

CITY OF AUGUSTA, KENTUCKY
AUDITED BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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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

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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, 2017, 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, 2017, 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 January 18, 2018, 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

January 18, 2018

**CITY OF AUGUSTA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2017**

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, 2017. 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 2017-year with net assets (both City and Utilities) of \$2,903,000. The principal part of net assets is comprised of the City's investment in fixed assets.
- The City refinanced bonds with Kentucky Rural Water Finance Corporation with a loan amount of \$1,150,000.
- The City financed Clopay Well Project in the amount of \$92,500 through BTADD.

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 changed 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 \$2,903,000 as of June 30, 2017.

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, 2017

Comparative data for 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Current Assets	\$1,439,000	\$1,174,000
Noncurrent Assets	<u>3,855,000</u>	<u>3,980,000</u>
Total Assets	5,154,000	5,154,000
Current Liabilities	1,106,000	1,081,000
Noncurrent Liabilities	<u>1,285,000</u>	<u>1,168,000</u>
Total Liabilities	2,391,000	2,249,000
Net Assets		
Investment in capital assets (net of debt)	3,346,000	3,402,000
Restricted	64,000	45,000
Unreserved Fund Balance	<u>(508,000)</u>	<u>(542,000)</u>
Total Net Assets	\$2,903,000	\$ 2,905,000

Comments on Budget Comparisons

- The City's total revenues for the fiscal year ended June 30, 2016, net of interfund transfers were \$2,079,000.
- General fund budget compared to actual revenue varied from line to line with the ending actual revenues being \$154,000 less than budget. The main contributing factor for the variance was the sanitation fee revenue actual was less than budgeted.
- General fund budget expenditures to actual varied \$203,000 less than budget.

The following table presents a summary of governmental fund revenues and expense for the fiscal year ended June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Revenues:		
Local revenue sources	\$1,095,000	\$ 1,000,000
Federal and State revenue sources	0	17,000
Other Sources	<u>0</u>	<u>0</u>
Total revenues	\$1,095,000	\$ 1,017,000
Expenses:		
General government	256,000	268,000
Police	151,000	210,000
Fire	26,000	36,000
Streets	126,000	24,000
Sanitation	342,000	369,000
Recreation, pool and park	93,000	107,000
Tourism	47,000	54,000
Debt Service	2,000	10,000
Capital Outlay	<u>4,000</u>	<u>27,000</u>
Total expenses	\$ 1,047,000	\$1,105,000
Revenue in Excess of Expense	\$ 49,000	\$ (88,000)

General Fund Revenue

The majority of revenue was derived from local sources. Revenues from sanitation services were \$407,000.

General Fund Expenses

Salaries comprise of \$ 346,000 of total expenses, or 33% of total expense.

Utility Operations

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

Water	\$(46,000)
Gas	\$ 16,000
Sewer	\$ 36,000
Water Treatment	\$ (2,000)

Budgetary Implications

The City adopted a budget for 2018 in which anticipated revenue equaled expenditures. The City has a cash balance of \$60,000 for the beginning of the next fiscal year. The utility had a cash balance of \$289,000 for the beginning of the 2018 fiscal year. The City does not anticipate any significant action, which would impact the budget.

Questions regarding this report should be directed to the Mayor Wendell High or to her **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, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	59,827	288,752	348,579
Accounts Receivable:			
Accounts	36,758	87,414	124,172
Loans	-		-
Deposits	-		-
Due from other funds	23,000	901,976	924,976
Restricted Cash	40,998		40,998
Total Current Assets	160,583	1,278,142	1,438,725
Noncurrent Assets			
Bond Issue Costs		-	-
Nondepreciated capital assets:			
Land	2,000		2,000
Depreciated capital assets:			
Buildings and improvements	2,716,178		2,716,178
Equipment	520,939		520,939
Utility Systems		6,273,191	6,273,191
Less: Accumulated depreciation	(1,901,706)	(3,755,366)	(5,657,072)
Net Capital Assets	1,337,412	2,517,825	3,855,237
Total Noncurrent Assets	1,337,412	2,517,825	3,855,237
TOTAL ASSETS	1,497,995	3,795,967	5,293,962
LIABILITIES			
Current Liabilities			
Accounts payable	84,907	14,805	99,712
Accrued Liabilities	11,746	9,793	21,539
Accrued interest payable		328	328
Customer Deposits		20,640	20,640
Due to Other Funds	465,314	459,662	924,976
Current portion of Bonds and Notes Payable	-	39,067	39,067
Total Current Liabilities	561,967	544,296	1,106,262
Noncurrent Liabilities			
Bonds payable		1,284,963	1,284,963
Notes Payable	-	-	-
Total Noncurrent Liabilities	-	1,284,963	1,284,963
TOTAL LIABILITIES	561,967	1,829,259	2,391,226
NET POSITION			
Invested in capital assets, net of related debt	1,337,412	2,008,797	3,346,209
Restricted for:			
Capital projects		-	-
Other purposes	64,198		64,198
Unrestricted	(465,581)	(42,088)	(507,669)
TOTAL NET ASSETS	936,028	1,966,707	2,902,733
TOTAL LIABILITIES AND NET ASSETS	1,497,995	3,795,967	5,293,962

