

**CITY OF AUGUSTA, KENTUCKY**  
**AUDITED BASIC FINANCIAL STATEMENTS**  
**AND REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2022

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# CITY OF AUGUSTA, KENTUCKY

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**CITY OF AUGUSTA, KENTUCKY**

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**DONNA J. HENDRIX**  
**CERTIFIED PUBLIC ACCOUNTANT**

MEMBER: K.S.C.P.A.  
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**INDEPENDENT AUDITOR'S REPORT**

Mayor and City Council  
City of Augusta  
Augusta, Kentucky 41002

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Augusta, Kentucky as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Augusta, Kentucky, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof 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 3–8 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 February 28, 2023, on our consideration of the City of Augusta, 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 Augusta, Kentucky's internal control over financial reporting and compliance.

***Donna J. Hendrix, CPA***

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

February 28, 2023

**CITY OF AUGUSTA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
YEAR ENDED JUNE 30, 2022**

As management of the City of Augusta, Kentucky "the City", we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

- The City ended the 2022-year with net assets (both City and Utilities) of \$4,349,000. The principal part of net assets is comprised of the City's investment in fixed assets.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the City include general administration, police, sanitation, streets and recreation services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds. The only proprietary funds are our utility operations, all other activities of the City are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 19 of this report.

**Notes to the financial statements.** The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-34 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$4,349,000 as of June 30, 2022.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, utility line systems, vehicles, furniture and computer equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

### Net Assets for the period ending June 30, 2022

Comparative data for 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current Assets	\$3,513,000	\$2,820,000
Noncurrent Assets	<u>3,325,000</u>	<u>3,639,000</u>
<b>Total Assets</b>	<b>6,838,000</b>	<b>6,459,000</b>
Current Liabilities	1,344,000	1,344,000
Noncurrent Liabilities	<u>1,146,000</u>	<u>1,223,000</u>
<b>Total Liabilities</b>	<b>2,490,000</b>	<b>2,567,000</b>
<b>Net Assets</b>		
Investment in capital assets (net of debt)	3,251,996	3,535,000
Restricted	150,000	79,000
Unreserved Fund Balance	<u>947,000</u>	<u>(191,000)</u>
<b>Total Net Assets</b>	<b>\$4,348,000</b>	<b>\$ 3,892,000</b>

### Comments on Budget Comparisons

- The City's total revenues for the fiscal year ended June 30, 2022, net of interfund transfers were \$3,036,000.
- General fund budget compared to actual revenue varied from line to line with the ending actual revenues being \$29,500 less than budget. The main contributing factors for the variance was the sanitation fee revenue actual was less than budgeted
- General fund budget expenditures to actual varied \$382,000 less than budget during June 30, 2022.

The following table presents a summary of governmental fund revenues and expense for the fiscal year ended June 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
<b>Revenues:</b>		
Local revenue sources	\$1,681,000	\$ 1,467,000
Federal and State revenue sources	0	0
Other Sources	<u>0</u>	<u>0</u>
<b>Total revenues</b>	<b>\$1,681,000</b>	<b>\$ 1,467,000</b>
<b>Expenses:</b>		
General government	362,000	322,000
Police	268,000	160,000
Fire	34,000	33,000
Streets	134,000	126,000
Sanitation	328,000	320,000
Recreation, pool and park	113,000	160,000
Tourism	60,000	45,000
Debt Service	23,000	-
Capital Outlay	<u>5,000</u>	<u>18,500</u>
<b>Total expenses</b>	<b><u>\$ 1,328,000</u></b>	<b><u>\$1,186,000</u></b>
<b>Revenue in Excess of Expense</b>	<b>\$ 352,000</b>	<b>\$ 280,000</b>

#### **General Fund Revenue**

The majority of revenue was derived from local sources. Revenues from sanitation services were \$328,000.

#### **General Fund Expenses**

Salaries comprise of \$ 314,000 of total expenses, or 24% of total expense.

#### **Utility Operations**

The net results for divisions of Utility operations (net of grants for construction) were:

Water	\$ (24,000)
Gas	\$ 20,000
Sewer	\$ 8,000
Water Treatment	\$ (17,000)

### **Budgetary Implications**

The City adopted a budget for 2022 in which anticipated revenue equaled expenditures. The City has a cash balance of \$895,000 for the beginning of the next fiscal year. The utility had a cash balance of \$1,206,000 for the beginning of the 2022 fiscal year. The City does not anticipate any significant action, which would impact the budget.

Questions regarding this report should be directed to Mayor John Laycock or to his **REPRESENTATIVE**, City Clerk Gretchen Usleaman, or by mail at:

City of Augusta  
219 Main Street  
Augusta, Kentucky 41002

## **BASIC FINANCIAL STATEMENTS**



**CITY OF AUGUSTA, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
June 30, 2022

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	895,235	1,206,158	2,101,393
Accounts Receivable:			
Accounts	29,865	85,884	115,749
Loans	-		-
Deposits	-		-
Due from other funds	23,000	1,153,330	1,176,330
Restricted Cash	119,817		119,817
<b>Total Current Assets</b>	1,067,918	2,445,371	3,513,289
<b>Noncurrent Assets</b>			
Nondepreciated capital assets:			
Land	22,000		22,000
Depreciated capital assets:			
Buildings and improvements	2,956,925		2,956,925
Equipment	668,786		668,786
Utility Systems		6,495,723	6,495,723
Less: Accumulated depreciation	(2,224,044)	(4,594,346)	(6,818,390)
<b>Net Capital Assets</b>	1,423,667	1,901,378	3,325,044
<b>Total Noncurrent Assets</b>	1,423,667	1,901,378	3,325,044
<b>TOTAL ASSETS</b>	2,491,588	4,346,749	6,838,332
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	24,181	18,779	42,960
Accrued Liabilities	9,717	16,385	26,102
Accrued interest payable		328	328
Customer Deposits		29,050	29,050
Due to Other Funds	281,614	894,716	1,176,330
Current portion of Bonds and Notes Payable	17,083	51,900	68,983
<b>Total Current Liabilities</b>	332,595	1,011,157	1,343,752
Noncurrent Liabilities			
Bonds payable		989,209	989,209
Notes Payable	156,667		156,667
<b>Total Noncurrent Liabilities</b>	156,667	989,209	1,145,876
<b>TOTAL LIABILITIES</b>	489,262	2,000,367	2,489,629
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,249,917	2,002,079	3,251,996
Restricted for:			
Capital projects		7,044	7,044
Other purposes	142,817		142,817
Unrestricted	609,592	337,259	946,852
<b>TOTAL NET ASSETS</b>	2,002,326	2,346,382	4,348,704
<b>TOTAL LIABILITIES AND NET ASSETS</b>	2,491,588	4,346,749	6,838,332

See independent auditor's report and accompanying notes to financial statements.

