

CITY OF BRANDENBURG, KENTUCKY
FINANCIAL STATEMENTS WITH ACCOMPANYING
INFORMATION
For the Year Ended June 30, 2017
and
REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS

**CITY OF BRANDENBURG, KENTUCKY
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the City Council
City of Brandenburg, Kentucky

Report on the Financial Statements

We have audited the accompanying Balance Sheet – Governmental Funds as of June 30, 2017 and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the year then ended, and the related notes to these financial statements. We were engaged to audit the remaining accompanying financial statements of the governmental activities, the business-type activities, and the proprietary funds of the City of Brandenburg, Kentucky (City) as of and for the year ended June 30, 2017, and the related notes to these financial statements. These financial statements collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit of the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and the related notes to those financial statements 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. Because of the matter described in the "Basis for Disclaimer of Opinions" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the remaining accompanying financial statements of the governmental activities, the business-type activities, and the proprietary funds of the City as of and for the year ended June 30, 2017, and the related notes to these financial statements.

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 City'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 City'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 opinion on the Balance Sheet – Governmental Funds as of June 30, 2017 and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the year then ended, and the related notes to these financial statements.

Basis for Disclaimer of Opinions

The City failed to record inventory balances for parts and supplies used in maintenance of the water and sewer systems. As we were not engaged as auditors of the City until after June 30, 2017, we were not able to observe inventory at the end of the year. In addition, due to a lack of sufficient appropriate audit evidence regarding the opening balances of fixed assets, we were unable to satisfy ourselves as to the current balances and whether additional property and equipment should be subjected to depreciation expense during the current year. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary for the affected accounts.

Disclaimer of Opinions

Because of the significance of the matter described in the "Basis for Disclaimer of Opinions" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, the business-type activities, and the proprietary funds of the City of Brandenburg, Kentucky as of and for the year ended June 30, 2017, and the related notes to these financial statements. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinion

In our opinion, the financial statements referred to above, the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, present fairly, in all material respects, the financial position of the Governmental Funds of the City of Brandenburg, Kentucky as of June 30, 2017, and the respective changes in financial position 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 budgetary comparison information on pages 26 and 27 and the pension schedules and notes on pages 28 through 30 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.

Management has not presented the Management Discussion and Analysis that governmental 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2018 on our consideration of City of Brandenburg, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Brandenburg, Kentucky's internal control over financial reporting and compliance.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

October 23, 2018

CITY OF BRANDENBURG, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 638,544	\$ 774,917	\$ 1,413,461
Receivables, net:			
Accounts - trade	34,638	124,328	158,966
Franchise fees	1,439	-	1,439
Taxes	67,266	-	67,266
Intergovernmental	9,682	-	9,682
Prepayments	2,900	-	2,900
Due from other funds	186,757	-	186,757
Total Current Assets	941,226	899,245	1,840,471
Noncurrent Assets			
Restricted cash	193,843	-	193,843
Capital assets:			
Land and construction in process	122,449	133,456	255,905
Other capital assets, net of depreciation	830,989	4,412,659	5,243,648
Total Noncurrent Assets	1,147,281	4,546,115	5,693,396
Total Assets	2,088,507	5,445,360	7,533,867
Deferred Outflows of Resources			
Deferred amounts related to pensions	138,414	108,994	247,408
Liabilities			
Current Liabilities			
Accounts payable	43,939	27,958	71,897
Due to other funds	-	186,757	186,757
Accrued expenses	35,346	1,262	36,608
Accrued vacation and payroll	-	20,364	20,364
Current portion of loan payable	-	36,025	36,025
Total Current Liabilities	79,285	272,366	351,651
Noncurrent Liabilities			
Loan payable	-	559,616	559,616
Net pension liability	625,903	481,302	1,107,205
Total Noncurrent Liabilities	625,903	1,040,918	1,666,821
Total Liabilities	705,188	1,313,284	2,018,472
Deferred Inflows of Resources			
Deferred amounts related to pensions	3,519	2,706	6,225
Net Position			
Net investment in capital assets	953,438	3,950,474	4,903,912
Restricted for LGEA and streets	199,280	-	199,280
Restricted for capital and debt service	-	565,123	565,123
Unrestricted (deficit)	365,496	(277,233)	88,263
Total Net Position	\$ 1,518,214	\$ 4,238,364	\$ 5,756,578

The accompanying notes are an integral part of this financial statement.

**CITY OF BRANDENBURG, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense)/Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Community	\$ 13,692	\$ -	\$ -	\$ (13,692)	\$ -	\$ (13,692)
General government	410,325	-	138,432	(271,893)	-	(271,893)
Parks and recreation	61,603	-	-	(61,603)	-	(61,603)
Public safety:						
Police	426,372	-	-	(426,372)	-	(426,372)
Fire	3,241	-	-	(3,241)	-	(3,241)
Sanitation	337,071	374,955	-	37,884	-	37,884
Streets and maintenance	90,165	-	-	(90,165)	-	(90,165)
Total Governmental Activities	1,342,469	374,955	138,432	(829,082)	-	(829,082)
Business-Type Activities						
Water	718,453	814,086	-	-	95,633	95,633
Sewer	626,757	494,392	-	-	(132,365)	(132,365)
Total Business-Type Activities	1,345,210	1,308,478	-	-	(36,732)	(36,732)
Total Primary Government	\$ 2,687,679	\$ 1,683,433	\$ 138,432	\$ (829,082)	\$ (36,732)	\$ (865,814)
General Revenues						
Taxes				\$ 746,093	\$ -	\$ 746,093
Franchise fees				17,262	-	17,262
Licenses and permits				33,874	-	33,874
Interest income				6,817	1,082	7,899
Rental income				12,800	-	12,800
Miscellaneous				11,615	-	11,615
Loss on disposition of fixed assets				(11,850)	-	(11,850)
Total General Revenues				816,611	1,082	817,693
Transfers				(5,495)	5,495	-
Changes in Net Position				(17,966)	(30,155)	(48,121)
Net Position - July 1, 2016 - as Originally Reported				1,193,572	4,600,505	5,794,077
Prior period adjustments				342,608	(331,986)	10,622
Net Position - July 1, 2016 - as Restated				1,536,180	4,268,519	5,804,699
Net Position - June 30, 2017				\$ 1,518,214	\$ 4,238,364	\$ 5,756,578

The accompanying notes are an integral part of this financial statement.

