



"HISTORY *on the river*...AUGUSTA, *my old Kentucky home.*"

September 24, 2024

Mr. Philip Crawford, Chairman, Bracken County Water District
1324 Brooksville Germantown Road
Via First Class US Mail
& E-mail to:

RE: Notice of Proposed Rate Adjustment

Dear Chairman Crawford:

Please be advised that at the Augusta City Council Meeting on September 18th, 2024, the Augusta City Council approved a wholesale water rate adjustment to \$2.967 per 1000 gallons for wholesale water sales to the City of Augusta and to the Bracken County Water District, pursuant to the attached Rate Study. The Bracken County Water District Advisory Board also recommended the exact same rate adjustment at its September 19th, 2024 meeting.

Therefore, please allow this to serve as the City of Augusta's Notice of Proposed Rate Adjustment for wholesale water sales to the Bracken County Water District to \$2.967 per 1000 gallons pursuant to the attached Rate Study which provides the detailed calculations that were used to develop the proposed rate, including an explanation of each adjustment to test period expenses and revenues. Such proposed rate adjustment shall apply to wholesale water sales to the City of Augusta as well and the proposed rate adjustment to both parties shall become effective on December 1st, 2024.

Please forward your written comments regarding the proposed rate adjustment, including any objections, if applicable, and your request for a meeting with Augusta's representatives, if applicable, within the time frames set forth in Paragraph 14 of the parties' Water Purchase Agreement dated February 6th, 2016, and filed and accepted by the Public Service Commission in Case No. 2015-00039.

Sincerely,


John Laycock
Mayor, City of Augusta

Enc.

Cc:

City Clerk Gretchen Usleaman

Mayor
JOHN F. LAYCOCK

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NOTICE

The City of Augusta (Augusta) plans to file with the Public Service Commission, no later than September 26, 2024, a proposed rate schedule, to be effective December 1, 2024, that will increase the wholesale rate charged to Bracken County Water District as follows:

	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>\$ Change</u>	<u>% Change</u>
All Usage	\$2.36	\$2.967	\$0.607	25.7% Increase

Water flowing through the meter(s) before the effective date will be charged at the current rates while water flowing through the meter(s) on and after the effective date will be charged at the proposed rates.

This filing may be examined at the offices of Augusta located at 219 Main Street in Augusta, Kentucky.

This filing may also be examined at the offices of the Public Service Commission located at 211 Sower Boulevard in Frankfort, Kentucky, Monday – Friday from 8:00 am – 4:30 pm or on the PSC website at <http://psc.ky.gov>.

Comments regarding this filing may be submitted by mail to the Public Service Commission, Post Office Box 615, Frankfort KY 40602; or through its website at <http://psc.ky.gov>.

The rates contained in this notice are the rates proposed by Augusta but the Public Service Commission may order rates that differ from the proposed rates.

Intervention may be requested by submitting a timely written request for intervention by mail to the Public Service Commission, Post Office Box 615, Frankfort, KY 40602. The request for intervention must establish the grounds for the request including the status and interest of the party.

If the Public Service Commission does not receive a written request for intervention within thirty (30) days of the providing this notice, the Public Service Commission may take final action on the filing.

WHOLESALE WATER RATE STUDY

City of Augusta Kentucky

Water Treatment Plant Department

August 5, 2024

Prepared by
Jack Scott Lawless



Kentucky Rural Water Association

1151 Old Porter Pike • Bowling Green, KY 42101 • 270.843.2291 • www.krwa.org

EXECUTIVE SUMMARY

The City of Augusta's Water Treatment Plant Department ("Augusta Treatment") operates a water treatment plant facility that provides potable water to the City of Augusta's Water Distribution Department ("Augusta Distribution") and to Bracken County Water District ("Bracken District"). Service is provided to Bracken District pursuant to a Water Purchase Contract executed on February 9, 2016 ("2016 Contract"), as amended by an Agreement dated May 10, 2021 ("2021 Agreement").

Augusta Treatment delivers water to Bracken District and Augusta Distribution through separate master meters located immediately adjacent to the water treatment plant. Augusta Treatment does not provide water transmission or distribution services and incurs no costs for such services. All costs incurred by Augusta Treatment are necessary for water production. Pursuant to the 2016 Contract, Section 16.e., water production costs are allocated between Bracken District and Augusta Distribution based upon the total annual volume of water delivered to each party except that Section 16.d. of the 2016 Contract limits debt service costs assignable to Bracken District to 64 percent of Augusta Treatment's total annual debt service requirement.

Augusta Treatment currently charges a uniform rate to both wholesale customers in the amount of \$2.36 per thousand gallons that went into effect on May 1, 2021, pursuant to an Order of the Kentucky Public Service Commission ("KPSC") in Case No. 2020-00277. At the City of Augusta's request, Kentucky Rural Water Association ("KRWA") agreed to evaluate the reasonableness of the current rate. KRWA's findings are summarized in this report.

As required by the 2016 Contract, Section 16.a., the City of Augusta's most recent audit report for the fiscal year ended ("FYE") June 30, 2023, was used as the test-year to perform the evaluation. Adjustments were made to test-year operating costs that were known and measurable as allowed by the 2016 Contract, Section 16.f. While the 2016 Contract does not include a provision that specifically allows for known and measurable adjustments to revenues, there is no prohibition against such adjustments. There being no prohibition, known and measurable adjustments were also made to test-year revenues.

All adjustments are shown as a part of the Pro Forma Operating Statement attached hereto as Schedule A along with explanation of each adjustment. Allocation of Pro Forma Expenses to Augusta Distribution and to Bracken District is shown in Schedule B. Augusta Treatment's average annual debt service requirement and its allocation to the wholesale customers is shown in Schedule C. Calculation of the wholesale rates is provided in Schedule D.

Separate rates for Augusta Distribution and Bracken District were calculated to be \$3.32 per 1,000 gallons and \$2.87 per 1,000 gallons, respectively. A unified rate was calculated to be \$2.97 per 1,000 gallons. As discussed in Schedule D, the method used to calculate the debt service component of the unified rate is in violation of the 2016 Contract, Section 16.d., with more than 64 percent of the total debt service costs being allocated to Bracken District.

Schedule A
PRO FORMA ADJUSTED OPERATING STATEMENT
City of Augusta Water Treatment Plant, Test Year Ended June 30, 2023

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Pro forma</u>
Water Sales Revenue				
Augusta Distribution Department	\$ 126,660	\$ (2,667) (A)		
		(23,850) (B)		\$ 100,143
Bracken County Water District	370,624	38,041 (C)		
		(44,070) (D)		364,595
Total Water Sales Revenue	497,284	\$ (32,547)		464,737
Operating Expenses				
Operation and Maintenance Expenses				
Salaries and Wages	185,277	10,070 (E)		195,347
Employee Benefits - Health Insurance	19,003	9,555 (F)		28,558
Purchased Power for Pumping	87,413	(6,449) (G)		80,964
Chemicals - Water Treatment	30,870	5,900 (H)		
		(9,023) (I)		27,746
Chemicals - Lab	5,800			5,800
Repairs - Materials and Contract Labor	49,301	(16,667) (J)		
		(8,086) (K)		24,549
Natural Gas	3,559			3,559
Testing	3,524			3,524
Employee Training	1,021			1,021
Contracted Services - Audit	1,700			1,700
Contracted Services - Legal	2,142	1,282 (L)		3,423
Contracted Services - Software	713			713
Rate Case Expense - Amortization		2,750 (M)		2,750
Copier	541			541
Communication	2,416			2,416
Insurance - General Liability	11,039	(2,638) (N)		8,401
Insurance - Workers Comp	6,492			6,492
Office Supplies	323			323
Ground Maintenance	2,838			2,838
Miscellaneous - Bond Fees	450			450
Bank Service Fees	65			65
Total Operation and Maintenance	414,486	(13,307)		401,179
Depreciation	104,882	809 (K)		
		(42,822) (O)		
		2,543 (P)		65,412
Taxes Other Than Income	14,004	940 (Q)		14,944
Total Operating Expenses	533,372	(51,837)		481,535
Net Operating Income	(36,088)	19,290		(16,798)
Plus: Interest Income	1,409			1,409
Income Available to Service Debt	\$ (34,679)	\$ 19,290		\$ (15,389)

