

**CITY OF AUGUSTA, KENTUCKY**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

<b>Independent Auditor’s Report</b> .....	<b>1-3</b>	
<b>Management’s Discussion and Analysis</b> .....	<b>4-8</b>	
<b>Basic Financial Statements</b>		
<i>Government-Wide Financial Statements</i>		
Statement of Net Position.....	9	
Statement of Activities.....	10	
<i>Fund Financial Statements</i>		
Balance Sheet – Governmental Funds .....	11	
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	12	
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	13	
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities.....	14	
Statement of Net Position – Proprietary Funds.....	15	
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	16	
Statement of Cash Flows – Proprietary Funds.....	17	
Notes to the Financial Statements .....	18-29	
<b>Required Supplementary Information</b>		
Budgetary Comparison Schedule – General Fund .....	31	
Notes to Budgetary Comparison Schedules.....	32	
<b>Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on and Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....</b>		<b>33-34</b>
<b>Management Letter</b> .....	<b>35</b>	



## INDEPENDENT AUDITOR'S REPORT

Member of City Council  
City of Augusta, Kentucky  
Augusta, Kentucky

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the City of Augusta, Kentucky (City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, of the City, as of June 30, 2025 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.

#### ***Basis of Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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.

***Required Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City basic financial statements. The accompanying combining utility fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**Maddox & Associates CPAs Inc.**

Fort Thomas, Kentucky  
March 12, 2026

As management of the City of Augusta, Kentucky (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, 2025. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements.

### **FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of the City were more than its liabilities and deferred outflows at the close of the most recent fiscal year by \$3,567,201 (net position). The unrestricted net position, which represents the amounts available to meet the City's ongoing obligations to citizens and creditors, is \$1,583,823. The City's total net position changed by \$38,300.

At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$873,315 an increase of \$16,800 from the prior year. Of this amount, \$831,709 is available for spending at the City's discretion (unassigned fund balance).

At the close of the current fiscal year, the unassigned fund balance for the general fund is approximately 45% of total general fund expenditures.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements.

#### **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 position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position 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 net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, police, fire, public works, and parks and recreation.

The government-wide financial statements can be found on pages 9-10 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 are governmental funds.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two governmental funds and four proprietary funds.

The City adopts an annual budget for its major funds. A budgetary comparison schedule has been provided for each major fund to demonstrate compliance with the budget.

The fund financial statements can be found on pages 11-17 of this report.

## **Notes to the Financial Statements**

The notes provide additional information that is necessary to acquire 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 18-29 of this report.

## **OTHER INFORMATION**

In addition to the basic financial statements and notes to the financial statements, this report also presents required supplementary information concerning the City's budgets. Required supplementary information can be found on pages 31-32 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**Net Position**

	June 30, 2025	June 30, 2024	Change
Current assets	\$ 3,117,783	\$ 3,425,432	\$ (307,649)
Non-current assets	3,077,662	3,301,530	(223,868)
<u>Total assets</u>	<u>6,195,445</u>	<u>6,726,962</u>	<u>(531,517)</u>
Current liabilities	1,611,513	1,294,267	317,246
Non-current liabilities	997,824	1,133,584	(135,760)
<u>Total liabilities</u>	<u>2,609,337</u>	<u>2,427,851</u>	<u>181,486</u>
Net investment in capital assets	1,950,249	2,189,878	(239,629)
Restricted	41,606	71,470	(29,864)
Unrestricted	1,594,253	2,037,763	(443,510)
<u>Total net position</u>	<u>\$ 3,586,108</u>	<u>\$ 4,299,111</u>	<u>\$ (713,003)</u>

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**Governmental Funds Revenue and Expenditures**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Change</u>
<b>Revenues</b>			
Taxes	\$ 377,212	\$ 308,983	\$ 68,229
Licenses	904,147	840,470	63,677
Intergovernmental	106,173	333,305	(227,132)
Charges for services	418,605	495,743	(77,138)
Other revenue	119,878	60,436	59,442
<b>Total revenues</b>	<b>\$ 1,926,015</b>	<b>\$ 2,038,937</b>	<b>\$ (112,922)</b>
<b>Expenditures</b>			
General government	490,658	\$ 607,857	\$ (117,199)
Police	345,057	284,700	60,357
Fire	60,971	30,651	30,320
Sanitation	372,249	415,505	(43,256)
Public works	255,624	319,851	(64,227)
Tourism	68,351	85,949	(17,598)
Recreation	250,396	111,294	139,102
Capital outlay	-	11,290	(11,290)
Debt service principal	55,117	20,000	35,117
Debt service interest	10,792	5,383	5,409
<b>Total expenditures</b>	<b>\$ 1,909,215</b>	<b>\$ 1,892,480</b>	<b>\$ 16,735</b>