**CITY OF BRANDENBURG, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 501,344	\$ 331,043	\$ 832,387
Receivables, net:			
Sanitation	34,638	-	34,638
Franchise fees	1,439	-	1,439
Taxes	67,266	-	67,266
Intergovernmental	1,978	7,704	9,682
Prepayments	2,900	-	2,900
Due from other funds	195,812	9,152	204,964
Total Assets	\$ 805,377	\$ 347,899	\$ 1,153,276
Liabilities			
Accounts payable	\$ 41,575	\$ 2,364	\$ 43,939
Accrued expenses	35,346	-	35,346
Due to other funds	9,152	9,055	18,207
Total Liabilities	86,073	11,419	97,492
Fund Balance			
Nonspendable	2,900	-	2,900
Restricted	-	199,280	199,280
Assigned	-	137,200	137,200
Unassigned	716,404	-	716,404
Total Fund Balance	719,304	336,480	1,055,784
Total Liabilities and Fund Balance	\$ 805,377	\$ 347,899	\$ 1,153,276

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities

Total Governmental Fund Balance **\$ 1,055,784**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund. 953,438

Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore are not reported in the governmental funds. 134,895

Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.

Net pension liability (625,903)

Total Net Position of Governmental Activities **\$ 1,518,214**

The accompanying notes are an integral part of this financial statement.

CITY OF BRANDENBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 457,084	\$ -	\$ 457,084
Insurance premium taxes	277,434	-	277,434
Other taxes	11,575	-	11,575
Licenses and permits	33,874	-	33,874
Rental income	12,800	-	12,800
Interest income	5,057	1,760	6,817
Miscellaneous	11,615	-	11,615
Franchise fees	17,262	-	17,262
Sanitation	374,955	-	374,955
Intergovernmental revenues	43,295	95,137	138,432
Total Revenues	<u>1,244,951</u>	<u>96,897</u>	<u>1,341,848</u>
Expenditures			
Current:			
Community	-	13,692	13,692
General government	389,514	-	389,514
Parks and recreation	48,866	-	48,866
Sanitation	337,071	-	337,071
Streets and maintenance	46,697	11,497	58,194
Public safety:			
Police	382,764	4,934	387,698
Fire	3,241	-	3,241
Capital outlay	110,223	93,666	203,889
Debt service	27,221	-	27,221
Total Expenditures	<u>1,345,597</u>	<u>123,789</u>	<u>1,469,386</u>
Deficiency of Revenues Over Expenditures	(100,646)	(26,892)	(127,538)
Other Financing Sources (Uses)			
Transfers out	(5,495)	-	(5,495)
Net Change in Fund Balances	(106,141)	(26,892)	(133,033)
Fund Balances - July 1, 2016 - as Originally Reported	813,074	358,754	1,171,828
Prior period adjustments	12,371	4,618	16,989
Fund Balances - July 1, 2016 - as Restated	<u>825,445</u>	<u>363,372</u>	<u>1,188,817</u>
Fund Balances - June 30, 2017	<u>\$ 719,304</u>	<u>\$ 336,480</u>	<u>\$ 1,055,784</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF BRANDENBURG, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net Changes in Fund Balances - Governmental Funds **\$ (133,033)**

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

The governmental fund reports capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 129,906

Repayment of note principal is an expenditure of governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 27,221

The change in long-term absences is reported only in the Statement of Activities. 9,412

Governmental funds report pension contributions as expenditures when made. In the Statement of Net Position, pension contributions are reported as deferred outflows of resources because the reported net pension liability is measured one year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension contributions	58,277	
Pension expense	<u>(97,899)</u>	(39,622)

In the Statement of Activities, the loss from abandonment of fixed assets is reported as the book value of the items. (11,850)

Changes in Net Position of Governmental Activities **\$ (17,966)**

The accompanying notes are an integral part of this financial statement.

