

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CITY OF DRAKESBORO D/B/A)	
DRAKESBORO NATURAL GAS)	
COMPANY)	
_____)	
ELECTRONIC INVESTIGATION OF ALLEGED)	CASE NO.
FAILURE TO COMPLY WITH)	2019-00065
KRS 278.495, 807 KAR 5:027, AND)	
49 C.F.R. PART 192)	

RESPONSE TO REQUEST FOR INFORMATION

Comes now, the City of Drakesboro (hereafter the “City”), by counsel, and for its response to a request for information by the Public Service Commission states as follows:

The Public Service Commission requested information relating to five issues. Each of these issues is addressed separately in this pleading.

1. Completion of Phase I project.

The City intends to file a motion for additional time to meet this requirement. In order to compete this requirement, a large sum of money will need to be expended by the City. As is addressed more fully below, the City has undergone the necessary audits for obtaining a grant and/or financing. Part of this Phase I, as understood by counsel, is the installation of new rectifiers. The City has contracted to have new rectifiers installed – with an install date scheduled for September 7, 2021.

You will find attached to this filing correspondence between the City and Corrosion Solution evidencing the plan to install these new rectifiers.

In addition to the installation of new regulators, the City has installed two new regulators at the purchase point at Horseshoe Loop.

Finally with respect to this issue, the City submits that it intends to continue its engagement with RussMar as its operator through at least 2023. This arrangement will ensure that the continued efforts to safely provide natural gas to Muhlenberg County citizens will be maintained. RussMar will help to facilitate the upgrades to the system as required by the Public Service Commission's order relating to the projects that must be completed and simultaneously monitor the system's safety and condition.

2. Replacement of Regulators and Performance of Related Work on Regulator Station

The City has installed two new regulators. Please see the attached documents evidencing the installation of such regulators. In addition to this replacement work, the City is working with engineers on a second phase of replacement work at same regulator station.

3. Development of a Plan for the Replacement of Steel Mains

The City has utilized Abacus Engineering to develop an initial plan with respect to the replacement of the steel mains. Please see the attached letter from Abacus Engineering outlining the needs and estimate costs for this work. As was referenced in section one, above, the replacement of this system component will require additional funding which is addressed below.

4. Completion of Audits

The City has undergone extensive auditing. Please find the attached audit reports.

5. Status of Efforts to Obtain Financing

The City's completion of audits has enabled it to seek a Kentucky Community Development Block Grant. The lengthy application for this grant has been submitted and a decision on the grant is being awaited. Please find attached a copy of the City's application with this potential funding source.

The City is also seeking funding from Muhlenberg County's fiscal court. It is the understanding of City administration that Muhlenberg County has been awarded several million dollars for infrastructure works as a result of Covid relief funding. It is hoped that some of these funds will be used for City improvements to the natural gas system.

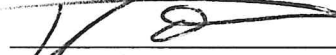
While the City certainly hopes and seeks for funding that does not require repayment, at least not in full, the City recognizes that it is likely that at least a portion of the improvements to the natural gas system will need to come from sources other than grants. Fortunately, based on the audits prepared, the City's operations are sufficiently profitable that the City can repay loans for the funding of the project.

Thus, depending on the City's success in getting grants, the City may seek loans through either traditional lenders (such as local banks) or through other lenders such as quasi-governmental agencies that finance infrastructure projects.

Upon a decision on the above-referenced grant application, the City will provide an update to the Public Service Commission on the type of additional financing it seeks.

Respectfully submitted,

YONTS, SHERMAN & DRISKILL, P.S.C.



Ryan Driskill
P.O. Box 370
Greenville, KY 42345
rdrisk@hotmail.com
Phone: 270.338.0816
Fax: 270.338.0816

CERTIFICATE OF SERVICE

This is to certify that the above motion was filed electronically on this the 7th day of March, 2021 and served upon the Honorable John Parks by electronic mail at John.Park@ky.gov.



Ryan Bennett Driskill



P.O. Box 1164, Richmond, Kentucky 40476
236 Boggs Lane, Suite 4

"Surveys you can count on."

Abacus Engineering &
Land Surveying, Inc.
c/o: Dwayne Wheatley, PE, LS
236 Boggs Lane, Suite 4
Richmond, KY 40475

March 20, 2020

Mayor Mike Jones
P.O. Box 129
Drakesboro, KY 42337

RE: Drakesboro Gas Line Rehabilitation

Mayor Jones:

Recently Abacus Engineering & Land Surveying, Inc. (hereinafter Abacus) conducted a review of the Drakesboro Gas Distribution System. Abacus has since identified the areas of most concern and can now make a recommendation for Phase I remediation on the portion of said gas main. The gas main along Kentucky Highway 431 (John Prine Avenue) has been found to present the largest threat to the safety of the City of Drakesboro and its citizens. Therefore, we recommend Phase I replacement be considered as beginning immediately south of Gregory's Recycling and proceed northward along Highway 431, crossing Kentucky Highway 176 (Mose Rager Boulevard), and continuing northward to the intersection of Highway 431 and Cornette Street.

Phase I will entail replacement of approximately 5,000 lineal feet of steel gas line with four-inch (4") diameter polyethylene gas line. Of the total distance, 7,800 lineal feet will be replaced between the end points described above. The remaining 2,800 lineal feet of line will be placed westward along Highway 176 (Mose Rager Boulevard) beginning at the intersection of Highway 431 with Highway 176. This will end the gas line replacement and place the tie-in just past the City Limits of Drakesboro.

We have estimated that the work involved for said remediation will involve, but not be limited to, the following materials/actions: a quantity of ten, four-inch tie-ins with valves, 1,000 lineal feet of horizontal directional drilling to cross roadways, a quantity of six two-inch tie-ins with 5,340 lineal feet of line, and finally forty-six service tie-ins split between the long side and short side of the main line. Once the project begins in earnest, we may find that more work is required so all these estimates and the pricing shown below should be considered as preliminary and subject to change at any time during the completion of this project.

Preliminary Cost Estimate

ITEM #	DESCRIPTION	QTY	UNIT	UNIT PRICE	TOTAL PRICE
1	RECTIFIER	3	EACH	\$44,000.00	\$132,000.00
2	CP FIELD ASSESSMENT	1	EACH	\$13,800.00	\$13,800.00
3	CP ENGINEERING DESIGN	1	EACH	\$16,500.00	\$16,500.00
4	CP COMMISSIONING & REPORT	1	EACH	\$13,000.00	\$13,000.00
5	4" DIA. POLYETHYLENE	7,800	LINEAL FEET	\$47.72	\$372,216.00
6	4" DIA. TIE-IN	10	EACH	\$5,388.84	\$53,888.40
7	4" DIA. VALVE	10	EACH	\$643.60	\$6,436.00
8	4" DIA. HORZ. DIR. DRILL	1,000	LINEAL FEET	\$61.07	\$61,070.00
9	2" DIA. MAIN	5,340	LINEAL FEET	\$23.75	\$126,825.00
10	2" TDW TIE-IN	6	EACH	\$3,923.13	\$23,538.75
11	SERVICE LINE (LONG-SIDE)	27	EACH	\$2,408.00	\$65,016.00
12	SERVICE LINE (SHORT-SIDE)	19	EACH	\$1,350.80	\$25,665.20
13	CIVIL ENGINEERING DESIGN	1	EACH	\$35,000	\$35,000.00
14	KY DEPT OF TRANS. PERMITTING	1	EACH	\$10,000	\$10,000.00
15	CONSTRUCTION STAKE-OUT	1	EACH	\$15,000	\$15,000.00
16	CONSTRUCTION INSPECTION	1	EACH	\$30,000	\$30,000.00
				GRAND TOTAL	\$999,955.35

We look forward to working with you and the City of Drakesboro to bring this project to fruition and bring a sense of safety back to your town.

Sincerely, Dwayne Wheatley.



*Corrosion Solutions, LLC
858 Wellington Way
Collierville, TN 38017
Office 901-491-8563*

February 3, 2021

City of Drakesboro
Honorable Mike Jones
212 Mose Rager Blvd.
Drakesboro, KY 42337

Dear Mayor Jones,

First of all thank you and Dee for the hospitality shown to me during my visit. Upon your request an evaluation was conducted on the cathodic protection system for the city owned natural gas system. Investigation revealed that the rectifier was down due to an internal short in the transformer. The unit could not be repaired at that time therefore my portable rectifier was used for testing purposes. An attempt to use the existing ground bed was futile with the circuit resistance being too great. Another source was utilized as a temporary ground bed being able to drive 19 amps with current interruption. Pipe-to-soil potentials were collected around town and ranged from -1.426 to -1.108 volts. A gas system short was also discovered at 516 Highway 4341, which was draining 4.6 amps (25%) from the system. The service was located approximately 1000' from the rectifier which reduced the effectiveness of the rectifier output. Dee is to correct this operating condition in the near future.

We traveled to the Texas Gas Gate Station taking potentials along the way. As we left town the potentials decreased substantially. There are numerous gas system shorts suspected within the system like the one mentioned earlier. The potential at the gate station was -0.698 volt, but we did see interruption, which is a good sign. We also stopped at an abandoned well and tested for electrical isolation in which there was none. This abandoned well and piping is taking way cathodic protection currents from your gas system. If this is not, nor ever will be used, it should be electrically isolated from your system. The termination point should be on the West side of the road. This would relieve you of the liability associated with the road casing. I understand there is PE pipe installed on gas mains outside the city. However, it is believed that the steel portion in which the PE is utilized feeds from both ends that are electrically common to the impressed current system (rectifier and ground bed). A soil resistivity test was conducted at the current ground bed site. The results indicate the rectifier installed at this site is extremely undersized for these soil conditions. With that said I would not repair this unit.