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

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

FUNCTIONS/PROGRAMS	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General Government	204,794	115,858	-	-	(88,935)	-	\$ (88,935)
Police	151,280	-	-	-	(151,280)	-	\$ (151,280)
Fire	26,429	-	-	-	(26,429)	-	(26,429)
Streets	125,991	-	-	-	(125,991)	-	(125,991)
Sanitation	342,288	423,161	-	-	80,873	-	80,873
Recreation, Pool and Parks	92,532	-	-	-	(92,532)	-	(92,532)
Tourism	47,212	-	-	-	(47,212)	-	(47,212)
Depreciation	112,121	-	-	-	(112,121)	-	(112,121)
TOTAL GOVERNMENTAL ACTIVITIES	1,102,646	539,019	-	-	(563,627)	-	(563,627)
BUSINESS-TYPE ACTIVITIES:							
Utilities	1,159,991	1,164,692	-	-	-	4,702	4,702
TOTAL BUSINESS-TYPE ACTIVITIES	1,159,991	1,164,692	-	-	-	4,702	4,702
TOTAL CITY	2,262,637	1,703,711	-	-	(563,627)	4,702	(558,925)
General Revenues							
Taxes					434,894		434,894
Federal and State Grants					28,807		28,807
Local and Other Revenues					92,918		92,918
Investment Earnings					-		-
Total General Revenues					556,619	-	556,619
Change in Net Assets					(7,008)	4,757	(2,251)
Net Assets July 1, 2016					943,038	1,961,949	2,904,987
Net Assets June 30, 2017					936,028	\$ 1,966,707	\$ 2,902,733

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

CITY OF AUGUSTA, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Special Revenue Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	59,627	200	59,827
Accounts Receivable:			-
Customers, Net	36,758		36,758
Other		-	-
Loans		-	-
Due From Other Funds		23,000	23,000
Deposits			-
Restricted Assets			-
Cash	40,998		40,998
Fixed Assets			-
Construction in Progress			
Accumulated Depreciation			
TOTAL ASSETS	137,384	23,200	160,584
LIABILITIES AND NET ASSETS			
Accounts Payable	84,907	-	84,907
Accrued Liabilities	11,746		11,746
Accrued Interest Payable			-
Due to Other Funds	465,314		465,314
Notes Payable			-
TOTAL LIABILITIES	561,967	-	561,967
Fund Balance:			
Restricted	40,998	23,200	64,198
Unassigned	(465,582)		(465,581)
TOTAL FUND BALANCES	(424,581)	23,200	(401,384)
TOTAL LIABILITIES AND FUND BALANCES	137,384	23,200	160,584

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, 2017

Total fund balance per fund financial statements	\$ (401,384)
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	3,239,117
Accumulated Depreciation	<u>(1,901,706)</u>
	<u>1,337,412</u>
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.	
	<u>-</u>
Net assets for government activities	<u><u>\$ 936,028</u></u>

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

	General Fund	Special Revenue (CDBG) Funds	TOTALS (Memorandum Only)
REVENUES:			
Taxes	434,894		434,894
Licenses and Permits	115,858		115,858
Fines and Forfeits	-		-
Intergovernmental Revenue	41,780		41,780
Charges for Services	423,161		423,161
Kentucky Grant	-		-
Miscellaneous	79,946	-	79,946
TOTAL REVENUES	1,095,638	-	1,095,638
EXPENDITURES:			
Current:			
General Government	255,490	25	255,515
Police	151,280		151,280
Fire	26,429		26,429
Streets	125,991		125,991
Sanitation	342,288		342,288
Recreation, Pool and Parks	92,532		92,532
Tourism	47,212		47,212
Capital Outlay	3,748	-	3,748
Debt Service	1,662		1,662
TOTAL EXPENDITURES	1,046,631	25	1,046,656
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	49,008	(25)	48,983
OTHER FINANCING SOURCES (USES):			
Federal Grant	-		-
CDBG Fund	-		-
Memorial Gift - Library	-		-
Transfer to Library	-		-
Transfers - Net (Utility Funds)	-		-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	49,008	(25)	48,983
FUND BALANCE JULY 1, 2016	(473,590)	23,226	(450,364)
Prior Period Adjustment	-	-	-
FUND BALANCE JUNE 30, 2017	<u>\$ (424,582)</u>	<u>\$ 23,201</u>	<u>\$ (401,383)</u>