EXPLANATION OF ADJUSTMENTS

(A) Revenue Reporting – Accrual Basis Accounting. For bookkeeping purposes, Augusta Treatment recognizes revenue on a cash basis. As part of the year-end audit process, test-year sales revenue received from Bracken District was adjusted to an accrual basis of accounting. However, revenue received from Augusta Distribution was not adjusted to an accrual basis. In this analysis, test-year revenue was decreased by \$2,667 to convert sales to Augusta Distribution from a cash basis to an accrual basis of accounting.

(B) Decrease to Test-Year Water Sales Volume. Augusta Treatment's water sales to Augusta Distribution and to Bracken District decreased significantly after the end of the test year. Augusta Distribution's annual purchases decreased by 19 percent in pro forma operations. Bracken District decreased its purchases by nearly 11 percent. These changes to water sales will directly affect Augusta Treatment's revenue and purchased power and chemical expenses. Adjustments were made to account for these changes. The adjustment for water sold to Augusta Distribution is discussed below. The adjustment to water sold to Bracken District is shown in Ref. Item (D). Adjustments to Purchased Power for Pumping and Chemicals are discussed in Ref. Items (G) and (I), respectively.

Sales to Augusta Distribution. In January of the test year, Augusta Distribution repaired a major water main leak that resulted in a significant decrease to its wholesale water purchases. To fully remove the effects of the leak from test-year operations, Augusta Treatment's pro forma sales were adjusted to the amount billed to Augusta Distribution during the twelve months ended April 30, 2024, the -off date for field work conducted to perform this study. The adjustment is detailed below with the pro forma information shown in bold font.

Adjustment - Sales to Augusta Distribution					
	Production <u>Month</u>	Billed <u>Gallons</u>	Total <u>Gallons</u>	Billed <u>Revenue</u>	Total <u>Revenue</u>
Test Year	July 2022	4,482,456		\$ 10,579	
Accrual Basis	August	4,409,160		10,406	
of Accounting	September	4,004,072		9,450	
	October	4,798,307		11,324	
	November	5,299,703		12,507	
	December	8,138,245		19,206	
	January 2023	5,813,224		13,719	
	February	2,956,951		6,978	
	March	3,101,463		7,319	
	April	3,054,521		7,209	
Pro forma	May	3,165,153		7,470	
Total Test Year	June	3,316,189	52,539,444	7,826	\$ 123,993
	July	3,022,622		7,133	
	August	3,211,697		7,580	
	September	2,909,823		6,867	
	October	3,039,053		7,172	
	November	2,703,775		6,381	
	December	3,409,054		8,045	
	January 2024	4,100,305		9,677	
	February	4,502,633		10,626	
	March	4,553,181		10,746	
Total Pro forma	April	4,500,023	42,433,508	10,620	100,143
Decrease to Test Year			(10,105,936)		\$ (23,850)
Percentage			-19.23%		-19.23%

(C) Revenue Reporting – Reimbursement of Overcharges Resulting from Inaccurate Master Meter. Prior to the test year, it was discovered that the master meter through which Augusta Treatment serves Bracken District was inaccurately measuring water flow from August 4, 2020 to November 30, 2021. The inaccurate meter resulted in Augusta Treatment overbilling Bracken District by \$58,951. Pursuant to the “Agreement Resolving Billing Dispute” dated July 20, 2022, Augusta Treatment agreed to refund the overcharges through five billing credits in the amount of \$9,510 (\$58,951/5).

For financial reporting purposes, Augusta Treatment recognized four of the monthly billing credits totaling \$38,041 as a reduction to test-year revenues. In this evaluation, these

credits were added back to the test year for rate-making purposes to restate pro forma revenue from water sales to Bracken District at \$408,665, the amount of actual test-year water sales to Bracken District. The adjustment is detailed below.

Test Year	Gallons Sold to Bracken	Actual Revenue at \$2.36 per 1,000	Refund Credit	Reported Test-Year Revenue
2022 July	15,713,214	\$ 37,083	\$ (9,510)	\$ 27,573
August	14,410,836	34,010	(9,510)	24,499
September	13,833,302	32,647	(9,510)	23,136
October	14,393,328	33,968	(9,510)	24,458
November	14,490,751	34,198		34,198
December	16,333,198	38,546		38,546
2023 January	14,663,912	34,607		34,607
February	11,663,373	27,526		27,526
March	12,041,624	28,418		28,418
April	13,346,270	31,497		31,497
May	16,704,055	39,422		39,422
June	15,569,117	36,743		36,743
		<u>\$ 408,665</u>	<u>\$ (38,041)</u>	<u>\$ 370,624</u>

(D) Bracken District Reduces Purchases from Augusta Treatment. Bracken District significantly decreased test-year wholesale water purchases from Augusta Treatment during the twelve months ended April 30, 2024, presumably as a result of purchasing wholesale water from an alternative source of supply, Western Mason Water District. To determine pro forma present rate water sales revenue, Augusta Treatment's test-year sales to Bracken District were decreased to the level of revenue recognized during the twelve months ended April 30, 2024. The adjustment is detailed below with the pro forma information shown in bold font.

Adjustment - Sales to Bracken					
	Production <u>Month</u>	Billed <u>Gallons</u>	Total <u>Gallons</u>	Billed <u>Revenue</u>	Total <u>Revenue</u>
Test Year	July 2022	15,713,214		\$ 37,083	
Accrual Basis	August	14,410,836		34,010	
of Accouting	September	13,833,302		32,647	
	October	14,393,328		33,968	
	November	14,490,751		34,198	
	December	16,333,198		38,546	
	January 2023	14,663,912		34,607	
	February	11,663,373		27,526	
	March	12,041,624		28,418	
	April	13,346,270		31,497	
Pro forma	May	16,704,055		39,422	
Total Test Year	June	15,569,117	173,162,980	36,743	\$ 408,665
	July	13,862,081		32,715	
	August	14,039,725		33,134	
	September	12,900,334		30,445	
	October	11,730,678		27,684	
	November	11,613,079		27,407	
	December	12,102,538		28,562	
	January 2024	12,975,798		30,623	
	February	11,551,364		27,261	
	March	11,290,404		26,645	
Total Pro forma	April	10,149,945	154,489,118	23,954	364,594
Decrease to Test Year			(18,673,862)		\$ (44,070)
Percentage			-10.78%		-10.78%

(E) Salaries and Wages. The City of Augusta has three full-time employees dedicated to operating the water treatment plant whose wages and benefits are charged 100 percent to Augusta Treatment. Augusta Treatment's accounting and clerical duties are performed by the City Clerk. Augusta Treatment is allocated 25 percent of the clerk's compensation. The City of Augusta allocates 50 percent of its Operations Manager's wages to Augusta Treatment. Augusta Treatment has a three-member Advisory Board who are each paid \$50 per meeting.

