

CITY OF AUGUSTA, KENTUCKY
AUDITED BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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CITY OF AUGUSTA, KENTUCKY

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CITY OF AUGUSTA, KENTUCKY

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DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

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

Mayor and City Council
City of Augusta
Augusta, Kentucky 41002

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Augusta, Kentucky as of and for the year ended June 30, 2018, 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, 2018, 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 30, 2019, 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 30, 2019

**CITY OF AUGUSTA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2018**

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, 2018. 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 2018-year with net assets (both City and Utilities) of \$3,339,000. The principal part of net assets is comprised of the City's investment in fixed assets.
- The City had the FA Neider building donated to them along with a \$60,000 donation.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$3,339,000 as of June 30, 2018.

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, 2018

Comparative data for 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Current Assets	\$1,709,000	\$1,439,000
Noncurrent Assets	<u>4,038,000</u>	<u>3,855,000</u>
Total Assets	5,747,000	5,294,000
Current Liabilities	1,182,000	1,106,000
Noncurrent Liabilities	<u>1,226,000</u>	<u>1,285,000</u>
Total Liabilities	2,408,000	2,391,000
Net Assets		
Investment in capital assets (net of debt)	3,690,000	3,346,000
Restricted	138,000	64,000
Unreserved Fund Balance	<u>(489,000)</u>	<u>(508,000)</u>
Total Net Assets	\$3,339,000	\$ 2,903,000

Comments on Budget Comparisons

- The City's total revenues for the fiscal year ended June 30, 2018, net of interfund transfers were \$2,333,000.
- General fund budget compared to actual revenue varied from line to line with the ending actual revenues being \$56,000 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 \$86,000 less than budget.

The following table presents a summary of governmental fund revenues and expense for the fiscal year ended June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Revenues:		
Local revenue sources	\$1,180,000	\$ 1,095,000
Federal and State revenue sources	0	0
Other Sources	<u>0</u>	<u>0</u>
Total revenues	\$1,180,000	\$ 1,095,000
Expenses:		
General government	236,000	256,000
Police	143,000	151,000
Fire	38,000	26,000
Streets	165,000	126,000
Sanitation	406,000	342,000
Recreation, pool and park	110,000	93,000
Tourism	47,000	47,000
Debt Service	0	2,000
Capital Outlay	<u>5,000</u>	<u>4,000</u>
Total expenses	\$ 1,150,000	\$1,047,000
Revenue in Excess of Expense	\$ 30,000	\$ 49,000

General Fund Revenue

The majority of revenue was derived from local sources. Revenues from sanitation services were \$372,000.

General Fund Expenses

Salaries comprise of \$ 350,000 of total expenses, or 30% of total expense.

Utility Operations

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

Water	\$(57,000)
Gas	\$ 100,000
Sewer	\$ 29,000
Water Treatment	\$ (15,000)

Budgetary Implications

The City adopted a budget for 2019 in which anticipated revenue equaled expenditures. The City has a cash balance of \$46,000 for the beginning of the next fiscal year. The utility had a cash balance of \$462,000 for the beginning of the 2019 fiscal year. The City does not anticipate any significant action, which would impact the budget.

