,957
Franchise Fees	3,113	-	3,113
Investment Income	85,935	1	85,936
Net Decrease in Fair Value of Investments	(430,916)	-	(430,916)
American Rescue Plan Act	104,123	-	104,123
Other Revenue	3,214	-	3,214
Total Revenue	633,817	19,958	653,775
<b>EXPENDITURES</b>			
Governmental Activities:			
General Government	204,207	-	204,207
Public Works	128,023	-	128,023
Public Safety	72,631	-	72,631
Sanitation	62,313	-	62,313
Total Expenditures	467,174	-	467,174
Change in Fund Balance	166,643	19,958	186,601
Fund balances-Beginning of Year	6,917,489	1,102	6,918,591
Fund balances-June 30, 2022	\$ 7,084,132	\$ 21,060	\$ 7,105,192

See accompanying notes to financial statements

**CITY OF WATTERSON PARK, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2022**

Net change in fund balances - Total Governmental Funds	\$	186,601
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized		2,443
Depreciation expense		(67,161)
		(64,718)

Change in Net Position of Governmental Activities	\$	121,883
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**CITY OF WATTERSON PARK, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2022**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Watterson Park, Kentucky (the City) have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

FINANCIAL REPORTING ENTITY

The City operates under a Mayor-Council form of government and provides sanitation, public works, police protection, and general administrative services to its taxpayers. The City is classified as a home rule-class city. The City's basic financial statements include the accounts of all City operations. The City is the primary government unit and does not include any other component unit within its financial statements.

FUND FINANCIAL STATEMENTS

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, receipts and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The City has presented the following major governmental funds:

- General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- Municipal Road Aid Fund - The Municipal Road Aid Fund is used to account for all expenses incurred in connection with the city streets, street signs and entrances to the City. Kentucky municipal aid monies are deposited into the Municipal Aid Fund bank account. These funds are restricted to road construction, repairs and maintenance.

The City considers all of its funds to be major funds.

**CITY OF WATTERSON PARK, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Currently, the City does not engage in any business-type activities.

The statement of activities presents direct expenses, which are clearly identifiable with a specific function or segment. Taxes and other revenue items are reported as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. -

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized and accrued as soon as they are both measurable and available to finance operations during the year, and those not susceptible to accrual are recorded when cash is received. 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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, insurance premium taxes, grants, and interest are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal year. All other revenue items are considered recorded as revenue when the funds have been received.

BUDGETARY ACCOUNTING

The budget information reflected in the budgetary comparison schedule is the annual budget adopted by the City in accordance with the provisions of Kentucky law. It is presented to the Council in the form of an ordinance and may be amended by subsequent ordinance or by municipal order.

**CITY OF WATTERSON PARK, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

BUDGETARY COMPARISON SCHEDULE

As required by generally accepted governmental accounting principles, the budgetary comparison schedule has been prepared in the same general form as the legally adopted budget and is presented using the modified accrual basis of accounting. Its format varies somewhat from the Statement of Revenues, Expenditures and Changes in Fund Balances on page 10.

COMPONENT UNITS

There are no governmental component units incorporated in the basic government-wide financial statements. A component unit is a legally separate entity that is included in the primary government's financial reporting entity using the criteria of the Government Accounting Standards Board.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits. For purposes of these financial statements, the City considers as cash equivalents all highly liquid investments with a maturity of three months or less when purchased and are readily convertible to cash.

Generally, the City's investing activities are managed under the custody of the City Treasurer. Investing is performed in accordance with investment policies complying with state statutes and the City Charter. City funds may be invested in: (1) obligations of the United States and its agencies and instrumentalities, (2) obligations of any corporation of the United States government, (3) certificates of deposits in institutions insured by the Federal Deposit Insurance Corporation, and (4) bonds or certificates of indebtedness of the Commonwealth of Kentucky.

The City's policy is to maintain its deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Any deposits in excess of FDIC coverage limits are to be collateralized with bank pledged securities in the City's name.

INVESTMENTS

Investments are recorded at estimated fair value as of June 30, 2022.

RECEIVABLES AND PAYABLES

The City bills the property taxes in October of each year. The City requires liens to be placed on properties for delinquent taxes not paid by the subsequent January 1st. Accounts receivable for delinquent property taxes include penalties and interest. The City has placed liens on all the delinquent accounts and expects to collect all the amounts due.



**CITY OF WATTERSON PARK, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

INSURANCE PREMIUM TAXES

The City's tax rate assessed on insurance premiums is 5%. The tax is assessed on non-health, non-worker's compensation insurance and first year life insurance premiums.

CAPITAL ASSETS

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental fund statements and capitalized (recorded and accounted for) in the government-wide statement or net position at cost.