**CITY OF AUGUSTA, KENTUCKY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES:							
General Government	155,009	509,213		69,866	424,070	-	\$ 424,070
Police	268,309	406			(267,904)		(267,904)
Fire	34,033				(34,033)		(34,033)
Streets	134,315				(134,315)		(134,315)
Sanitation	328,172	353,649			25,477		25,477
Recreation, Pool and Parks	112,930				(112,930)		(112,930)
Tourism	59,851				(59,851)		(59,851)
Depreciation	124,392				(124,392)		(124,392)
TOTAL GOVERNMENTAL ACTIVITIES	1,217,010	863,267	-	69,866	(283,878)	-	(283,878)
BUSINESS-TYPE ACTIVITIES:							
Utilities	1,369,624	1,362,560	-		-	(7,064)	(7,064)
TOTAL BUSINESS-TYPE ACTIVITIES	1,369,624	1,362,560	-			(7,064)	(7,064)
TOTAL CITY	2,586,634	2,225,827	-	69,866	(283,878)	(7,064)	(290,942)
General Revenues							
Taxes					524,727		524,727
Federal and State Grants					23,715		23,715
Local and Other Revenues					199,129		199,129
Investment Earnings					12		12
Total General Revenues					747,582	-	747,582
Change in Net Assets							
Net Assets July 1, 2021					463,705	(7,064)	456,641
					1,538,620	2,353,446	3,892,062
Net Assets June 30, 2022							
					2,002,326	\$ 2,346,382	\$ 4,348,704

See independent auditor's report and accompanying notes to financial statements.

**CITY OF AUGUSTA, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2022**

	General Fund	Special Revenue Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	895,235	-	895,235
Accounts Receivable:			-
Customers, Net	29,865		29,865
Other		-	-
Loans		-	-
Due From Other Funds		23,000	23,000
Deposits	-		-
Restricted Assets			-
Cash	119,817		119,817
Fixed Assets			-
Construction in Progress			
Accumulated Depreciation			
<b>TOTAL ASSETS</b>	<u>1,044,918</u>	<u>23,000</u>	<u>1,067,918</u>
<b>LIABILITIES AND NET ASSETS</b>			
Accounts Payable	24,181	-	24,181
Accrued Liabilities	9,717		9,717
Accrued Interest Payable			-
Due to Other Funds	281,614		281,614
Notes Payable			-
<b>TOTAL LIABILITIES</b>	<u>315,512</u>	<u>-</u>	<u>315,512</u>
Fund Balance:			
Restricted	119,817	23,000	142,817
Unassigned	609,592		609,592
<b>TOTAL FUND BALANCES</b>	<u>729,409</u>	<u>23,000</u>	<u>752,409</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>1,044,918</u>	<u>23,000</u>	<u>1,067,918</u>

See independent auditor's report and accompanying notes to financial statements.

**CITY OF AUGUSTA, KENTUCKY**

**RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET ASSETS**

June 30, 2022

**Total fund balance per fund financial statements** \$ 752,409

Changes required for presentation of  
Net Assets in conformity with GASB34:

Capital assets are not reported in the fund financial statements because  
they are not current financial resources; however they are reported  
in the Statement of Net Assets.

Total Cost	3,647,711
Accumulated Depreciation	<u>(2,224,044)</u>
	1,423,667

Certain liabilities (such as bond payable, capital leases, the long-term  
portion of accrued sick leave, and accrued interest) are not reported in  
the fund financial statements because they are not currently due and  
payable, but they are presented in the Statement of Net Assets.

(173,750)

**Net assets for government activities**

**\$ 2,002,326**

**CITY OF AUGUSTA, KENTUCKY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Special Revenue (PARKS & RECREATION) Funds	TOTALS (Memorandum Only)
<b>REVENUES:</b>			
Taxes	524,727		524,727
Licenses and Permits	509,213		509,213
Fines and Forfeits	406		406
Intergovernmental Revenue	44,937		44,937
Charges for Services	353,649		353,649
Kentucky Grant	69,866		69,866
Miscellaneous	177,918	200	178,118
<b>TOTAL REVENUES</b>	<b>1,680,715</b>	<b>200</b>	<b>1,680,915</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	362,495	-	362,495
Police	268,309		268,309
Fire	34,033		34,033
Streets	134,315		134,315
Sanitation	328,172		328,172
Recreation, Pool and Parks	112,930	2,390	115,319
Tourism	59,851		59,851
Capital Outlay	4,957	-	4,957
Debt Service	22,936		22,936
<b>TOTAL EXPENDITURES</b>	<b>1,327,998</b>	<b>2,390</b>	<b>1,330,387</b>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	352,717	(2,190)	350,527
<b>OTHER FINANCING SOURCES (USES):</b>			
Federal Grant	-		-
CDBG Fund	-		-
Memorial Gift - Library	-		-
Transfer to Library	-		-
Transfers - Net (Utility Funds)	-		-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	352,717	(2,190)	350,527
<b>FUND BALANCE JULY 1, 2021</b>	<b>95,037</b>	<b>25,190</b>	<b>120,223</b>
Prior Period Adjustment	-	-	-
<b>FUND BALANCE JUNE 30, 2022</b>	<b>\$ 447,755</b>	<b>\$ 23,000</b>	<b>\$ 470,750</b>

See independent auditor's report and accompanying notes to financial statements.

**CITY OF AUGUSTA, KENTUCKY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

June 30, 2022

**Net change in total fund balances per fund financial statements** \$ 350,527

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

Capital outlays are reported as expenditures in the fund financial statements  
because they use current financial resources, but they are presented as  
assets in the Statement of Net Assets and depreciated over their  
estimated economic lives. The difference is the amount by which  
capital outlays exceeds depreciation expense for the year.