Recommendations based on my findings:

- Conduct a system short investigation. This can be accomplished by testing each steel gas service on the system with an instrument made for this application, Tinker-Rasor model RF-IT insulation tester. Another method is walking the entire steel gas main with an electronic short detector by a qualified individual familiar with this equipment. Repair all shorts and test with RE-IT before leaving that location.
- Abandon the current impressed ground bed in place due to poor design and soil conditions.

- Search for two new impressed current system sites, one in or close to town and the other around the Beechmont area. As we discussed, the parameters include a distance of 150' minimum perpendicular distance from the gas main. The header cable installed at a depth suitable to you and land owner. The actual ground bed will be approximately 30'-35' in length, 12" wide with a minimum depth of 6'. Consideration for power with service drop pole and negative attachment to pipe for rectifier. (Service power to be single phase 220 volt. Maximum wattage for rectifier is 2200 watts.)
- Once the impressed current systems are operational the magnesium anodes will be disconnected and retired in place.

Thank you for the opportunity to provide services to the City of Drakesboro natural gas system. If you have questions or concerns about the content of this letter please contact me at 901-491-8563.

Regards,

William D. Tucker

William D. Tucker
Corrosion Solutions, LLC
Senior Corrosion Technologist
NACE #3971



*Corrosion Solutions, LLC
858 Wellington Way
Collierville, TN 38017
Office 901-491-8563*

May 4, 2021

City of Drakesboro
Honorable Mike Jones
212 Mose Rager Blvd.
Drakesboro, KY 42337

Dear Mayor Jones,

The soil resistivity testing for both ground bed sites was completed April 30, 2021 and with that information; the two impressed current systems have been designed. A deposit of \$12,000.00 was received from the City of Drakesboro and all materials have been ordered. The rectifiers were placed in queue with the manufacturers and delivery is expected in seven weeks. I have scheduled all materials to be delivered on or about the same day. Installation of both impressed current systems is expected to be completed no later than the end of June.

Thank you for the opportunity to provide services to the City of Drakesboro natural gas system. If you have any questions contact me at 901-491-8563.

Regards,

William D. Tucker

William D. Tucker
Corrosion Solutions, LLC
Senior Corrosion Technologist
NACE #3971

Kentucky Community Development Block Grant Public Facility Project Application Form Applicant Information

For DLG Use Only	SAI Number	If a Project Involves Water or Sewer Activities
20-	KY202007060874	WRIS Number

PROJECT TITLE Drakesboro Natural Gas System Rehabilitation Project

APPLICANT

Legal Applicant City of Drakesboro		CEO Mike Jones	E-mail Address Jonesv0120@gmail.com		
Street or P. O. Box P.O. Box 129		City Drakesboro	County Muhlenberg	State KY	ZIP Code + 4 42337-0129
Telephone Number 270-476-8986	Fax Number 270-476-7714	DUNS Number 098947757	Tax ID Number 61-6001810	SAM Number	

JOINT APPLICANT

Legal Applicant		CEO	Email Address		
Street or P. O. Box		City	County	State KY	ZIP Code + 4
Telephone Number	Fax Number	DUNS Number	Tax ID Number		

APPLICANT'S LDA or SUBRECIPIENT - CHECK BOX IF A FAITH BASED ORGANIZATION

Name		CEO	Email Address		
Street or P. O. Box		City	County	State KY	ZIP Code + 4
Telephone Number	Fax Number	DUNS Number			

PREPARER

Name Amy Frogue		Telephone Number 270-886-9484	FAX Number 270-886-3211		
Organization Pennyriple Area Development District		E-mail Address Amy.frogue@ky.gov		Certified Administrator Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
Street or P. O. Box 300 Hammond Drive		City Hopkinsville	County Christian	State KY	ZIP Code + 4 42240-7952

State House District 15	State Senate District 6	Congressional District 1	Area Development District Pennyriple
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Kentucky Community Development Block Grant Public Facility Project Application Form Checklist

These forms are designed to obtain pertinent information, **not lengthy narrative**. Forms provided **must** be used and completed according to instructions. Instructions are given below and on the respective forms. **No additional pages will be allowed unless noted on relevant form page.**

Answer all questions--if a particular question is not pertinent to your project, insert N/A. Please type or print all information. Attach and number all exhibits to correspond with the appropriate section.

The following materials constitute a complete application. Attach and number all exhibits to correspond with the appropriate section.

Please provide the page number for each item listed below on the line to the left:

- ___ Project Summary
- ___ Project Funding Summary
- ___ Cost Summary
https://kydlgweb.ky.gov/Documents/CDBG_cities/COSTSUMMARY2010.xls
- ___ Attach a Detailed Cost Estimate from a Professional Engineer – *(Please see page 26 as example)*
- ___ *Project Schedule*
- ___ Mapping Requirements
- ___ Citizen Participation - tear sheet, signed detailed public hearing minutes/handouts, sign-in sheet, and comments
- ___ Please indicate which of the National Objectives, as stated in Section II of the Program Guidelines, that applies to this project:
LMI (complete page 8) Slum\Blight (Contact DLG) Urgent Need (Contact DLG)
If using LMI per survey results, be sure to attach a copy of the LMI Worksheet(s)
https://kydlgweb.ky.gov/Documents/CDBG_cities/AppendixBLMIWorksheetUpdated.xls and an example of a survey form used for the 2019 project
- ___ Certification of Area Income Eligibility
- ___ Person and Household Benefit Profiles
https://kydlgweb.ky.gov/Documents/CDBG_cities/BenefitProfilewithBudgetInfo.xls
- ___ Project Overview – Including Project Need (pg. 14-19) and Project Effectiveness (pg. 20-25)
- ___ Housing and Community Development Needs
- ___ Title VI Form
- ___ Statement of Assurances

Documents to Attach:

- ___ Authorizing Resolution adopted by the community’s governing body
- ___ Documentation supporting Commitment of Other Funds
- ___ Kentucky State Clearinghouse Endorsement, as stated in Section III of the 2019 CDBG Program Guidelines
- ___ Letter signed by the applicant CEO stating how applicant has met threshold requirements as stated in Section III of 2019 CDBG Program Guidelines
- ___ Applicant/Recipient Disclosure/Update Report (form HUD-2880)
<http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/4350.2/43502x18HSGH.pdf>.
- ___ For water or sewer line extension activities, attach evidence that water or sewer lines will serve at least a minimum average of 6 customers per mile
- ___ Attach a copy of the following Division of Water written approvals, if applicable to this project
Water Infrastructure Branch (Planning Approval)
Engineering design and specifications approved**
***These must be dated within 2 years of submission of this form*

NOTE: Partial submissions will NOT be accepted!

**Kentucky Community Development Block Grant
Public Facility Project Application Form
Project Summary**

Project Site Address (including ZIP code + 4):

(If no address, enter address to closest physical location where work is being performed)

Highway 176 (Mose Rager Blvd), and Hwy 431/US 70 (John Prine Ave), Drakesboro

Please provide a detailed description of proposed project. DO NOT exceed page limit

The City of Drakesboro operates a natural gas system that serves to provide natural gas to approximately 507 residential customers (617 total customers). The gas system was originally installed and became operational in the early 1960's and over time has developed substantial issues that led to significant gas loss (60%) and eventual action from the PSC in 2018 because of the health and safety hazards associated with natural gas leaks. PSC gave the City the option of resolving the issues within the system, sell the system to a private entity, or shut the system down completely. Since then, the City has been able to resolve some of the gas loss issues on their own, but this larger project must be completed in order to avoid additional fines to the City. If the City is forced to shut the natural gas system down, this will mean that 507 residences will either have to: 1) convert to propane gas, which is not an easy retrofit and often propane trucks would not have access to roads that serve these residences during inclement weather; or 2) replace all of the appliances and HVAC in the homes with those that will accommodate electric as a source of energy. Because of the high number of low income households being served by the system, this would be cost prohibitive for most of them.

This project will entail the replacement of a portion of the Drakesboro natural gas distribution system including 4", 2", and 1" diameter distribution and service lines. There will be approximately 7,800 lineal feet of 4" diameter steel line replaced with 4" diameter polyethylene, 5,340 lineal feet of 2" diameter steel line replaced with 2" diameter polyethylene, and 46 service lines replaced in Phase I. In addition to the replacement of said portions of steel line, we will be installing up to three rectifiers in the areas where the line was not replaced to bolster the system and protect it from further corrosion/damage using impressed current cathodic protection. This rectifier installation will require collaboration with a cathodic protection design specialist to complete a field assessment, engineering design, and installation of said system. These improvements will make the system sound for at least the next 50 years. The PSC is supportive of this project as indicated in their correspondence (attached).

Kentucky Community Development Block Grant Public Facility Project Application Form Project Funding Summary

FINANCING

Include all funding amounts and sources. Please complete all appropriate columns and indicate the status of funds as "Approved", "Applied For", or "Committed". In-kind contributions should be listed separately on the chart below.

Source	Amount	Project %	Type	Rate	Term	Status of Funds
CDBG	484,977.68					
CDBG Admin/Planning	30,000					
Subtotal - CDBG	514,977.68					
USDA Rural Development	514,977.68					Applied for
Total	1,029,955.35					

Source of In-Kind Contributions	Estimated Amount
Total	

APPLICATION CERTIFICATION

To the best of my knowledge and belief, information in this Form is true and correct. Applicant also agrees to comply with requirements of 24 CFR Part 58.