**Proprietary Funds Revenue and Expenses**

	June 30, 2025	June 30, 2024	Change
<b>Revenues</b>			
Sales	\$ 1,861,801	\$ 1,311,851	\$ 549,950
<b>Total revenues</b>	<b>\$ 1,861,801</b>	<b>\$ 1,311,851</b>	<b>\$ 549,950</b>
<b>Expenditures</b>			
Salaries and wages	\$ 413,748	\$ 398,432	\$ 15,316
Gas purchases	226,407	229,563	(3,156)
Chemicals and testing	34,758	64,714	(29,956)
Utilities and telephone	180,542	223,008	(42,466)
Professional fees	25,299	30,708	(5,409)
Insurance	20,303	19,278	1,025
Repairs	142,402	131,916	10,486
Transportation	12,444	17,127	(4,683)
Office	11,496	78,545	(67,049)
ARSA payments	459,805	-	459,805
Other expenses	157,035	-	157,035
Depreciation	132,034	162,701	(30,667)
<b>Total expenditures</b>	<b>\$ 1,816,273</b>	<b>\$ 1,355,992</b>	<b>\$ 460,281</b>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the fiscal year, the City had \$3,077,662 net investment in capital assets.

**Long-Term Obligations**

At the end of the fiscal year, the City had \$1,154,470 in long-term liabilities.

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

The City does not anticipate any significant events or transactions that will impact the upcoming fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk at 219 Main Street, Augusta, KY 41002.

City of Augusta, Kentucky  
Statement of Net Position  
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 392,811	\$ 543,097	\$ 935,908
Restricted cash	13,445	-	13,445
Investments	456,414	100,000	556,414
Receivables	160,201	120,348	280,549
Due from other funds	23,000	1,308,467	1,331,467
Noncurrent assets			
Capital assets, net	1,697,817	1,379,845	3,077,662
<b>Total assets</b>	<b>2,743,688</b>	<b>3,451,757</b>	<b>6,195,445</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	6,171	64,200	70,371
Payroll liabilities	21,862	-	21,862
Unearned revenue	-	-	-
Accrued interest payable	-	328	328
Customer deposits	-	30,840	30,840
Due to other funds	144,523	1,186,944	1,331,467
Financed purchases	48,056	11,751	59,807
Notes payable	25,000	71,838	96,838
Noncurrent liabilities			
Compensated absences	18,391	8,665	27,056
Financed purchases	112,472	24,077	136,549
Notes payable	64,584	769,635	834,219
<b>Total liabilities</b>	<b>441,059</b>	<b>2,168,278</b>	<b>2,609,337</b>
<b>Net position</b>			
Net investment in capital assets	1,447,705	502,544	1,950,249
Restricted (deficit)	41,606	-	41,606
Unrestricted (deficit)	813,318	780,935	1,594,253
<b>Total net position (deficit)</b>	<b>\$ 2,302,629</b>	<b>\$ 1,283,479</b>	<b>\$ 3,586,108</b>

The notes to the financial statements are an integral part of this statement.

City of Augusta, Kentucky  
Statement of Activities  
Year Ended June 30, 2025

	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Revenue over Expenses
<b>Governmental Activities</b>					
General government	\$ 447,151	\$ -	\$ 30,289	\$ -	\$ (416,862)
Police	353,018	-	49,635	-	(303,383)
Fire	60,971	-	-	-	(60,971)
Public works	169,186	-	26,249	-	(142,937)
Sanitation	372,249	372,083	-	-	(166)
Recreation	250,396	46,522	-	-	(203,874)
Tourism	68,351	-	-	-	(68,351)
Depreciation unallocated	153,895	-	-	-	(153,895)
Interest on long-term debt	10,792	-	-	-	(10,792)
<b>Total governmental activities</b>	<b>1,886,009</b>	<b>418,605</b>	<b>106,173</b>	<b>-</b>	<b>(1,361,231)</b>
<b>Business-Type Activities</b>					
Utilities	1,846,810	1,861,801	-	-	14,991
<b>Total business-type activities</b>	<b>1,846,810</b>	<b>1,861,801</b>	<b>-</b>	<b>-</b>	<b>14,991</b>
<b>Total city</b>	<b>\$ 3,732,819</b>	<b>\$ 2,280,406</b>	<b>\$ 106,173</b>	<b>\$ -</b>	<b>(1,346,240)</b>

	Governmental Activities	Business-Type Activities	Total
<b>Revenue over expenses</b>	<b>\$ (1,361,231)</b>	<b>\$ 14,991</b>	<b>\$ (1,346,240)</b>
<b>General Revenues</b>			
Tax revenue	377,212	-	377,212
License revenue	904,147	-	904,147
Other revenue	93,673	-	93,673
Interest income	26,205	2,210	28,415
<b>Total general revenues</b>	<b>1,401,237</b>	<b>2,210</b>	<b>1,403,447</b>
Change in net position	40,006	17,201	57,207
Net position - beginning of year - as restated	2,262,623	1,266,278	3,528,901
<b>Net position (deficit) - end of year</b>	<b>\$ 2,302,629</b>	<b>\$ 1,283,479</b>	<b>\$ 3,586,108</b>

The notes to the financial statements are an integral part of this statement.