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

City of Augusta
219 Main Street
Augusta, Kentucky 41002

BASIC FINANCIAL STATEMENTS

CITY OF AUGUSTA, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	46,260	461,959	508,219
Accounts Receivable:			
Accounts	33,398	76,658	110,056
Loans	-		-
Deposits	-		-
Due from other funds	23,000	957,818	980,818
Restricted Cash	109,457		109,457
Total Current Assets	212,115	1,496,435	1,708,551
Noncurrent Assets			
Bond Issue Costs		-	-
Nondepreciated capital assets:			
Land	22,000		22,000
Depreciated capital assets:			
Buildings and improvements	3,118,537		3,118,537
Equipment	554,994		554,994
Utility Systems		6,279,650	6,279,650
Less: Accumulated depreciation	(2,014,672)	(3,922,383)	(5,937,055)
Net Capital Assets	1,680,859	2,357,268	4,038,126
Total Noncurrent Assets	1,680,859	2,357,268	4,038,126
TOTAL ASSETS	1,892,974	3,853,703	5,746,677
LIABILITIES			
Current Liabilities			
Accounts payable	121,315	3,895	125,211
Accrued Liabilities	9,478	7,173	16,650
Accrued interest payable		328	328
Customer Deposits		19,840	19,840
Due to Other Funds	447,914	532,904	980,818
Current portion of Bonds and Notes Payable	-	39,067	39,067
Total Current Liabilities	578,707	603,208	1,181,915
Noncurrent Liabilities			
Bonds payable		1,226,206	1,226,206
Notes Payable	-	-	-
Total Noncurrent Liabilities	-	1,226,206	1,226,206
TOTAL LIABILITIES	578,707	1,829,413	2,408,120
NET POSITION			
Invested in capital assets, net of related debt	1,680,859	2,008,797	3,689,656
Restricted for:			
Capital projects		-	-
Other purposes	137,709		137,709
Unrestricted	(504,300)	15,493	(488,807)
TOTAL NET ASSETS	1,314,267	2,024,288	3,338,553
TOTAL LIABILITIES AND NET ASSETS	1,892,974	3,853,703	5,746,677

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

**CITY OF AUGUSTA, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	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
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES:							
General Government	230,248	140,175	-	-	(90,073)	-	\$ (90,073)
Police	142,964	60	-	-	(142,904)	-	\$ (142,904)
Fire	38,019	-	-	-	(38,019)	-	(38,019)
Streets	165,291	-	-	-	(165,291)	-	(165,291)
Sanitation	406,020	379,423	-	-	(26,598)	-	(26,598)
Recreation, Pool and Parks	109,536	-	-	-	(109,536)	-	(109,536)
Tourism	47,053	-	-	-	(47,053)	-	(47,053)
Depreciation	112,966	-	-	-	(112,966)	-	(112,966)
TOTAL GOVERNMENTAL ACTIVITIES	1,252,097	519,657	-	-	(732,440)	-	(732,440)
BUSINESS-TYPE ACTIVITIES:							
Utilities	1,166,532	1,224,057	-	-	-	57,525	57,525
TOTAL BUSINESS-TYPE ACTIVITIES	1,166,532	1,224,057	-	-	-	57,525	57,525
TOTAL CITY	2,418,629	1,743,714	-	-	(732,440)	57,525	(674,914)
General Revenues							
Taxes					452,649		452,649
Federal and State Grants					63,870		63,870
Local and Other Revenues					594,161		594,161
Investment Earnings					-		-
Total General Revenues					1,110,680	-	1,110,680
Change in Net Assets					378,241	57,580	435,821
Net Assets July 1, 2017					936,028	1,966,707	2,902,733
Net Assets June 30, 2018					1,314,267	\$ 2,024,288	\$ 3,338,553

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

CITY OF AUGUSTA, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Special Revenue Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	41,008	5,252	46,260
Accounts Receivable:			-
Customers, Net	33,398		33,398
Other		-	-
Loans		-	-
Due From Other Funds		23,000	23,000
Deposits	-		-
Restricted Assets			-
Cash	109,457		109,457
Fixed Assets			-
Construction in Progress			-
Accumulated Depreciation			-
TOTAL ASSETS	183,863	28,252	212,116
LIABILITIES AND NET ASSETS			
Accounts Payable	121,315	-	121,315
Accrued Liabilities	9,478		9,478
Accrued Interest Payable			-
Due to Other Funds	447,914		447,914
Notes Payable			-
TOTAL LIABILITIES	578,707	-	578,707
Fund Balance:			
Restricted	109,457	28,252	137,709
Unassigned	(504,301)		(504,300)
TOTAL FUND BALANCES	(394,842)	28,252	(366,592)
TOTAL LIABILITIES AND FUND BALANCES	183,863	28,252	212,116

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, 2018

Total fund balance per fund financial statements \$ (366,592)

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	3,695,531
Accumulated Depreciation	<u>(2,014,672)</u>
	1,680,859

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.