Total current capital outlays	77,353
Depreciation for the year	(124,392)
	<u>(47,039)</u>

Bond and capital lease payments are recognized as expenditures of current  
financial resources in the fund financial statements but are reductions of  
liabilities in the Statement of Net Assets.

	<u>160,217</u>
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**Change in net assets of governmental activities per Statement of Activities** \$ 463,705

**CITY OF AUGUSTA, KENTUCKY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**ALL GOVERNMENTAL FUND TYPES**  
**GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES:</b>			
Taxes	483,700	524,727	41,027
Licenses and Permits	389,296	509,213	119,917
Fines and Forfeits	2,000	406	(1,595)
Intergovernmental Revenue	43,206	44,937	1,731
Charges for Services	335,000	353,649	18,649
Kentucky Grant-Clopay	-	69,866	69,866
Miscellaneous	457,051	177,918	(279,133)
<b>TOTAL REVENUES</b>	<b>1,710,253</b>	<b>1,680,715</b>	<b>(29,538)</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	680,226	362,495	317,731
Police	295,925	268,309	27,616
Fire	35,100	34,033	1,067
Recreation and Park	110,369	112,930	(2,561)
Streets	192,650	134,315	58,335
Sanitation	305,000	328,172	(23,172)
Tourism	51,300	59,851	(8,551)
Capital Outlay	17,683	4,957	12,726
Debt Service	22,000	22,936	(936)
<b>TOTAL EXPENDITURES</b>	<b>1,710,253</b>	<b>1,327,998</b>	<b>382,255</b>
Excess of revenues over (under) expenditures Before Other Financing Sources (Uses)	-	352,717	352,717
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in (out) - Proprietary Funds	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>-</b>	<b>352,717</b>	<b>352,717</b>
<b>FUND BALANCE JULY 1, 2021</b>		<b>95,037</b>	<b>(95,037)</b>
Prior Period Adjustment		-	-
<b>FUND BALANCE JUNE 30, 2022</b>	<b>-</b>	<b>447,755</b>	<b>(447,755)</b>

**CITY OF AUGUSTA, KENTUCKY  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
SPECIAL REVENUE (PARKS & RECREATION) FUND**

**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>			
Taxes			-
Licenses and Permits			-
Fines and Forfeits			-
Intergovernmental Revenue			
Charges for Service			-
Miscellaneous	-	200	200
<b>TOTAL REVENUES</b>	-	200	200
<b>EXPENDITURES:</b>			
Current			-
General Government	-	-	-
Police			-
Fire			-
Recreation		2,390	(2,390)
Streets			-
Sanitation			-
Tourism			-
Capital Outlay			-
Debt Service			-
<b>TOTAL EXPENDITURES</b>	-	2,390	(2,390)
Excess of revenues over (under) expenditures Before Other Financing Sources (Uses)	-	(2,190)	(2,190)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in (out) - Proprietary Funds	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-
<b>Excess Revenues and Other Sources Over     (Under) Expenditures and Other Uses</b>	-	(2,190)	(2,190)
<b>FUND BALANCE JULY 1, 2022</b>	-	25,190	25,190
<b>FUND BALANCE JUNE 30, 2022</b>	\$ -	\$ 23,000	\$ 23,000



**CITY OF AUGUSTA, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2022**

	<u>Business- type Activities</u>
<b>ASSETS AND RESOURCES</b>	
Current assets:	
Cash and cash equivalents	\$ 1,206,158
Accounts Receivable	85,884
Restricted cash and Investment	
Due from other funds	1,153,330
<b>Total Current assets</b>	<u>2,445,371</u>
Noncurrent assets:	
Bond Issue Costs	-
Nondepreciated capital assets:	
Land	
Depreciated capital assets:	
Building and improvements	6,495,723
Equipment	
Less accumulated depreciation	(4,594,346)
<b>Net Capital Assets</b>	<u>1,901,377</u>
<b>Total noncurrent assets</b>	<u>1,901,377</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,346,748</u></u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 18,779
Accrued Liabilities	16,385
Accrued Interest Payable	328
Customer Deposits	29,050
Due to Other Funds	894,716
Current Portion of Bonds and Notes Payable	51,900
<b>Total Current Liabilities</b>	<u>1,011,157</u>
<b>NONCURRENT LIABILITIES</b>	
Bonds Payable	989,209
Notes Payable	-
<b>Total Noncurrent Liabilities</b>	<u>989,209</u>
<b>TOTAL LIABILITIES</b>	2,000,367
<b>NET ASSETS:</b>	
Contributed Capital	2,002,079
Restricted for:	
Capital Projects	7,044
Unassigned	337,259
<b>TOTAL NET ASSETS</b>	<u><u>2,346,382</u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 4,346,748</u></u>

**CITY OF AUGUSTA, KENTUCKY  
COMBINES STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

**OPERATING REVENUES**

Charges for Services	\$ 875,618
Charges for Sales to Water District	<u>389,575</u>

**TOTAL OPERATING REVENUES** 1,265,193

**OPERATING EXPENSES**

Salaries and wages	318,610
Gas Purchases	271,945
Water Treatment Expense in Excess of Revenue	-
Chemicals and Testing	65,047
Utilities and Telephone	202,595
Professional Fees	30,388
Insurance	81,760
Repair and Supplies	110,001
Transportation	20,340
Office Expense and Other	67,590
Amortization	-
Depreciation	<u>166,778</u>

**TOTAL OPERATING EXPENSES** 1,335,054

**OPERATING INCOME (LOSS)** (69,860)

**NON-OPERATING REVENUES (Expenses)**

Other Income	97,285
Interest Income	81
Interest Expense	<u>(34,570)</u>

**Net Loss Before Capital Contributions and Transfers** (7,064)

Capital Contributions	-
Transfers - Charges to General Fund	<u>-</u>

**NET INCOME (LOSS)** (7,064)

**TOTAL NET ASSETS - JULY 1, 2021** 2,353,446

**TOTAL NET ASSETS - JUNE 30, 2021** \$ 2,346,382

**CITY OF AUGUSTA, KENTUCKY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from:	
Services	1,258,148
Other Income	97,285
Cash payments to employees for services	(318,610)
Cash payments for contract services	-
Cash payments to suppliers for goods and services	(835,262)
Cash payments for other operating expenses	