I also certify, to my knowledge and belief that the information provided in the Community Development Block Grant Application form is identical to the WRIS Project Profile provided via electronic submission to the Kentucky Infrastructure Authority and the eClearinghouse, and this information is true, accurate and complete.

I am aware that the proposed project may be removed from further consideration should it be determined that there are significant discrepancies in the information provided, and/or false, inaccurate or incomplete information has been given.

Signature, Chief Executive Officer

Mayor
Title

Mike Jones
Name Typed

Date

If multi-jurisdictional application, joint applicant must also certify below.

Signature, Chief Executive Officer

Title

Name Typed

Date

Kentucky Community Development Block Grant Public Facility Project Application Form Project Funding Summary

Attach a copy of the Public Facility Project Cost Summary. The Public Facility Project Cost Summary is included in an Excel spreadsheet named *Cost Summary.xls* and that file can be downloaded from the DLG web site (https://kydlgweb.ky.gov/Documents/CDBG_cities/COSTSUMMARY2010.xls).

Replace this page with the completed Cost Summary for this application

Cost Summary

1. Enter the amount of CDBG funds requested for each activity identified in the "CDBG Funds" column.
2. Enter the amount(s) of other funds, i.e. RD, ARC, to be used for each activity in the "Other Funds" column. The source of these funds should be identified in the "Source" column. If more than one (1) "Other Source of Funds" is used for an activity, please identify the amounts and sources separately.
3. When an activity has several components, the sum for all components should be totaled and entered on the "Total" line for the activity.
4. Subtotal all activity costs.
5. Total all project costs (CDBG, Other Funds, and Total Costs). **(Check for mathematical errors.)**

Special Notes:

- Total engineering design and inspection services are based on total construction costs excluding contingencies. CDBG funding for engineering cannot exceed the RD fee schedule. If CDBG, ARC, or local funds are financing engineering costs, provide the RD scale calculations supporting costs.
- All engineering costs should be included in the appropriate line item of the cost summary: 5a thru k. Engineering costs should be broken out and shown in the engineering chart at the bottom of the page.
- Public Services costs are not eligible for CDBG participation except for Recovery Kentucky projects.
- Contingencies: No CDBG funds shall be used for contingencies.
- Program Income is any money generated from CDBG projects and may be eligible for use in public facilities projects. Contact DLG for further information.
- Service lines must be shown as Rehabilitation Grant, Activity Code 4b. **If cost is greater than \$1,000 per household, Section 8 income verification must be completed.** (Contact DLG)
- Do not include in-kind dollars on the Cost Summary.
- Tap fees collected must be included in construction line items and identified in the source column (Make sure to include tap fees on the Project Funding Summary).
- **Tap fees are not considered program income.**

Reminder: Include costs associated with the requirement for recipient to erect a project sign according to CDBG specifications.

Insert the detailed engineers estimate behind the Cost Summary

Kentucky Community Development Block Grant Public Facility Project Application Form Mapping Requirements

All projects must include the following information on their maps:

Replace this page with the completed Maps for this application

1. Include map of the applicant's jurisdiction showing:
 - boundaries of the entire jurisdiction;
 - project's location within the jurisdiction; and
 - areas of minority concentration within the jurisdiction.

2. Include map of the applicant's project area(s). This map must be of engineer's quality, specific to the project area(s), **and must clearly delineate:**
 - boundaries of the project area(s);
 - land to be acquired;
 - floodplain area;
 - drainage problem area; and
 - highways and railroad lines proximate to the project area.
 - water and wastewater treatment plants within the jurisdiction;
 - proposed improvements including sizes/dimensions;
 - sizes/dimensions of existing facilities serving the project area(s);
 - test sites;
 - deficient facilities; and
 - each proposed line by numbering the line and providing number of customers to be served, and length of each proposed line.

3. Include a Census Tract map (s) showing the location of the proposed project. Census Tract Maps can be downloaded at <http://www.census.gov/>

NOTE: Energy and Environment Cabinet (EEC) requires the submission of a copy of a 7.5 minute USGS topographical map delineating these items. It is recommended that the project area map take this form.

**Kentucky Community Development Block Grant
Public Facility Project Application Form
Citizen Participation**

1. Date of publication of notice of CDBG information to the public 7/7/2020

2. Notice of first public hearing

Date of advertisement 7/7/2020

Date of hearing 7/23/2020

3. Describe the other methods used to solicit participation of low and moderate income persons, such as posting notices at public buildings, radio ads, etc...

Publication in Leaders News
Posted notice at City Hall
Discussion at City Council meetings
Social media

4. Describe any adverse comments/complaints received and describe resolution.

No adverse comments received

5. Attach to this form:

- a) Tear sheet of all public notices
- b) Signed Minutes of the public hearing(s) including lists of signatures from attendees, agendas, and handouts
- c) Copy of response(s) to comment(s) and/or complaint(s)

**Kentucky Community Development Block Grant
Public Facility Project Application Form
NATIONAL OBJECTIVES IDENTIFICATION
Low and Moderate Income**

In the first column, list each proposed CDBG activity that will benefit persons of Low and Moderate Income (LMI), exclude planning and administration activities. In the second column provide the applicable Code of Federal Regulations (CFR) citation for LMI benefit. In the third column, respond to the following for each activity. *(Attach additional pages if necessary)*

- 1) Identify source documentation for determining LMI benefit *(e.g. survey, census tract)*
- 2) Explain how each activity will benefit LMI individuals *((1)area benefit, (2)limited clientele, (3)housing, (4)job creation or retention)*
- 3) Provide description of survey method *(if applicable)*

Cost Summary Activity Number	CFR Citation	LMI Benefit
5k	24CFR 570.483(b)(3)	1. Survey - 52.06% LMI 2. Area benefit - the natural gas system rehabilitation will benefit the entire customer base for the Drakesboro Natural Gas System 3. Random survey was completed using the customer list for the natural gas system. There are 507 residential customers on the system; 276 surveys were completed.

Describe how LMI information was assembled

- Community wide
- Census tract/block area *(list census tract numbers, attach copy of map and other documentation)*
- Survey
- Other *(describe)* _____

Please Include the Following

- 1) Attach Certification of Area Income Eligibility *(if surveys were conducted)*
- 2) Attach LMI Worksheets *(if applicable)*
- 3) Attach Sample Survey *(if applicable)*

Note: For CFR (LMI) determination, refer to the HUD Guide to National Objectives for State CDBG program
http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/library/statguide

Kentucky Community Development Block Grant Application
Public Facility Project Application Form
NATIONAL OBJECTIVES IDENTIFICATION
Certification of Area Income Eligibility

To be used by applicants using income surveys as the basis for proving LMI benefit

I certify that a household income survey was performed for the CDBG project area on February 2020 to determine the percentage of low and moderate income (LMI) residents. LMI determination was based on the 2019 HUD income limits for Muhlenberg County. A copy of the survey methodology (sample size and methodology, survey collection method, etc.) is included in the application as part of the Benefit to Low and Moderate Income form. A copy of the survey form used and the LMI worksheet are attached to this Certification.

The survey was carried out in conformance with the 2020 Kentucky CDBG Program Guidelines. To the best of my knowledge, the results of the income survey are true and accurate reflection of current economic conditions in the activity service area.

Signature, Chief Executive Officer

Date

Kentucky Community Development Block Grant Public Facility Project Application Form Benefit Profile

Person Benefit Profile

Identify persons benefiting from the project and enter the number of **total beneficiaries** for all activities (exclude engineering, planning and administration). Individuals who receive benefit from more than one activity should not be double counted within the total. For each activity, persons must be identified by racial and ethnic background.

The individual themselves make this determination.

https://kxdlgweb.ky.gov/Documents/CDBG_cities/BenefitProfilewithBudgetInfo.xls

Replace this page with the completed Person Benefit Profile for this application

1. At the top of the page, list **total** number of beneficiaries for all activities.
2. List the proposed activity number (exclude engineering, planning, and administration).
3. List number of **White** persons benefiting. (A person having origins in any of the original people of Europe, North Africa, or the Middle East)
4. List number of **Black/African American** persons benefiting. (A person having origins in any of the **black** racial groups of Africa.
5. List number of **Asian** persons benefiting. (A person having origins in any of the original people of the Far East, Southeast Asia, the Indian subcontinent, including Cambodia, China, India, Japan, Korea, Malaysia, Pakistan, the Philippine Islands, Thailand, and Vietnam.)
6. List number of **American Indian/Alaskan Native** persons benefiting. (A person having origins in any of the original peoples of North, Central and South America and who maintain tribal affiliation or community attachment.)
7. List number of **Native Hawaiian/Other Pacific Islander** persons benefiting. (A person having origins in any of the original peoples of Hawaii, Guam, Samoa, or other Pacific Islands.)
8. List number of **American Indian/Alaskan Native & Other** persons benefiting.
9. List number of **Asian & White** persons benefiting.
10. List number of **Black/African American & White** persons benefiting.
11. List number of **American Indian/Alaskan Native & Black/African American** persons benefiting.
12. List number of **Other Multi-Racial** persons benefiting.
13. Add together and **total** the number of beneficiaries for all races for an activity and enter the number in the total space.
14. List number of **Hispanic** persons benefiting. (A person of Mexican, Puerto Rican, Cuban, Central or South America or other Spanish culture or origin, regardless of race.). Each person listed in the Total for that race, must be determined to be Hispanic or not. Race is not a factor in this column. Show the number of that race who believe themselves to be Hispanic.
15. Show the Total of all Hispanic persons.