The City's policy for spending restricted resources is to allocate disbursements to restricted funds to the extent such disbursements were budgeted to be paid from restricted funds.

Effective for the year ended June 30, 2004, the City is required to implement GASB Statement Number 34. One of the requirements of GASB 34 is to capitalize and depreciate infrastructure expenditures and other capital assets. The City elected to implement this standard prospectively, as it related to the capitalization of infrastructure and land expenditures. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost.

Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

Capital assets used in operations are depreciated over their estimated useful lives using the straight- line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The City capitalizes assets with a cost over \$1,000.

The estimated useful life of various classes of capital assets are as follows:

Infrastructure	15 years
Signage	7-10 years
Equipment	5 years
Street striping	3 years

CITY OF WATTERSON PARK, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2022

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

IMPAIRMENT OF CAPITAL ASSETS

In accordance with GASB Statement No. 42 "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" the City's management evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event of change in circumstance is outside the normal life cycle of the capital asset. No impairment losses were identified or recognized for the year ended June 30, 2022.

NET POSITION

Net position is the difference between assets and liabilities. Net position is restricted when constraints are placed on net position use either externally imposed by creditors, grantors or contributors or regulations of governments, or imposed by law.

The City's policy is to use restricted assets according to budgeted amounts.

FUND EQUITY

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes for governmental fund financial statements.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council,
4. *Assigned* fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

**CITY OF WATTERSON PARK, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

EXPENDITURES/EXPENSES

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, governmental funds are classified by character and function. In the fund financial statements, governmental funds report expenditures of financial resources.

The City's policy for spending restricted resources is to allocate disbursements to restricted funds to the extent such disbursements were budgeted to be paid from restricted funds.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents, receivables, and payables approximate their fair market values as of June 30, 2022.

COMPENSATED ABSENCES

City policy does not provide for any compensation for absences such as sick, vacation, or holiday pay.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires City's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and expenditures during the reporting period. Actual results could differ from those estimates.

ADOPTION OF NEW ACCOUNTING STANDARD

Effective July 1, 2021, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The adoption of this new standard had no significant impact on the financial statements of the City and there was no adjustment necessary to the opening balance of net position or fund balance as a result of the implementation of GASB Statement No. 87, Leases.

**CITY OF WATTERSON PARK, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

**NOTE 2 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are recorded at cost (which equals market value) and consists of the following at June 30, 2022:

	General Fund	Municipal Road Aid Fund	Total
Checking account	\$ 85,263	\$ -	\$ 85,263
Money market	142,336	21,060	163,396
Broker accounts (with sweep) with interest at .01% per annum	154,800	-	154,800
	<u>\$ 382,399</u>	<u>\$ 21,060</u>	<u>\$ 403,459</u>

The recorded values of the City's cash and cash equivalent deposits approximate their values. The cash and cash equivalent deposits up to \$250,000 are covered by the Federal Deposit Insurance Corporation (FDIC). The City does not have a collateralization agreement with its bank which would cover deposits in excess of FDIC threshold. Kentucky law requires all uninsured cash deposits to be collateralized by the financial institution

**NOTE 3- INVESTMENTS**

SHORT-TERM INVESTMENTS

Short-term investments consist of the following General Fund investments which have short-term maturities (due by June 30, 2023):

	<u>Cost</u>	<u>Fair Value</u>
Negotiable Certificates of Deposit	\$ 1,464,692	\$ 1,449,823

Investments consist of the following General Fund investments which have non-current maturities:

	<u>Cost</u>	<u>Fair Value</u>
Negotiable Certificates of Deposit	\$ 4,255,850	\$ 3,957,733
Government Securities	1,410,114	1,366,621
Total Non-Current Investments	<u>\$ 5,665,964</u>	<u>\$ 5,324,354</u>

**CITY OF WATTERSON PARK, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

**NOTE 3- INVESTMENTS (CONTINUED)**

Investments (with non-current maturities) have the following maturities at June 30, 2022:

	<u>2-5 Years</u>	<u>6-10 Years</u>	<u>Total</u>
Negotiable Certificates of Deposit	\$ 3,853,027	\$ 104,706	\$ 3,957,733
Government Securities	<u>1,366,621</u>	<u>-</u>	<u>1,366,621</u>
Total Non-Current Investments	\$ 5,219,648	\$ 104,706	\$ 5,324,354

Investments are reported at estimated fair value using fair market value. The fair value decreased by \$430,916 during the year ended June 30, 2022 and is reflected as net decrease in fair value of investments on the statement of activities and on the statement of revenues, expenditures and changes in fund balances- governmental funds.