CITY OF BRANDENBURG, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2017

	Enterprise Funds				
	Water and Wastewater Fund	Revenue Fund	Sewer Line Extension Fund	Nonmajor Funds	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 70,787	\$ 225,949	\$ 143,656	\$ 334,525	\$ 774,917
Receivables, net:					
Accounts - trade	-	124,328	-	-	124,328
Total Current Assets	<u>70,787</u>	<u>350,277</u>	<u>143,656</u>	<u>334,525</u>	<u>899,245</u>
Noncurrent Assets					
Capital assets:					
Land and construction in process	85,100	-	48,356	-	133,456
Other capital assets, net of depreciation	4,412,659	-	-	-	4,412,659
Total Noncurrent Assets	<u>4,497,759</u>	<u>-</u>	<u>48,356</u>	<u>-</u>	<u>4,546,115</u>
Total Assets	<u>4,568,546</u>	<u>350,277</u>	<u>192,012</u>	<u>334,525</u>	<u>5,445,360</u>
Deferred Outflows of Resources					
Deferred amounts related to pensions	<u>108,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,994</u>
Liabilities					
Current Liabilities					
Accounts payable	27,958	-	-	-	27,958
Due to other funds	139,806	-	41,923	5,028	186,757
Accrued expenses	1,262	-	-	-	1,262
Accrued vacation and payroll	20,364	-	-	-	20,364
Current portion of loan payable	36,025	-	-	-	36,025
Total Current Liabilities	<u>225,415</u>	<u>-</u>	<u>41,923</u>	<u>5,028</u>	<u>272,366</u>
Noncurrent Liabilities					
Loan payable	559,616	-	-	-	559,616
Net pension liability	481,302	-	-	-	481,302
Total Noncurrent Liabilities	<u>1,040,918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,040,918</u>
Total Liabilities	<u>1,266,333</u>	<u>-</u>	<u>41,923</u>	<u>5,028</u>	<u>1,313,284</u>
Deferred Inflows of Resources					
Deferred amounts related to pensions	<u>2,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,706</u>
Net Position					
Net investment in capital assets	3,902,118	-	48,356	-	3,950,474
Restricted for capital and debt service	-	235,626	-	329,497	565,123
Unrestricted (deficit)	(493,617)	114,651	101,733	-	(277,233)
Total Net Position	<u>\$ 3,408,501</u>	<u>\$ 350,277</u>	<u>\$ 150,089</u>	<u>\$ 329,497</u>	<u>\$ 4,238,364</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BRANDENBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds				
	Water and Wastewater Fund	Revenue Fund	Sewer Line Extension Fund	Nonmajor Funds	Total
Operating Revenues					
Charges for services	\$ -	\$ 1,304,373	\$ -	\$ -	\$ 1,304,373
Connection fees	4,105	-	-	-	4,105
Total Operating Revenues	<u>4,105</u>	<u>1,304,373</u>	<u>-</u>	<u>-</u>	<u>1,308,478</u>
Operating Expenses					
Salaries and benefits	433,470	-	-	-	433,470
Maintenance and supplies	306,528	-	-	-	306,528
Facilities plan	52,535	-	-	-	52,535
Professional fees	15,448	-	-	-	15,448
Office and advertising	6,607	-	-	-	6,607
Depreciation	318,549	-	-	-	318,549
Utility tax	12,666	-	-	-	12,666
Insurance	56,160	-	-	-	56,160
Utilities and telephone	95,782	-	-	-	95,782
Miscellaneous	21,714	12,515	-	-	34,229
Total Operating Expenses	<u>1,319,459</u>	<u>12,515</u>	<u>-</u>	<u>-</u>	<u>1,331,974</u>
Operating Income (Loss)	<u>(1,315,354)</u>	<u>1,291,858</u>	<u>-</u>	<u>-</u>	<u>(23,496)</u>
Non-Operating Revenues (Expenses)					
Interest income	195	470	110	307	1,082
Interest expense	-	-	-	(13,236)	(13,236)
Total Non-Operating Revenues (Expenses)	<u>195</u>	<u>470</u>	<u>110</u>	<u>(12,929)</u>	<u>(12,154)</u>
Income (Loss) Before Transfers	<u>(1,315,159)</u>	<u>1,292,328</u>	<u>110</u>	<u>(12,929)</u>	<u>(35,650)</u>
Transfers in	<u>1,742,751</u>	<u>5,495</u>	<u>80,000</u>	<u>140,000</u>	<u>1,968,246</u>
Transfers out	<u>-</u>	<u>(1,145,000)</u>	<u>(713,170)</u>	<u>(104,581)</u>	<u>(1,962,751)</u>
Changes in Net Position	<u>427,592</u>	<u>152,823</u>	<u>(633,060)</u>	<u>22,490</u>	<u>(30,155)</u>
Net Position - July 1, 2016 - as Originally Reported	<u>3,323,229</u>	<u>187,120</u>	<u>783,149</u>	<u>307,007</u>	<u>4,600,505</u>
Prior period adjustments	<u>(342,320)</u>	<u>10,334</u>	<u>-</u>	<u>-</u>	<u>(331,986)</u>
Net Position - July 1, 2016 - as Restated	<u>2,980,909</u>	<u>197,454</u>	<u>783,149</u>	<u>307,007</u>	<u>4,268,519</u>
Net Position - June 30, 2017	<u>\$ 3,408,501</u>	<u>\$ 350,277</u>	<u>\$ 150,089</u>	<u>\$ 329,497</u>	<u>\$ 4,238,364</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BRANDENBURG, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds				
	Water and Wastewater Fund	Revenue Fund	Sewer Line Extension Fund	Nonmajor Funds	Total
Cash Flows from Operating Activities:					
Cash received from customers and others	\$ 4,105	\$ 1,302,292	\$ -	\$ -	\$ 1,306,397
Cash payments to suppliers for goods and services	(580,284)	(12,515)	-	-	(592,799)
Cash payments to employees for services	(423,250)	-	-	-	(423,250)
Net Cash Provided (Used) by Operating Activities	(999,429)	1,289,777	-	-	290,348
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(40,004)	-	(62,679)	(62,679)	(165,362)
Principal paid on debt	(41,902)	-	-	-	(41,902)
Interest paid on debt	-	-	-	(13,236)	(13,236)
Net Cash Used by Capital and Related Financing Activities	(81,906)	-	(62,679)	(75,915)	(220,500)
Cash Flows from Noncapital Financing Activities:					
Transfers	966,902	(1,139,505)	80,000	98,098	5,495
Cash Flows from Investing Activities:					
Interest income	195	470	110	307	1,082
Net Increase (Decrease) in Cash and Cash Equivalents	(114,238)	150,742	17,431	22,490	76,425
Cash and Cash Equivalents - July 1, 2016	185,025	75,207	126,225	312,035	698,492
Cash and Cash Equivalents - June 30, 2017	\$ 70,787	\$ 225,949	\$ 143,656	\$ 334,525	\$ 774,917
Reconciliation of Operating Income (Loss) to					
Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (1,315,354)	\$ 1,291,858	\$ -	\$ -	\$ (23,496)
Adjustments to reconcile operating income (loss) to					
net cash provided by operating activities:					
Depreciation	318,549	-	-	-	318,549
Change in assets, liabilities and deferrals:					
Receivables, net	-	(2,081)	-	-	(2,081)
Accounts payable	(6,823)	-	-	-	(6,823)
Accrued expenses	(6,021)	-	-	-	(6,021)
Interfund loans	(17,690)	-	-	-	(17,690)
Net pension liability and deferred inflows and outflows	27,910	-	-	-	27,910
Total Adjustments	315,925	(2,081)	-	-	313,844
Net Cash Provided (Used) by Operating Activities	\$ (999,429)	\$ 1,289,777	\$ -	\$ -	\$ 290,348

The accompanying notes are an integral part of this financial statement.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Brandenburg (City) is a Home Rule (previously fifth class) city located in Meade County, Kentucky. It operates under a councilmanic form of government providing the following types of services: police, fire, water, sewage, sanitation, and street maintenance. Primary revenue sources are property taxes, insurance premium taxes, license fees, and water, wastewater, and sanitation receipts.