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, 2017

Net change in total fund balances per fund financial statements \$ 48,983

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	54,548
Depreciation for the year	<u>(112,121)</u>
	(57,574)

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>1,583</u>
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Change in net assets of governmental activities per Statement of Activities \$ (7,008)

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, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	428,003	434,894	6,891
Licenses and Permits	150,679	115,858	(34,821)
Fines and Forfeits	400	-	(400)
Intergovernmental Revenue	41,800	41,780	(20)
Charges for Services	538,448	423,161	(115,287)
Kentucky Grant-Clopay	-	-	-
Miscellaneous	90,108	79,946	(10,162)
TOTAL REVENUES	1,249,438	1,095,638	(153,799)
EXPENDITURES:			
Current:			
General Government	368,915	255,490	113,426
Police	184,100	151,280	32,821
Fire	31,049	26,429	4,620
Recreation and Park	84,638	92,532	(7,894)
Streets	78,040	125,991	(47,951)
Sanitation	355,000	342,288	12,712
Tourism	50,033	47,212	2,821
Capital Outlay	96,000	3,748	92,252
Debt Service	1,662	1,662	-
TOTAL EXPENDITURES	1,249,438	1,046,631	202,807
Excess of revenues over (under) expenditures Before Other Financing Sources (Uses)	-	49,008	49,008
OTHER FINANCING SOURCES (USES):			
Transfers in (out) - Proprietary Funds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	0	49,008	49,008
FUND BALANCE JULY 1, 2016	21,277	(473,590)	494,867
Prior Period Adjustment	-	-	-
FUND BALANCE JUNE 30, 2017	21,277	(424,582)	445,859

**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 (CDBG) FUND**

FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes			-
Licenses and Permits			-
Fines and Forfeits			-
Intergovernmental Revenue			-
Charges for Service			-
Miscellaneous	-	-	-
TOTAL REVENUES	-	-	-
EXPENDITURES:			
Current			-
General Government	-	25	25
Police			-
Fire			-
Recreation			-
Streets			-
Sanitation			-
Tourism			-
Capital Outlay			-
Debt Service			-
TOTAL EXPENDITURES	-	25	25
Excess of revenues over (under) expenditures Before Other Financing Sources (Uses)	-	(25)	(25)
OTHER FINANCING SOURCES (USES):			
Transfers in (out) - Proprietary Funds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(25)	(25)
 FUND BALANCE JULY 1, 2016	 37,292	 23,226	 (14,066)
FUND BALANCE JUNE 30, 2017	\$ 37,292	\$ 23,201	\$ (14,091)

CITY OF AUGUSTA, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	<u>Business- type Activities</u>
ASSETS AND RESOURCES	
Current assets:	
Cash and cash equivalents	\$ 288,752
Accounts Receivable	87,414
Restricted cash and Investment	
Due from other funds	901,976
Total Current assets	<u>1,278,142</u>
Noncurrent assets:	
Bond Issue Costs	-
Nondepreciated capital assets:	
Land	
Depreciated capital assets:	
Building and improvements	6,273,191
Equipment	
Less accumulated depreciation	(3,755,366)
Net Capital Assets	<u>2,517,825</u>
Total noncurrent assets	<u>2,517,825</u>
TOTAL ASSETS	<u>\$ 3,795,967</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 14,805
Accrued Liabilities	9,793
Accrued Interest Payable	328
Customer Deposits	20,640
Due to Other Funds	459,662
Current Portion of Bonds and Notes Payable	39,067
Total Current Liabilities	<u>544,296</u>
NONCURRENT LIABILITIES	
Bonds Payable	1,284,963
Notes Payable	-
Total Noncurrent Liabilities	<u>1,284,963</u>
TOTAL LIABILITIES	1,829,259
NET ASSETS:	
Contributed Capital	2,008,797
Restricted for:	
Capital Projects	
Unassigned	(42,088)
TOTAL NET ASSETS	<u>1,966,708</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,795,967</u>