City of Augusta, Kentucky  
Balance Sheet – Governmental Funds  
June 30, 2025

	General Fund	Recreation Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 392,811	\$ -	\$ 392,811
Restricted cash	13,445	-	13,445
Investments	456,414	-	456,414
Receivables	160,201	-	160,201
Due from other funds	-	23,000	23,000
<b>Total assets</b>	<b>\$ 1,022,871</b>	<b>\$ 23,000</b>	<b>\$ 1,045,871</b>
<b>Liabilities</b>			
Accounts payable	\$ 6,171	\$ -	\$ 6,171
Payroll liabilities	21,862	-	21,862
Due to other funds	144,523	-	144,523
<b>Total liabilities</b>	<b>172,556</b>	<b>-</b>	<b>172,556</b>
<b>Fund balances</b>			
Restricted	41,606	-	41,606
Unassigned	808,709	23,000	831,709
<b>Total fund balances</b>	<b>850,315</b>	<b>23,000</b>	<b>873,315</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,022,871</b>	<b>\$ 23,000</b>	<b>\$ 1,045,871</b>

The notes to the financial statements are an integral part of this statement.

City of Augusta, Kentucky  
 Reconciliation of the Balance Sheet – Governmental Funds  
 to the Statement of Net Position  
 June 30, 2025

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Total fund balances - governmental funds	\$ 873,315
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 funds.	
Capital assets	1,697,817
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Financed purchases	(160,528)
Notes payable	(89,584)
Compensated absences	(18,391)
<hr/> <u>Net position of governmental activities</u> <hr/>	<hr/> <u>\$ 2,302,629</u> <hr/>

The notes to the financial statements are an integral part of this statement.

City of Augusta, Kentucky  
Statement of Revenues, Expenditures and Changes in Fund  
Balances – Governmental Funds  
June 30, 2025

	General Fund	Recreation Fund	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 377,212	\$ -	\$ 377,212
Licenses and permits	904,147	-	904,147
Intergovernmental	106,173	-	106,173
Charges for services	418,605	-	418,605
Other revenue	93,673	-	93,673
Investment income	26,205	-	26,205
<b>Total revenues</b>	<b>1,926,015</b>	<b>-</b>	<b>1,926,015</b>
<b>Expenditures</b>			
General government	490,658	-	490,658
Police	345,057	-	345,057
Fire	60,971	-	60,971
Sanitation	372,249	-	372,249
Public works	255,624	-	255,624
Tourism	68,351	-	68,351
Recreation	250,396	-	250,396
Debt service			
Principal	55,117	-	55,117
Interest	10,792	-	10,792
<b>Total expenditures</b>	<b>1,909,215</b>	<b>-</b>	<b>1,909,215</b>
Excess of revenues over (under) expenditures	16,800	-	16,800
Net change in fund balances	16,800	-	16,800
Fund balances - beginning	833,515	23,000	856,515
<b>Fund balances - end of year</b>	<b>\$ 850,315</b>	<b>\$ 23,000</b>	<b>\$ 873,315</b>

The notes to the financial statements are an integral part of this statement.

City of Augusta, Kentucky  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in  
 Fund Balances – Governmental Funds to the Statement of Activities  
 June 30, 2025

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Net change in fund balances - total governmental funds	\$	16,800
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those asset is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		225,627
Depreciation expense		(153,895)

Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.

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The issuance of long-term debt provides current financial resources to governmental funds, but the proceeds increase long-term liabilities in the statement of net position.

(103,643)

Repayment of long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

55,117

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Change in net position of governmental activities	\$	40,006
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The notes to the financial statements are an integral part of this statement.