Test-year Salaries and Wages were reported at \$185,277. This amount was increased by \$10,070 to state pro forma Salaries and Wages at \$195,347. The pro forma amount was

determined by applying wage rates effective July 1, 2024, to the number of test-year hours worked by each employee. The allocation factors were applied to the wages of the City Clerk and Operations Manager.

(F) Employee Benefits – Health Insurance. The city of Augusta provides different levels of health insurance benefits to the City Clerk and to the three full-time employees dedicated to operation of the water treatment plant. The Operations Manager is not provided health care insurance.

Pursuant to the city’s current employee benefits policy, the water treatment plant employees receive single-coverage health insurance plans with each employee contributing \$29.44 per week. The clerk continues to receive coverage pursuant to a prior employee benefits policy that provides family healthcare coverage with no employee contribution.

Augusta Treatment reported \$19,003 for test-year Employee Benefits – Health Insurance expense. Based upon Augusta Treatment’s current monthly health care costs, the test-year amount was increased by \$9,555 as follows:

	Current Monthly <u>Premium</u>	Annualized <u>Cost</u>	Less: Employee <u>Contribution</u>	<u>Subtotal</u>	Times: Percent Allocated to Augusta	<u>Pro forma</u>
Total Single Policies	\$ 2,405	\$ 28,855	\$ (4,593)	\$ 24,263	100%	\$ 24,263
Total Family Policy	1,432	17,182		17,182	25%	<u>4,296</u>
Pro forma						28,558
Less: Test Year						<u>(19,003)</u>
Adjustment						<u>\$ 9,555</u>

(G) Purchased Power for Pumping. As discussed in Ref. Item (B), Purchased Power for Pumping is directly related to the volume of water produced and sold. Accordingly, test-year Purchase Power for Pumping was decreased by \$6,449 to match pumping expense to Pro forma Water Sales Revenues. Note that Pro forma Water Sales Revenues was adjusted to the 12 months ended April 30, 2024, while Purchased Power for Pumping was adjusted to the 12 months ended April 15, 2024, the end date of Kentucky Utilities’ billing cycle. The adjustment is detailed below with the pro forma information shown in bold font.

	Augusta <u>Reporting Month</u>	KU <u>Service Month</u>	Purchased <u>Power</u>	<u>Totals</u>
Test Year	July 2022	June 2022	\$ 7,565	
	August	July	7,216	
	September	August	7,363	
	October	September	7,405	
	November	October	7,041	
	December	November	7,215	
	January 2023	December	7,529	
	February	January 2023	8,301	
	March	February	6,388	
	April	March	6,340	
	May	April	6,763	
Pro forma	June	May	8,287	\$ 87,413
	July	June	8,052	
	August	July	7,519	
	September	August	6,654	
	October	September	6,377	
	November	October	5,731	
	December	November	5,866	
	January 2024	December	6,493	
	February	January 2024	3,104	
	March	February	10,040	
	April	March	6,704	
	May	April 15, 2024	6,137	80,964
Adjustment - Decrease				<u>\$ (6,449)</u>

(H) Chemicals-Water Treatment, Accrual Basis Accounting. Test-year Chemicals-Water Treatment expense was reported in the amount of \$30,870 using a cash-basis of accounting. As discussed below, the test-year amount was increased by \$5,900 to \$36,770 to convert from cash-basis accounting to accrual accounting.

On June 28, 2022, two days before the beginning of the test year, Augusta Treatment paid for water treatment plant chemicals that cost \$8,881.24. Using cash-basis accounting, Augusta Treatment expensed the entire amount in FYE June 30, 2022. The invoiced order date and ship date for these chemicals was June 22, 2022. The received date is unclear. Assuming the received date was June 22, 2022, and a portion of these chemicals remained in inventory until the next shipment date, October 5, 2022, this batch of chemicals remained

in service for 105 days with a cost of \$84.58 (\$8,881.24 / 105 days) per day. Using accrual accounting, \$761 of the chemical cost would be expensed in FYE June 30, 2021, and \$8,120 would be expensed in the test year as demonstrated below.

	<u>FYE 6/30/22</u>	<u>Test Year</u>
Number of Days Used	9	96
Times: Cost Per Day	<u>\$ 84.58</u>	<u>\$ 84.58</u>
Expense	<u>\$ 761</u>	<u>\$ 8,120</u>

On May 5, 2023, Augusta Treatment received a batch of chemicals with a cost of \$4,525 that was charged to test-year expenses. It is estimated that these chemicals remained in service for approximately 108 days. Using accrual accounting, these chemicals would be expensed during the test-year and FYE June 30, 2024 as follows.

	<u>Test Year</u>	<u>FYE 6/30/24</u>
Number of Days Used	55	53
Times: Cost Per Day	<u>\$ 41.89</u>	<u>\$ 41.89</u>
Expense	<u>\$ 2,304</u>	<u>\$ 2,220</u>

The net increase to test-year Chemicals-Water Treatment expense necessary to convert from cash-basis accounting to accrual accounting is \$5,900 (\$8,120-\$2,220).

(I) Chemicals-Water Treatment as of April 30, 2024. As discussed in Ref. Item (B), the amount of chemicals used to treat water is directly related to the volume of water produced and sold. To properly match pro forma revenues and expenses, pro forma Chemical-Water Treatment costs were adjusted to the level of expense reported as of April 30, 2024 using accrual accounting.

The cash-basis pro forma expense as of April 30, 2024, is \$31,906. This amount was decreased by \$4,160 to convert to an accrual basis of accounting. On March 20, 2024, and April 10, 2024, chemicals were shipped to the Treatment Department at the cost of \$5,151 and \$1,336, respectively. Payment for the chemicals was made during the pro forma period ended April 30, 2024. It is estimated these chemicals will remain in service for 105 days. Using accrual accounting, \$2,328 would be expensed in pro forma operations as calculated below.

	<u>20-Mar</u>	<u>10-Apr</u>	<u>Total</u>
Total Cost	\$5,151.40	\$ 1,336.20	\$ 6,487.60
Days in Service	<u>105</u>	<u>105</u>	
Cost Per Day	\$ 49.06	\$ 12.73	
Pro forma Days in Service	<u>42</u>	<u>21</u>	
Pro Forma Expense April 30, 2024	\$ 2,061	\$ 267	\$ 2,328
Less: Cash Basis Expense	<u>(5,151)</u>	<u>(1,336)</u>	<u>(6,488)</u>
Decrease for Accrual Basis	<u>\$ (3,091)</u>	<u>\$ (1,069)</u>	<u>\$ (4,160)</u>

As a result of the aforementioned adjustments, pro forma Chemicals-Treatment Plant expense was determined to be \$27,746 requiring a decrease of \$9,023 to the test-year accrual basis expense. The following table details the activity in the Chemicals-Treatment Plant general ledger account for the test-year and pro forma operations. The table also details the calculation of the adjustment to the test-year expense with the pro forma information shown in bold font.

Chemicals - Water Treatment					
		Cash Basis	Totals	Accrual Basis	Totals
	June 2022	\$ 8,881		\$ 761	
Test Year	July 2022	-		8,120	
	August	3,131		3,131	
	September	-		-	
	October	6,548		6,548	
	November	1,190		1,190	
	December	6,567		6,567	
	January 2023	-		-	
	February	8,910		8,910	
	March	-		-	
	April	-		-	
Pro forma	May	4,525		1,047	
Total Test Year	June	-	\$ 30,870	1,257	\$ 36,770
	July	-		1,299	
	August-Accrued from Prior Year			922	
	August-Paid	8,304		8,304	
	September	1,954		1,954	
	October	-		-	
	November	-		-	
	December	9,966		9,966	
	January 2024	671		671	
	February	-		-	
	March	5,151		2,061	
Total Pro forma	April	1,336	31,906	267	27,746
Adjustment - Decrease				\$	(9,023)

(J) Amortize Cost of Engineering Study. As required by the 2021 Agreement, Augusta Treatment coordinated with Bracken District to contract a professional engineer to conduct a comprehensive evaluation of the water treatment plant facility to identify any changes to the methods of operations and capital improvements necessary to improve the plant's efficiency and ensure compliance with state and federal regulations. The total \$25,000 cost of the study was reported in test-year Repairs expenses.