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City minimizes its exposure to interest rate risk by limiting the investment horizon to ten years or less for a majority of its investments.

The City's negotiable certificates of deposit held by two brokerage companies total \$5,407,556. The amount covered by FDIC is \$5,407,556. Kentucky law requires all uninsured cash deposits to be collateralized by the financial institution.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer.

Investments are reflected in the financial statements at fair value. The cost of those investments are disclosed for comparative purposes. Investments are considered Level 1 assets or Level 2 assets, the hierarchy of which is described below:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2: Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3: Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value.

**CITY OF WATTERSON PARK, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**

**NOTE 3- INVESTMENTS (CONTINUED)**

The following table sets forth by level, within the hierarchy, the City's assets measured at fair value on a recurring basis as of June 30, 2022:

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Negotiable Certificates of Deposit	\$ -	\$ 5,407,556	\$ -	\$ 5,407,556
Government Securities	1,366,621	-	-	1,366,621
Total Non-Current Investments	\$ 1,366,621	\$ 5,407,556	\$ -	\$ 6,774,177

**NOTE 4- CAPITAL ASSETS AND DEPRECIATION**

Capital assets activity for the year ended June 30, 2022, is as follows:

	Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Governmental activities:				
Land	\$ 145,601	\$ -	\$ -	\$ 145,601
Infrastructure	963,437	-	-	963,437
Signage	32,176	-	-	32,176
Equipment	5,337	2,443	(1,860)	5,920
Totals at historical cost	1,146,551	2,443	(1,860)	1,147,134
Less accumulated depreciation	(454,283)	(67,161)	1,860	(519,584)
Net capital assets	\$ 692,268	\$ (64,718)	\$ -	\$ 627,550

The cost and accumulated depreciation for each asset category at June 30, 2022 is as follows:

	Cost	Accumulated Depreciation	Net
Land	\$ 145,601	\$ -	\$ 145,601
Infrastructure	963,437	501,267	462,170
Signage	32,176	14,913	17,263
Equipment	5,920	3,404	2,516
	\$ 1,147,134	\$ 519,584	\$ 627,550

**CITY OF WATTERSON PARK, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**

**NOTE 5 - PROPERTY TAXES**

Property tax revenue is recorded in the General Fund and includes delinquent taxes and accrued penalties and interest. Property taxes receivable that is recorded in the government-wide financial statements include all deemed collectible property taxes receivable as of June 30, 2022. Property tax receivables that are recorded in the fund financial statements include only those tax receivables which are considered available. The City considers property taxes as available for fund financial statement purposes if they are collected within 60 days after year end.

For the year ended June 30, 2022, the City adopted an ad valorem tax rate of \$.065 per \$100 of assessed valuation of real property (assessed at January 1, 2021). The total assessed value of the property for the year ended June 30, 2022 amounted to \$331,224,730 which resulted in gross taxes of \$215,296. Property taxes are levied in September of each year and are billed in October of each year. The gross tax is due by November 2, 2021. A 1% penalty is charged starting November 2, 2021.

The City adopted a tax rate of \$.05 per \$100 of assessed valuation of personal property (assessed January 1, 2021). The total assessed value of the property for the year ended June 30, 2022 amounted to \$1,135,978 which resulted in gross taxes of \$56,799.

The City adopted a tax rate of .07 per \$100 of assessed valuation on all motor vehicles and watercraft (assessed at January 1, 2021).

**NOTE 6 - RISK MANAGEMENT**

The City is subject to normal insurance risks as other cities of its size. The City carries general liability, business auto and public officials insurance coverage and bond insurance on the City treasurer and mayor. The City has not had any significant reduction in coverage in the past year.

**NOTE 7 - COMMITMENTS**

The City has the following contractual commitments at June 30, 2022:

Two-year contract with its waste management contractor for the period July 1, 2022 to June 30, 2024 which required monthly payments of \$5,186 for the period July 1, 2022 to June 30, 2023, and for the period July 1, 2023 to June 30, 2024 requiring monthly payments of \$5,394.

An annual agreement with its lawn, landscaping, tree maintenance, and snow removal contractor. The City paid this contractor approximately \$75,124 during the year ended June 30, 2022.

An annual agreement with its police protection contractor. The City paid this contractor approximately \$64,685 during the year ended June 30, 2022.

**CITY OF WATTERSON PARK, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**

**NOTE 8- CONTINGENCIES**

Presently, there is no known pending litigation nor any asserted or unasserted legal claims against the City.

**NOTE 9- RISKS AND UNCERTAINTIES**

On January 30, 2020, the World Health Organization ("Who") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition, liquidity and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the ensuing year.