-

Net assets for government activities

\$ 1,314,267

CITY OF AUGUSTA, KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue (PARKS & RECREATION) Funds	TOTALS (Memorandum Only)
REVENUES:			
Taxes	452,649		452,649
Licenses and Permits	140,175		140,175
Fines and Forfeits	60		60
Intergovernmental Revenue	74,123		74,123
Charges for Services	379,423		379,423
Kentucky Grant	-		-
Miscellaneous	133,408	10,425	143,833
	<hr/>		
TOTAL REVENUES	1,179,838	10,425	1,190,263
EXPENDITURES:			
Current:			
General Government	236,092	-	236,092
Police	142,964		142,964
Fire	38,019		38,019
Streets	165,291		165,291
Sanitation	406,020		406,020
Recreation, Pool and Parks	109,536	5,373	114,909
Tourism	47,053		47,053
Capital Outlay	5,123	-	5,123
Debt Service	-		-
	<hr/>		
TOTAL EXPENDITURES	1,150,098	5,373	1,155,471
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	29,740	5,052	34,792
OTHER FINANCING SOURCES (USES):			
Federal Grant	-		-
CDBG Fund	-		-
Memorial Gift - Library	-		-
Transfer to Library	-		-
Transfers - Net (Utility Funds)	-		-
	<hr/>		
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	29,740	5,052	34,792
FUND BALANCE JULY 1, 2017	(424,582)	23,201	(401,381)
Prior Period Adjustment	-	-	-
FUND BALANCE JUNE 30, 2018	<u>\$ (394,842)</u>	<u>\$ 28,252</u>	<u>\$ (366,592)</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, 2018

Net change in total fund balances per fund financial statements \$ 34,792

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	467,063
Depreciation for the year	<u>(112,966)</u>
	354,097

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>(10,648)</u>
--	-----------------

Change in net assets of governmental activities per Statement of Activities \$ 378,241

**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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Taxes	460,232	452,649	(7,583)
Licenses and Permits	137,000	140,175	3,175
Fines and Forfeits	-	60	60
Intergovernmental Revenue	40,500	74,123	33,623
Charges for Services	537,000	379,423	(157,577)
Kentucky Grant-Clopay	-	-	-
Miscellaneous	61,100	133,408	72,308
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	1,235,832	1,179,838	(55,995)
EXPENDITURES:			
Current:			
General Government	382,805	236,092	146,714
Police	156,722	142,964	13,758
Fire	32,049	38,019	(5,970)
Recreation and Park	79,138	109,536	(30,398)
Streets	79,256	165,291	(86,035)
Sanitation	360,000	406,020	(46,020)
Tourism	46,862	47,053	(191)
Capital Outlay	99,000	5,123	93,877
Debt Service	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	1,235,832	1,150,098	85,734
Excess of revenues over (under) expenditures Before Other Financing Sources (Uses)	-	29,740	29,740
OTHER FINANCING SOURCES (USES):			
Transfers in (out) - Proprietary Funds	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(0)	29,740	29,740
FUND BALANCE JULY 1, 2017	<hr/>	<hr/>	<hr/>
	21,277	(424,582)	445,859
Prior Period Adjustment	-	-	-
FUND BALANCE JUNE 30, 2018	<hr/>	<hr/>	<hr/>
	21,277	(394,842)	416,119

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

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes			-
Licenses and Permits			-
Fines and Forfeits			-
Intergovernmental Revenue			
Charges for Service			-
Miscellaneous	-	10,425	10,425
TOTAL REVENUES	-	10,425	10,425
EXPENDITURES:			
Current			-
General Government	-	-	-
Police			-
Fire			-
Recreation		5,373	(5,373)
Streets			-
Sanitation			-
Tourism			-
Capital Outlay			-
Debt Service			-
TOTAL EXPENDITURES	-	5,373	(5,373)
Excess of revenues over (under) expenditures Before Other Financing Sources (Uses)	-	5,052	5,052
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	-	5,052	5,052
 FUND BALANCE JULY 1, 2017	 37,292	 23,201	 (14,091)
 FUND BALANCE JUNE 30, 2018	 \$ 37,292	 \$ 28,253	 \$ (9,039)