Although for accounting purposes the cost of the study is an expense that may be charged against income in a single reporting period, it was treated as a regulatory asset amortized over the anticipated three-year life of the wholesale water rates calculated in this

analysis. Three-year amortization requires a \$16,667 decrease to test-year expenses calculated as follows.

Cost of Engineering Study	\$ 25,000
Divide by: 3 years	<u>3</u>
Annual Recovery	8,333
Less: Test Year	<u>(25,000)</u>
Decrease	<u><u>\$ (16,667)</u></u>

(K) Capitalize Cost of New Air Compressor. During the test year, Augusta Treatment incurred \$8,086 to replace an air compressor tank that was installed as a part of the original 1996 water treatment plant construction. The tank's \$8,086 cost was reported as a test-year Repairs expense. The cost of the new tank was removed from test-year expenses and capitalized for depreciation over the water treatment plant's remaining 10-year depreciable life. The annual recovery for depreciation is \$809 as calculated below.

Cost of Replacement Air Compressor	\$ 8,086
Divide by: 10 years	<u>10</u>
Annual Depreciation Recovery	<u><u>\$ 809</u></u>

(L) Amortize Legal Fees. Augusta Treatment incurred \$10,269 for legal fees in connection with the malfunctioning master meter previously discussed in Ref. Item (C). Augusta Treatment recognized \$2,142 in the test year and \$8,127 in the FYE June 30, 2022. Although for accounting purposes these legal fees are an expense that may be charged against income in the year the legal services were received, for rate-making purposes they should be treated as a regulatory asset amortized over the anticipated life of the rates calculated in this analysis, three years. Three-year amortization requires a \$1,282 increase to test-year expenses calculated as follows:

Legal Fees Meter Case	\$ 10,269
Divid by: 3 years	<u>3</u>
Annual Recovery	3,423
Less: Test Year	<u>(2,142)</u>
Increase	<u>\$ 1,282</u>

(M) Rate Case Expense. Augusta Treatment anticipates that the total cost of professional services incurred to prepare this rate analysis will be \$8,250. This amount was amortized over the anticipated 3-year life of the wholesale rate calculated in this analysis. Accordingly, test-year expenses were increased by \$2,750 (\$8,250 total cost / 3 years).

(N) Insurance - General Liability. Augusta Treatment obtains general liability insurance from Kentucky League of Cities Insurance Services. The test-year insurance expense was \$11,039, but the amount decreased to \$8,401 for FYE June 30, 2024. Accordingly, test-year expenses were reduced by \$2,638 to allow for rate recovery of \$8,401.

(O) Depreciation. Augusta Treatment reported \$104,882 for test-year depreciation expense. This amount was reduced by \$42,822 to remove depreciation on assets for which full depreciation had accrued in pro forma operations and to remove depreciation accrued on plant financed through debt proceeds as required by provision 16. g. of the 2016 Contract, which states:

“Depreciation expense shall be included in calculation of the Water Treatment Plant’s operating costs, but only such depreciation expense on plant and facilities whose cost is not financed through the issuance of debt and that are in service at the time of the propose rate adjustment.”

Calculation of pro forma depreciation without debt financed plant is shown in the following table.

<u>Water Treatment Plant In Service</u>	<u>Service</u>	<u>Depreciable</u>	<u>Debt Financed</u>	<u>Adjusted</u>	<u>Accumulated</u>	<u>Net Plant</u>	<u>Pro Forma</u>
<u>Life</u>	<u>for Reporting</u>	<u>not Depreciable</u>	<u>Through Rates</u>	<u>Depreciable</u>	<u>Depreciation</u>	<u>at 6/30/24</u>	<u>Depreciation</u>
<u>Purposes</u>	<u>Purposes</u>	<u>Pursuant to</u>	<u>2016 Contract,</u>	<u>Rate-Making</u>	<u>at 6/30/24</u>	<u>at 6/30/24</u>	<u>Expense</u>
			<u>Provision 16.g.</u>	<u>Purposes</u>			
1996 Water Treatment Plant	38	\$ 2,882,702	\$ (1,500,000)	\$ 1,382,702	\$ 2,092,273	\$ 790,429	\$ 36,387
1998 Additions	38	89,512		89,512	63,600	25,912	2,356
2002 Engineering	38	32,000		32,000	18,526	13,474	842
2005 Lagoon	38	487,855	(100,000)	387,855	244,996	242,858	10,207
2006 Well Recharge	38	209,847		209,847	100,317	109,530	5,522
2006 Air Compressor	10	7,825		7,825	7,825	(0)	782
2010 Radios	15	14,115		14,115	13,409	706	706
2011 Pump	10	1,669		1,669	1,669	(0)	
2012 Pump and Motor	10	56,249		56,249	56,249	-	
2013 Motor	10	6,867		6,867	6,867	(0)	
2014 Pump	10	1,650		1,650	1,650	-	
2013 12" Spool Injection Line	10	7,985		7,985	7,784	200	200
2014 Aeration Disc	10	6,370		6,370	6,370	(0)	
2014 Diaphragm Meter Pump	10	1,829		1,829	1,799	30	30
2014 Benchtop Meter	10	1,098		1,098	1,053	46	46
2014 Spectrophotometer	10	3,955		3,955	3,791	165	165
2015 Backflow Preventer	10	6,124		6,124	5,511	613	613
2014 Furnance	10	5,800		5,800	5,510	290	290
2019 Master Meter BCWD	10	3,313		3,313	1,739	1,574	331
2018 Chemical Feed Pump	10	2,797		2,797	1,609	1,189	280
2020 Polymer Pump	10	2,907		2,907	1,260	1,647	291
2020 AC/Furnance	10	8,946		8,946	3,653	5,294	895
2022 VS Pump	10	4,189		4,189	873	3,316	419
2023 Chevy Colorado	5	8,500		8,500	2,125	6,375	1,700
Total		<u>\$ 3,854,103</u>					62,060
Less: Test-Year Expense							<u>(104,882)</u>
Adjustment - Decrease							<u>\$ (42,822)</u>

(P) Depreciation – Post-Test-Year Plant Addition – New Well. Augusta Treatment’s source of raw water supply is four underground wells. Subsequent to the test-year, well no. 2 was replaced at a total cost of \$76,295. This amount includes \$9,455 incurred for repair to the underground electrical supply line to a separate well that was damaged during construction of the new well. The total cost of the new well was depreciated over 30 years as follows:

New Well No. 2		
<u>Date</u>	<u>Vendor</u>	<u>Cost</u>
8/24/2023	Moody's of Dayton	\$ 23,380
9/21/2023	Moody's of Dayton	21,496
9/21/2023	Moody's of Dayton	8,964
9/21/2023	Moody's of Dayton	13,000
11/29/2023	Bess Contracting	9,455
Total Cost		76,295
Divide by: 30 Years		30
Increase to Test-Year Depreciation		<u>\$ 2,543</u>

(Q) Taxes Other Than Income Taxes. Test-year FICA taxes were increased by \$940 as follows to account for the level of taxes that Augusta Treatment will pay on pro forma wages.