**CITY OF AUGUSTA, KENTUCKY
 COMBINES STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017**

OPERATING REVENUES	
Charges for Services	\$ 751,869
Charges for Sales to Water District	<u>343,527</u>
TOTAL OPERATING REVENUES	1,095,396
 OPERATING EXPENSES	
Salaries and wages	394,005
Gas Purchases	151,703
Water Treatment Expense in Excess of Revenue	486
Chemicals and Testing	33,543
Utilities and Telephone	155,630
Professional Fees	34,297
Insurance	45,334
Repair and Supplies	92,819
Transportation	19,592
Office Expense and Other	20,276
Amortization	-
Depreciation	<u>162,370</u>
TOTAL OPERATING EXPENSES	<u>1,110,055</u>
OPERATING INCOME (LOSS)	(14,659)
 NON-OPERATING REVENUES (Expenses)	
Other Income	69,296
Interest Income	-
Interest Expense	<u>(49,935)</u>
Net Loss Before Capital Contributions and Transfers	4,701
Capital Contributions	-
Transfers - Charges to General Fund	<u>-</u>
NET INCOME (LOSS)	4,702
TOTAL NET ASSETS - JULY 1, 2016	<u>1,961,949</u>
Prior Period Adjustments	-
KIA Sinking Fund Reserve	<u>-</u>
TOTAL NET ASSETS - JUNE 30, 2017	<u><u>\$ 1,966,708</u></u>

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

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from:	
Services	1,095,396
Other Income	69,296
Cash payments to employees for services	(394,005)
Cash payments for contract services	-
Cash payments to suppliers for goods and services	(528,875)

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>241,812</u>
--	----------------

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to General Fund	<u>15,527</u>
---------------------------	---------------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Loan Proceeds	1,242,500
Principal Paid	(1,163,362)
Interest Paid	(51,708)
Fixed Assets Acquired	(94,947)

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(67,518)</u>
--	-----------------

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>-</u>
-------------------------	----------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 189,821
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CASH AND CASH EQUIVALENTS JULY 1, 2016	<u>98,931</u>
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CASH AND CASH EQUIVALENTS JUNE 30, 2017	<u>\$ 288,756</u>
--	--------------------------

Reconciliation of operating income to net cash used for operating activities

Operating income	(14,659)
other income	69,296
Transfers	-
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	162,370
State Grants	-
Changes in assets and liabilities:	
Receivables	4,083
Inventories	
Accrued liabilities	<u>20,722</u>

Net Cash used for operating activities	<u><u>\$ 241,812</u></u>
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CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017, to finance the General Fund operations were \$.305 per \$100 valuation for real property, \$.4503 per \$100 valuation for business personal property and \$.185 per \$100 valuation for motor vehicles. The assessed value upon which the levy for the 2016 fiscal year was based, was \$33,089,185

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 one thousand dollars (\$1000) 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, 2017

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, 2017

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, 2017 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, 2017

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, 2017

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 \$453,203. Of the total cash balance, federal depository insurance and pledged assets covered the balance throughout the year. All cash and equivalents were covered at 6/30/17.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

Cash and cash equivalents at June 30, 2017 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Checking	\$ 440,911	\$ 377,285
Certificates of Deposit	<u>12,292</u>	<u>12,292</u>
	<u>\$ 453,203</u>	<u>\$ 389,577</u>
Breakdown per financial statements:		
Governmental funds		\$ 100,824
Proprietary funds		<u>288,752</u>
		<u>\$ 389,577</u>

CITY OF AUGUSTA

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2017

NOTE D - CAPITAL ASSETS

Capital asset for the fiscal year ended June 30, 2017 was as follows:

Governmental Activities	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Land	2,000			2,000
Park, pool and shelter	375,602	-		375,602
Buildings and improvements	1,045,249	-		1,045,249
Streets	457,939	46,348		504,287
Lighting and dock	805,381	8,200		813,581
Vehicles	177,338	-		177,338
Other equipment	321,061	-		321,061
Total at historical cost	3,184,570	54,548	-	3,239,117
Less accumulated depreciation:				
Park, pool and shelter	251,613	7,094		258,707
Building and improvements	284,825	30,435		315,260
Streets	306,822	24,375		331,197
Lighting and dock	497,195	39,563		536,758
Vehicles	139,984	7,823		147,807
Other Equipment	309,147	2,832		311,979
Total accumulated depreciation	1,789,585	112,121	-	1,901,706
Governmental Activities Capital Assets-Net	1,394,984	(57,574)	-	1,337,412
<u>Business - Type Activities</u>				
Land	9,714			9,714
Water Utility	4,185,790	84,479		4,270,269
Gas Utility	811,486	-		811,486
Sewer Utility	1,180,328	10,469		1,190,797
Totals at historical cost	6,187,318	94,947	-	6,282,266
Less accumulated depreciation:				
Water Utility	2,122,494	115,841		2,238,335
Gas Utility	697,901	14,819		712,720
Sewer Utility	772,628	31,680		804,308
Total accumulated depreciation	3,593,025	162,340	-	3,755,365
Business - Type Activities Capital Assets - Net	2,594,294	(67,393)	-	2,526,901