**Kentucky Community Development Block Grant
Public Facility Project Application Form
Benefit Profile**

16. List number of **female head of households** benefiting.
17. List number and percent of **extremely low income** persons benefiting (0% to 30% of median).
18. List number and percent of **very low income** persons benefiting (31% to 50% of median).
19. List number and percent of **low income** persons benefiting (51% to 80% of median).
20. Add 17, 18, and 19 together and show the total number and percentage of LMI persons.
21. List number of persons who are not low to moderate income (above 81% of median).
22. List all sources of funding (CDBG, HOME, ESG, HOPWA, ARC, etc) and amount of funds to be expended by **project activity**.
23. Complete as many sections as necessary to report beneficiaries for all CDBG funded project activities.

Reminder: Check all numbers for accuracy and consistency with other application paperwork, especially the worksheet and the customer report (question 10a.)

Kentucky Community Development Block Grant Public Facility Project Application Form Benefit Profile

Household Benefit Profile

Please complete a Household Benefit Profile using the *Benefit Profile* spreadsheet that is a separate file. Use the following instructions in completing that spreadsheet. Identify families benefiting from the project and enter the number of **total households** for all CDBG funded activities (exclude engineering, planning, and administration). The numbers provided should be consistent with each specific housing survey. For each activity, household must be identified by racial and ethnic background. **The individual themselves make this determination.**

https://kydglweb.ky.gov/Documents/CDBG_cities/BenefitProfilewithBudgetInfo.xls

Replace this page with the completed Household Benefit Profile for this application

1. At the top of the page, list the **total** number of households for each activity.
2. List the proposed activity number (exclude engineering, planning, and administration).
3. List number of **White** households benefiting. (A person having origins in any of the original people of Europe, North Africa, or the Middle East.)
4. List number of **Black/African American** households benefiting. (A person having origins in any of the **black** racial groups of Africa.)
5. List number of **Asian** households benefiting. (A person having origins in any of the original people of the Far East, Southeast Asia, the Indian subcontinent, including Cambodia, China, India, Japan, Korea, Malaysia, Pakistan, the Philippine Islands, Thailand, and Vietnam.)
6. List number of **American Indian/Alaskan Native** households benefiting. (A person having origins in any of the original peoples of North, Central and South America and who maintain tribal affiliation or community attachment.)
7. List number of **Native Hawaiian/Other Pacific Islander** households benefiting. (A person having origins in any of the original peoples of Hawaii, Guam, Samoa, or other Pacific Islands.)
8. List number of **American Indian/Alaskan Native & Other** households benefiting.
9. List number of **Asian & White** households benefiting.
10. List number of **Black/African American & White** households benefiting.
11. List number of **American Indian/Alaskan Native & Black/African American** households benefiting.
12. List number of **Other Multi-Racial** households benefiting.
13. Add together and **total** the number of households for all races for an activity and enter the number in the total space.
14. List number of **Hispanic** households benefiting. (A person of Mexican, Puerto Rican, Cuban, Central or South America or other Spanish culture or origin, regardless of race.). Each person listed in the Total for that race, must be determined to be Hispanic or not. Race is not a factor in this column. Show the number of that race who believe themselves to be Hispanic.

**Kentucky Community Development Block Grant
Public Facility Project Application Form
Benefit Profile**

15. Show the Total of all Hispanic households.
16. List number of **female head of households** benefiting.
17. List number of **households with disabled persons** benefiting.
18. List number and percent of **extremely low-income** households benefiting (0% to 30% of median).
19. List number and percent of **very low-income** households benefiting (31% to 50% of median).
20. List number and percent of **low-income** households benefiting (51% to 80% of median).
21. Add 17, 18, and 19 together and show the total number and percentage of LMI households.
22. List number of households who are not low to moderate income (above 81% and above).
23. List all sources of funding (CDBG, HOME, ESG, HOPWA, ARC, etc) and amount of funds to be expended **by project activity**.
24. Complete as many sections as necessary to report households for all CDBG funded project activities.

Reminder: Check all numbers for accuracy and consistency with other application paperwork, especially the worksheet and the customer report (question 10a.)

Kentucky Community Development Block Grant Application

Public Facility Project Application Form

Public Facilities Project Overview

PROJECT NEED

1. When were plant and/or system which serves the proposed project originally constructed? 1960

List Major Improvements, if any	Year Completed	Funding Used	Approximate Cost
n/a			

2. List the areas within the proposed project to be served (i.e. names of roads, communities, neighborhoods) as indicated on maps. *(Attach additional page if necessary, using same format)*
Use the corresponding area letters as needed for questions 3, 5, and effectiveness question 12a

Area	Road, Community or Neighborhood	Area	Road, Community or Neighborhood
a	Hwy 176 (Mose Rager Blvd)	g	
b	US 431/US 70 (John Prine Ave)	h	
c	City limits of Drakesboro	i	
d		j	
e		k	
f		l	

3. List and briefly discuss **problems** or **sickness** and identify areas. Include reference to sources of documentation as listed under methodology. *(Attach additional page if necessary, using same format)*

Area(s)	Type of Sickness or Problems	# of Cases	Documentation
a	Gas line leaks/breaks		
b	Gas line leaks/breaks		
c	Gas line leaks/breaks		

Kentucky Community Development Block Grant Application
Public Facility Project Application Form
Public Facilities Project Overview

4. Discuss the amount of water loss in the water distribution system, especially percentage of loss (i.e. 30% loss).

Gas system was at 60% gas loss earlier in 2019; has since been reduced to and remains around 10-15% gas loss by volume

If any correction is proposed, identify the percentage of water loss to be remedied.

Project would reduce additional gas loss by approximately 15% to remedy 100% of the gas losses within the Phase I area

5. Briefly describe areas with storage problems, pressure problems, or I & I problems and reference documentation as listed under methodology. (Examples: dates studies were conducted and conclusions, frequency and duration of pressure problems, actions taken to date to correct problems, public comments/complaints)

With a gas main there is no real storage aside from the product moving within the line itself. During the course of the past year, eight (8) separate leaks were repaired and five (5) leaks have already been repaired this calendar year. In addition, the system is fast approaching obsolescence and parts to repair the ongoing issues are becoming more and more difficult to procure.

6. Briefly discuss the level of contamination in regard to the water supply or sewage problems (Include number of tests/samples taken or studies conducted, type of contamination, source, type of problem, results of the tests/samples or studies conducted, etc. If inflow and infiltration are a problem, quantify the amount and the amount of reduction expected.)

Unlike a water or sewer system, a gas system will not have an I & I function, nor will it have a contamination factor. The real problem with a natural gas system is that any leak has the potential to become an explosive even at the cost of damage to property, infrastructure, and possible loss of life. Given the larger of the lines (4" diameter), were a punctured/leaking line to cause an explosive event, the blast radius has the potential to be upwards of 100' radius. What this means is that any person, building, etc within that area is in catastrophic danger should an event occur.

**Kentucky Community Development Block Grant Application
Public Facility Project Application Form
Public Facilities Project Overview**

7. Identify current sanctions and attach copy(ies)

	Date Imposed	Fines Levied to Date	Final Compliance Date
Administrative Order			
Agreed Order			
Tap-on Ban			
Line Extension Ban			
Other (<i>Explain</i>) PSC Order	2/28/19	\$30,150	

8. Additional Project Information:

- a. Identify the beneficiaries' source of raw and treated water.
Drakesboro purchases all gas through contracts with natural gas providers; currently has contract with Constellation Energy for gas purchase _____
- b. Identify the location of the sewer system outfall.

- c. Is there a water management or facility plan for this project? System maintenance and operation plan exists
If yes, when was the plan last updated? 2019 as required by PSC
- d. Identify the entity that will own and maintain the proposed infrastructure.

- e. In regards to operations and maintenance, does the responsible entity have the required number of operators? Yes, operation contracted with 3rd party that retains certified operators
Are the operators certified at the required level? Yes
Are there other maintenance issues other than those discussed under the Project Need?
n/a

9. **Briefly** summarize **other** needs related to this project.

Should the PSC force the City to cease operation of the natural gas system, this would cause each household that is currently using natural gas to be forced to convert all appliances to electric, or switch to propane gas. These alternatives would prove to be cost prohibitive in many cases, given the income levels of the households in Drakesboro. In addition to the cost of conversion from natural gas to propane, propane trucks may not have access to all roads in Drakesboro for delivery during times of inclement weather, leaving homeowners without access to refill tanks in high demand seasons.

Kentucky Community Development Block Grant Application
Public Facility Project Application Form
Public Facilities Project Overview

10. Methodology: List how you determined your needs and sources of documentation used.
If a site visit is scheduled, these items will be reviewed

Abacus Engineering conducted a review of the Drakesboro Natural Gas Distribution System. In the review, Abacus identified the areas of most concern and made a recommendation for Phase I remediation on the portion of said gas line.

**Kentucky Community Development Block Grant Application
Public Facility Project Application Form
Public Facilities Project Overview**

11. a. Show the number of customers to benefit from the proposed project.

	Existing Customers	New Customers
Households	507	
Other: Businesses, Churches, Schools, Industry, etc. <i>(Count as 1 each)</i>	110	
Miscellaneous <i>(Identify)</i>		
Total Customers	617	

b. Describe the method used to determine the numbers provided in 10.a. above. *(i.e. surveys, billing records, customer base, ...)*

Billing records

Kentucky Community Development Block Grant Application

Public Facility Project Application Form

Public Facilities Project Overview

PROJECT EFFECTIVENESS

1. a. Cost of tap-on or hook-up fee \$250

Discuss what services the fee covers

\$250 covers cost of connection and service line of less than 30 ft.; if service line extends beyond 30 ft., additional \$3/ft. is charged for hookup

b. What is the amount of over-income tap fees/hook-up fees you expect to collect? _____
 (Number of over income households per LMI Worksheet (Part B, #13) x tap fees)

2. Are you providing service lines? Yes No
 (Service lines are the lines installed from the property line to the residence.)