Pro forma Wages	\$ 195,347
Times: FICA Tax Rate	<u>7.65%</u>
Pro forma FICA	14,944
Less: Test Year	<u>(14,004)</u>
Increase	<u>\$ 940</u>

Schedule B
ALLOCATION OF ADJUSTED TEST-YEAR OPERATING EXPENSES
City of Augusta Water Treatment Plant, Test Year Ended June 30, 2023

The table below demonstrates that, by subtracting interest income from pro forma operating expenses, the amount of pro forma operating expenses recoverable through rates is \$480,126.

Pro forma Operating Expenses	\$ 481,535
Less: Interest Income	<u>(1,409)</u>
Pro forma Operating Expenses to be Recovered through Rates	<u>\$ 480,126</u>

Pursuant to the 2016 Contract, Section 16.e., Augusta Distribution's pro forma operating costs must be assigned to Bracken District based on the percentage of water delivered to each wholesale customer during the test year. Allocation of pro forma expenses using the test-year water delivery allocation factor appears below.

	Test-Year <u>Gallons</u>	<u>Percentage</u>	Expense <u>Allocation</u>
Augusta Distribution	52,539,444	23.28%	\$ 111,765
Bracken District	<u>173,162,980</u>	<u>76.72%</u>	<u>368,362</u>
Total	<u>225,702,424</u>	<u>100.00%</u>	<u>\$ 480,126</u>

Strict enforcement of the 2016 Contract, Section 16.e., requirement is not practical or reasonable in this instance considering significant adjustments were made to the test-year volume of water sold to each wholesale customer (See Schedule A, Ref. Items (B) and (D)). Accordingly, operating costs were not allocated in this analysis based on test-year water sales. They were allocated using the adjusted test-year water sales volumes as follows.

	Pro forma <u>Gallons</u>	<u>Percentage</u>	Expense <u>Allocation</u>
Augusta Distribution	42,433,508	21.55%	\$ 103,459
Bracken District	<u>154,489,118</u>	<u>78.45%</u>	<u>376,667</u>
Total	<u>196,922,626</u>	<u>100.00%</u>	<u>\$ 480,126</u>

Schedule C
DEBT SERVICE REQUIREMENT
City of Augusta Water Treatment Plant, Test Year Ended June 30, 2023

Three-Year Average in Accordance with 2016 Contract, Section 16.c. and d.

Fiscal Year End	Principal	Interest	Total
6/30/2025	\$ 57,300	\$ 28,099	\$ 85,399
6/30/2026	62,400	26,155	88,555
6/30/2027	62,500	24,127	<u>86,627</u>
Three-Year Total			260,582
Divide by: 3 Years			<u>3</u>
Three-Year Annual Average			86,861
Times: 1.20			<u>120%</u>
Three-Year Annual Average Debt Service Requirement			<u><u>\$ 104,233</u></u>

Allocation of the Debt Service Requirement to the wholesale customers using the adjusted test-year water delivery allocator is shown below.

Debt Service Allocated Based on Pro Forma Water Sales Volume

	<u>Gallons</u>	<u>Percentage</u>	<u>Total</u>
Augusta Distribution	42,433,508	21.55%	\$ 22,460
Bracken District	<u>154,489,118</u>	<u>78.45%</u>	<u>81,772</u>
Total	<u><u>196,922,626</u></u>	<u><u>100.00%</u></u>	<u><u>\$ 104,233</u></u>

The 2016 Contract, Section 16.d., limits the level of debt service allocable to Bracken District to 64 percent. Allocation of the Debt Service Requirement in accordance with the contract's limitation shifts more of the Debt Service Requirement to Augusta Distribution as follows:

Debt Service Allocated Pursuant to 2016 Contract, Section 16.d.

	<u>Percentage</u>	<u>Total</u>
Augusta Distribution	36%	\$ 37,524
Bracken District	<u>64%</u>	<u>66,709</u>
Total	<u>100%</u>	<u>\$ 104,233</u>

Schedule D
CALCULATION OF WHOLESALE WATER RATES
City of Augusta Water Treatment Plant, Test Year Ended June 30, 2023

The 2016 Contract, Section 16.i., states:

“The adjusted wholesale rate to Bracken District shall be the sum of the debt service costs and operating costs allocated to Bracken District divided by the Water Treatment Plant’s **test period sales** to Bracken District.”

As previously discussed in Schedule B, calculations made in this analysis using “test period sales” is not practical or reasonable given the significant adjustments made to the test-year volume of water sold to wholesale customers. The wholesale rates calculated below were determined using the adjusted test-year water sales volumes. The debt service component of the rate calculation was allocated in accordance with the 2016 Contract, Section 16.d.

	Augusta Distribution	Bracken District
Expense Allocation	\$ 103,459	\$ 376,667
Debt Service Allocation, 36 / 64	<u>37,524</u>	<u>66,709</u>
Revenue Required	140,983	443,376
Divide by: Adjusted Test-Year Gallons	<u>42,434</u>	<u>154,489</u>
Rate Per Thousand Gallons	<u><u>\$ 3.322</u></u>	<u><u>\$ 2.870</u></u>

Disregarding the contractual 64 percent debt service allocation limit, the rate would be unified at \$2.97 as follows:

	Unified Rate
Expense Allocation	\$ 480,126
Debt Service Allocation	<u>104,233</u>
Revenue Required	584,359
Divide by: Adjusted Test-Year Gallons	<u>196,923</u>
Rate Per Thousand Gallons	<u><u>\$ 2.967</u></u>

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

DONNA J. HENDRIX, CPA, PSC
Certified Public Accountant
550 West First Street
PO Box 449
Morehead, Kentucky 40351
(606) 784-4451

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.
A.L.C.P.A.

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Augusta
Augusta, Kentucky 41002

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Augusta, Kentucky, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023, on our consideration of the City of Augusta, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Augusta, Kentucky's internal control over financial reporting and compliance.

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

February 28, 2023

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

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

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

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

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

Net Assets for the period ending June 30, 2022

Comparative data for 2022 and 2021 are as follows:

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

Comments on Budget Comparisons

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

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

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

General Fund Revenue

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

General Fund Expenses

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

Utility Operations

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

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

Budgetary Implications

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

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

City of Augusta
219 Main Street
Augusta, Kentucky 41002

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

CITY OF AUGUSTA, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS

June 30, 2022

Total fund balance per fund financial statements	\$ 752,409
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Changes required for presentation of
Net Assets in conformity with GASB34:

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

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

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

(173,750)

Net assets for government activities

\$ 2,002,326

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

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

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

CITY OF AUGUSTA, KENTUCKY

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

June 30, 2022

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

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

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

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

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

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

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

FOR THE YEAR ENDED JUNE 30, 2022

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

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

FOR THE YEAR ENDED JUNE 30, 2022

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

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

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

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

OPERATING REVENUES

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

TOTAL OPERATING REVENUES 1,265,193

OPERATING EXPENSES

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

TOTAL OPERATING EXPENSES 1,335,054

OPERATING INCOME (LOSS) (69,860)

NON-OPERATING REVENUES (Expenses)

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

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

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

NET INCOME (LOSS) (7,064)

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

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

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

CASH FLOWS FROM OPERATING ACTIVITIES

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

NET CASH PROVIDED BY OPERATING ACTIVITIES	201,561
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

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

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

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(124,314)
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	81
	-

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

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

Net Cash used for operating activities	\$ 201,561
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CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation