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, 2017

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 20th 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, 2017 was \$30,571. The City has set aside \$68 into the restricted account. There was \$79,706 in deposits that was made to the sinking fund for the year. As required in (1) or (2) above, the monthly funding should be \$30,503. The account is underfunded by \$30,503.

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, 2017 was \$40,820. The City had set aside \$7,771 at June 30, 2017 into a restricted account. The account is underfunded by \$33,049.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

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, 2017 is as follows.

A. Revenue Bonds – Proprietary Funds

Sewer Utility Fund:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Water Utility Fund:			
2016 Series C, due to KRWFC at interest rate of 3.2% Per annum with final payment Due in 2035	1,150,000	381,082	1,531,082
2004 Series, due USDA Rural Development at interest rate of 4.50% per annum with final payment due in 2044	<u>85,800</u>	<u>61,937</u>	<u>147,737</u>
	<u>\$1,235,800</u>	<u>\$ 443,019</u>	<u>\$1,678,819</u>

The annual requirements to amortize all revenue bonds payable outstanding as of June 30, 2017, are as follows:

<u>YEAR ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
<u>JUNE 30</u>			
2018	46,700	39,222	85,922
2019	51,700	37,625	89,325
2020	51,800	35,949	87,749
2021	51,900	34,519	86,419
2022	52,000	33,333	85,333
2023-2027	296,500	140,154	436,654
2028-2032	339,300	88,690	427,990
2033-2037	317,100	31,209	348,309
2038-2042	23,600	4,454	28,054
2043-2044	<u>5,200</u>	<u>234</u>	<u>5,434</u>
TOTAL	<u>\$1,235,800</u>	<u>\$ 445,391</u>	<u>\$1,681,189</u>

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

B. Notes Payable

Governmental Fund

Police Cruiser

The City entered into a capital lease agreement for a Police Cruiser with payments of \$791.35 monthly for 36 months, plus a final payment equal to all unpaid principal and accrued interest on August 1, 2016. This was paid in full in 6/30/17.

Water Fund

Clopay Well

The City entered into a loan agreement with BTADD on July 13, 2016 for Clopay Well project. The interest rate is 2% for 10 years with monthly payments of \$851.12 per month. The final payment will be on July 13, 2026.

The maturities of Notes Payable at June 30, 2017 were as follows:

	Principle	Interest
2018	\$8,597	\$1,617
2019	8,770	1,443
2020	8,947	1,266
2021	9,128	1,086
2022	9,312	901
2023-2027	<u>39,306</u>	<u>1,690</u>
	\$84,059	\$8,003

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

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, 2017.

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 not aware of any pending or threatened litigation as of the date of the audit report.

SUPPLEMENTARY INFORMATION

**CITY OF AUGUSTA, KENTUCKY
COMBINING BALANCE SHEET
ALL PROPRIETARY FUND TYPES
For the Year Ended June 30, 2017**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
ASSETS					
Cash and cash equivalents	\$ 49,075	\$ 87,608	\$ 14,061	\$ 138,008	\$ 288,752
Account Receivable					-
Customers - Net	22,405		11,598	22,654	56,657
Other		30,758			30,758
Due from other funds	-	5,637	896,339	-	901,976
Restricted Assets					-
Cash					-
Investments					-
Fixed Assets	446,818	3,823,451	812,124	1,190,797	6,273,191
Accumulated Depreciation	(342,556)	(1,895,779)	(712,721)	(804,310)	(3,755,366)
Construction in Progress	-	-	-	-	-
Bond Issue Costs					-
TOTAL ASSETS	\$ 175,741	\$ 2,051,675	\$ 1,021,402	\$ 547,149	\$ 3,795,967
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts Payable	\$ 7,138	\$ 964	\$ 3,440	\$ 3,264	\$ 14,805
Accrued Liabilities	1,699	4,130	2,832	1,133	9,793
Accrued Interest Payable		328			328
Customer Deposits	10,440		10,200	-	20,640
Due to Other Funds	287,234	-		172,428	459,662
Notes Payable	\$ 84,059		-	4,171	88,230
Payable from Restricted Assets					-
Revenue Bonds Payable		1,235,800			1,235,800
Total Liabilities	390,570	1,241,222	16,471	180,995	1,829,259
NET ASSETS					
Reserves					-
Contributed Capital	70,000	1,440,428		498,369	2,008,797
Unassigned	(284,829)	(629,974)	1,004,930	(132,215)	(42,088)
Total Net Assets	(214,829)	810,454	1,004,930	366,155	1,966,708
TOTAL LIABILITIES AND NET ASSETS	\$ 175,741	\$ 2,051,675	\$ 1,021,402	\$ 547,149	\$ 3,795,967