The accounting policies of the City of Brandenburg conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

Reporting Entity

The City's financial statements include the operations of all organizations for which the City Council exercises oversight. Responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The governmental activities reported in the statements are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed mostly by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are therefore clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipient of the goods or services offered by the programs and (b) 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 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's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions.

The City reports the following funds:

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Concluded)

Governmental Funds

- General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a major fund of the City.
- Nonmajor Governmental Funds - The City has various funds established to account for revenues received for designated purposes: Capital Projects, Christmas by the River, Citizens on Patrol, LGEAF, Municipal Road Aid, and Police Forfeiture Funds.

Proprietary Funds

- Water and Wastewater Fund - This fund accounts for the operation, maintenance, and development of the water and wastewater distribution lines. This is a major fund of the City.
- Revenue Fund - This fund collects all revenues from water, wastewater, and sanitation and transfers to operating funds. This is a major fund of the City.
- Sewer Line Extension Fund - This fund was established to accumulate funds for extending sewer services to new developments and underserved areas of the City. This is a major fund of the City.
- Nonmajor Proprietary Funds - The Bond and Interest Sinking Fund and the Depreciation Fund receive transfers from other enterprise funds to pay principal and interest on long-term debt and to fund capital improvements, respectively.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers revenues reported in the governmental funds to be available if collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures, and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources in the governmental funds.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

For the government-wide and proprietary fund financial statements, 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 acquisition value. The City has no stated capitalization threshold. Improvements are capitalized, but the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The City's infrastructure consists of curbs, sidewalks, and streets constructed or improved after July 1, 2003.

Depreciation is provided in the government-wide and proprietary fund financial statements in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The City capitalizes construction period interest as part of the cost of the assets in the proprietary funds. The service lives by type of asset are typically as follows:

Vehicles and equipment	5 - 7 years
Improvements	10 - 40 years
Infrastructure	10 - 25 years
Buildings	10 - 40 years
Plant	10 - 40 years

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses 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.

Accounts Receivable

The City recognizes revenues as receivable when they are both measurable and available. An allowance has not been established for uncollectible accounts as the amount estimated is deemed immaterial.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position consists of those assets that do not meet the definition of restricted or net investment in capital assets.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred amounts related to pensions in the Statement of Net Position in this category. Deferred amounts related to pensions include pension contributions made during the current fiscal year but applicable to a future measurement period of the net pension liability.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City reports deferred amount related to pensions in the Statement of Net Position in this category.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS), and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates

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

Fund Balance

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Fund Balance (Concluded)

- Nonspendable fund balance - amounts that are not in a spendable form (such as prepayments) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

The City did not establish any fund balance commitments for the fiscal year. Assigned fund balance is established by the Mayor through adoption or amendment of the budget as intended for a specific purpose. Unrestricted and unassigned fund balances are reduced first, unless expenditures are incurred for a specific purpose for which fund balance has been restricted, committed, or assigned.

Property Tax Calendar

The City's property taxes are levied before the first day of November on the assessed values as of January 1 for all real and personal property located in the city, including vehicles. Property taxes are due December 31 and become delinquent January 1 of the following year. The City's real property tax rate is \$.199 and its personal property tax rate is \$.3962 per \$100 valuations. The City's vehicle tax rate is \$.328 per \$100 of assessed value.

NOTE B - BUDGETARY PROCEDURES AND BUDGETARY ACCOUNTING

Normally, prior to June 30, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means for financing them. Deficit budgets are contrary to state law. Public hearings are conducted to obtain citizen comments on the proposed budget and the budget is legally adopted through passage of an appropriation ordinance by City Council. The City Council approves, by ordinance, total budget appropriations only. Budget amendments are made as needed throughout the year.

Actual expenditures and operating transfers may not legally exceed "budget" appropriations at the individual fund level. Budgetary control, however, is maintained at the departmental level. Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE C - CASH AND INVESTMENTS

The City considers cash and cash equivalents to be cash on hand, demand deposits, and certificates of deposit. At June 30, 2017, the reported amount of the City's cash and cash equivalents was \$1,607,304 and the bank balance was \$1,688,648. The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year-end, all of the City's deposits were either insured or collateralized with securities held by the pledging financial institution on behalf of the City. The governing body has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed.

Restricted Cash

Cash accounts in the LGEAF Fund and Municipal Road Aid Fund are restricted for those purposes.

NOTE D - LONG-TERM DEBT

Loan Payable

On November 9, 2015, the City of Brandenburg entered into a loan agreement with the Meade County Bank. The original amount of the loan was \$660,000 with an interest rate of 1.98%. Proceeds were used to construct a water tower. Payments are \$4,241 per month, including interest, through 2030. The loan balance at year-end was \$595,641.

Debt Service Requirements

The annual requirements to amortize the loan payable outstanding as of June 30, 2017, including interest payments are as follows:

Fiscal Year Ending June 30,	Note Payable	
	Principal	Interest
2018	\$ 36,025	\$10,630
2019	40,056	10,841
2020	40,978	9,919
2021	41,796	9,100
2022	42,678	8,219
2023 - 2027	226,349	28,135
2028 - 2031	167,759	6,138
Totals	<u>\$595,641</u>	<u>\$82,982</u>

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE D - LONG-TERM DEBT (CONCLUDED)

Changes in Noncurrent Liabilities

Changes in noncurrent liabilities, including current portions of long-term debt, for the year ended June 30, 2017 were as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due In One Year
<u>Governmental</u>					
<u>Activities</u>					
Note payable	\$ 27,221	\$ -	\$27,221	\$ -	\$ -
<u>Business-Type</u>					
<u>Activities</u>					
Loan payable	\$637,543	\$ -	\$41,902	\$595,641	\$36,025

NOTE E - FUND BALANCE

The fund balance for the General Fund was classified as follows:

Fund Balance	General Fund	Nonmajor Governmental Funds
Nonspendable:		
Deposit on fixed assets	\$ 2,900	\$ -
Restricted:		
LGEA	-	55,192
Streets and highways	-	144,088
Total Restricted	-	199,280
Assigned:		
Community activities	-	6,724
Future construction	-	123,839
Public safety	-	6,637
Total Assigned	-	137,200
Unassigned	716,404	-
Total Fund Balances	\$719,304	\$336,480

NOTE F - DEFICIT FUND BALANCE/NET POSITION

No funds ended the year with a deficit fund balance/net position; however, the General, Sewer Line Extension, Citizens on Patrol, LGEAF, Municipal Road Aid, and Police Forfeiture Funds had operations resulting in current year reductions of fund balance. The governmental and business-type activities also experienced reductions in net position.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE G - PENSION PLANS

General Information about the County Employees Retirement System

Plan Description – Full-time employees are covered by the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or from the website at www.kyret.ky.gov.