City of Augusta, Kentucky  
Statement of Net Position – Proprietary Funds  
June 30, 2025

	Water Fund	Sewer Fund	Gas Fund	Water Treatment Fund	Total
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 48,805	\$ 187,209	\$ 147,115	\$ 159,968	\$ 543,097
Investments	-	-	100,000	-	100,000
Accounts receivable	31,288	40,738	23,817	24,505	120,348
Due from other funds	-	-	1,296,976	11,491	1,308,467
<b>Total current assets</b>	<b>80,093</b>	<b>227,947</b>	<b>1,567,908</b>	<b>195,964</b>	<b>2,071,912</b>
<b>Noncurrent assets</b>					
Capital assets, net	54,107	11,805	149,909	1,164,024	1,379,845
<b>Total noncurrent assets</b>	<b>54,107</b>	<b>11,805</b>	<b>149,909</b>	<b>1,164,024</b>	<b>1,379,845</b>
<b>Total assets</b>	<b>134,200</b>	<b>239,752</b>	<b>1,717,817</b>	<b>1,359,988</b>	<b>3,451,757</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	214	50,595	9,130	4,261	64,200
Customer deposits	14,340	-	16,500	-	30,840
Accrued interest payable	-	-	-	328	328
Due to other funds	584,988	601,956	-	-	1,186,944
Financed purchases	4,378	-	7,373	-	11,751
Note payable	9,438	-	-	62,400	71,838
<b>Total current liabilities</b>	<b>613,358</b>	<b>652,551</b>	<b>33,003</b>	<b>66,989</b>	<b>1,365,901</b>
<b>Long-term liabilities</b>					
Compensated absences	1,312	-	1,313	6,040	8,665
Financed purchases	6,878	-	17,199	-	24,077
Note payable	21,935	-	-	747,700	769,635
<b>Total long-term liabilities</b>	<b>30,125</b>	<b>-</b>	<b>18,512</b>	<b>753,740</b>	<b>802,377</b>
<b>Total liabilities</b>	<b>643,483</b>	<b>652,551</b>	<b>51,515</b>	<b>820,729</b>	<b>2,168,278</b>
<b>Net position</b>					
Net investment in capital assets	54,107	11,805	149,909	1,164,024	1,379,845
Unrestricted	(563,390)	(424,604)	1,516,393	(624,765)	(96,366)
<b>Total net position (deficit)</b>	<b>\$ (509,283)</b>	<b>\$ (412,799)</b>	<b>\$ 1,666,302</b>	<b>\$ 539,259</b>	<b>\$ 1,283,479</b>

City of Augusta, Kentucky  
Statement of Cash Flow – Proprietary Funds  
Year Ended June 30, 2025

	Water Fund	Sewer Fund	Gas Fund	Water Treatment Fund	Interfund Eliminations	Total
<b>Operating revenues</b>						
Sales	\$ 361,571	\$ 508,823	\$ 572,455	\$ 563,711	\$ (144,759)	\$ 1,861,801
<b>Total operating revenues</b>	<b>361,571</b>	<b>508,823</b>	<b>572,455</b>	<b>563,711</b>	<b>(144,759)</b>	<b>1,861,801</b>
<b>Operating expenses</b>						
Salaries and wages	83,471	(1,230)	90,226	241,281		413,748
Gas purchases	-	-	226,407	-		226,407
Chemicals and testing	-	-	-	34,758		34,758
Utilities and telephone	25,653	40,301	25,122	89,466		180,542
Professional fees	8,453	-	10,658	6,188		25,299
Insurance	2,618	4,604	1,888	11,193		20,303
Repairs	24,379	17,413	51,288	49,322		142,402
Water treatment	144,759	-	-	-	(144,759)	-
Transportation	4,429	-	8,015	-		12,444
Office	5,520	-	5,328	648		11,496
ARSA payments	-	459,805	-	-		459,805
Other expenses	31,391	-	60,665	64,979		157,035
Depreciation	14,694	1,481	10,717	105,142		132,034
<b>Total operating expenses</b>	<b>345,367</b>	<b>522,374</b>	<b>490,314</b>	<b>602,977</b>	<b>(144,759)</b>	<b>1,816,273</b>
<b>Operating loss</b>	<b>16,204</b>	<b>(13,551)</b>	<b>82,141</b>	<b>(39,266)</b>	<b>-</b>	<b>45,528</b>
<b>Non operating revenues</b>						
Interest expense	(795)	-	(1,701)	(28,041)		(30,537)
Interest income	1	6	3	2,200		2,210
<b>Total other financing sources (uses)</b>	<b>(794)</b>	<b>6</b>	<b>(1,698)</b>	<b>(25,841)</b>	<b>-</b>	<b>(28,327)</b>
<b>Net change in fund balance</b>	<b>15,410</b>	<b>(13,545)</b>	<b>80,443</b>	<b>(65,107)</b>	<b>-</b>	<b>17,201</b>
Fund balances - beginning of year	(524,693)	(399,254)	1,585,859	604,366	-	1,266,278
<b>Fund balances - end of year</b>	<b>\$ (509,283)</b>	<b>\$ (412,799)</b>	<b>\$ 1,666,302</b>	<b>\$ 539,259</b>	<b>\$ -</b>	<b>\$ 1,283,479</b>

The notes to the financial statements are an integral part of this statement.