CITY OF AUGUSTA, KENTUCKY
COMBINES STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2017

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
OPERATING REVENUES					
Charges for services	\$ 229,658		\$ 367,144	\$ 155,068	\$ 751,869
Charges to Bracken Water District		343,527			343,527
Charges to Augusta Water Fund		134,893			134,893
Total Revenues	<u>229,658</u>	<u>478,420</u>	<u>367,144</u>	<u>155,068</u>	<u>1,230,289</u>
OPERATING EXPENSES					
Salaries and Wages	55,194	164,912	136,824	37,074	394,005
Gas Purchases			151,703		151,703
Water Treatment	135,378				135,378
Chemicals, Testing and Study		30,166	2,434	943	33,543
Utilities and Telephone	21,172	73,311	3,478	57,668	155,630
Professional Fees	6,380	3,278	7,378	17,261	34,297
Insurance	8,019	25,720	5,658	5,937	45,334
Repair and Supplies	18,616	20,895	15,209	38,099	92,819
Transportation	5,831	1,993	6,335	5,432	19,592
Office Expense and Other	6,082	4,192	7,004	2,998	20,276
Amorization				-	-
Depreciation	7,854	108,017	14,819	31,680	162,370
Total Operating Expenses	<u>264,528</u>	<u>432,484</u>	<u>350,843</u>	<u>197,093</u>	<u>1,244,948</u>
OPERATING INCOME (LOSS)	(34,870)	45,936	16,300	(42,026)	(14,659)
NON-OPERATING REVENUES (EXPENSES)					
Other Income	(10,633)	1,860	(188)	78,256	69,296
Franchise Charges to General Fund	-	-	-	-	-
Interest Income	-	51	-	6	-
Interest Expense	-	(49,680)	-	(255)	(49,935)
Net Income (Loss) Before Capital Contributions	<u>(45,502)</u>	<u>(1,833)</u>	<u>16,112</u>	<u>35,981</u>	<u>4,702</u>
Capital Contributions				-	-
NET INCOME (LOSS)	<u>(45,502)</u>	<u>(1,833)</u>	<u>16,112</u>	<u>35,981</u>	<u>4,702</u>
Net Assets (Deficit), July 1, 2016	(169,327)	812,284	988,818	330,173	1,961,949
Prior Period Adjustments					-
NET ASSETS (DEFICIT), JUNE 30, 2017	<u>\$ (214,829)</u>	<u>\$ 810,454</u>	<u>\$ 1,004,930</u>	<u>\$ 366,155</u>	<u>\$ 1,966,708</u>

**CITY OF AUGUSTA, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (34,870)	\$ 45,936	\$ 16,300	\$ (42,026)	\$ (14,659)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	7,854	108,017	14,819	31,680	162,370
Other Income	(10,633)	1,860	(188)	78,256	69,296
Transfers	-	-	-	-	-
Grants	-	-	-	-	-
(Increase) Decrease in Assets					
Accounts Receivable	13,199	1,486	(4,299)	(6,301)	4,083
Restricted Funds	-	-	-	-	-
Increase (Decrease) in Liabilities					
Account Payable	6,804	30,630	(16,539)	(1,702)	19,192
Other Liabilities	(396)	1,991	(659)	(264)	672
Due to Other Funds	33,893	(74,865)	9,500	47,000	15,527
Customer Deposits	260	-	600	-	860
NET CASH PROVIDED BY OPERATING ACTIVITIES	16,112	115,055	19,533	106,644	257,341
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interest Income	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Loan Proceeds	92,500	1,150,000	-	-	1,242,500
Principal Paid	(10,213)	(1,148,828)	-	(4,321)	(1,163,362)
Interest Paid	(1,773)	(49,680)	-	(255)	(51,708)
Fixed Assets Acquired	(84,479)	-	-	(10,469)	(94,947)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,965)	(48,508)	-	(15,045)	(67,518)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,147	66,547	19,533	91,599	189,823
CASH AND CASH EQUIVALENTS JULY 1, 2016	36,929	21,062	(5,472)	46,410	98,931
CASH AND CASH EQUIVALENTS JUNE 30, 2017	\$ 49,075	\$ 87,609	\$ 14,061	\$ 138,008	\$ 288,756