<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>201,561</b>
--	----------------

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Transfers to General Fund	83,000
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Loan Proceeds	(8,690)
Principal Paid	(52,000)
Interest Paid	(34,570)
Fixed Assets Acquired	(29,053)

<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(124,314)</b>
--	------------------

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments	81
	-

<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 160,248</b>
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<b>CASH AND CASH EQUIVALENTS JULY 1, 2021</b>	<b>1,045,910</b>
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<b>CASH AND CASH EQUIVALENTS JUNE 30, 2021</b>	<b>\$ 1,206,158</b>
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Reconciliation of operating income to net cash used for operating activities

Operating income	(76,905)
other income	97,285
Transfers	-
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	166,778
State Grants	-
Changes in assets and liabilities:	
Receivables	7,129
Inventories	
Accrued liabilities	7,274

<b>Net Cash used for operating activities</b>	<b>\$ 201,561</b>
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## **CITY OF AUGUSTA, KENTUCKY**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

Year ended June 30, 2022

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

The City Of Augusta, Kentucky ("City"), conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

##### Reporting Entity

The City of Augusta, Kentucky's financial statements include the operations of all entities for which the City Council exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The entities included in the financial statements are the general operations of the City of Augusta with no component units.

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of Augusta. The financial statements presented herein do not include funds of groups and organizations, which although associated with the City, have not originated within the City Council itself such as Knoedler Memorial Library or Sternwheel Regatta, etc.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City Council or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

## CITY OF AUGUSTA, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statements of activities present a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the good or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

## CITY OF AUGUSTA, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The City has the following funds:

##### **I. Governmental Fund Types**

- (A) The General Fund is the main operating fund of the Council. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the City.
- (B) The Special Revenue (Grant) Funds account for the Community Development Block Grant received in 1984 and proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs.

##### **II. Proprietary Fund Types**

- A. Water Fund – A proprietary fund used to account for the water and sewer services provided to the residents and commercial accounts of the City of Augusta, the operations of which are financed by user charges
- B. Gas Fund – A proprietary fund used to account for the gas services provided to the residents and commercial accounts of the City of Augusta, the operations of which are financed by user charges.
- C. Sewer Fund – A proprietary fund used to account for the sewer services provided to the residents and commercial accounts of the City of Augusta, the operations of which are financed by user charges.
- D. Water Treatment Plant Fund – A proprietary fund used to account for the water treatment plant operations, sale of water to Bracken County Water, and receipt of water by the City of Augusta.

The City applies all GAS pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

## CITY OF AUGUSTA, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### II. (Continued)

##### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

## **CITY OF AUGUSTA, KENTUCKY**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

Year ended June 30, 2022

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

##### Basis of Accounting - Continued

##### Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are deposited into the General Fund.

The property tax rates assessed for the year ended June 30, 2022, to finance the General Fund operations were \$.386 per \$100 valuation for real property, \$.65 per \$100 valuation for business personal property and \$.185 per \$100 valuation for motor vehicles. The assessed value upon which the levy for the 2022 fiscal year was based, was \$37,783,925

##### Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of twenty-five hundred dollars (\$2,500) with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.



## CITY OF AUGUSTA, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

#### Basis of Accounting – Continued

#### Capital Assets – Continued

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Utility System	40 years
Vehicles	5-10 years
Furniture and fixtures	7 years
Other	10 years

#### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

#### Budgetary Process

Budgetary Basis of Accounting: The City’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the City Council at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the City, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

## **CITY OF AUGUSTA, KENTUCKY**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

Year ended June 30, 2022

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

##### Cash and Cash Equivalents

The City considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

##### Prepaid Assets

Payments made that will benefit periods beyond June 30, 2022 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

##### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payable and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

## CITY OF AUGUSTA, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

#### Fund Balance Reserves

#### Fund Financial Statements:

#### Fund Balance Designation

Beginning with fiscal year 2011, the District implemented GASB 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The classifications are the following listed from the highest level of strength : Nonspendable, Restricted, Committed, Assigned, and Unassigned.

1. For *committed fund* balance: (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
2. For *assigned* fund balance: (1) the body of official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which that authorization is given.
3. For the classification of fund balances:
  - (a) Whether the government considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, and
  - (b) Whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

#### Net Positions

Net position represents the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

## **CITY OF AUGUSTA, KENTUCKY**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

Year ended June 30, 2022

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

##### Basis of Accounting - Continued

##### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, those revenues are primarily charges for utility usage.

##### Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

##### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

#### **NOTE B – ESTIMATES**

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

#### **NOTE C – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the City's total cash and cash equivalents was \$2,172,000. Of the total cash balance, federal depository insurance and pledged assets covered the balance throughout the year. All cash and equivalents were covered at 6/30/22.

**CITY OF AUGUSTA, KENTUCKY**

**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

Year ended June 30, 2022

Cash and cash equivalents at June 30, 2021 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Checking	\$ 2,120,000	\$ 2,172,000
Certificates of Deposit	<u>12,292</u>	<u>12,292</u>
	<u>\$ 2,132,000</u>	<u>\$2,184,000</u>
Breakdown per financial statements:		
Governmental funds		\$ 982,000
Proprietary funds		<u>1,202,000</u>
		<u>\$ 2,184,000</u>

## CITY OF AUGUSTA

## NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2022

## NOTE D - CAPITAL ASSETS

Capital asset for the fiscal year ended June 30, 2022 was as follows:

Governmental Activities	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022
Land	22,000			22,000
Park, pool and shelter	514,305	18,700		533,005
Buildings and improvements	1,422,824		370,000	1,052,824
Streets	674,351			674,351
Lighting and dock	847,636			847,636
Vehicles	181,280	58,653		239,933
Other equipment	277,963			277,963
Total at historical cost	3,940,358	77,353	370,000	3,647,711
Less accumulated depreciation:				
Park, pool and shelter	90,933	14,020		104,953
Building and improvements	462,196	33,899	29,600	466,495
Streets	427,467	27,156		454,623
Lighting and dock	710,009	40,932		750,941
Vehicles	161,436	7,637		169,073
Other Equipment	277,212	749		277,961
Total accumulated depreciation	2,129,252	124,392	29,600	2,224,044
Governmental Activities Capital Assets-Net	1,811,106	(47,039)	340,400	1,423,667
<u>Business - Type Activities</u>				
Land	9,714			9,714
Water Utility	4,340,174	4,189		4,344,363
Gas Utility	859,170	24,885		884,056
Sewer Utility	1,250,892	6,698		1,257,590
Totals at historical cost	6,459,951	35,773	-	6,495,725
Less accumulated depreciation:				
Water Utility	2,733,778	124,058		2,857,836
Gas Utility	766,245	13,740		779,985
Sewer Utility	927,625	28,900		956,525
Total accumulated depreciation	4,427,650	166,698	-	4,594,348
Business - Type Activities Capital Assets - Net	2,032,301	(130,925)	-	1,901,378

Depreciation expense is not allocated to governmental functions in the fund financial statements.  
 Depreciation is recorded in the statement of activities as "unallocated" expense.

## **CITY OF AUGUSTA, KENTUCKY**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

Year ended June 30, 2022

#### **NOTE E – RESERVES**

The City of Augusta is required to comply with the bond agreements of all bond issues as follows:

##### **A. Sinking Fund**

On or before the 20<sup>th</sup> day of each month the City is required to set aside an amount into a special account known as the “City of Augusta Water System Bond and Interest Sinking Fund”. The amount to be so set aside and paid into the Sinking Fund each month shall be sums equal to the following amounts:

1. A sum of one-sixth of the interest becoming due on the next succeeding interest due date, with respect to all outstanding Bond Issues.
2. A sum equal to one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding December 1.

The required balance of the reserve at June 30, 2022 was \$36,033. The City has set aside \$48,232 into the restricted account. There was \$120,000 in deposits that was made to the sinking fund for the year. As required in (1) or (2) above, the monthly funding should be \$33,157. The account is overfunded by \$12,199.

##### **B. Depreciation Fund**

The City is required to deposit \$785 each month into the Depreciation Fund account as well as the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of extensions, additions and/or improvements to the project, plus the proceeds of any property damage insurance not immediately used to replace damaged or destroyed property. Monies in the Depreciation Fund shall be available and shall be withdrawn and used, upon appropriate certification to Rural Development, for the purpose of paying the cost of constructing replacements, extensions, additions and/or improvements to the project.

When the balance in the Depreciation Fund reaches \$88,200 the monthly payments may be reduced to \$50 until the fully funded level of \$91,800. When the balance reaches \$91,800, the monthly payments may be discontinued or by the order of the City Council, may be diverted into the Sinking Fund Account to be held as part of the Sinking Fund Reserve and may then be used to redeem Bonds; however, the payments into the Depreciation Fund must be resumed whenever necessary to restore the balance up to \$91,800. The Depreciation Reserve requirement at June 30, 2022 was \$87,920. The City had set aside \$92,864 at June 30, 2022 into a restricted account. The account is overfunded by \$4,944.

# CITY OF AUGUSTA, KENTUCKY

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

### NOTE F. LONG-TERM DEBT

Long-Term Debt of the City consists of Revenue Bonds payable from the Proprietary Funds and Notes Payable by the Governmental and Proprietary Funds. A detail of Long-Term Debt at June 30, 2021 is as follows.

#### A. Revenue Bonds – Governmental Funds

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019A Series, due USDA Rural Development At interest rate 2.4% to 3.5% per annum with Final payment in 2029	156,667	22,774	179,441

#### B. Revenue Bonds – Proprietary Funds

Water Utility Fund:

2016 Series C, due to KRWFC

at interest rate of 3.2%

Per annum with final payment

Due in 2035

	905,000	218,956	1,123,956
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2004 Series, due USDA Rural Development  
at interest rate of 4.50% per annum with final  
payment due in 2044

	<u>76,700</u>	<u>45,786</u>	<u>122,486</u>
	<u>\$1,138,367</u>	<u>\$ 287,516</u>	<u>\$1,425,882</u>

The annual requirements to amortize all revenue bonds payable outstanding as of June 30, 2022, are as follows:

#### YEAR ENDING

<u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2023	77,100	37,197	114,297
2024	79,283	34,793	114,076
2025	82,300	32,273	114,573
2026	87,400	29,517	116,917
2027	87,500	26,676	114,176
2028-2032	378,883	91,163	497,852
2033-2037	313,000	29,729	342,729
2038-2042	22,500	5,466	27,966
2043-2044	10,400	702	11,102
TOTAL	<u>\$1,138,367</u>	<u>\$ 287,516</u>	<u>\$1,425,882</u>



# CITY OF AUGUSTA, KENTUCKY

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

### C. Notes Payable

#### **Governmental Fund**

##### Pool Project

The City entered into a loan agreement with Kentucky Bond Corporation on 6/15/19 for Pool Project. The interest is 2.4% to 3.5% for 10 years with monthly payment of \$2,188 per month. The final payment will be on January 1, 2029.

The maturities of Notes Payable at June 30, 2022 were as follows:

	Principle	Interest
2023	20,000	5,383
2024	22,083	4,833
2025	25,000	4,174
2026	25,000	3,361
2027	25,000	2,549
2028-2029	<u>39,583</u>	<u>2,473</u>
	156,667	22,774

#### **Water Fund**

##### Clopay Well

The City entered into a loan agreement with BTADD on November 21, 2019 to refinance the Well project. The interest rate is 2% for 10 years with monthly payments of \$831.52 per month. The final payment will be on October 30, 2028.

The maturities of Notes Payable at June 30, 2022 were as follows:

	Principle	Interest
2023	8,873	1,105
2024	9,052	926
2025	9,235	743
2026	9,421	557
2027	9,611	367
2028-2029	<u>13,118</u>	<u>187</u>
	\$59,311	\$3,885

**CITY OF AUGUSTA, KENTUCKY**

**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

Year ended June 30, 2022

**NOTE G. CDBG GRANT AND LOANS RECEIVABLE**

The City received a Community Development Block Grant in 1984 for \$217,500. The amount was loaned to local businesses, to be repaid at 5% over 7-12 years. All repayments are to be recirculated through loans to the community for economic development. There are no outstanding loans as of June 30, 2022.