If yes,

a	Number of Households	
b	Estimated cost per foot	
c	Average feet per household	
d	How will they be paid	

2. a. Provide amount budgeted for acquisition. \$0 _____

b. How were acquisition costs determined?

All repairs will be on lines currently in the ground; no additional easements required.

c. How many easements will be required? 0 Time Frame _____

d. How many acres of property will be required? 0 Time Frame _____

4. Does PSC have jurisdiction over this project? Yes No

If yes, what is the time frame for approval? PSC is supportive of Phase I project

QUESTIONS #5 AND #6 MUST BE COMPLETED FOR ALL PROJECTS

5. a. List the rate for WATER service based on 4,000 gallons: Current _____ Proposed _____

b. Average residential customer monthly water usage: _____ gallons

c. Date of last rate increase _____

d. Rate for 4,000 gallons prior to last rate increase _____

e. Rate for 4,000 gallons if project is completed without CDBG funding _____

f. Provide rate calculation for proposed rates:

g. Provide rate calculation without CDBG assistance:

**Kentucky Community Development Block Grant Application
Public Facility Project Application Form
Public Facilities Project Overview**

6. a. List the rate for SEWER service based on 4,000 gallons: Current

Proposed

b. How is the sewer usage rate calculated (*i.e. 90% of water usage*)

\$21 base rate (inside city limits); \$23 base rate (outside city limits; gas is billed at \$1.40 per mega cubic foot usage in addition to the base rate

c. Date of last rate increase _____

d. Rate for 4,000 gallons **prior** to last rate increase _____

e. Rate for 4,000 gallons if project is completed without CDBG funding _____

f. Provide rate calculation for proposed rates:

g. Provide rate calculation without CDBG assistance (*Difference between f. and g. should be the cost of borrowing in lieu of grant. Assume typical rate and term for KIA or RD loan and spread monthly cost among all rate payers*):
with CDBG \$517,978 @ 3.5%, 30 yrs = \$2,325.95/month (total payment \$837,342) or
\$1,357 per customer
without CDBG \$1,029,956 @ 3.5%, 30 yrs = \$4,624.96/month (total payment \$1,664,986) or
\$2,699 per customer_

7. a. Are the water and sewer revenues placed in separate accounts? Yes No

If no, briefly explain

b. Are water revenues expended for water related activities only? Yes No

Are sewer revenues expended for sewer related activities only? Yes No

If no, briefly explain

8. If program income has been received from any CDBG project, what is the balance on hand?

Current Balance n/a

Amount expected to be received in the next 12 months n/a

Kentucky Community Development Block Grant Application Public Facility Project Application Form Public Facilities Project Overview

9. a. Briefly discuss current/proposed water purchase or sewer treatment agreements. Include the nature of arrangements and cost.

CURRENT

City has a current 3 year purchase agreement (beginning 10/1/20) with Constellation Energy to purchase gas at \$2.65 per decatherm (commodity rate)

PROPOSED

City will re-negotiate purchase agreement upon expiration in 2023

- b. Provide the following capacity and usage information for the water or sewer plant that serves the proposed project.

	Current			Proposed	
1.	Design Capacity		MGD		MGD
2.	Total existing customer usage		MGD		
3.	Total new customer usage				MGD
4.	Total of # 2 and # 3				MGD

- c. Explain project readiness. *(Include at minimum the status of other funds applications, engineering design, and environmental review.)*

The project engineer has been procured according to 2 CFR 200. Engineer has conducted preliminary review and estimate of cost; full design will begin once funding sources are committed.

**Kentucky Community Development Block Grant Application
Public Facility Project Application Form
Public Facilities Project Overview**

10. Discuss all local contributions to the project. *(Financial and other)*

The City of Drakesboro has applied for and is willing to accept loan funding as their match for the project. The City has expended a great deal of local funding on the system in order to avoid PSC fines; however, additional financial assistance is needed in order to complete the project identified.

11. a. Specify the provisions for LMI persons included in the project. Be specific and provide the number of subsidized service lines, tap fee assistance, etc.

This project will benefit all persons, including those LMI persons and households, that are served by the Drakesboro Natural Gas System. The City currently works with LMI families regarding payment of past due bills, offering payment plans for those that cannot afford large past due bills.

b. Have you formalized a policy outlining LMI provisions stated above? Yes No
(Attach a copy of the draft or formalized provisions)

12. a. For line extensions, provide the number of new customers to benefit per mile for each area. This section must correspond to areas as listed under Project Need. *(Attach additional pages if necessary, using same format)*

No new line extensions will be added in this project

Area	# of Customers to be Served	Miles of Line	Customers Per Mile
a	n/a		
b			
c			
d			
e			
f			
g			
h			
i			
j			
k			
l			

**Kentucky Community Development Block Grant Application
Public Facility Project Application Form
Public Facilities Project Overview**

- b. For those areas with less than 6 customers per mile in 12a above, provide the rationale for the economic feasibility of serving the areas.

n/a

13. a. Provide rationale for the manner in which the proposed project will (not) address system regionalization. *(Include discussion of feasibility of connecting to the nearest distribution, collection or treatment facility)*

There are no other publicly owned natural gas systems that would allow for regionalization. The only options are for the City to abandon the system, which would force residents to seek alternative, often expensive means for heating/cooling and other needs; or for a privately operated gas system to take over the system, which could potentially negatively affect the cost to customers.

- b. Will the proposed project eliminate any existing water or sewer treatment facilities?
Yes No

If yes, name each treatment facility. *(Include small package facilities)*

14. Mandatory connection of sewer customers is required for sewer projects. Does the applicant(s) have a mandatory sewer hookup/sewage use ordinance or other method to ensure sewer hookup for new customers in place or proposed? Yes No N/A
(If yes, attach a copy)

15. What percentage of households in the jurisdiction is currently served? 40 %

What percentage of households in the jurisdiction will be served upon completion of the project? 40 %

**Kentucky Community Development Block Grant
Public Facility Project Application Form
Detailed Engineer's Cost Estimate**

(This is a SAMPLE and is not all inclusive)
CHECK MATH and AGAINST COST SUMMARY
Insert this page behind the Cost Summary

Item	Unit	Quantity	Unit Price	Total Price
Pump Station				
Concrete	CY	90	\$500	\$45,000
Hatches	EA	7	\$3,000	\$21,000
Slide Gate	EA	1	\$8,000	\$8,000
6" Pipe	LF	60	\$50	\$3,000
6" Check Valve	EA	3	\$3,000	\$9,000
6" Isolation Valve	EA	3	\$2,400	\$7,200
10" x 10" tie in	EA	1	\$5,000	\$5,000
Pumps	EA	3	\$33,800	\$101,400
Building	EA	1	\$40,338	\$40,338
Electrical	LS	1	\$90,000	\$90,000
Misc	LS	1	\$15,000	\$15,000
Gravity Pipe (18")	LF	10	\$100	\$1,000
Gravity Pipe (15")	LF	65	\$75	\$4,875
Gravity Pipe (12")	LF	116	\$60	\$6,960
Manholes	EA	3	\$4,000	\$12,000
Force Main (10")	LF	50	\$60	\$3,000
Site work	LS	1	\$15,000	\$15,000
Demolition (by City)	LS	0	\$0	\$0
Subtotal Construction				\$387,773
Total Construction with Contingency				\$58,227
Preliminary Engineering (survey performed by City)				\$14,000
Final Design (10%)				\$45,000
Bidding/Construction Administration (Excluding Resident Rep.)				\$24,000
Total Project Excluding Resident Representation				\$529,000

Resident Representation	\$34,860
Total Project Cost with Resident Representation	\$563,860

**Kentucky Community Development Block Grant
Public Facility Project Application Form
TITLE VI Form**

INSTRUCTIONS

This form is used to define your community's overall housing and community development needs. All questions in each category must be answered even if your project is not designed to specifically address that category. All questions must be answered in respect to the entire jurisdiction of the applicant(s), not just the project area.

A. ECONOMIC DEVELOPMENT

1. Describe the overall economic development needs.

The major economic development needs for the City of Drakesboro are: increased number of high wage jobs, long term full time job opportunities, business development, and reversing the industrial decline in the area.

Source/Rationale

Local officials, Economic Development Officials.

2. Describe the overall economic development needs specific to LMI residents.

As stated above, one of the greatest needs is the opportunity for higher paying, long term, full time jobs. New job opportunities for LMI residents are especially scarce within the City of Drakesboro.

Source/Rationale

Local Officials, citizens, Western Kentucky Workforce Development Board, and Economic Development Board.

3. Describe the community's goals (methods for meeting needs) projected for three years.

1. Ensure the availability of adequate infrastructure for the citizens of the community and for new industry.
2. Identify economic development opportunities for the City.
3. Encourage cooperation with local, regional and state ED organizations.

4. Describe the relationship of the proposed project to the stated economic development goals.

The rehabilitation of the wastewater collection system and WWTP will allow for future opportunities in attracting new manufacturing plants that will pay higher wages and benefit in particular LMI families in Drakesboro and the surrounding area.