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

FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Positive (Negative)
TAXES			
Property Taxes	\$ 145,000	\$ 124,964	\$ (20,036)
Bank Shares Taxes	5,232	5,252	20
Motor Vehicle Taxes	20,000	19,275	(725)
Recreational Property Taxes	17,770	17,438	(332)
Payroll Taxes	240,000	267,964	27,964
	<u>428,003</u>	<u>434,894</u>	<u>6,891</u>
LICENSES AND PERMITS			
Occupational Licenses	11,000	11,478	478
Franchise Fees	44,604	30,091	(14,513)
Insurance Premium License Fees	93,175	72,290	(20,885)
Liquor Licenses	1,900	2,000	100
	<u>150,679</u>	<u>115,858</u>	<u>(34,821)</u>
FINES AND FORFEITS			
Arrest Fees	400	-	(400)
	<u>400</u>	<u>-</u>	<u>(400)</u>
INTERGOVERNMENTAL REVENUES			
Base Court Revenue	6,000	7,166	1,166
Police Incentive Pay	9,300	5,807	(3,493)
Municipal Road Aid	26,500	28,807	2,307
	<u>41,800</u>	<u>41,780</u>	<u>(20)</u>
CHARGES FOR SERVICES			
Sanitation Fees	512,928	407,034	(105,894)
Accident Reports	20	14	(6)
Pool and Marina Income	25,500	16,113	(9,387)
	<u>538,448</u>	<u>423,161</u>	<u>(115,287)</u>
MISCELLANEOUS			
Interest	38	20	(18)
Library Tax	17,770	17,438	(332)
Tourism	15,600	21,597	5,997
Ghostwalk	3,800	3,004	(796)
Riverfest Regatta	7,000	-	(7,000)
Turning Leaves Festival	600	400	(200)
Swingtime	4,600	1,432	(3,168)
Sternwheel Days	-	6,280	6,280
Blueberry Festival	-	-	-
Recreation	-	8,048	8,048
Telecommunications	5,700	5,605	(95)
Community Center	5,000	2,051	(2,950)
Contribution - Clopay Foundation	10,000	-	(10,000)
Grants - Local, State & Federal	-	-	-
Ball Park Revenue	10,000	10,966	966
Borrowed Money	-	-	-
Corridor Management	-	-	-
Restrooms Main Street	-	-	-
Transfer from Gas-Clopay	-	-	-
Miscellaneous	10,000	3,105	(6,895)
	<u>90,108</u>	<u>79,946</u>	<u>(10,162)</u>
TOTAL REVENUE	<u>\$ 1,249,438</u>	<u>\$ 1,095,638</u>	<u>\$ (153,799)</u>