The City received American Rescue Plan Act Fund of \$268,754 to provide support in responding to the economic and public health impacts of COVID-19 and to certain impacts in their community, residents, and businesses. The funds must be obligated by December 31, 2024 and expended by December 31, 2026. At June 30, 2022, the City had not expended \$164,631.

**NOTE 10-MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 27, 2023, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 11- RECENT GASB PRONOUNCEMENTS**

Management has not currently determined what, if any, effects of the implementation of the following statement may have on the financial statements:



**CITY OF WATTERSON PARK, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**

**NOTE 11- RECENT GASB PRONOUNCEMENTS (CONTINUED)**

In May 2020, the GASB issued Statement No. 96 "Subscription-Based Information Technology Arrangements" (SBITA) requiring all SBITAs to be recognized as a right-to-use subscription intangible asset and a corresponding subscription liability, unless the SBITA is a short-term agreement (generally an agreement with a term of twelve months or less). At the commencement date of the agreement, the City will recognize: 1) a subscription liability for the City's obligation to make payments under the SBITA, measured on a present value basis; and 2) a right-to-use subscription asset that represents the City's right to use, or control the use of, the specified asset for the SBITA term. Over the term of the SBITA, the City will report amortization expense for using the subscription asset, interest expense on the lease liability, and note disclosures about the City's SBITAs. This statement becomes effective for the fiscal year ending June 30, 2023. The City is evaluating the impact of this statement on the combined financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WATTERSON PARK, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE- GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Fund balances-Beginning of year	\$ 6,895,000	\$ 6,917,489	\$ 22,489
<b>REVENUES</b>			
Real Property Taxes	236,000	215,744	(20,256)
Utility Property Taxes	4,000	6,049	2,049
Personal Property Taxes	79,000	56,799	(22,201)
Personal Property Taxes- Auto	22,000	31,356	9,356
Interest Income	90,000	85,935	(4,065)
Franchise Fees	2,500	3,113	613
Insurance Premium Taxes	360,000	558,400	198,400
Other	-	3,214	3,214
Net Decrease in Fair Value of Investments	-	(430,916)	(430,916)
American Rescue Plan Act	-	104,123	104,123
Total Revenue	<u>793,500</u>	<u>633,817</u>	<u>(159,683)</u>
Total Available Resources	7,688,500	7,551,306	(301,159)
<b>EXPENDITURES</b>			
General Government	260,000	204,207	(55,793)
Public Works:			
General Public Works	165,000	128,023	(36,977)
Urban Forestry Program	60,000	-	(60,000)
Maintenance/Repair of Existing Roadways, Sidewalks, etc.	100,000	-	(100,000)
Construction/Reconstruction of Roadways, Sidewalks, etc.	300,000	-	(300,000)
Sanitation and Waste Removal	70,000	62,313	(7,687)
Public Safety	85,000	72,631	(12,369)
Total Expenditures	<u>1,040,000</u>	<u>467,174</u>	<u>(572,826)</u>
Net Change in Fund Balance	<u>(246,500)</u>	<u>166,643</u>	<u>413,143</u>
Fund balances-June 30, 2022	<u>\$ 6,648,500</u>	<u>\$ 7,084,132</u>	<u>\$ 271,667</u>

See accompanying notes to financial statements

**CITY OF WATTERSON PARK, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE- MUNICIPAL AID ROAD FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Fund balances-Beginning of year	\$ 100	\$ 1,102	\$ 1,002
<b>REVENUES</b>			
Intergovernmental Revenues	19,000	19,957	957
Interest Income	-	1	1
Total Revenue	<u>19,000</u>	<u>19,958</u>	<u>958</u>
Total Available Resources	19,100	21,060	958
<b>EXPENDITURES</b>			
Maintenance/Repair of Existing Roadways, Sidewalks, etc.	<u>19,000</u>	<u>-</u>	<u>(19,000)</u>
Total Expenditures	<u>19,000</u>	<u>-</u>	<u>(19,000)</u>
Net Change in Fund Balance	<u>-</u>	<u>19,958</u>	<u>-</u>
Fund balances-June 30, 2022	<u>\$ 100</u>	<u>\$ 21,060</u>	<u>\$ 19,958</u>

See accompanying notes to financial statements

# COBB & ASSOCIATES PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and City Council  
City of Watterson Park, Kentucky

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of the City of Watterson Park, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Watterson Park, Kentucky's basic financial statements and have issued our report thereon dated January 27, 2023.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Watterson Park, Kentucky'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Watterson Park, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Watterson Park, Kentucky'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, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Watterson Park, Kentucky'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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cobb & Associates PLLC*

COBB & ASSOCIATES PLLC  
Louisville, Kentucky

January 27, 2023