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1 – Defined Benefit

Participation date:	Before September 1, 2008
Unreduced retirement:	27 years service or 65 years old with 4 years service
Reduced retirement:	At least 5 years service and 55 years old At least 25 years service and any age

Tier 2 – Defined Benefit

Participation date:	September 1, 2008 – December 31, 2013
Unreduced retirement:	At least 5 years service and 65 years old Age 57+ and sum of service years plus age = 87
Reduced retirement:	At least 10 years service and 60 years old

Tier 3 – Cash Balance

Participation date:	After December 31, 2013
Unreduced retirement:	At least 5 years service and 65 years old Age 57+ and sum of service years plus age = 87
Reduced retirement:	Not available

Contributions – Employees in all tiers contributed 5% of their salaries for non-hazardous pay, and those in Tiers 2 and 3 also contributed an additional 1% of their salaries for insurance. Participating employers contributed 18.68% (13.95% pension; 4.73% insurance) of members' non-hazardous compensation for the year ended June 30, 2017.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE G - PENSION PLANS (CONTINUED)

Medical Insurance Plan

Plan Description – In addition to the pension benefits described above, Kentucky Revised Statute 61.702 requires CERS to provide post-retirement healthcare benefits to eligible members and dependents. Changes made to the medical plan may be made by the Kentucky Retirement Systems' Board of Trustees and the General Assembly. Additional information can be obtained in the aforementioned financial statements and required supplementary information for CERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a liability of \$1,107,205 for its proportionate share of the net pension liability for CERS. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the actual contributions of the City relative to the total contributions of all participating members of CERS during the measurement period July 1, 2015 through June 30, 2016. At June 30, 2016, the City's proportion was 0.022488%, a decrease of 0.000095% over the prior year.

For the year ended June 30, 2017, the City recognized total pension expense of \$147,363 for CERS. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,834	\$ -
Changes of assumptions	58,654	-
Net difference between projected and actual earnings on pension plan investments	104,089	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	6,225
City contributions subsequent to the measurement date	79,831	-
	<u>\$247,408</u>	<u>\$6,225</u>

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE G - PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$79,831 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred inflows and outflows related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2018	\$58,636
2019	39,228
2020	40,396
2021	23,092

Actuarial assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation
Projected Salary Increases	4%, average, including inflation
Inflation Rate	3.25%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE G - PENSION PLANS (CONCLUDED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44%	5.4%
Combined Fixed Income	19%	1.5%
Real Return (Diversified Inflation Strategies)	10%	3.5%
Real Estate	5%	4.5%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.5%
Cash Equivalent	2%	-0.25%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining twenty-seven year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117.

Sensitivity of Proportionate Share of Net Pension Liability to Changes in the Discount Rate – The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease 6.5%</u>	<u>Current Discount 7.5%</u>	<u>1% Increase 8.5%</u>
City's proportionate share of the net pension liability	\$1,379,757	\$1,107,205	\$873,574

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE H - CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<u>Governmental Activities</u>				
Not Depreciated:				
Land	\$ 90,463	\$ 31,986	\$ -	\$ 122,449
Depreciated:				
Buildings and improvements	877,840	15,845	(7,096)	886,589
Equipment	551,263	23,283	(298,616)	275,930
Vehicles	410,111	29,964	(62,323)	377,752
Infrastructure	870,059	102,811	(4,937)	967,933
Subtotal	<u>2,709,273</u>	<u>171,903</u>	<u>(372,972)</u>	<u>2,508,204</u>
Accumulated Depreciation	<u>(1,964,354)</u>	<u>(73,983)</u>	<u>361,122</u>	<u>(1,677,215)</u>
Net Capital Assets	<u>\$ 835,382</u>	<u>\$129,906</u>	<u>\$ (11,850)</u>	<u>\$ 953,438</u>
<u>Business-Type Activities</u>				
Not Depreciated:				
Land	\$ 85,100	\$ -	\$ -	\$ 85,100
Construction in process	638,848	-	(590,492)	48,356
Subtotal	<u>723,948</u>	<u>-</u>	<u>(590,492)</u>	<u>133,456</u>
Depreciated:				
Equipment	250,031	-	-	250,031
Vehicles	62,478	31,413	-	93,891
Water and sewer system	10,830,705	724,440	(8,095)	11,547,050
Subtotal	<u>11,143,214</u>	<u>755,853</u>	<u>(8,095)</u>	<u>11,890,972</u>
Accumulated Depreciation	<u>(7,167,859)</u>	<u>(318,549)</u>	<u>8,095</u>	<u>(7,478,313)</u>
Net Capital Assets	<u>\$4,699,303</u>	<u>\$437,304</u>	<u>\$(590,492)</u>	<u>\$4,546,115</u>

Depreciation expense and related accumulated depreciation are detailed as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<u>Governmental Activities</u>				
Buildings and improvements	\$ 404,554	\$ 19,598	\$ (7,096)	\$ 417,056
Equipment	521,605	7,104	(286,768)	241,941
Vehicles	333,470	29,126	(62,323)	300,273
Infrastructure	704,725	18,155	(4,935)	717,945
Total	<u>\$1,964,354</u>	<u>\$ 73,983</u>	<u>\$(361,122)</u>	<u>\$1,677,215</u>
<u>Business-Type Activities</u>				
Equipment	\$ 215,169	\$ 12,133	\$ -	\$ 227,302
Vehicles	40,343	9,884	-	50,227
Water and sewer system	6,912,347	296,532	(8,095)	7,200,784
Total	<u>\$7,167,859</u>	<u>\$318,549</u>	<u>\$ (8,095)</u>	<u>\$7,478,313</u>

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE H - CAPITAL ASSETS (CONCLUDED)

Depreciation expense was charged to functions in the Statement of Activities as follows:

Governmental Activities	
General government	\$ 8,902
Streets and maintenance	31,972
Parks	12,737
Public safety	20,372
	<u>\$73,983</u>

NOTE I - COMMITMENTS AND CONTINGENCIES

The City receives state grants for specific purposes that are subject to review and audit by state agencies. Such audits could result in a request for reimbursement by the State for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of city management, such disallowances, if any, will not be significant.