**CITY OF AUGUSTA, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018**

	<u>Business- type Activities</u>
ASSETS AND RESOURCES	
Current assets:	
Cash and cash equivalents	\$ 461,959
Accounts Receivable	76,658
Restricted cash and Investment	
Due from other funds	<u>957,818</u>
Total Current assets	1,496,435
Noncurrent assets:	
Bond Issue Costs	-
Nondepreciated capital assets:	
Land	
Depreciated capital assets:	
Building and improvements	6,279,650
Equipment	
Less accumulated depreciation	<u>(3,922,383)</u>
Net Capital Assets	<u>2,357,268</u>
Total noncurrent assets	<u>2,357,268</u>
TOTAL ASSETS	\$ <u>3,853,703</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 3,895
Accrued Liabilities	7,173
Accrued Interest Payable	328
Customer Deposits	19,840
Due to Other Funds	532,904
Current Portion of Bonds and Notes Payable	<u>39,067</u>
Total Current Liabilities	603,208
NONCURRENT LIABILITIES	
Bonds Payable	1,226,206
Notes Payable	-
Total Noncurrent Liabilities	<u>1,226,206</u>
TOTAL LIABILITIES	1,829,413
NET ASSETS:	
Contributed Capital	2,008,797
Restricted for:	
Capital Projects	-
Unassigned	<u>15,493</u>
TOTAL NET ASSETS	<u>2,024,289</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>3,853,703</u>

**CITY OF AUGUSTA, KENTUCKY
 COMBINES STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018**

OPERATING REVENUES

Charges for Services	\$ 792,150
Charges for Sales to Water District	<u>351,494</u>

TOTAL OPERATING REVENUES 1,143,644

OPERATING EXPENSES

Salaries and wages	337,304
Gas Purchases	194,697
Water Treatment Expense in Excess of Revenue	111
Chemicals and Testing	42,700
Utilities and Telephone	169,646
Professional Fees	39,767
Insurance	53,548
Repair and Supplies	63,197
Transportation	24,321
Office Expense and Other	16,188
Amortization	-
Depreciation	<u>167,017</u>

TOTAL OPERATING EXPENSES 1,108,496

OPERATING INCOME (LOSS) 35,148

NON-OPERATING REVENUES (Expenses)

Other Income	80,413
Interest Income	367
Interest Expense	<u>(39,346)</u>

Net Loss Before Capital Contributions and Transfers 76,581

Capital Contributions	-
Transfers - Charges to General Fund	<u>(19,000)</u>

NET INCOME (LOSS) 57,581

TOTAL NET ASSETS - JULY 1, 2017 1,966,708

TOTAL NET ASSETS - JUNE 30, 2018 \$ 2,024,289

**CITY OF AUGUSTA, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from:	
Services	1,143,644
Other Income	80,413
Cash payments to employees for services	(337,304)
Cash payments for contract services	-
Cash payments to suppliers for goods and services	(611,681)

NET CASH PROVIDED BY OPERATING ACTIVITIES	275,072
--	----------------

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to General Fund	(1,600)
---------------------------	---------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Loan Proceeds	-
Principal Paid	(52,970)
Interest Paid	(40,839)
Fixed Assets Acquired	(6,460)

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(100,269)
--	------------------

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	367
-------------------------	-----

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 173,203
---	-------------------

CASH AND CASH EQUIVALENTS JULY 1, 2017	288,756
--	---------

CASH AND CASH EQUIVALENTS JUNE 30, 2018	\$ 461,959
--	-------------------

Reconciliation of operating income to net cash used for

operating activities	
Operating income	35,148
other income	80,413
Transfers	(19,000)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	167,017
State Grants	-
Changes in assets and liabilities:	
Receivables	10,757
Inventories	
Accrued liabilities	738