B. HOUSING

1. Describe the overall housing needs.

As the elderly population of Kentucky grows, the need for affordable, safe, sanitary and decent housing for the elderly continues to be a great concern for the Commonwealth of Kentucky as well as the City of Drakesboro. There is also a need for affordable, safe sanitary and decent housing for low to moderate income residents of the City. The City of Drakesboro has a high percentage of homes that were built

**Kentucky Community Development Block Grant
Public Facility Project Application Form
TITLE VI Form**

prior to 1950, resulting in a number of homes that are in poor condition.

Source/Rationale

Pennyrile Housing Corporation, Kentucky Housing Corporation, HUD and Local Officials.

2. Describe the overall housing needs specific to LMI residents.

Due to the age and condition of rental housing and affordable housing for purchase to low and moderate income residents, the greatest need would be the availability of affordable, safe, sanitary and decent housing for these residents. LMI are increasingly unable to afford the cost incurred from making required improvements to their homes. Solutions to these problems could be achieved through rehabilitation programs and affordable home ownership program.

Source/Rationale

Pennyrile Housing Corporation, Kentucky Housing Corporation, HUD and local officials

3. Describe the community's goals (methods for meeting needs) projected for three years.

1. Coordinate with housing agencies in developing rehabilitation programs.
2. Through the Pennyrile Housing Corporation, offer affordable, safe, sanitary and decent housing for first time low and moderate income homebuyers.
3. Apply for funding through the Pennyrile Area Development District, Kentucky Housing Corporation, and Department for Local Government for housing related grants and/or loans.

4. Describe the relationship of the proposed project to the stated housing goals.

The project will improve the overall quality of the City as a place to live and will assist the City in attracting potential employers to the area.

C. PUBLIC FACILITIES

1. Describe the overall public facilities needs.

1. Provide adequate water and wastewater services for the residents, industry and commercial land uses.
2. Improve current transportation routes.
3. Continue infrastructure development in existing industrial parks.

Source/Rationale

Local officials, citizens and Economic Development Council.

**Kentucky Community Development Block Grant
Public Facility Project Application Form
TITLE VI Form**

2. Describe the overall public facilities needs specific to LMI residents.

The City of Drakesboro currently provides public facilities service to adequately serve LMI residents of the City. The public facilities need assistance for funding projects in order to avoid increasing rates for LMI residents.

Source/Rationale

Local Officials, residents

3. Describe the community's goals (methods for meeting needs) projected for three years.

The overall public facility goal for the City of Drakesboro is to efficiently maintain the current condition of all facilities and upgrade where necessary in order to meet the needs of the public.

4. Describe the relationship of the proposed project to the stated public facilities goals.

The proposed project will maintain the level of public facility service to the residents of the City.

**Kentucky Community Development Block Grant
Public Facility Project Application Form
TITLE VI Form**

Form Approved
OMB No.2506-0043

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

INSTRUCTIONS FOR COMPLIANCE WITH TITLE VI

OF THE CIVIL RIGHTS ACT OF 1964

Title VI of the Civil Rights Act of 1964 states

“No person in the United States shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.”

Section 1.4(b) (2) (i) of the regulations of the Department of Housing and Urban Development issued pursuant to Title VI requires that:

“A recipient, in determining the types of housing, accommodations, facilities, services, financial aid, or other benefits which will be provided under any such program or activity, or the class of persons to whom, or the situations in which, such housing, accommodations, facilities, services, financial aid, or other benefits will be provided under any such program or activity, or the class of persons to be afforded an opportunity to participate in any such program or activity, may not, directly or through contractual or other arrangements, utilize criteria or other methods of administration which have the effect of subjecting persons to discrimination because of their race, color, or national origin, or have the effect of defeating or substantially impairing accomplishment of the objectives of the program or activity as respect to persons of a particular race, color, or national origin.”

As evidence of compliance with the above, the applicant shall provide the information as requested in a, b, c, and/or d below, as appropriate, to supplement the data relative to the locations of concentration of minority groups and proposed activities shown on the map submitted as part of the application. Additional pages should be used, if necessary. If there are no minorities in the community, check here and disregard questions a through d.

- a. IDENTIFY THE MINORITY GROUP(S) POPULATION OR PORTION THEREOF, RESIDING IN THE APPLICANT’S JURISDICTION THAT WILL NOT BE SERVICED BY ONE OR MORE OF THE PROPOSED ACTIVITIES

The project will benefit all citizens of the City of Drakesboro

**Kentucky Community Development Block Grant
Public Facility Project Application Form
TITLE VI Form**

b. EXPLAIN WHETHER THE MINORITY GROUP POPULATION, OR PORTION THEREOF, NOT SERVICED BY THE PROPOSED ACTIVITY (IES) ALREADY RECEIVES SUCH SERVICE. IF SO, DEFINE THE EXTENT OF EACH OF THESE EXISTING SERVICES AND INDICATE WHETHER THEY ARE EQUAL TO, GREATER THAN OR LESS THAN THE PROPOSED ACTIVITY (IES) RELATIVE TO THE LEVEL AND QUALITY OF SERVICES TO BE PROVIDED.

The project will benefit all citizens of the City of Drakesboro

c. IF THE MINORITY GROUP POPULATION, OR PORTION THEREOF, DOES NOT RECEIVE SUCH SERVICE(S) NOW AND WILL NOT RECEIVE THE BENEFIT OF THE PROPOSED ACTIVITY (IES), INDICATE THE APPROPRIATE TIME SUCH SERVICE(S) WILL BE PROVIDED TO SUCH RESIDENTS.

The project will benefit all citizens of the City of Drakesboro

d. IN THE EVENT NO FUTURE SERVICE(S) IS PLANNED FOR THE MINORITY GROUP POPULATION OR PORTION THEREOF, PROVIDE A STATEMENT OF THE REASONS WHY.

The project will benefit all citizens of the City of Drakesboro

The phrase "minority group" as used herein, refers to Black, not of Hispanic Origin; Hispanic (a person of Mexican, Puerto Rican, Cuban, Central or South American or other Spanish culture regardless of race); Asian or Pacific Islander; American Indian or Alaska Native.

Signature, Chief Executive Officer

**Kentucky Community Development Block Grant
Public Facility Project Application Form
Statement of Assurances**

Statement of Assurances

The applicant hereby assures and certifies that:

- (a) It possesses legal authority to apply for the grant, and to execute the proposed program, shall abide by all federal and state laws, executive orders, and regulations, including, but not limited to, those items listed in this section.
- (b) Its governing body has duly adopted or passed as an official act a resolution, motion or similar action authorizing the filing of the application, including all understandings and assurances contained therein, and directing and authorizing the applicant's chief executive officer to act in connection with the application and to provide such additional information as may be required.
- (c) It has complied with all the requirements of Executive Order 12372 and that either:
 - (1) Any comments and recommendations made by or through clearinghouses are attached and have been considered prior to submission of the application; or
 - (2) The required procedures have been followed and no comments or recommendations have been received prior to submission of the application.
- (d) It will facilitate citizen participation.
 - (1) Providing adequate notices for one or more public hearings, specifically to persons of low and moderate income;
 - (2) Holding one or more hearings at times and locations convenient to potential beneficiaries, convenient to the handicapped, and meeting needs of non-English speaking residents;
 - (3) Providing citizens information concerning the amount of funds available for proposed community development activities and the range of those activities;
 - (4) Providing citizens with information concerning the estimated amount of funds that will benefit persons of low and moderate income;
 - (5) Furnishing citizens with the plans made to minimize the displacement of persons and to assist persons actually displaced as a result of grant activities;
 - (6) Providing citizens with reasonable notice of substantial changes proposed in the use of grant funds and providing opportunity for public comment;
 - (7) Providing citizens with reasonable access to records regarding the past use of CDBG funds received; and
- (e) It will comply with the regulations, policies, guidelines and requirements of OMB Super Circular and the "Common Rule," 24 CFR, Part 85 as they relate to the application, acceptance, and use of Federal funds under this document.
- (f) It will comply with:

**Kentucky Community Development Block Grant
Public Facility Project Application Form
Statement of Assurances**

- (1) Section 110 of the Housing and Community Development Act of 1974, as amended, 24 CFR 570.603, and State regulations regarding the administration and enforcement of labor standards;
 - (2) The provisions of the Davis-Bacon Act (40 U.S.C. S 276a-5) with respect to prevailing wage rates;
 - (3) Contract Work Hours and Safety Standards Act of 1962, 40 U.S.C. 327 *et. seq.*, requiring that mechanics and laborers (including watchmen and guards) employed on federally assisted contracts be paid wages of not less than one and one-half times their basic wage rates for all hours worked in excess of forty in a work-week;
 - (4) Federal Fair Labor Standards Act, 29 U.S.C.S 102/*et. seq.*, requiring that covered employees be paid at least the minimum prescribed wage, and also that they be paid one and one-half times their basic wage rate for all hours worked in excess of the prescribed work-week;
 - (5) Anti-Kickback (Copeland) Act of 1934, 18 U.S.C.S 874 and 40 U.S.C.S 276c, which outlaws and prescribes penalties for "kickbacks" of wages in federally financed or assisted construction activities; and
 - (6) KRS 337, with respect to Kentucky Prevailing Wage Rates and labor standards.
- (g) It will comply with all requirements imposed by the State concerning special requirements of law, program requirements, and other administrative requirements.
- (h) It will comply with:
- Title VI of the Civil Rights Act of 1964 (Pub. L. 88-352), and the regulations issued pursuant thereto (24 CFR Part 1), which provides that no person in the United States shall on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity for which the applicant receives Federal financial assistance and will immediately take any measures necessary to effectuate this assurance. If any real property or structure thereon is provided or improved with the aid of Federal financial assistance extended to the applicant, this assurance shall obligate the applicant, or in the case of any transfer of such property, any transferee, for the period during which the real property or structure is used for a purpose for which the Federal financial assistance is extended, or for another purpose involving the provision of similar services or benefits;
- (i) It will to the greatest extent practicable under State law, comply with Sections 301 and 302 of Title III (Uniform Real Property Acquisition Policy) of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended with the final rule published February 3, 2005, and will comply with Sections 303 and 304 of Title III, and HUD implementing instructions at 24 CFR Part 42.
- (j) It will:
- (1) Comply with Title II (Uniform Relocation Assistance) of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and HUD implementing regulations at 24 CFR Part 42 and 24 CFR 570.606;
 - (2) Provide relocation payments and offer relocation assistance as described in the Uniform Relocation Assistance Act of 1970, as amended, to all persons displaced as a result of