NOTE J - SUBSEQUENT EVENTS

City of Brandenburg, Kentucky's management has evaluated and considered the need to recognize or disclose subsequent events through October 23, 2018 which represents the date these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2017, have not been evaluated by management.

NOTE K - INTERFUND ACTIVITY

The following transfers were made during the fiscal year:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
Bond & Interest Fund	Water & Wastewater Fund	\$ 41,902	Debt service
Depreciation Fund	Water & Wastewater Fund	62,679	Fixed assets
General Fund	Revenue Fund	5,495	Sanitation reimbursement
Revenue Fund	Bond & Interest Fund	70,000	Debt service
Revenue Fund	Depreciation Fund	70,000	Fixed assets
Revenue Fund	Water & Wastewater Fund	925,000	Expenses
Revenue Fund	Sewer Line Extension Fund	80,000	Fixed assets
Sewer Line Extension Fund	Water & Wastewater Fund	713,170	Fixed assets
		<u>\$1,968,246</u>	

The following interfund balances existed at year-end:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
Depreciation Fund	General Fund	\$ 5,028	Short-term operating loan
General Fund	LGEA Fund	9,152	Short-term operating loan
MRA Fund	General Fund	9,055	Short-term operating loan
Sewer Line Extension Fund	General Fund	41,923	Short-term operating loan
Water & Wastewater Fund	General Fund	139,806	Short-term operating loan
		<u>\$204,964</u>	

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE L - NEW ACCOUNTING PRONOUNCEMENTS

GASB statements effective for the fiscal year had no impact on the City's financial statements.

NOTE M - RESTATEMENT

Due to various errors in the June 30, 2016 financial statements, a number of adjustments were necessary to correct the beginning balances for net position and fund balance.

		Business-Type Activities	
	Governmental Activities	Water and Wastewater Fund	Revenue Fund
Net Position at June 30, 2016, Previously Reported	\$1,193,572	\$3,323,229	\$187,120
Prior period adjustment for:			
Omitted accounts receivable	59,323	-	10,334
Omitted fixed assets	7,565	-	-
Deferred outflows, deferred inflows, and net pension liability at June 30, 2016 - restated	318,054	(347,104)	-
Omitted accounts payable	(14,261)	-	-
Payroll liabilities at June 30, 2016 - restated	(28,073)	(17,673)	-
Note payable balance at June 30, 2016 - restated	-	22,457	-
Total prior period adjustment	342,608	(342,320)	10,334
Net Position at June 30, 2016, Restated	\$1,536,180	\$2,980,909	\$197,454
		General Fund	Nonmajor Governmental Funds
Fund Balance at June 30, 2016, Previously Reported		\$ 813,074	\$ 358,754
Prior period adjustment for:			
Omitted accounts receivable		40,444	18,879
Omitted accounts payable		-	(14,261)
Payroll liabilities at June 30, 2016 - restated		(28,073)	-
Total prior period adjustment		12,371	4,618
Fund Balance at June 30, 2016, Restated		\$825,445	\$363,372

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BRANDENBURG, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget</u>
			<u>Basis)</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues				
Property taxes	\$ 440,000	\$ 431,080	\$ 457,084	\$ 26,004
Insurance premium taxes	271,000	260,000	277,434	17,434
Other taxes	-	-	11,575	11,575
Licenses and permits	35,500	41,000	33,874	(7,126)
Rental income	25,000	25,000	12,800	(12,200)
Interest income	9,000	9,000	5,057	(3,943)
Miscellaneous	16,900	20,318	11,615	(8,703)
Franchise fees	17,264	17,264	17,262	(2)
Sanitation	357,000	350,000	374,955	24,955
Intergovernmental revenues	23,750	23,750	43,295	19,545
Total Revenues	1,195,414	1,177,412	1,244,951	67,539
Expenditures				
Current:				
General government	408,694	435,985	389,514	46,471
Parks and recreation	50,000	85,000	48,866	36,134
Sanitation	367,000	400,000	337,071	62,929
Streets and maintenance	3,000	3,000	46,697	(43,697)
Public safety:				
Police	370,289	372,792	382,764	(9,972)
Fire	-	-	3,241	(3,241)
Capital outlay	34,900	33,688	110,223	(76,535)
Debt service	28,910	28,910	27,221	1,689
Total Expenditures	1,262,793	1,359,375	1,345,597	13,778
Excess (Deficiency) of Revenues Over Expenditures	(67,379)	(181,963)	(100,646)	81,317
Other Financing Sources				
Proceeds from sale of fixed assets	4,500	1,000	-	(1,000)
Transfers	-	-	(5,495)	(5,495)
Total Other Financing Sources	4,500	1,000	(5,495)	(6,495)
Net Changes in Fund Balance	(62,879)	(180,963)	(106,141)	74,822
Fund Balance - Beginning of Year	813,072	631,109	825,445	194,336
Fund Balance - End of Year	\$ 750,193	\$ 450,146	\$ 719,304	\$ 269,158

See accompanying notes to required supplementary information.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A - BASIS OF PRESENTATION

The City prepares its financial statements using accounting principles generally accepted in the United States of America (GAAP), but the budget is prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than GAAP.

The budget and all transactions are presented in accordance with the City's budgetary basis in the Budgetary Comparison Schedule - General Fund to provide a meaningful comparison of actual results with the budget. No adjustments have been made to convert the actual data presented on the GAAP basis to the cash basis of accounting for revenues because any differences were deemed to be immaterial.

NOTE B - BUDGET VIOLATIONS

During the 2017 fiscal year, the City incurred line item expenditures in excess of budget.