City of Augusta, Kentucky  
Statement of Cash Flow – Proprietary Funds  
Year Ended June 30, 2025

	Proprietary Fund
<b>Cash flows from operating activities</b>	
Cash received:	
From utility sales	\$ 1,840,850
Cash paid:	
To employees	(417,542)
To suppliers	(226,408)
For operating expenses	(1,154,364)
<b>Net cash used in operating activities</b>	<b>42,536</b>
<b>Cash flows from capital financing activities</b>	
Repayment of principal	(71,649)
<b>Net cash provided by capital financing activities</b>	<b>(71,649)</b>
<b>Cash flows from investing activities</b>	
Purchases of equipment	(85,688)
Purchases of investments	-
Interest on investments	2,210
<b>Net cash provided by investing activities</b>	<b>(83,478)</b>
<b>Net change in cash</b>	<b>(112,591)</b>
Cash - beginning of year	655,688
<b>Cash - end of year</b>	<b>\$ 543,097</b>
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating income	\$ 45,528
Adjustments to reconcile operating loss to net cash in operating activities	
Depreciation	132,033
Changes in:	
Receivables	(22,441)
Payables	25,857
Due to / due from	(136,137)
Customer deposits	1,490
Compensated absences	(3,794)
<b>Net cash used in operating activities</b>	<b>\$ 42,536</b>

**NOTE 1: ACCOUNTING POLICIES**

Kentucky Revised Statutes and Ordinances of the City Council of the City of Augusta, Kentucky (City) designate the purpose, function, and restrictions of the various funds.

**Reporting Entity**

The City operates under a City Council government comprised of the Mayor and six council members. The financial statements of the City include all of the funds for which the Mayor and City Council are financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards was determined on the basis of the City's ability to significantly influence operations, select the governing authority, participate in fiscal management, and the scope of public services. The City has no component units or entities for which the government is considered to be financially accountable.

**Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues 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 goods 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 governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to determine legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

## **NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

### **Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

### **Governmental Fund Types**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows, liabilities, and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

*General Fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky. This is a major fund of the city.

*Recreation Fund* – The recreation fund is a special revenue fund that accounts recreation activities. The city has elected to treat this as a major fund.

### **Proprietary Fund Types**

*Water Fund* – The water fund accounts for water services provided to customers of the City. The operations are funded by user charges. This is a major fund of the city.

*Water Treatment Plant Fund* – The water treatment plant fund accounts for water treatment operations and the sale of water to the Bracken County Water District. This is a major fund of the city.

*Gas Fund* – The gas fund accounts for gas services provided to customers of the City. The operations are funded by user charges. This is a major fund of the city.

*Sewer Fund* - The sewer fund accounts for sewer services provided to customers of the City. The operations are funded by user charges. This is a major fund of the city.

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

#### ***Government-wide Financial Statements***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## **NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

### ***Fund Financial Statements***

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within sixty days of year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures as well as expenditures related to long-term compensated absences and postemployment benefits are recorded only when payment is due.

### **Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance**

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

The City is authorized by state statute to invest in the following subject to additional requirements of KRS 66.480:

- Obligations of the United States and of its Agencies and instrumentalities
- Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Bonds and Securities of other State and Local Governments
- Mutual Funds, Exchange Traded Funds, Individual Equity Securities and High-quality Corporate bonds managed by a professional investment manager

#### ***Investments***

Investments with a maturity of less than one year are stated at cost. Investments with a maturity greater than one year are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

#### ***Receivables***

*Property taxes* are levied as of January 1 on property values assessed as of the same date. The taxes are billed on approximately October 1. If paid by October 31, a two-percent (2%) discount is applied. The face amount is due December 31. A 5% penalty is applied January 1.

*Accounts receivables* are presented, when necessary, net of an allowance for doubtful accounts. No allowance has been recorded for the current fiscal year.

## **NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

General capital and leased assets are those assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$2,500. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	25-50 years
Improvements	20 years
Utility system	40 years
Vehicles	5-10 years
Equipment	7 years
Other	10 years

**Payables and Accrued Liabilities**

All payables and accrued liabilities are reported on the government-wide financial statements and fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences, contractually required pension and OPEB contributions that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and other long-term obligations are recognized as a liability on the governmental fund financial statements when due.

**Compensated Absences**

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation. Vested or accumulated vacation leave that has matured and is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Accumulated sick leave lapses when employees leave employment of the City and, upon separation from service, no monetary obligation exists.

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

**Long-Term Obligations**

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. Long-term debt consists of bonds, notes, and lease liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as an other financing source and payment of principal and interest are reported as expenditures.