**Kentucky Community Development Block Grant
Public Facility Project Application Form
Statement of Assurances**

acquisition of real property for an activity assisted under the Community Development Block Grant program. Such payments and assistance shall be provided in a fair and consistent and equitable manner that insures that the relocation process does not result in different or separate treatment of such persons on account of race, color, religion, national origin, sex, or source of income; and

- (3) Provide for reasonable benefits to any person involuntarily and permanently displaced as a result of the use of grant funds to acquire or substantially rehabilitate property.
- (k) It will comply with the provisions of the Hatch Act that limits the political activity of employees.
- (l) It will give the State, HUD and the Comptroller General, through any authorized representatives, access to and the right to examine all records, books, papers, or documents related to the grant.
- (m) Its chief executive officer or other officer of applicant approved by the State:
 - (1) Consents to assume the status of a responsible Federal official under the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. S 4321 et. seq.) and other provisions of Federal law, as specified in 24 CFR Part 58, which furthers the purposes of NEPA, insofar as the provisions of such Federal law apply to the Kentucky Community Development Block Grant Program; and
 - (2) Is authorized and consents on behalf of the applicant and himself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his responsibilities as such an official.
- (n) It will comply with:
 - (1) The National Environmental Policy Act of 1969 (42 U.S.C. S 4321 et. seq.) and 24 CFR Part 58, and in connection with its performance of environmental assessments under the National Environmental Policy Act of 1969, comply with Section 106 of the National Historic Preservation Act of 1966 (16 U.S.C. 468), Executive Order 11593, and the Preservation of Archeological and Historical Data Act of 1974 (16 U.S.C. 469a-1, et. seq.) by:
 - (a) Consulting with the State Historic Preservation Officer to identify properties listed in or eligible for inclusion in the National Register of Historic Places that are subject to adverse effects (see 36 CFR Part 800.8) by the proposed activity; and
 - (b) Complying with all requirements established by the State to avoid or mitigate adverse effects upon such properties.
 - (2) Executive Order 11988, Floodplain Management;
 - (3) Executive Order 11990, Protection of Wetlands;
 - (4) Section 202(a) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4106) as it relates to the mandatory purchase of flood insurance for identified special flood hazard areas;

**Kentucky Community Development Block Grant
Public Facility Project Application Form
Statement of Assurances**

- (5) The Endangered Species Act of 1973, as amended;
- (6) The Fish and Wildlife Coordination Act of 1958, as amended;
- (7) The Wild and Scenic Rivers Act of 1968, as amended;
- (8) The Safe Drinking Water Act of 1974, as amended;
- (9) The Clean Air Act of 1970, as amended;
- (10) The Federal Water Pollution Control Act of 1972, as amended;
- (11) The Clean Water Act of 1977; and
- (12) The Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976.

(o) It will comply with 24 CFR Part 570.489(j) concerning the change of use of real property purchased or improved in whole or in part with CDBG funds.

(p) It will comply with all provisions of Title I of the Housing and Community Development Act of 1974, as amended, as well as with all other applicable State and Federal laws which have not been cited previously.

The applicant hereby certifies that it will comply with the above stated assurances.

Signature, Chief Executive Officer

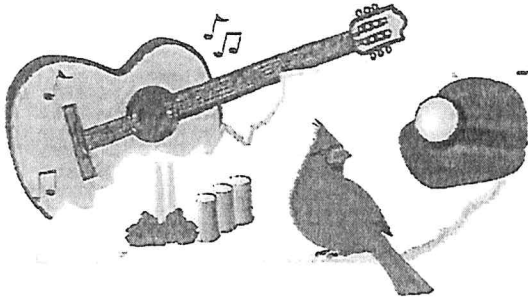
Mike Jones

Name (typed or printed)

Mayor

Title

Date



CITY OF DRAKESBORO

P.O. Box 129 • Mose Rager Blvd. • Drakesboro, KY 42337
270-476-8986

(888)662-2406 (Voice/TTY): (866)577-5762 (Español)

September 7, 2021

Hon. Judge McGehee and Magistrates,

The City of Drakesboro (the "City") has had to overcome numerous obstacles during the last couple of years. The complete turnover of administration, accounting, and auditing services all occurred immediately before or during an unprecedented global pandemic. Thus, during the pandemic the City was required to train operators and employees to run and oversee the City's water distribution, sewer collection and treatment system, and gas distribution utilities. The City has also had to replace all the equipment within its sewer system and at its treatment plant. We have had to install emergency valves to corral water loss. Those costs are estimated to be between \$150,000.00 to \$200,000.00. The city had no money put back in contingency funds to help with those costs. The Division of Water has fined the City sewer and water distribution systems thousands of dollars and we are still subject to potentially state agency orders and continue to face violations, which further hinder the City's abilities to correct the problems leading up to the current enforcement dilemma. The current administration has been working with engineers since 2019 to assess and correct our issues, but to date the city has received no funding through state or federal organizations to help absorb the costs of the projects needed to come into compliance.

Because Drakesboro has endured high costs of water it purchased from a local water district for years and the system had little oversight by former staff and administration, there has been little repair, or money for repair, to the City's system. The scarcity of valves, Scada systems, and the inability to account for high amounts of water loss has led to its system falling into a neglected state which the City is working diligently to correct. But as to date the City, although working closely with engineers, has sadly not received funding for any of these projects which continue to keep the City from moving forward. Drakesboro has no contingency funds set aside for our much-needed water rehab projects. Fortunately, Drakesboro has been able to negotiate a new contract with MCWD#1 which led to a more sustainable water rate, but we are continuing to struggle to move forward without the implementation of the rehabilitation of its system.

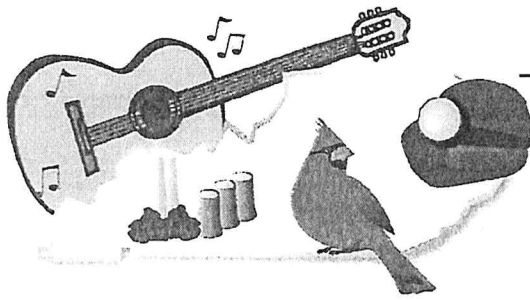
With respect to the natural gas system, in 2019 the City's gas system was thrust into the spotlight by the Public Service Commission's inspections which uncovered the seriousness of its deteriorating gas distribution utilities. Drakesboro has worked relentlessly to correct all the problems, but the need for funding is hindering our progress. We are working with engineers and funding sources but have not yet had any success procuring grants or assistance to help with critical upgrades. Drakesboro continues to face penalties and violations if these upgrades are not implemented. Drakesboro recently paid \$30,000.00 in fines to the PSC, and we face approximately \$900,000.00 more if we cannot fix all the issues found during the 2019 inspections.

The City respectfully requests consideration from the Muhlenberg County Fiscal Court to help us with our need for funding. Drakesboro provides utilities for over 3300 citizens in the county. Undoubtedly, If the utilities were to fail, there would be a hardship on all of the citizens and for some an unbearable one. These residents are depending on us and the court for healthy, safe, clean, and efficient utilities. We realize the importance of vital infrastructure and we do not want to fail our customers, our city, or our county.

Please consider the City of Drakesboro when the court allocates its infrastructure funds.

Respectfully,

Mayor, Mike Jones



CITY OF DRAKESBORO

P.O. Box 129 • Mose Rager Blvd. • Drakesboro, KY 42337
270-476-8986
(888)662-2406 (Voice/TTY); (866)577-5762 (Español)

Septembere 7, 2021

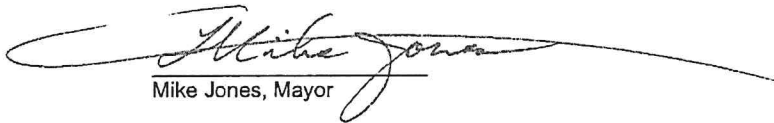
Kentucky Public Service Commission
211 Sower BLVD
Frankfort, KY 40601

RE: Regulator Installation

Sirs,

In February of this year the City of Drakesboro had two of four new regulators installed a its purchase point. To proceed further, new drawings and new construction for a new leg to the regulator station is needed. The City is working with engineers to implement the new design as soon as possible so we can place the other 2 new regulators at our purchase point. These new regulators are also part of the upgrades to the system the PSC mandated in the 2020 hearing.