**CITY OF BRANDENBURG, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>COUNTY EMPLOYEES RETIREMENT SYSTEM</u>			
<u>Non-Hazardous</u>			
City's proportion of the net pension liability	0.022488%	0.022583%	0.02282%
City's proportionate share of the net pension liability	\$ 1,107,205	\$ 970,951	\$ 740,000
City's covered payroll	\$ 514,404	\$ 528,816	\$ 523,526
City's proportionate share of the net pension liability as a percentage of its covered payroll	215.24%	183.61%	141.35%
Plan fiduciary net position as a percentage of the total pension liability	55.503%	59.968%	66.801%

Note: The data provided in this schedule is based on the measurement date of the CERS net pension liability, which is as of June 30th of the prior fiscal year.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

**CITY OF BRANDENBURG, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS**

Last 10 Fiscal Years*

<u>COUNTY EMPLOYEES RETIREMENT SYSTEM</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Non-Hazardous</u>			
Contractually required contribution	\$ 79,831	\$ 63,889	\$ 67,424
Contributions in relation to the contractually required contribution	<u>(79,831)</u>	<u>(63,889)</u>	<u>(67,424)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 572,265	\$ 514,404	\$ 528,816
Contributions as a percentage of covered payroll	13.95%	12.42%	12.75%

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

**CITY OF BRANDENBURG, KENTUCKY
NOTES TO PENSION SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A - CHANGES OF BENEFIT TERMS

There were no changes of benefit terms for the County Employees Retirement System (CERS).

NOTE B - CHANGES OF ASSUMPTIONS

For the valuation performed as of June 30, 2016, there were no changes in assumptions for CERS.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BRANDENBURG, KENTUCKY
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Capital Projects Fund	Christmas by the River Fund	Citizens on Patrol Fund	LGEAF Fund	Municipal Road Aid Fund	Police Forfeiture Fund	Totals
Assets							
Cash and cash equivalents	\$ 123,839	\$ 6,724	\$ 4,200	\$ 43,282	\$ 150,561	\$ 2,437	\$ 331,043
Receivables	-	-	-	2,758	4,946	-	7,704
Due from other funds	-	-	-	9,152	-	-	9,152
Total Assets	<u>\$ 123,839</u>	<u>\$ 6,724</u>	<u>\$ 4,200</u>	<u>\$ 55,192</u>	<u>\$ 155,507</u>	<u>\$ 2,437</u>	<u>\$ 347,899</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,364	\$ -	\$ 2,364
Due to other funds	-	-	-	-	9,055	-	9,055
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,419</u>	<u>-</u>	<u>11,419</u>
Fund Balances							
Assigned to community activities	-	6,724	-	-	-	-	6,724
Assigned to future construction	123,839	-	-	-	-	-	123,839
Assigned to public safety	-	-	4,200	-	-	2,437	6,637
Restricted to LGEAF priority categories	-	-	-	55,192	-	-	55,192
Restricted to streets and highways	-	-	-	-	144,088	-	144,088
Total Fund Balances	<u>123,839</u>	<u>6,724</u>	<u>4,200</u>	<u>55,192</u>	<u>144,088</u>	<u>2,437</u>	<u>336,480</u>
Total Liabilities and Fund Balances	<u>\$ 123,839</u>	<u>\$ 6,724</u>	<u>\$ 4,200</u>	<u>\$ 55,192</u>	<u>\$ 155,507</u>	<u>\$ 2,437</u>	<u>\$ 347,899</u>

CITY OF BRANDENBURG, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Capital Projects Fund	Christmas by the River Fund	Citizens on Patrol Fund	LGEAF Fund	Municipal Road Aid Fund	Police Forfeiture Fund	Totals
Revenues							
Interest income	\$ 1,597	\$ -	\$ -	\$ 46	\$ 117	\$ -	\$ 1,760
Intergovernmental	-	15,912	3,700	22,308	53,217	-	95,137
Total Revenues	<u>1,597</u>	<u>15,912</u>	<u>3,700</u>	<u>22,354</u>	<u>53,334</u>	<u>-</u>	<u>96,897</u>
Expenditures							
Current							
Community	-	13,692	-	-	-	-	13,692
Public safety	-	-	4,784	-	-	150	4,934
Streets and highways	-	-	-	7,567	3,930	-	11,497
Capital outlay	-	-	-	15,726	77,940	-	93,666
Total Expenditures	<u>-</u>	<u>13,692</u>	<u>4,784</u>	<u>23,293</u>	<u>81,870</u>	<u>150</u>	<u>123,789</u>
Excess (Deficiency) of Revenues over Expenditures	1,597	2,220	(1,084)	(939)	(28,536)	(150)	(26,892)
Fund Balances - July 1, 2016 - as							
Originally Reported	122,242	4,504	5,284	42,087	182,050	2,587	358,754
Prior-period adjustment	-	-	-	14,044	(9,426)	-	4,618
Fund Balances - July 1, 2016 - as Adjusted	<u>122,242</u>	<u>4,504</u>	<u>5,284</u>	<u>56,131</u>	<u>172,624</u>	<u>2,587</u>	<u>363,372</u>
Fund Balances - June 30, 2017	<u>\$ 123,839</u>	<u>\$ 6,724</u>	<u>\$ 4,200</u>	<u>\$ 55,192</u>	<u>\$ 144,088</u>	<u>\$ 2,437</u>	<u>\$ 336,480</u>

**CITY OF BRANDENBURG, KENTUCKY
COMBINING STATEMENT OF NET POSITION -
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2017**

	Enterprise Funds		
	Depreciation Fund	Bond and Interest Sinking Fund	Totals
Assets			
Current Assets			
Cash and cash equivalents	<u>\$ 98,899</u>	<u>\$ 235,626</u>	<u>\$ 334,525</u>
Liabilities			
Current Liabilities			
Due to other funds	<u>5,028</u>	<u>-</u>	<u>5,028</u>
Net Position			
Restricted for debt service	-	235,626	235,626
Restricted for future construction	<u>93,871</u>	<u>-</u>	<u>93,871</u>
Total Net Position	<u><u>\$ 93,871</u></u>	<u><u>\$ 235,626</u></u>	<u><u>\$ 329,497</u></u>