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

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

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

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The City has the following funds:

I. Governmental Fund Types

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

II. Proprietary Fund Types

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

II. (Continued)

Basis of Accounting

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

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

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting - Continued

Property Taxes

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

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

Capital Assets

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

Basis of Accounting – Continued

Capital Assets – Continued

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

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

Interfund Balances

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

Budgetary Process

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

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

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

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

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

Prepaid Assets

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

Accrued Liabilities and Long-Term Obligations

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

Fund Balance Reserves

Fund Financial Statements:

Fund Balance Designation

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

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

Net Positions

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting - Continued

Operating Revenues and Expenses

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

Contributions of Capital

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

Interfund Activity

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

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

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

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

CITY OF AUGUSTA

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2022

NOTE D - CAPITAL ASSETS

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

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

NOTE E – RESERVES

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

A. Sinking Fund

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

B. Depreciation Fund

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

NOTE F. LONG-TERM DEBT

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

A. Revenue Bonds – Governmental Funds

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

B. Revenue Bonds – Proprietary Funds

Water Utility Fund:

2016 Series C, due to KRWFC

at interest rate of 3.2%

Per annum with final payment

Due in 2035	905,000	218,956	1,123,956
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2004 Series, due USDA Rural Development

at interest rate of 4.50% per annum with final
payment due in 2044

76,700	45,786	122,486
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<u>\$1,138,367</u>	<u>\$ 287,516</u>	<u>\$1,425,882</u>
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The annual requirements to amortize all revenue bonds payable outstanding as of June 30, 2022, are as follows:

YEAR ENDING

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

C. Notes Payable

Governmental Fund

Pool Project

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

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

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

Water Fund

Clopay Well

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

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2022

NOTE G. CDBG GRANT AND LOANS RECEIVABLE

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

NOTE H. INSURANCE AND RELATED ACTIVITIES

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

NOTE I. PENDING LITIGATION

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

SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

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

FOR THE YEAR ENDED JUNE 30, 2022

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

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

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

CITY OF AUGUSTA, KENTUCKY

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

Payable to: Rural Development
Purpose: Water Treatment Plant

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

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

Payable to: Rural Development
Purpose: Water Treatment Plant

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

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

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

131 E. ELECTRIC AVENUE
FLEMINGSBURG, KY 41041
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

To the Board of Directors
City of Augusta District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards, applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Augusta District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Augusta District, Kentucky's basic financial statements and have issued our report thereon dated February 28, 2023.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Augusta District, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky
February 28, 2023

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

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

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**ACCOUNTANT'S REPORT ON
MANAGEMENT POINTS**

Mayor and City Council
City of Augusta
Augusta, Kentucky 41002

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

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

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

Donna J. Hendrix, CPA

DONNA J. HENDRIX, CPA, PSC
Morehead, Kentucky

February 28, 2023

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

Status of Prior Year Management Points

2021-1 RESERVE ACCOUNTS

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

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

Current year Management Points

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

Status of Prior Year Management Points

2021-1 RESERVE ACCOUNTS

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

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

Current year Management Points

CITY OF AUGUSTA, KENTUCKY
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JUNE 30, 2023

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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, 2023, 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, 2023 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 February 28, 2024, 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
February 28, 2024

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, 2023. 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 \$4,299,111 (net position). The unrestricted net position, which represents the amounts available to meet the City's ongoing obligations to citizens and creditors, was a deficit of \$2,037,763. The City's total net position increased by \$208,270.

At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$617,203 an increase of \$146,4527 from the prior year. Of this amount, \$545,733 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 32% 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 18-28 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 30-31 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, 2023	June 30, 2022	Change
Current assets	\$ 3,425,432	\$ 3,513,289	\$ (87,857)
Non-current assets	3,301,530	3,325,044	(23,514)
Total assets	6,726,962	6,838,333	(111,371)
Current liabilities	1,294,267	1,343,752	(49,485)
Non-current liabilities	1,133,584	1,145,876	(12,292)
Total liabilities	2,427,851	2,489,628	(61,777)
Net investment in capital assets	2,189,878	3,251,966	(1,062,088)
Restricted	71,470	149,861	(78,391)
Unrestricted	2,037,763	946,852	1,090,911
Total net position	\$ 4,299,111	\$ 4,348,679	\$ (49,568)

Governmental Funds Revenue and Expenditures

	June 30, 2023	June 30, 2022	Change
Revenues			
Taxes	\$ 308,983	\$ 524,727	\$ (215,744)
Licenses	840,470	509,213	331,257
Intergovernmental	333,305	44,937	288,368
Charges for services	495,743	353,649	142,094
Other revenue	60,436	248,390	(187,954)
Total revenues	\$ 2,038,937	\$ 1,680,916	\$ 358,021
Expenditures			
General government	\$ 607,857	\$ 362,495	\$ 245,362
Police	284,700	268,309	16,391
Fire	30,651	34,033	(3,382)
Sanitation	415,505	134,315	281,190
Public works	319,851	328,172	(8,321)
Tourism	85,949	59,851	26,098
Recreation	111,294	115,319	(4,025)
Capital outlay	11,290	4,957	6,333
Debt service	25,383	22,936	2,447
Total expenditures	\$ 1,892,480	\$ 1,330,387	\$ 562,093

Proprietary Funds Revenue and Expenses

	June 30, 2023	June 30, 2022	Change
Revenues			
Sales	\$ 1,311,851	\$ 1,265,193	\$ 46,658
Total revenues	\$ 1,311,851	\$ 1,265,193	\$ 46,658
Expenditures			
Salaries and wages	\$ 398,432	\$ 318,610	\$ 79,822
Gas purchases	229,563	271,945	(42,382)
Chemicals and testing	64,714	65,047	(333)
Utilities and telephone	223,008	202,595	20,413
Professional fees	30,708	30,388	320
Insurance	19,278	81,760	(62,482)
Repairs	131,916	110,001	21,915
Transportation	17,127	20,340	(3,213)
Office	78,545	67,590	10,955
Depreciation	162,701	166,778	(4,077)
Total expenditures	\$ 1,355,992	\$ 1,335,054	\$ 20,938

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$3,301,530 net investment in capital assets.

Long-Term Obligations

At the end of the fiscal year, the City had \$1,111,652 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, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 734,476	\$ 1,290,504	\$ 2,024,980
Investments	12,292	-	12,292
Receivables	31,236	109,684	140,920
Restricted cash	71,470	-	71,470
Due from other funds	23,000	1,152,770	1,175,770
Capital assets, net	1,551,272	1,750,258	3,301,530
Total assets	2,423,746	4,303,216	6,726,962
Liabilities			
Accounts payable	29,993	5,886	35,879
Payroll liabilities	8,561	-	8,561
Unearned revenue	41,039	-	41,039
Customer deposits	-	32,690	32,690
Accrued interest payable	-	328	328
Due to other funds	175,678	1,000,092	1,175,770
Due within one year:			
Notes payable	22,083	66,252	88,335
Due in more than one year:			
Compensated absences	10,430	11,502	21,932
Notes payable	114,584	908,733	1,023,317
Total liabilities	402,368	2,025,483	2,427,851
Net position			
Net investment in capital assets	1,414,605	775,273	2,189,878
Restricted	71,470	-	71,470
Unrestricted	535,303	1,502,460	2,037,763
Total net position (deficit)	\$ 2,021,378	\$ 2,277,733	\$ 4,299,111

See accompanying notes to financial statements.