**NOTE H. INSURANCE AND RELATED ACTIVITIES**

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The City had purchased certain policies, which are retrospective rated, which includes Worker's compensation insurance.

**NOTE I. PENDING LITIGATION**

The City is currently involved in several legal matters and the outcome is currently unknown as of the date of this audit report

## **SUPPLEMENTARY INFORMATION**

**CITY OF AUGUSTA, KENTUCKY  
COMBINING BALANCE SHEET  
ALL PROPRIETARY FUND TYPES  
For the Year Ended June 30, 2022**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 40,024	\$ 306,457	\$ 233,591	\$ 626,085	\$ 1,206,158
Account Receivable	22,234	27,151	14,435	22,064	85,884
Customers - Net					-
Other					-
Due from other funds		7,491	1,145,839		1,153,330
Restricted Assets					-
Cash					-
Investments					-
Fixed Assets	498,760	3,845,603	884,692	1,266,668	6,495,723
Accumulated Depreciation	(417,841)	(2,439,995)	(779,986)	(956,525)	(4,594,346)
Construction In Progress					-
Bond Issue Costs				-	-
<b>TOTAL ASSETS</b>	<b>\$ 143,177</b>	<b>\$ 1,746,707</b>	<b>\$ 1,498,571</b>	<b>\$ 958,292</b>	<b>\$ 4,346,748</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 1,028	\$ 7,324	\$ 9,857	\$ 569	\$ 18,779
Accrued Liabilities	1,636	4,213	2,727	1,091	9,667
Accrued Interest Payable		328			328
Customer Deposits	12,150		16,900		29,050
Due to Other Funds	449,488			445,228	894,716
Notes Payable	59,409	\$ 981,700			1,041,109
Payable from Restricted Assets					-
Revenue Bonds Payable					-
<b>Total Liabilities</b>	<b>523,711</b>	<b>993,566</b>	<b>29,484</b>	<b>446,888</b>	<b>1,993,649</b>
<b>NET ASSETS</b>					
Reserves		6,717	327		7,044
Contributed Capital	70,000	1,440,428		498,369	2,008,797
Unassigned	(450,534)	(694,003)	1,468,759	13,036	337,259
<b>Total Net Assets</b>	<b>(380,534)</b>	<b>753,142</b>	<b>1,469,087</b>	<b>511,405</b>	<b>2,353,100</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 143,177</b>	<b>\$ 1,746,707</b>	<b>\$ 1,498,571</b>	<b>\$ 958,292</b>	<b>\$ 4,346,748</b>

**CITY OF AUGUSTA, KENTUCKY**  
**COMBINES STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
<b>OPERATING REVENUES</b>					
Charges for services	\$ 252,376		\$ 469,453	\$ 146,745	\$ 868,573
Charges to Bracken Water District		389,575			389,575
Charges to Augusta Water Fund		129,389			129,389
<b>Total Revenues</b>	<b>252,376</b>	<b>518,964</b>	<b>469,453</b>	<b>146,745</b>	<b>1,387,538</b>
<b>OPERATING EXPENSES</b>					
Salaries and Wages	50,259	188,699	46,502	33,151	318,610
Gas Purchases			271,945		271,945
Water Treatment	129,389				129,389
Chemicals, Testing and Study		39,074		25,974	65,047
Utilities and Telephone	28,993	89,498	2,951	81,153	202,595
Professional Fees	7,541	9,827	7,634	5,387	30,388
Insurance	15,287	32,075	16,491	17,907	81,760
Repair and Supplies	15,910	28,363	41,978	23,750	110,001
Transportation	5,778	1,741	12,543	279	20,340
Office Expense and Other	14,322	5,480	43,850	3,937	67,590
Amorization					-
Depreciation	15,949	108,109	13,740	28,980	166,778
<b>Total Operating Expenses</b>	<b>283,428</b>	<b>502,865</b>	<b>457,634</b>	<b>220,517</b>	<b>1,464,443</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(31,052)</b>	<b>16,100</b>	<b>11,819</b>	<b>(73,772)</b>	<b>(76,905)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Other Income	7,589		8,245	81,451	97,285
Franchise Charges to General Fund					-
Interest Income		52	0	29	81
Interest Expense	(1,289)	(33,281)			(34,570)
<b>Net Income (Loss) Before Capital Contributions</b>	<b>(24,751)</b>	<b>(17,130)</b>	<b>20,064</b>	<b>7,708</b>	<b>(14,109)</b>
Capital Contributions				-	-
<b>NET INCOME (LOSS)</b>	<b>(24,751)</b>	<b>(17,130)</b>	<b>20,064</b>	<b>7,708</b>	<b>(14,109)</b>
Net Assets (Deficit), July 1, 2021	(355,784)	756,839	1,448,697	503,698	2,353,446
<b>NET ASSETS (DEFICIT), JUNE 30, 2022</b>	<b>\$ (380,535)</b>	<b>\$ 739,709</b>	<b>\$ 1,468,762</b>	<b>\$ 511,406</b>	<b>\$ 2,339,337</b>

**CITY OF AUGUSTA, KENTUCKY  
COMBINING STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ (31,052)	\$ 16,100	\$ 11,819	\$ (73,772)	\$ (76,905)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	15,949	108,109	13,740	28,980	166,778
Other Income	7,589	-	8,245	81,451	97,285
Transfers	-	-	-	-	-
Grants	-	-	-	-	-
(Increase) Decrease in Assets					
Accounts Receivable	489	7,348	(3,706)	2,999	7,129
Restricted Funds	-	-	-	-	-
Increase (Decrease) in Liabilities					
Account Payable	1,021	360	5,213	63	6,656
Other Liabilities	190	(1,596)	317	127	(962)
Due to Other Funds	26,500	-	-	56,500	83,000
Customer Deposits	(850)	-	2,427	-	1,577
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>19,836</b>	<b>130,320</b>	<b>38,055</b>	<b>96,349</b>	<b>284,558</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Interest Income	-	-	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Loan Proceeds	(8,690)	-	-	-	(8,690)
Principal Paid	-	(52,000)	-	-	(52,000)
Interest Paid	(1,289)	(33,281)	-	-	(34,570)
Fixed Assets Acquired	-	2,581	(24,885)	(6,749)	(29,053)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(9,979)</b>	<b>(82,700)</b>	<b>(24,885)</b>	<b>(6,749)</b>	<b>(124,314)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>9,857</b>	<b>47,620</b>	<b>13,170</b>	<b>89,599</b>	<b>160,248</b>
CASH AND CASH EQUIVALENTS JULY 1, 2021	30,166	258,837	220,421	536,486	1,045,910
<b>CASH AND CASH EQUIVALENTS JUNE 30, 2022</b>	<b>\$ 40,024</b>	<b>\$ 306,457</b>	<b>\$ 233,591</b>	<b>\$ 626,085</b>	<b>\$ 1,206,158</b>