### ***Deferred Inflows***

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, are therefore, deferred until that time. The City recognized deferred inflows of resources related to pension and other postemployment benefits on the government-wide financial statements. In the governmental funds, certain revenue transactions have been reported as unavailable revenue. Revenue that is earned but not available is reported as a deferred inflow of resources until such time as the revenue becomes available.

### ***Net Position***

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

*Restricted* net position consists of restricted net assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use by external parties or by law through enabling legislation.

*Unrestricted* net position is the amount of net amount of assets, deferred outflows, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

### ***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable.* Amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

*Restricted.* Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, state or federal laws, or externally imposed conditions by grantors or creditors.

### **NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

*Committed.* Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance.

*Assigned.* Amounts that are designated for a specific purpose but are not spendable until a budget ordinance is passed or a there is majority passed vote by City Council.

*Unassigned.* All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance, and then to committed, assigned, and unassigned fund balances in that order.

## **Revenues and Expenditures/Expenses**

### ***Revenues***

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

### ***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 the 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.

### **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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

### **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 statement of net position, except for the net residual amounts due between governmental and business-type activities, where are presented as internal balances.

## **NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

### **Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

### **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 the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

### **Budgetary Process**

An annual budget is adopted for each governmental fund by ordinance prior to July 1. The budget can be amended by a subsequent ordinance. Expenditures may not legally exceed budgeted appropriations at the function level.

### **Subsequent Events**

The City evaluated subsequent events for potential recognition and disclosure through March 12, 2026, the date the financial statements were available to be issued.

**NOTE 2: CASH AND INVESTMENTS**

**Deposits**

*Custodial credit risk.* This is the risk that, in the event of a bank failure, the City’s deposits may not be returned to it. At year end, the City’s carrying amount was \$885,397. The bank balance is covered by FDIC insurance and collateralized securities held by the financial institution, but not in the name of the City. However, the collateralized amount is not enough to cover the carrying amount.

The City’s cash balance consists of the following:

<b>Government</b>		<b>Business-Type</b>	
U.S. Bank checking accounts	\$ 534,738	U.S. Bank checking accounts	\$ 588,399
Petty cash	150	Regions bank savings account	80,436
Outstanding items	(128,632)	Petty cash	972
Restricted cash	(13,445)	Outstanding items	(126,710)
<u>Carrying amount</u>	<u>\$ 392,811</u>	<u>Carrying amount</u>	<u>\$ 543,097</u>

**Investments**

*Custodial credit risk.* This is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City maintains an investment account with a brokerage institution which holds investment’s in the City’s name.

*Interest rate risk.* This is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City’s investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate risk.

*Credit risk.* This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. At year end, the City held US Treasury notes and certificates of deposit at insured banks.

At year end, the City had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		<u>Fair Value Measurement</u>	
		<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>Level 1 Inputs</u>	<u>Level 2 - 3 Inputs</u>
Certificates of deposit	\$ 12,292	10,000	-	\$ 12,292	\$ -
KLOC Money Market fund	500,000	500,000	-	500,000	-
KLPOC Equity S&P 500 Index Fund	44,122	44,122	-	44,122	-
<u>Total investments at fair value</u>	<u>\$ 556,414</u>	<u>\$ 554,122</u>	<u>\$ -</u>	<u>\$ 556,414</u>	<u>\$ -</u>

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year is summarized below:

<b>Government Activities</b>	Balance 6/30/2024	Additions	Deletions	Balance 6/30/2025
Capital assets				
Land	\$ 72,000	\$ -	\$ -	\$ 72,000
Park, pool, and shelter	533,005	-	-	533,005
Buildings and improvements	1,052,824	7,778	-	1,060,602
Streets	877,829	86,438	-	964,267
Lighting and dock	865,825	22,807	-	888,632
Vehicles	292,963	95,683	-	388,646
Other equipment	423,187	12,921	-	436,108
Total capital assets	4,117,633	225,627	-	4,343,260
Total accumulated depreciation	2,491,548	153,895	-	2,645,443
Capital assets - net	\$ 1,626,085	\$ 71,732	\$ -	\$ 1,697,817

Depreciation was not charged to any government functions and is reported as unallocated in the statement of activities.