Net Cash used for operating activities	\$ 275,072
--	-------------------

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018, 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 2018 fiscal year was based, was \$39,190,095

Capital Assets

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

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, 2018

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, 2018

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, 2018

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 \$508,219. Of the total cash balance, federal depository insurance and pledged assets covered the balance throughout the year. All cash and equivalents were covered at 6/30/18.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

Cash and cash equivalents at June 30, 2018 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Checking	\$ 588,818	\$ 535,746
Certificates of Deposit	<u>12,292</u>	<u>12,292</u>
	<u>\$ 601,110</u>	<u>\$ 548,169</u>
Breakdown per financial statements:		
Governmental funds		\$ 155,716
Proprietary funds		<u>392,454</u>
		<u>\$548,169</u>

CITY OF AUGUSTA

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2018

NOTE D - CAPITAL ASSETS

Capital asset for the fiscal year ended June 30, 2018 was as follows:

Governmental Activities	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Land	2,000	20,000		22,000
Park, pool and shelter	375,602	-		375,602
Buildings and improvements	1,045,249	370,000		1,415,249
Streets	504,287	43,008		547,295
Lighting and dock	813,581	34,055		847,636
Vehicles	177,338	-		177,338
Other equipment	321,061	-	10,649	310,412
Total at historical cost	3,239,118	467,063	10,649	3,695,532
Less accumulated depreciation:				
Park, pool and shelter	258,707	5,694		264,401
Building and improvements	315,260	34,896		350,156
Streets	331,197	18,946		350,143
Lighting and dock	536,758	39,968		576,726
Vehicles	147,807	10,322		158,129
Other Equipment	311,979	3,140	-	315,119
Total accumulated depreciation	1,901,708	112,966	-	2,014,672
Governmental Activities Capital Assets-Net	1,337,412	354,096	10,649	1,680,859
<u>Business - Type Activities</u>				
Land	9,714			9,714
Water Utility	4,270,269			4,270,269
Gas Utility	811,486	-		811,486
Sewer Utility	1,190,797	6,459		1,197,256
Totals at historical cost	6,282,266	6,459	-	6,288,726
Less accumulated depreciation:				
Water Utility	2,238,335	121,295		2,359,630
Gas Utility	712,720	14,394		727,114
Sewer Utility	804,308	31,328		835,636
Total accumulated depreciation	3,755,365	167,017	-	3,922,382
Business - Type Activities Capital Assets - Net	2,526,901	(160,558)	-	2,366,344

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, 2018

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, 2018 was \$33,360. The City has set aside \$6,396 into the restricted account. There was \$97,115 in deposits that was made to the sinking fund for the year. As required in (1) or (2) above, the monthly funding should be \$26,694. The account is underfunded by \$26,694.

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, 2018 was \$50,240. The City had set aside \$22,711 at June 30, 2018 into a restricted account. The account is underfunded by \$27,529.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

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, 2018 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	1,105,000	345,719	1,450,719
2004 Series, due USDA Rural Development at interest rate of 4.50% per annum with final payment due in 2044	<u>84,100</u>	<u>60,448</u>	<u>144,548</u>
	<u>\$1,189,100</u>	<u>\$ 406,167</u>	<u>\$1,595,267</u>

The annual requirements to amortize all revenue bonds payable outstanding as of June 30, 2018, are as follows:

<u>YEAR ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
<u>JUNE 30</u>			
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	57,100	31,813	88,913
2024-2028	302,000	130,436	432,436
2029-2033	350,000	77,486	427,486
2034-2038	248,100	21,614	269,714
2039-2043	24,500	3,392	27,892
	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$1,189,100</u>	<u>\$ 406,167</u>	<u>\$1,595,267</u>

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

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, 2018 were as follows:

	Principle	Interest
2019	\$9,480	\$1,443
2020	8,947	1,266
2021	9,128	1,086
2022	9,312	901
2023	9,500	714
2024-2027	<u>29,806</u>	<u>976</u>
	\$76,172	\$6,386

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

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, 2018.