**CITY OF AUGUSTA, KENTUCKY  
GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>TAXES</b>			
Property Taxes	\$ 201,000	\$ 204,819	\$ 3,819
Bank Shares Taxes	6,700	7,592	892
Motor Vehicle Taxes	26,000	31,754	5,754
Recreational Property Taxes	29,000	24,548	(4,452)
Payroll Taxes	221,000	256,014	35,014
	<u>483,700</u>	<u>524,727</u>	<u>41,027</u>
<b>LICENSES AND PERMITS</b>			
Occupational Licenses	12,000	14,792	2,792
Franchise Fees	128,296	121,037	(7,259)
Insurance Premium License Fees	247,000	372,871	125,871
Liquor Licenses	2,000	513	(1,488)
	<u>389,296</u>	<u>509,213</u>	<u>119,917</u>
<b>FINES AND FORFEITS</b>			
Arrest Fees	2,000	406	(1,595)
	<u>2,000</u>	<u>406</u>	<u>(1,595)</u>
<b>INTERGOVERNMENTAL REVENUES</b>			
Base Court Revenue	4,000	7,366	3,366
Police Incentive Pay	12,206	13,856	1,650
Municipal Road Aid	27,000	23,715	(3,285)
	<u>43,206</u>	<u>44,937</u>	<u>1,731</u>
<b>CHARGES FOR SERVICES</b>			
Sanitation Fees	335,000	353,618	18,618
Accident Reports	-	31	31
Pool and Marina Income			-
	<u>335,000</u>	<u>353,649</u>	<u>18,649</u>
<b>MISCELLANEOUS</b>			
Interest		12	12
Library Tax	26,000	21,879	(4,121)
Tourism	11,500	15,627	4,127
Ghostwalk			-
Riverfest Regatta	6,500	880	(5,620)
Turning Leaves Festival	1,100	1,200	100
Swingtime	2,500	3,164	664
Sternwheel Days		5,490	5,490
Battle of Augusta	2,000	2,095	95
Junk Fest	250	450	200
Spring Fling Event	325	465	140
Recreation	17,000	32,901	15,901
Telecommunications	5,600	5,878	278
Community Center	3,000	2,962	(38)
FA Neider	8,400	29,759	21,359
Grants - Local, State & Federal	212,876	69,866	(143,010)
Ball Park Revenue	-	2,500	2,500
Pool Project Fund			-
Corridor Management	-		-
Restrooms Main Street	-		-
Transfer from Gas-Clopay	-		-
Miscellaneous	160,000	52,657	(107,343)
	<u>457,051</u>	<u>247,784</u>	<u>(209,267)</u>
<b>TOTAL REVENUE</b>	<u>\$ 1,710,253</u>	<u>\$ 1,680,715</u>	<u>\$ (29,538)</u>

**CITY OF AUGUSTA, KENTUCKY  
GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>GENERAL GOVERNMENT</b>			
Salaries & Fringe Benefits	\$ 89,150	\$ 85,489	\$ 3,661
Professional Services	25,600	37,645	(12,045)
Other Legal Costs	12,000	32,586	(20,586)
Telephone and Utilities	34,450	40,786	(6,336)
Office Supplies	4,600	4,894	(294)
Cemeteries	-	-	-
Library	26,532	22,351	4,181
Insurance	50,692	44,260	6,432
Training & Travel	500	1,422	(922)
Advertisement and Dues	3,000	3,570	(570)
Community Center	13,000	15,075	(2,075)
Reserve for Contingency	140,702		140,702
ACH-Reimb. Accts	105,000		105,000
Credit Card Reimb	150,000	-	150,000
Economic Assistance Clonpay	-		-
Industrial Authority	-		-
Miscellaneous	25,000	74,416	(49,416)
	<b>680,226</b>	<b>362,495</b>	<b>317,731</b>
<b>POLICE</b>			
Salaries and Fringe Benefits	192,700	170,117	22,583
Vehicle Expense	79,275	77,974	1,301
Repairs and Maintenance	14,650	11,840	2,810
Telephone	2,300	1,716	584
Training and Travel	3,000	2,663	337
Insurance	4,000	4,000	-
	<b>295,925</b>	<b>268,309</b>	<b>27,616</b>
<b>FIRE DEPARTMENT</b>			
Operations	35,100	34,033	1,067
	<b>35,100</b>	<b>34,033</b>	<b>1,067</b>
<b>STREETS</b>			
Maintenance Salaries & Benefits	86,450	85,284	1,166
Electric	77,000	24,427	52,573
Repairs and Maintenance	29,200	24,604	4,596
Transfer to sewer for INI	-		-
	<b>192,650</b>	<b>134,315</b>	<b>58,335</b>
<b>SANITATION</b>			
Refuse Contract	305,000	328,172	(23,172)
<b>RECREATION AND PARK DEPARTMENTS</b>			
Salaries	24,500	42,062	(17,562)
Utilities	35,900	36,644	(744)
Sternwheel/Ghostwalk/Swingtime/Turning Leaves	12,675	12,213	462
FA Neider	8,400	1,427	6,973
Operation and Maintenance	28,894	20,583	8,311
	<b>110,369</b>	<b>112,930</b>	<b>(2,561)</b>
<b>TOURISM</b>			
Salaries and Fringe Benefits	51,300	59,851	(8,551)
Corridor Management -ESRI Software	-	-	-
	<b>51,300</b>	<b>59,851</b>	<b>(8,551)</b>
<b>CAPITAL OUTLAY</b>	17,683	4,957	12,726
<b>DEBT SERVICE</b>	22,000	22,936	(936)
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,710,253</b>	<b>\$ 1,327,998</b>	<b>\$ 382,255</b>