City of Augusta, Kentucky
Statement of Activities
Year Ended June 30, 2023

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense)
Governmental Activities					
General government	\$ 465,411	\$ -	\$ 233,220	\$ -	\$ (232,191)
Police	297,920	-	57,818	-	(240,102)
Fire	30,651	-	-	-	(30,651)
Public works	215,912	-	42,267	-	(173,645)
Sanitation	415,505	455,966	-	-	40,461
Recreation	111,299	39,777	-	-	(71,522)
Tourism	85,949	-	-	-	(85,949)
Depreciation unallocated	127,270	-	-	-	(127,270)
Interest on long-term debt	5,383	-	-	-	(5,383)
Total governmental activities	1,755,300	495,743	333,305	-	(926,252)
Business-Type Activities					
Utilities	1,388,705	1,311,851	-	-	(76,854)
Total business-type activities	\$ 1,388,705	\$ 1,311,851	\$ -	\$ -	\$ (76,854)
			Government Activities	Business-Type Activities	Total
Net Revenue (Expense)			\$ (926,252)	\$ (76,854)	\$ (1,003,106)
General Revenues					
Tax revenue			772,801	-	772,801
License revenue			376,652	-	376,652
Other revenue			60,430	-	60,430
Interest income			6	1,487	1,493
Total general revenues			1,209,889	1,487	1,211,376
Change in net position			283,637	(75,367)	208,270
Net position - beginning of year			1,737,741	2,353,100	4,090,841
Net position - end of year			2,021,378	2,277,733	\$ 4,299,111

See accompanying notes to financial statements.

City of Augusta, Kentucky
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Recreation Fund	Total Governmental Funds
Assets			
Cash and cash equivalents (deficit)	\$ 734,476	\$ -	\$ 734,476
Restricted cash	71,470	-	71,470
Investments	12,292	-	12,292
Accounts receivable	31,236	-	31,236
Due from other funds	-	23,000	23,000
Total assets	\$ 849,474	\$ 23,000	\$ 872,474
Liabilities			
Accounts payable	29,993	-	\$ 29,993
Payroll liabilities	8,561	-	8,561
Unearned revenue	41,039	-	41,039
Due to other funds	175,678	-	175,678
Total liabilities	255,271	-	255,271
Fund balances			
Restricted	71,470	0	71,470
Unassigned	522,733	23,000	545,733
Total fund balances	594,203	23,000	617,203
Total liabilities and fund balances	\$ 849,474	\$ 23,000	\$ 872,474

See accompanying notes to financial statements.

City of Augusta, Kentucky
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
June 30, 2023

Total fund balances - governmental funds	\$ 617,203
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.	1,551,272
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Notes payable	(136,667)
Compensated absences	(10,430)
Net position of governmental activities	\$ 2,021,378

See accompanying notes to financial statements.

City of Augusta, Kentucky
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds
June 30, 2023

	General Fund	Recreation Fund	Total Governmental Funds
Revenues			
Taxes	\$ 308,983	\$ -	308,983
Licenses and permits	840,470	-	840,470
Intergovernmental	333,305	-	333,305
Charges for services	495,743	-	495,743
Other revenue	60,425	5	60,430
Investment income	6	-	6
Total revenues	2,038,932	5	2,038,937
Expenditures			
General government	607,857	-	607,857
Police	284,700	-	284,700
Fire	30,651	-	30,651
Sanitation	415,505	-	415,505
Public works	319,851	-	319,851
Tourism	85,949	-	85,949
Recreation	111,294	5	111,299
Capital outlay	11,290	-	11,290
Debt service	25,383	-	25,383
Total expenditures	1,892,480	5	1,892,485
Net change in fund balances	146,452	-	146,452
Fund balances - beginning	447,751	23,000	470,751
Fund balances - end of year	\$ 594,203	\$ 23,000	\$ 617,203

See accompanying notes to financial statements.

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, 2023

Net change in fund balances - total governmental funds	\$ 146,452
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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.

127,615

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

20,000

Some expenses reported in the statement of activities do not require
current financial resources and, therefore, are not reported as
expenditures in the funds.

Change in compensated absences

(10,430)

Change in OPEB liabilities and deferred amounts

Change in pension liabilities and deferred amounts

Change in net position of governmental activities	\$ 283,637
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\$ 283,637

See accompanying notes to financial statements.

City of Augusta, Kentucky
Statement of Net Position – Proprietary Funds
June 30, 2023

	Water Fund	Water Treatment Fund	Gas Fund	Sewer Fund	Total
Assets					
Cash and cash equivalents	\$ 45,090	\$ 266,165	\$ 274,772	\$ 704,477	\$ 1,290,504
Receivables	20,481	36,743	29,958	22,502	109,684
Due from other funds	-	7,223	1,145,547	-	1,152,770
Capital assets, net	68,299	1,309,226	90,124	282,609	1,750,258
Total assets	133,870	1,619,357	1,540,401	1,009,588	4,303,216
Liabilities					
Accounts payable	412	1,292	1,728	2,454	5,886
Customer deposits	14,590	-	18,100	-	32,690
Accrued interest payable	-	328	-	-	328
Due to other funds	515,735	-	-	484,357	1,000,092
Due within one year:					
Notes payable	9,052	57,200	-	-	66,252
Due in more than one year:					
Compensated absences	1,521	6,433	2,534	1,014	11,502
Notes payable	41,333	867,400	-	-	908,733
Total liabilities	582,643	932,653	22,362	487,825	2,025,483
Net position					
Net investment in capital assets	17,914	384,626	90,124	282,609	775,273
Unrestricted	(466,687)	302,078	1,427,915	239,154	1,502,460
Total net position	\$ (448,773)	\$ 686,704	\$ 1,518,039	\$ 521,763	\$ 2,277,733

See accompanying notes to financial statements.

City of Augusta, Kentucky
Statement of Revenue, Expenses, and Change
in Net Fund Position – Proprietary Funds
Year Ended June 30, 2023

	Water Fund	Treatment Fund	Gas Fund	Sewer Fund	Total
Revenues					
Sales	\$ 225,255	\$ 370,624	\$ 492,285	\$ 223,687	\$ 1,311,851
Expenditures					
Salaries and wages	65,519	224,775	63,702	44,436	398,432
Gas purchases	-	-	229,563	-	229,563
Chemicals and testing	-	36,225	-	28,489	64,714
Utilities and telephone	26,363	93,388	23,856	79,401	223,008
Professional fees	7,467	3,841	14,013	5,387	30,708
Insurance	2,411	11,040	1,560	4,267	19,278
Repairs	23,574	53,270	35,305	19,767	131,916
Transportation	6,380	-	10,747	-	17,127
Office	5,454	1,578	6,383	2,181	15,596
Other expenses	13,010	4,373	43,622	1,944	62,949
Depreciation	15,703	104,882	14,582	27,534	162,701
Total expenditures	165,881	533,372	443,333	213,406	1,355,992
Operating loss	59,374	(162,748)	48,952	10,281	(44,141)
Other financing sources (uses)					
Interest income	-	1,409	-	78	1,487
Interest expense	(954)	(31,759)	-	-	(32,713)
Total other financing sources (uses)	(954)	(30,350)	-	78	(31,226)
Net change in fund balances	58,420	(193,098)	48,952	10,359	(75,367)
Fund balances - beginning	(380,533)	753,142	1,469,087	511,404	2,353,100
Fund balances - end of year	<u>\$ (322,113)</u>	<u>\$ 560,044</u>	<u>\$ 1,518,039</u>	<u>\$ 521,763</u>	<u>\$ 2,277,733</u>

See accompanying notes to financial statements.