<b>Business-Type Activities</b>	Balance 6/30/2024	Additions	Deletions	Balance 6/30/2025
Capital assets				
Land	\$ 9,714	\$ -	\$ -	\$ 9,714
Water utility	4,425,399	13,878	-	4,439,277
Gas utility	878,269	71,810	-	950,079
Sewer utility	32,061	-	-	32,061
Total capital assets	5,345,443	85,688	-	5,431,131
Accumulated depreciation				
Water utility	3,101,311	119,836	-	3,221,147
Gas utility	790,090	10,716	-	800,806
Sewer utility	27,852	1,481	-	29,333
Total accumulated depreciation	3,919,253	132,033	-	4,051,286
Capital assets - net	\$ 1,426,190	\$ (46,345)	\$ -	\$ 1,379,845

**NOTE 4: LONG-TERM LIABILITIES**

Long-term liability activity for the year is summarized below:

<b>Governmental Activities</b>	Balance			Balance June 30, 2025	Amount	
	June 30, 2024	Additions	Reductions		Due Within One Year	Long- Term
Compensated absences	\$ 10,430	\$ 7,961	\$ -	\$ 18,391	\$ -	\$ 18,391
Series 2019A bonds	114,584	-	25,000	89,584	25,000	64,584
Kubota Lease	53,740	-	10,512	43,228	11,018	32,210
First Govt Lease	30,766	-	5,395	25,371	6,912	18,459
US Bank Lease I	10,457	-	7,781	2,676	2,676	-
US Bank Lease II		57,593	1,492	56,101	18,376	37,725
KACO Lease		38,089	4,937	33,152	9,074	24,078
<b>Total governmental</b>	<b>\$ 219,977</b>	<b>\$ 103,643</b>	<b>\$ 55,117</b>	<b>\$ 268,503</b>	<b>\$ 73,056</b>	<b>\$ 195,447</b>

<b>Business-type Activities</b>	Balance			Balance June 30, 2025	Amount	
	June 30, 2024	Additions	Reductions		Due Within One Year	Long- Term
Compensated absences	\$ 12,459	\$ -	\$ 3,794	\$ 8,665	\$ -	\$ 8,665
Series 2016C bonds	795,000	-	55,000	740,000	60,000	680,000
Series 2004 bonds	72,400	-	2,300	70,100	2,400	67,700
BTADD	40,556	-	9,183	31,373	9,438	21,935
US Bank Lease I	10,458	-	7,781	2,677	2,677	-
KACO Lease	-	38,089	4,937	33,152	9,074	24,078
<b>Total business-type</b>	<b>\$ 930,873</b>	<b>\$ 38,089</b>	<b>\$ 82,995</b>	<b>\$ 885,967</b>	<b>\$ 83,589</b>	<b>\$ 802,378</b>

Debt service requirements for the City are as follows:

<b>Governmental</b>			
June 30	Principal	Interest	Total
2026	\$ 73,066	\$ 11,167	\$ 84,233
2027	72,357	8,300	80,657
2028	73,260	4,827	78,087
2029	31,429	1,052	32,481
<b>Total</b>	<b>\$ 250,112</b>	<b>\$ 25,346</b>	<b>\$ 275,458</b>

**NOTE 4: LONG-TERM LIABILITIES - CONTINUED**

<b>Business-Type</b>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 82,846	\$ 28,462	\$ 111,308
2027	81,692	25,649	107,341
2028	85,783	22,862	108,645
2029	72,081	20,044	92,125
2030	67,900	17,778	85,678
2031-2035	371,400	53,840	425,240
2036-2040	95,600	8,609	104,209
2041-2045	20,000	2,290	22,290
<u>Total</u>	<u>\$ 877,302</u>	<u>\$ 179,534</u>	<u>\$ 1,056,836</u>

**Compensated absences**

City employees earn vacation time based on length of service. Employees cannot opt for cash in lieu of time off. Employees also earn sick days based on length of service. Sick days are not paid out at retirement or termination and, therefore, are not accrued. Accrued compensated absences for vacation time at year end are \$27,889.

**NOTE 5: OPERATING LEASES**

The City has no operating leases requiring disclosure as right of use assets.

**NOTE 6: CONTINGENCIES**

*Grants.* The City receives funding from federal and state agencies in the form of grants. These funds are to be used for designated purposes only. If the federal or state grantor finds that funds have not been used for the intended purposes, the grantor may request a refund of monies advanced or refuse to reimburse the City for its expenditures. The amount of such future refunds and unreimbursed expenditures, if any, is not expected to be significant. Continuation of the City's grant programs is contingent upon the grantors satisfaction that the funds provided are being spent as intended and the grantors intent to continue their programs.

*Litigation.* The City is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor possible to estimate the effects adverse decisions may have on the future expenditures or revenue sources of the City. In the opinion of City management and its legal counsel these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of any cases has been made in the accompanying financial statements.

**NOTE 7: RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2025, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal year.