CITY OF AUGUSTA, KENTUCKY

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**CITY OF AUGUSTA, KENTUCKY**  
**SCHEDULE OF DEBIT SERVICE REQUIREMENTS**  
**SERIES B WATER SYSTEM REVENUE BONDS**  
**June 30, 2022**

Payable to: Rural Development  
Purpose: Water Treatment Plant

<u>Fiscal Year</u>	<u>Rate of Interest</u>	<u>Interest Coupons Payable December 1</u>	<u>Interest Coupons Payable June 1</u>	<u>Bond Principle Payable December 1</u>	<u>Total Annual Requirement</u>
2022-2023	3.20%	14,621	13,741	55,000	83,361
2023-2024	3.20%	13,741	12,861	55,000	81,601
2024-2025	3.20%	12,861	11,981	55,000	79,841
2025-2026	3.20%	11,981	11,021	60,000	83,001
2026-2027	3.20%	11,021	10,061	60,000	81,081
2027-2028	3.20%	10,061	9,101	60,000	79,161
2028-2029	3.20%	9,101	8,061	65,000	82,161
2029-2030	3.20%	8,061	7,021	65,000	80,081
2030-2031	3.20%	7,021	5,981	65,000	78,001
2031-2032	3.20%	5,981	4,861	70,000	80,841
2032-2033	3.20%	4,861	3,741	70,000	78,601
2033-2034	3.20%	3,741	2,494	75,000	81,234
2034-2035	3.20%	2,494	1,247	75,000	78,741
2035-2036	3.20%	1,247	-	75,000	76,247
<b>Totals</b>		<u>116,788</u>	<u>102,168</u>	<u>905,000</u>	<u>1,123,956</u>

**CITY OF AUGUSTA, KENTUCKY**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**SERIES 2004 WATER SYSTEM REVENUE BONDS**  
**June 30, 2022**

Payable to: Rural Development  
Purpose: Water Treatment Plant

<u>Fiscal Year</u>	<u>Rate of Interest</u>	<u>Interest Coupons Payable December 1</u>	<u>Interest Coupons Payable June 1</u>	<u>Bond Principle Payable December 1</u>	<u>Total Annual Requirement</u>
2022-2023	4.50%	1,726	1,726	2,100	5,552
2023-2024	4.50%	1,679	1,679	2,200	5,558
2024-2025	4.50%	1,629	1,629	2,300	5,558
2025-2026	4.50%	1,577	1,577	2,400	5,554
2026-2027	4.50%	1,523	1,523	2,500	5,546
2027-2028	4.50%	1,467	1,467	2,600	5,534
2028-2029	4.50%	1,409	1,409	2,700	5,518
2029-2030	4.50%	1,348	1,348	2,900	5,596
2030-2031	4.50%	1,283	1,283	3,000	5,566
2031-2032	4.50%	1,215	1,215	3,100	5,530
2032-2033	4.50%	1,145	1,145	3,300	5,590
2033-2034	4.50%	1,071	1,071	3,400	5,542
2034-2035	4.50%	995	995	3,600	5,590
2035-2036	4.50%	914	914	3,800	5,628
2036-2037	4.50%	828	828	3,900	5,556
2037-2038	4.50%	740	740	4,100	5,580
2038-2039	4.50%	648	648	4,300	5,596
2039-2040	4.50%	551	551	4,500	5,602
2040-2041	4.50%	450	450	4,700	5,600
2041-2042	4.50%	344	344	4,900	5,588
2042-2043	4.50%	234	234	5,200	5,668
2043-2044	4.50%	117	117	5,200	5,434
<b>Totals</b>		<u>22,893</u>	<u>22,893</u>	<u>76,700</u>	<u>122,486</u>

**DONNA J. HENDRIX**  
**CERTIFIED PUBLIC ACCOUNTANT**

MEMBER: K.S.C.P.A.  
A.I.C.P.A.

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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*

To the Board of Directors  
City of Augusta District

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Augusta District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Augusta District, Kentucky's basic financial statements and have issued our report thereon dated February 28, 2023.

**Internal Control Over Financial Reporting**

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Augusta District, Kentucky's financial statements are free of 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 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.

*Donna J. Hendrix, CPA*

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky  
February 28, 2023

**DONNA J. HENDRIX**  
**CERTIFIED PUBLIC ACCOUNTANT**

MEMBER: K.S.C.P.A.  
A.I.C.P.A.

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**ACCOUNTANT'S REPORT ON  
MANAGEMENT POINTS**

Mayor and City Council  
City of Augusta  
Augusta, Kentucky 41002

In planning and performing my audit of the basic financial statements of City of Augusta for the year ended June 30, 2022, I considered the City's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during my audit, I became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated February 28, 2023, on the financial statements of the City of Augusta.

I will review the status of these comments and suggestions with various City personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Donna J. Hendrix, CPA*

DONNA J. HENDRIX, CPA, PSC  
Morehead, Kentucky

February 28, 2023

CITY OF AUGUSTA, KENTUCKY  
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES  
Year Ended June 30, 2022

*Status of Prior Year Management Points*

2021-1 RESERVE ACCOUNTS

Condition:	The Depreciation Reserve balance was short by \$2,340
Recommendation:	The City should catch up the funding balance for the Depreciation Fund and Sinking Fund.
Response:	The City is diligently working on catching up these shortages by FY2021.
Status:	Reserve is fully funded.

CITY OF AUGUSTA, KENTUCKY  
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES  
Year Ended June 30, 2022

*Current year Management Points*



CITY OF AUGUSTA, KENTUCKY  
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES  
Year Ended June 30, 2021

*Status of Prior Year Management Points*

2021-1 RESERVE ACCOUNTS

Condition:	The Depreciation Reserve balance was short by \$2,340
Recommendation:	The City should catch up the funding balance for the Depreciation Fund and Sinking Fund.
Response:	The City is diligently working on catching up these shortages by FY2021.
Status:	Reserve is fully funded.

CITY OF AUGUSTA, KENTUCKY  
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES  
Year Ended June 30, 2021

*Current year Management Points*