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

FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Positive (Negative)
GENERAL GOVERNMENT			
Salaries & Fringe Benefits	\$ 82,833	\$ 77,923	\$ 4,910
Professional Services	18,100	15,855	2,245
Other Legal Costs	2,500	2,964	(464)
Telephone and Utilities	24,300	26,114	(1,814)
Office Supplies	11,150	12,425	(1,275)
Cemeteries	10,000	4,508	5,492
Library	18,302	17,076	1,226
Insurance	17,354	33,303	(15,949)
Training & Travel	500	146	354
Advertisement and Dues	2,800	2,736	65
Community Center	17,751	16,539	1,212
Reimburse for ?	1,325	-	1,325
Investigation	-	-	-
Credit Card Reimb	127,000	-	127,000
Economic Assistance Cloday	-	-	-
Industrial Authority	6,386	12,178	(5,792)
Miscellaneous	28,614	33,723	(5,109)
	<u>368,915</u>	<u>255,490</u>	<u>113,426</u>
POLICE			
Salaries and Fringe Benefits	154,373	132,790	21,583
Vehicle Expense	7,500	6,133	1,367
Repairs and Maintenance	14,600	5,792	8,808
Telephone	2,300	2,334	(34)
Training and Travel	2,500	3,035	(535)
Insurance	2,827	1,196	1,631
	<u>184,100</u>	<u>151,280</u>	<u>32,821</u>
FIRE DEPARTMENT			
Operations	31,049	26,429	4,620
	<u>31,049</u>	<u>26,429</u>	<u>4,620</u>
STREETS			
Maintenance Salaries & Benefits	68,040	66,241	1,799
Electric	-	-	-
Repairs and Maintenance	10,000	59,750	(49,750)
	<u>78,040</u>	<u>125,991</u>	<u>(47,951)</u>
SANITATION			
Refuse Contract	355,000	342,288	12,712
RECREATION AND PARK DEPARTMENTS			
Salaries	25,500	21,873	3,627
Utilities	11,738	11,651	87
Sternwheel/Ghostwalk/Swingtime/Turning Leaves	16,000	12,712	3,288
Cloday	10,000	130	9,870
Operation and Maintenance	21,400	46,166	(24,766)
	<u>84,638</u>	<u>92,532</u>	<u>(7,894)</u>
TOURISM			
Salaries and Fringe Benefits	50,033	47,212	2,821
Corridor Management -ESRI Software	-	-	-
	<u>50,033</u>	<u>47,212</u>	<u>2,821</u>
CAPITAL OUTLAY	96,000	3,748	92,252
DEBT SERVICE	1,662	1,662	-
	<u>1,662</u>	<u>1,662</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 1,249,438</u>	<u>\$ 1,046,631</u>	<u>\$ 202,807</u>

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, 2017

Payable to: Rural Development
Purpose: Water Treatment Plant

Fiscal Year	Rate of Interest	Interest Coupons Payable December 1	Interest Coupons Payable June 1	Bond Principle Payable December 1	Total Annual Requirement
2017-2018	3.20%	18,041	17,321	45,000	80,361
2018-2019	3.20%	17,321	16,521	50,000	83,841
2019-2020	3.20%	16,521	15,721	50,000	82,241
2020-2021	3.20%	15,721	15,171	50,000	80,891
2021-2022	3.20%	15,171	14,621	50,000	79,791
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
Totals		<u>199,561</u>	<u>181,521</u>	<u>1,150,000</u>	<u>1,531,082</u>

CITY OF AUGUSTA, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
SERIES 2004 WATER SYSTEM REVENUE BONDS
June 30, 2017

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>
2017-2018	4.50%	1,931	1,930	1,700	5,561
2018-2019	4.50%	1,892	1,892	1,700	5,484
2019-2020	4.50%	1,854	1,854	1,800	5,508
2020-2021	4.50%	1,814	1,814	1,900	5,528
2021-2022	4.50%	1,771	1,771	2,000	5,542
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
Totals		<u>32,155</u>	<u>32,154</u>	<u>85,800</u>	<u>150,109</u>

DONNA J. HENDRIX

CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.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, 2017, 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 January 18, 2018.

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
January 18, 2018

DONNA J. HENDRIX

CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.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, 2017, 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 January 18, 2018, 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

January 18, 2018

CITY OF AUGUSTA, KENTUCKY
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES
Year Ended June 30, 2017

Status of Prior Year Management Points

2016-1 RESERVE ACCOUNTS

Condition: The Depreciation Reserve balance was short by \$32,004 and the Sinking fund balance was short by \$25,047.

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 FY2018.

Status: Reserve is still underfunded see 2017-1.

2016-2 Credit Card Approvals

Condition: During the test of disbursements it was discovered that the credit card statements are not being approved by a signature on each credit card statement.

Recommendation: The Mayor or a member of the City Council should review and approve each monthly credit card statement with a signature on each statement.

Response: The City will investigate a new procedure concerning the monthly credit card statements.

Status: This has been resolved.

2016-3 Employee Expense Report Approvals

Condition: During the test of disbursements it was discovered that the employee expense reports are not being approved or being signed by the employee.

Recommendation: The employee expense reports should be signed by the employees requesting reimbursement and approved prior to being reimbursed.

Response: The City will investigate a new procedure concerning the employee expense reports.

Status: This has been resolved.

CITY OF AUGUSTA, KENTUCKY
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES
Year Ended June 30, 2017

Current year Management Points

2017-1 RESERVE ACCOUNTS

Condition: The Depreciation Reserve balance was short by \$33,049 and the Sinking fund balance was short by \$30,503.

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 FY2018.