**NOTE 8: ADJUSTMENTS TO AND RESTATEMENTS FOR BEGINNING BALANCES**

During the fiscal year, the City restated the beginning net position and beginning fund balances as follows:

	6/30/2024 Net Position / Fund Balance As Previously Reported	Change in Accounting Principle	Change to or Within the Reporting Entity	Error Correction	6/30/2024 Net Position / Fund Balance As Adjusted / Corrected
<b>Government-wide</b>					
Governmental activities	\$ 2,094,381	\$ -	\$ -	\$ 168,242	\$ 2,262,623
Business-type activities	1,276,735	-	-	(10,457)	1,266,278
<b>Total government</b>	<b>\$ 3,371,116</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 157,785</b>	<b>\$ 3,528,901</b>
<b>Government funds</b>					
General fund	\$ 624,050	\$ -	\$ -	\$ 209,465	\$ 833,515
Recreation fund	23,000	-	-	-	23,000
<b>Total government funds</b>	<b>\$ 647,050</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 209,465</b>	<b>\$ 856,515</b>
<b>Proprietary funds</b>					
Water fund	\$ (517,720)	\$ -	\$ -	\$ (6,973)	\$ (524,693)
Sewer fund	(399,255)	-	-	1	(399,254)
Gas fund	1,589,343	-	-	(3,484)	1,585,859
Water treatment fund	604,367	-	-	(1)	604,366
<b>Total proprietary funds</b>	<b>\$ 1,276,735</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (10,457)</b>	<b>\$ 1,266,278</b>

The restatements were to record governmental / general fund accounts receivable of \$209,465, to record governmental financed purchases liabilities of \$41,223, and to record proprietary financed purchases liabilities of \$10,457.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Augusta, Kentucky  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
<b>Revenues</b>				
From local sources:				
Taxes	\$ 313,600	\$ 313,600	\$ 377,212	\$ 63,612
Licenses and permits	747,000	747,000	904,147	157,147
Intergovernmental	149,037	149,037	106,173	(42,864)
Charges for services	467,700	467,700	418,605	(49,095)
Other revenue	559,105	559,105	93,673	(465,432)
Investment income	-	-	26,205	26,205
<b>Total revenues</b>	<b>2,236,442</b>	<b>2,236,442</b>	<b>1,926,015</b>	<b>(310,427)</b>
<b>Expenditures</b>				
General government	840,726	840,726	490,658	350,068
Police	463,747	463,747	345,057	118,690
Fire	36,334	36,334	60,971	(24,637)
Sanitation	341,000	341,000	372,249	(31,249)
Public works	92,000	92,000	255,624	(163,624)
Tourism	61,295	61,295	68,351	(7,056)
Recreation	401,340	401,340	250,396	150,944
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	55,117	(55,117)
Interest	-	-	10,792	(10,792)
<b>Total expenditures</b>	<b>2,236,442</b>	<b>2,236,442</b>	<b>1,909,215</b>	<b>327,227</b>
Excess of revenues over (under) expenditures	-	-	16,800	16,800
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	-	-	16,800	16,800
Fund balances - beginning	-	-	833,515	833,515
<b>Fund balances - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 850,315</b>	<b>\$ 850,315</b>

**NOTE 1: BUDGETS AND BUDGETARY PROCESS**

The City follows the procedures established pursuant to KRS 91A.030 in establishing the budgetary data included in the required supplementary information. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**NOTE 2: EXPENDITURES IN EXCESS OF BUDGET**

Expenditures exceeded budgeted amounts in the public works and sanitation function.



Honorable Mayor  
and Members of City Council  
City of Augusta, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Augusta, Kentucky (City) as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the City basic financial statements and have issued our report thereon dated March 12, 2026.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, 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 District'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 preceding paragraph 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 the City'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.

We noted certain matters that we reported to management of the City in a separate letter dated March 12, 2026.

### **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

**Maddox & Associates CPAs Inc.**

Fort Thomas, Kentucky

March 12, 2026

**2025-01 Insurance Tax Receipts.** Insurance tax receipts are inherently difficult to safeguard because cities have no way of knowing who is going to pay, when to expect payment, and how much they are going to pay. We recommend using a bank lockbox to receive insurance tax receipts. The bank will automatically deposit the receipts and provide the City with a report of activity. This is a repeat from the prior year.

**2025-02 Bank Reconciliations.** There are several dated outstanding items on the bank reconciliation. We recommend utilizing the accounting software to prepare the bank reconciliations and to research and clean up the outstanding reconciling items. This is a repeat from the prior year.

**2025-03 Timecard Approval.** During our testing of payroll expenditures, we noted several timecards were not signed by the employee. Timecards are required to be signed by the employee and the supervisor.

**City Response.** City management has reviewed these recommendations and will consider implementation where practical.

#### **Prior Year Comments**

**2024-01 Bank Collateral** – was not repeated in the current year.

**2024-02 Insurance Tax Receipts** – was repeated as 2025-01.

**2024-03 Bank Reconciliations** – was repeated as 2025-02.