CITY OF BRANDENBURG, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds		
	Depreciation Fund	Bond and Interest Sinking Fund	Totals
Non-Operating Revenues (Expenses)			
Interest income	\$ 60	\$ 247	\$ 307
Interest expense	-	(13,236)	(13,236)
Total Non-Operating Revenues (Expenses)	<u>60</u>	<u>(12,989)</u>	<u>(12,929)</u>
Income (Loss) Before Transfers	<u>60</u>	<u>(12,989)</u>	<u>(12,929)</u>
Transfers			
Transfers In	70,000	70,000	140,000
Transfers Out	(62,679)	(41,902)	(104,581)
Total Transfers	<u>7,321</u>	<u>28,098</u>	<u>35,419</u>
Changes in Net Position	<u>7,381</u>	<u>15,109</u>	<u>22,490</u>
Net Position - July 1, 2016	<u>86,490</u>	<u>220,517</u>	<u>307,007</u>
Net Position - June 30, 2017	<u><u>\$ 93,871</u></u>	<u><u>\$ 235,626</u></u>	<u><u>\$ 329,497</u></u>

INDEPENDENT AUDITOR'S REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS



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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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the City Council
City of Brandenburg, 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 accompanying Balance Sheet – Governmental Funds as of June 30, 2017 and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the year then ended, and the related notes to these financial statements, and have issued our report thereon dated October 23, 2018. We were engaged to audit the remaining accompanying financial statements of the governmental activities, the business-type activities, and the proprietary funds of the City of Brandenburg, Kentucky (City) as of and for the year ended June 30, 2017, and the related notes to these financial statements. These financial statements collectively comprise the City's basic financial statements as listed in the table of contents.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 *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. A *material weakness* is a deficiency, or 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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2017-001 through 2017-004 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2017-005.

City of Brandenburg, Kentucky's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result 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.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

October 23, 2018

**CITY OF BRANDENBURG, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

Finding: 2017-001

Condition:	As part of the audit, management requested us to prepare a draft of the City's financial statements, including the related notes. Material adjustments were required during the preparation of the financial statements.
Criteria:	Management is responsible for establishing internal controls over the preparation of GAAP-based financial statements.
Cause:	The design of internal controls did not prevent material adjustments.
Effect:	The potential exists for material misstatements to occur and not be prevented or detected by the City's internal control.
Recommendation:	Management and accounting personnel should review the policies and procedures for recording journal entries and enhance internal control over financial reporting.
Management Response:	<i>We concur with the recommendation.</i>

Finding: 2017-002

Condition:	While a substantial amount of the City's public works' time is spent on street repairs and maintenance, all payroll is charged to the Water and Wastewater Fund. Likewise, although the office processes utility billing and collection, all of its time is recorded in the General Fund.
Criteria:	Proprietary funds, such as Water and Wastewater are intended to be self-sufficient, whereby revenues are sufficient to cover expenses. As such, it is imperative that only expenses incurred are charged to that fund. Likewise, governmental funds, such as the General Fund, should not incur expenditures supplementing a proprietary fund.
Cause:	The City has always allocated expenditures in this manner without knowledge of the correct requirement.
Effect:	The City's financial statements do not accurately reflect the results of operations of each fund.
Recommendation:	Detailed records should be maintained to record time and expenses allocable to each fund.
Management Response:	<i>We concur with the recommendation.</i>

**CITY OF BRANDENBURG, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

Finding: 2017-003

Condition:	The City does not maintain any records of water and sewer supplies or record their value in the accounting records.
Criteria:	Generally accepted accounting principles require that proprietary funds book material quantities and values of inventories.
Cause:	This requirement was never brought to the attention of City personnel, who considered any amounts on hand to be insignificant. Observation by the auditor, however, indicates that a substantial value may exist.
Effect:	Insufficient records result in misstated financial statements and may permit misappropriation of supplies.
Recommendation:	A physical inventory should be taken as soon as possible, with all items priced and their value recorded. Going forward, perpetual records should be maintained, and inventory counts should be taken at the end of the fiscal year and amounts adjusted in the general ledger accordingly.
Management Response:	<i>We concur with the recommendation. We are beginning the process of working with the Public Works director on developing an inventory system.</i>

Finding: 2017-004

Condition:	Various errors were made in the preparation of payroll and related reports.
Criteria:	Payroll requires absolute accuracy, both in the payments to employees and in reporting to the taxing authorities.
Cause:	Over the years, deductions have been entered incorrectly as to their effect on gross wages and Social Security and Medicare earnings and withholdings. As a result, amounts entered on payroll reports were also incorrect.
Effect:	Some employees were underpaid, their earnings records were inaccurate, and insufficient payments were made to taxing authorities.
Recommendation:	All deductions should be reviewed to ensure their proper setup in the payroll system. The City should issue refunds of the underpayments to affected employees, and payroll reports should be amended. We also recommend that the City utilize the payroll function provided in their QuickBooks software, which assists in the filing of required payroll reports.
Management Response:	<i>We concur with the recommendation. We are seeking training on better utilization of our QuickBooks program to ensure proper withholdings for all employees.</i>

**CITY OF BRANDENBURG, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

Finding: 2017-005

<i>Condition:</i>	The City made purchases and entered contracts in excess of \$20,000 without competitive bidding.
<i>Criteria:</i>	With limited exceptions, KRS 424.260 requires that any purchases over \$20,000 be made only after advertising for bids.
<i>Cause:</i>	City administrators in charge of purchasing may not have understood the requirements of the bid law.
<i>Effect:</i>	The City was likely in violation of the provisions of Kentucky purchasing law.
<i>Recommendation:</i>	Administration should become thoroughly familiar with purchase regulations. Any exceptions, such as emergency purchases, single sources, professional services, etc. should be documented in the Council minutes.
<i>Management Response:</i>	<i>We concur with the recommendation. We will stay more informed on the processes and consider purchases which are made repeatedly throughout the fiscal year (ex. Chemicals, etc.).</i>
<i>Auditor Response:</i>	<i>Be aware of single purchases in excess of the bid limit, even where they span multiple fiscal years.</i>