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, 2018**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
ASSETS					
Cash and cash equivalents	\$ 35,106	\$ 118,881	\$ 87,370	\$ 220,602	\$ 461,959
Account Receivable					-
Customers - Net	17,073		9,018	19,529	45,620
Other		31,037			31,037
Due from other funds	-	20,980	936,839	-	957,818
Restricted Assets					-
Cash					-
Investments					-
Fixed Assets	446,818	3,823,451	812,124	1,197,257	6,279,650
Accumulated Depreciation	(355,532)	(2,004,099)	(727,114)	(835,637)	(3,922,383)
Construction In Progress	-	-	-	-	-
Bond Issue Costs					-
TOTAL ASSETS	\$ 143,465	\$ 1,990,251	\$ 1,118,236	\$ 601,750	\$ 3,853,703
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts Payable	\$ 614	\$ 927	\$ 1,577	\$ 777	\$ 3,895
Accrued Liabilities	883	4,229	1,472	589	7,173
Accrued Interest Payable		328			328
Customer Deposits	9,340		10,500	-	19,840
Due to Other Funds	327,977	-		204,928	532,904
Notes Payable	\$ 76,173		-	-	76,173
Payable from Restricted Assets					-
Revenue Bonds Payable		1,189,100			1,189,100
Total Liabilities	414,986	1,194,584	13,549	206,294	1,829,413
NET ASSETS					
Reserves				-	-
Contributed Capital	70,000	1,440,428		498,369	2,008,797
Unassigned	(341,521)	(644,761)	1,104,687	(102,912)	15,493
Total Net Assets	(271,521)	795,667	1,104,687	395,458	2,024,289
TOTAL LIABILITIES AND NET ASSETS	\$ 143,465	\$ 1,990,251	\$ 1,118,236	\$ 601,750	\$ 3,853,703

CITY OF AUGUSTA, KENTUCKY
COMBINES STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2018

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
OPERATING REVENUES					
Charges for services	\$ 199,539		\$ 451,621	\$ 140,990	\$ 792,150
Charges to Bracken Water District		351,494			351,494
Charges to Augusta Water Fund		119,963			119,963
Total Revenues	199,539	471,458	451,621	140,990	1,263,607
OPERATING EXPENSES					
Salaries and Wages	53,499	176,401	72,001	35,403	337,304
Gas Purchases			194,697		194,697
Water Treatment	120,074				120,074
Chemicals, Testing and Study		36,494	2,278	3,929	42,700
Utilities and Telephone	24,226	75,463	3,052	66,905	169,646
Professional Fees	7,368	5,770	7,809	18,820	39,767
Insurance	15,234	20,812	4,055	13,447	53,548
Repair and Supplies	7,464	22,955	17,512	15,267	63,197
Transportation	6,042	3,383	7,795	7,102	24,321
Office Expense and Other	6,120	1,459	4,780	3,829	16,188
Amorization				-	-
Depreciation	12,976	108,319	14,394	31,328	167,017
Total Operating Expenses	253,003	451,055	328,374	196,028	1,228,460
OPERATING INCOME (LOSS)	(53,464)	20,402	123,247	(55,038)	35,148
NON-OPERATING REVENUES (EXPENSES)					
Other Income	3,772	3,636	(11,490)	84,495	80,413
Franchise Charges to General Fund	(7,000)	-	(12,000)	-	(19,000)
Interest Income	-	353	-	14	367
Interest Expense	-	(39,178)	-	(168)	(39,346)
Net Income (Loss) Before Capital Contributions	(56,692)	(14,787)	99,757	29,303	57,582
Capital Contributions				-	-
NET INCOME (LOSS)	(56,692)	(14,787)	99,757	29,303	57,582
Net Assets (Deficit), July 1, 2017	(214,829)	810,454	1,004,930	366,155	1,966,708
NET ASSETS (DEFICIT), JUNE 30, 2018	\$ (271,521)	\$ 795,667	\$ 1,104,687	\$ 395,458	\$ 2,024,289