City of Augusta, Kentucky
Statement of Cash Flows – Proprietary Funds
June 30, 2023

	Utility Fund
Cash flows from operating activities	
Cash received:	
From utility sales	\$ 1,291,691
Cash paid:	
To employees	(386,930)
To suppliers	(258,841)
For operating expenses	(452,642)
Net cash provided by operating activities	193,278
Cash flows from capital financing activities	
Repayment of principal	(98,837)
Net cash used by investing activities	(98,837)
Cash flows from investing activities	
Purchases of equipment	(11,582)
Interest on investments	1,487
Net cash used by investing activities	(10,095)
Net change in cash	84,346
Cash - beginning of year	1,206,158
Cash - end of year	<u>\$ 1,290,504</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating income	\$ (44,141)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	162,701
Changes in:	
Accounts receivable	(23,800)
Accounts payable	(29,278)
Due from/to other funds	105,936
Customer deposits	3,640
Other liabilities	18,220
Net cash provided by operating activities	<u>\$ 193,278</u>

See accompanying notes to financial statements.

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 gas 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 February 28, 2024, 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 \$2,024,980. 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.

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.

NOTE 2: CASH AND INVESTMENTS - CONTINUED

Investments - Continued

At year end, the City had the following investments:

	Fair Value	Investment Maturities		Fair Value Measurement	
		Less Than 1 Year	1 - 5 Years	Level 1 Inputs	Level 2 - 3 Inputs
Certificates of deposit	\$ 12,295	\$ 12,295	\$ -	\$ 12,295	
Total	\$ 12,295	\$ 12,295	\$ -	\$ 12,295	\$ -

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year is summarized below:

Government Activities	7/1/2022	Additions	Deletions	6/30/2023
Capital assets				
Land	\$ 22,000	\$ 50,000	\$ -	\$ 72,000
Park, pool, and shelter	533,005	-	-	533,005
Buildings and improvements	1,052,824	-	-	1,052,824
Streets	674,351	126,166	-	800,517
Lighting and dock	847,636	18,189	-	865,825
Vehicles	239,933	8,500	-	248,433
Other equipment	277,963	52,030	-	329,993
Total capital assets	3,647,712	254,885	-	3,902,597
Total accumulated depreciation	2,224,055	127,270	-	2,351,325
Capital assets - net	\$ 1,423,657	\$ 127,615	\$ -	\$ 1,551,272

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

NOTE 3: CAPITAL ASSETS - CONTINUED

Business-Type Activities	Balance 7/1/2022	Additions	Deletions	Balance 6/30/2023
Capital assets				
Land	\$ 9,714	\$ -	\$ -	\$ 9,714
Water utility	4,344,363	11,582	-	4,355,945
Gas utility	884,056	-	(15,000)	869,056
Sewer utility	1,257,590	-	-	1,257,590
Total capital assets	6,495,723	11,582	(15,000)	6,492,305
Accumulated depreciation				
Water utility	2,857,836	120,585	-	2,978,421
Gas utility	779,985	14,582	(15,000)	779,567
Sewer utility	956,525	27,534	-	984,059
Total accumulated depreciation	4,594,346	162,701	(15,000)	4,742,047
Capital assets - net	\$ 1,901,377	\$ (151,119)	\$ -	\$ 1,750,258

NOTE 4: LONG-TERM LIABILITIES

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

Governmental					Amount	Long-
Issue	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year	Term Amount
Series 2019A	\$ 156,667	\$ 0	\$ 20,000	\$ 136,667	\$ 22,083	\$ 114,584
Total governmental	\$ 156,667	\$ 0	\$ 20,000	\$ 136,667	\$ 22,083	\$ 114,584

Business-Type					Amount	Amount
Issue	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year	Due Within One Year
Series 2016C	\$ 905,000	\$ -	\$ 55,000	\$ 850,000	\$ 55,000	\$ 795,000
Series 2004	76,700	-	2,100	74,600	2,200	72,400
BTADD	59,311	-	8,926	50,385	9,052	41,333
Total business-type	\$ 1,041,011	\$ -	\$ 66,026	\$ 974,985	\$ 66,252	\$ 908,733

NOTE 4: LONG-TERM LIABILITIES - CONTINUED

Obligations outstanding at year end are as follows:

Governmental			Balance
Issue	Proceeds	Rates	June 30, 2023
Series 2019A	\$ 200,000	2.400% - 3.500%	\$ 136,667
Total governmental			\$ 136,667

Business-Type			Balance
Issue	Proceeds	Rates	June 30, 2023
Series 2016C	\$ 1,150,000	3.200%	\$ 850,000
Series 2004	\$ -	4.500%	74,600
BTADD 2019	\$ -	2.000%	50,385
Total business-type			\$ 974,985

Debt service requirements for the City are as follows:

Governmental			
June 30	Principal	Interest	Total
2024	\$ 22,083	\$ 4,833	\$ 26,916
2025	25,000	4,174	29,174
2026	25,000	3,361	28,361
2027	25,000	2,549	27,549
2028	25,000	1,731	26,731
2029	14,584	630	15,214
Total	\$ 136,667	\$ 17,278	\$ 153,945

Business-Type			
June 30	Principal	Interest	Total
2024	\$ 66,252	\$ 30,886	\$ 97,138
2025	66,535	28,843	95,378
2026	71,821	26,713	98,534
2027	72,111	24,495	96,606
2028	75,666	22,283	97,949
2029-2033	350,000	77,490	427,490
2034-2038	243,800	20,319	264,119
2039-2043	23,600	4,454	28,054
2044	5,200	234	5,434
Total	\$ 974,985	\$ 235,717	\$ 1,210,702

NOTE 4: LONG-TERM LIABILITIES - CONTINUED

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 \$21,932.

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, 2023, 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.

REQUIRED SUPPLEMENTARY INFORMATION

Draft

City of Augusta, Kentucky
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2023

	Budgeted Amounts			Variance
	Original	Final	Actual	Final to Actual
Revenues				
Taxes	\$ 289,600	\$ 289,600	\$ 308,983	\$ 19,383
Licenses and permits	704,480	704,480	840,470	135,990
Intergovernmental	120,049	120,049	333,305	213,256
Charges for services	364,000	364,000	495,743	131,743
Other revenue	503,014	503,014	60,425	(442,589)
Investment income	-	-	6	6
Total revenues	1,981,143	1,981,143	2,038,932	57,789
Expenditures				
General government and tourism	869,994	869,994	705,096	164,898
Police	392,808	392,808	284,700	108,108
Fire	35,100	35,100	30,651	4,449
Public works and sanitation	532,650	532,650	760,739	(228,089)
Parks and recreation	150,591	150,591	111,294	39,297
Total expenditures	1,981,143	1,981,143	1,892,480	88,663
Net change in fund balances	-	-	146,452	(30,874)
Fund balances - beginning of year	7,362,522	736,252	447,751	(288,501)
Fund balances - end of year	<u>\$ 7,362,522</u>	<u>\$ 736,252</u>	<u>\$ 594,203</u>	<u>\$ (319,375)</u>

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.

Draft



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, 2023 and the related notes to the financial statements, which collectively comprise the City basic financial statements and have issued our report thereon dated February 28, 2024.

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 February 28, 2024.

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

February 28, 2024

2023-01 Bank Collateral. Bank collateral is not sufficient to cover the City's deposits. We recommend that the City work with the bank to obtain adequate collateral coverage. See Note 2 to the financial statements.

2023-02 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.

2023-03 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.

2023-04 Software Logins. Software logins are shared among staff. We recommend providing each employee with their login so that an audit trail is established in the accounting software.

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

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____