**CITY OF AUGUSTA, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (53,464)	\$ 20,402	\$ 123,247	\$ (55,038)	\$ 35,148
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	12,976	108,319	14,394	31,328	167,017
Other Income	3,772	3,636	(11,490)	84,495	80,413
Transfers	(7,000)	-	(12,000)	-	(19,000)
Grants	-	-	-	-	-
(Increase) Decrease in Assets					
Accounts Receivable	5,332	(279)	2,580	3,125	10,757
Restricted Funds	-	-	-	-	-
Increase (Decrease) in Liabilities					
Account Payable	(6,524)	558	(1,863)	(7,899)	(15,729)
Other Liabilities	(816)	(99)	(1,360)	544	(1,731)
Due to Other Funds	40,743	(15,343)	(40,500)	32,500	17,400
Customer Deposits	(1,100)	-	300	-	(800)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(6,081)	117,195	73,308	89,055	273,474
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interest Income	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Loan Proceeds	-	-	-	-	-
Principal Paid	(6,270)	(46,700)	-	-	(52,970)
Interest Paid	(1,617)	(39,222)	-	-	(40,839)
Fixed Assets Acquired	-	-	-	(6,460)	(6,460)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(7,887)	(85,922)	-	(6,460)	(100,269)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,968)	31,273	73,308	82,595	173,205
CASH AND CASH EQUIVALENTS JULY 1, 2017	49,075	87,609	14,061	138,008	288,756
CASH AND CASH EQUIVALENTS JUNE 30, 2018	\$ 35,106	\$ 118,882	\$ 87,370	\$ 220,602	\$ 461,963

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

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
TAXES			
Property Taxes	\$ 150,000	\$ 129,705	\$ (20,295)
Bank Shares Taxes	5,232	5,591	359
Motor Vehicle Taxes	17,000	21,023	4,023
Recreational Property Taxes	18,000	19,431	1,431
Payroll Taxes	270,000	276,900	6,900
	<u>460,232</u>	<u>452,649</u>	<u>(7,583)</u>
LICENSES AND PERMITS			
Occupational Licenses	11,000	11,383	383
Franchise Fees	49,000	50,174	1,174
Insurance Premium License Fees	75,000	77,617	2,617
Liquor Licenses	2,000	1,000	(1,000)
	<u>137,000</u>	<u>140,175</u>	<u>3,175</u>
FINES AND FORFEITS			
Arrest Fees	0	60	60
	<u>-</u>	<u>60</u>	<u>60</u>
INTERGOVERNMENTAL REVENUES			
Base Court Revenue	6,000	4,233	(1,767)
Police Incentive Pay	8,000	6,020	(1,980)
Municipal Road Aid	26,500	63,870	37,370
	<u>40,500</u>	<u>74,123</u>	<u>33,623</u>
CHARGES FOR SERVICES			
Sanitation Fees	520,000	372,164	(147,836)
Accident Reports	-	6	6
Pool and Marina Income	17,000	7,253	(9,747)
	<u>537,000</u>	<u>379,423</u>	<u>(157,577)</u>
MISCELLANEOUS			
Interest	-	15	15
Library Tax	18,000	17,795	(205)
Tourism	12,000	14,483	2,483
Ghostwalk	3,000	-	(3,000)
Riverfest Regatta	7,000	-	(7,000)
Turning Leaves Festival	400	350	(50)
Swingtime	4,600	1,304	(3,296)
Sternwheel Days	-	4,852	4,852
Blueberry Festival	-	-	-
Recreation	-	-	-
Telecommunications	5,600	5,141	(459)
Community Center	2,500	1,800	(700)
FA Neider	-	60,500	60,500
Grants - Local, State & Federal	-	-	-
Ball Park Revenue	8,000	6,762	(1,238)
Pool Project Fund	-	3,245	3,245
Corridor Management	-	-	-
Restrooms Main Street	-	-	-
Transfer from Gas-Clopay	-	-	-
Miscellaneous	-	17,163	17,163
	<u>61,100</u>	<u>133,408</u>	<u>72,308</u>
TOTAL REVENUE	<u>\$ 1,235,832</u>	<u>\$ 1,179,838</u>	<u>\$ (55,995)</u>

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

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
GENERAL GOVERNMENT			
Salaries & Fringe Benefits	\$ 83,792	\$ 65,563	\$ 18,228
Professional Services	17,600	16,997	603
Other Legal Costs	2,500	11,746	(9,246)
Telephone and Utilities	25,000	20,266	4,734
Office Supplies	8,800	7,752	1,048
Cemeteries	5,000	3,150	1,850
Library	18,532	18,968	(436)
Insurance	868	37,555	(36,687)
Training & Travel	500	222	278
Advertisement and Dues	2,800	2,777	23
Community Center	18,000	13,632	4,368
Reimburse for ?	44,413	-	44,413
Investigation	-	-	-
Credit Card Reimb	130,000	-	130,000
Economic Assistance Clopay	-	-	-
Industrial Authority	-	-	-
Miscellaneous	25,000	37,463	(12,463)
	382,805	236,092	146,714
POLICE			
Salaries and Fringe Benefits	133,122	114,122	19,000
Vehicle Expense	7,000	5,740	1,260
Repairs and Maintenance	9,100	15,802	(6,702)
Telephone	2,300	2,940	(640)
Training and Travel	3,000	561	2,439
Insurance	2,200	3,799	(1,599)
	156,722	142,964	13,758
FIRE DEPARTMENT			
Operations	32,049	38,019	(5,970)
	32,049	38,019	(5,970)
STREETS			
Maintenance Salaries & Benefits	74,256	105,253	(30,997)
Electric	-	-	-
Repairs and Maintenance	5,000	60,038	(55,038)
	79,256	165,291	(86,035)
SANITATION			
Refuse Contract	360,000	406,020	(46,020)
RECREATION AND PARK DEPARTMENTS			
Salaries	25,500	18,250	7,250
Utilities	14,638	11,139	3,499
Sternwheel/Ghostwalk/Swingtime/Turning Leaves	15,000	9,814	5,186
FA Neider	-	7,598	(7,598)
Operation and Maintenance	24,000	62,735	(38,735)
	79,138	109,536	(30,398)
TOURISM			
Salaries and Fringe Benefits	46,862	47,053	(191)
Corridor Management -ESRI Software	-	-	-
	46,862	47,053	(191)
CAPITAL OUTLAY			
	99,000	5,123	93,877
DEBT SERVICE			
	-	-	-
TOTAL EXPENDITURES	\$ 1,235,832	\$ 1,150,098	\$ 85,734

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, 2018

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
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		181,521	164,200	1,105,000	1,450,721

CITY OF AUGUSTA, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
SERIES 2004 WATER SYSTEM REVENUE BONDS
June 30, 2018

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>
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>30,224</u>	<u>30,224</u>	<u>84,100</u>	<u>144,548</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, 2018, 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 30, 2019.

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 30, 2019

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, 2018, 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 30, 2019, 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 30, 2019

CITY OF AUGUSTA, KENTUCKY
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES
Year Ended June 30, 2018

Status of Prior Year Management Points

2017-1 RESERVE ACCOUNTS

Condition: The Depreciation Reserve balance was short by \$27,529 and the Sinking fund balance was short by \$26,694.

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 FY2017.

Status: Reserve is still underfunded see 2018-1.

CITY OF AUGUSTA, KENTUCKY
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES
Year Ended June 30, 2018

Current year Management Points

2018-1 RESERVE ACCOUNTS

Condition: The Depreciation Reserve balance was short by \$27,529 and the Sinking fund balance was short by \$26,694.

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 FY2019.