Sincerely,



Mike Jones, Mayor



RussMar Utility Management

2371 Irvine Rd
 Richmond, Ky 40475
 Phone: (859) 623-0112
 Fax: (859) 626-0822

Invoice

Invoice Number
21039
Invoice Date
2/22/2021

Bill To: CITY OF DRAKESBORO
 212 MOSE RAGER STREET

 DRAKESBORO, KY 42167

Re: DRAKESBORO

Job No	Customer Job No	Customer PO	Payment Terms		Due Date
250-21			Due Upon Receipt		2/22/2021
Quantity	Description		U/M	Rate/Unit	Price

REGULATOR REPAIRS
 ATTENTION: MIKE JONES/KAREN WARD

ASSISTED SUBCONTRACTOR IN REPLACING TWO
 REGULATORS ON THE MAIN PURCHASE STATION THAT
 WERE DAMAGED FROM ICE & FABRICATED/INSTALLED
 NEW METHYNOL DRIP.

4.00	FEB 14- EMERGENCY CALL OUT	HR	115.00	460.00
4.00	FEB 15- WORKED ON STATION	HR	75.00	300.00
3.00	FEB 16- WORKED ON STATION	HR	75.00	225.00
2.00	FEB 17- WORKED ON STATION	HR	75.00	150.00
2.00	FEB 18- WORKED ON STATION	HR	75.00	150.00
1.00	PASS THROUGH- NATURAL GAS CONTROLS INSTALLED TWO NEW REGULATORS AT PURCHASE STATION	LS	5,400.00	5,400.00

Subtotal	\$	6,685.00
Sales Tax (if applicable)	\$	0.00
Total Due	\$	6,685.00

Thank you for your business!



Sales Order Acknowledgement

(This is NOT an Invoice)

8225 Green Meadows Drive N
Lewis Center OH 43035
United States
(740) 549-6550

*Quote
book*

Date 2/16/2021
Order # SO203645

Payment Method American Express
Terms
PO # Verbal Dee Sims
Shipping Method Customer Pick Up
Ship Date 2/16/2021
Tracking #
Job Name

Bill To
Drakesboro Natural Gas
212 Mose Rager Boulevard
P.o. Box 129
Drakesboro KY 42337
United States

Ship To

Line	Qty	Unit	Part No	Size	Description	Unit Price	Ext Price	Material
1	1	EA	21000 CFH	2"	461-X57 Sensus Gas Regulator 2" FLG ANSI 600 2.5" Diaphragm Case External Control 11/16" Single Polytan Black 150#-250#	6,011.22	6,011.22	
2	1	EA	21000 CFH	2"	461-X57 Sensus Gas Regulator 2" FLG ANSI 600 2.5" Diaphragm Case External Control 1" Single Orifice Polytan Seat Brown 100#-175#	6,011.22	6,011.22	
3	2	EA			CONTROL LINE KIT 1/2" 461 1/2" MxF MALE VALVE 5 FT. OF 1/2" SS TUBING 1/2" COMP X 1/4 MPT STRAIGHT 1/2" COMP x 1/2 MPT 90 DEGREE	105.00	210.00	

Subtotal 12,232.44
Estimated Shipping Cost (Customer Pick Up) 0.00
Total \$12,232.44

Terms & Conditions

All goods and services are supplied on the terms and conditions set out herein and no addition or variation to these terms and conditions will have any effect unless expressly agreed in writing by Holland Supply Company. The invoice amount for the goods and services must be paid in full within thirty (30) days of the invoice date. Unpaid amounts are subject to a finance charge of 1.5% per month, or the maximum permitted by law, whichever is lower. The Customer is not entitled to withhold payment or make any deduction from the quoted price of the goods and services in respect of any setoff or counterclaim. If the Customer fails to pay for any of the goods or services, Holland Supply Company may in its sole discretion, but without prejudice to any other remedy it may have, postpone the fulfillment of its obligations under this order or briefing and under any other order or briefing with this Customer until such payment is made and charge to the Customer any extra expense incurred thereby. Except where the Customer has a statutory right of termination, orders accepted by Holland Supply Company may not be cancelled either wholly or in part without the written consent of Holland Supply Company. Any service or advice which may be offered by Holland Supply Company, its servants or agent to the Customer or its agents, is rendered in good faith and Holland Supply Company shall not be liable for any loss or damage arising therefrom. If the Customer has any problem with any of the products, parts, or services provided by Holland Supply Company, please contact Holland Supply Company as soon as possible. Acceptance of returned products is at Holland Supply Company's sole discretion, though most new and unused equipment may be returned to Holland Supply Company within thirty (30) days of purchase, subject to (i) receipt or proof of purchase, (ii) payment of a restocking fee (which may be up to 100% of the purchase price), and (iii) payment of any applicable shipping charges. Returned products must be new, in the box, and unused. Under no circumstances will Holland Supply Company accept a returned product through which gas has been introduced. All returns are subject to Holland Supply Company's reasonable inspection. For the avoidance of doubt, Holland Supply Company will have no liability whatsoever to the Customer for any loss, injury or damage (including consequential loss, injury or damage) suffered or caused as a result of or arising out of any act or omission (whether negligent or otherwise) by Holland Supply Company, its servants or agents or any other person in any way related to or arising out of the quote by Holland Supply Company. Products, parts, and services covered during the manufacturer's warranty period are the sole responsibility of the manufacturer. Unless otherwise agreed upon in writing by Holland Supply Company, Holland Supply Company provides no additional warranty on any products, parts, or services. Any warranty on any product sold through Holland is provided by the manufacturer of that product. These Terms and Conditions of Sale shall constitute the entire agreement between Holland Supply Company and the Customer and no terms, conditions, obligations or other provisions of any nature not contained in these Terms and Conditions of Sale shall be of any effect. For the avoidance of doubt, these Terms and Conditions of Sale shall apply in all circumstances, including where the Customer validly accepts a quote or where the Customer and Holland Supply Company otherwise proceed with carrying out work under the brief, whether or not the Customer, at any time and by any means, purports to impose its own terms and conditions. These Terms and Conditions of Sale are governed by, and are to be construed in accordance with, the laws of Ohio and the parties submit to the non-exclusive jurisdiction of the courts in Ohio and any court hearing appeals from those courts.





Sales Order Acknowledgement

(This is NOT an Invoice)

8225 Green Meadows Drive N
 Lewis Center OH 43035
 United States
 (740) 549-6550

Date 2/16/2021
 Order # SO203645

Payment Method American Express
 Terms Verbal Dee Sims
 PO # Customer Pick Up
 Shipping Method 2/16/2021
 Ship Date
 Tracking #
 Job Name

Bill To
 Drakesboro Natural Gas
 212 Mose Rager Boulevard
 P.o. Box 129
 Drakesboro KY 42337
 United States

Ship To

Qty	Item	Unit Price	Amount
1	900 psi 250 psi 21000 CFH 2"	6,011.22	6,011.22
2	250 psi 125 psi 21000 CFH 2"	6,011.22	6,011.22
3	CONTROL LINE KIT 1/2" 461 1/2" MxF MALE VALVE 5 FT. OF 1/2" SS TUBING 1/2" COMP X 1/4 MPT STRAIGHT 1/2" COMP x 1/2 MPT 90 DEGREE	105.00	210.00

Subtotal 12,232.44
 Estimated Shipping Cost (Customer Pick Up) 0.00
 Total \$12,232.44

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City of Drakesboro, Kentucky

Financial Statements

June 30, 2019

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CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ▪ R. Brent Billingsley, CPA

Skip R. Campbell, CPA ▪ L. Joe Rutledge, CPA ▪ Ryan A. Mosier, CPA ▪ Jenna B. Glass, CPA ▪ L. Caitlin Hagan, CPA ▪ Matthew G. Nuckols

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
City of Drakesboro, Kentucky

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the City of Drakesboro, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements. These financial statements collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the governmental activities and business type activities.

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.

Summary of Opinions

Table with 2 columns: Opinion Unit, Type of Opinion. Rows: Governmental Activities (Disclaimer), Business Type Activities (Disclaimer)

Basis for Disclaimer of Opinion on the Governmental and Business Type Activities

The financial statements of the governmental activities have not been audited. We were engaged to audit the governmental activities as part of our audit of the City's basic financial statements. During the course of our audit, we were unable to satisfy ourselves by alternative means with accounts receivable in the Governmental Funds as it relates to property taxes. The governmental activities are included in the City's basic financial statements and represent 11 percent, 16 percent, and 6 percent of the assets, net position, and revenues, respectively, of the City's financial statements.

The financial statements of the business type activities for the City of Drakesboro have not been audited. We were engaged to audit the business type activities as part of our audit of the City's basic financial statements. During the course of our audit, we were unable to satisfy ourselves by alternative means the amounts billed to the business type activities' Customers and the reported revenue contained within those funds. The business type activities are included in the City's basic financial statements and represent 89 percent, 84 percent, and 94 percent of the assets, net position, and revenues, respectively, of the City's financial statements.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Governmental and Business Type Activities" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental nor the business type activities of the City of Drakesboro, Kentucky. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7, budgetary comparison information on page 26. 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 June 7, 2021, on our consideration of the City of Drakesboro, 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 Drakesboro, Kentucky's internal control over financial reporting and compliance.

Campbell, Myers & Ratledge, PLLC

Glasgow, Kentucky
June 7, 2021

**City of Drakesboro, Kentucky
212 W Mose Rager Blvd
Drakesboro, KY 42337
270-476-8986**

Management's Discussion and Analysis

The financial management team of the City of Drakesboro, Kentucky: Mayor Mike Jones presents this narrative to help those who review these financial statements to better understand them, their schedules and notes. It is our intent that this discussion will provide all parties interested in the City's financial condition, especially the citizens of Drakesboro, a better understanding of the City's operations and financial status.

The City reports its annual financial statements in a required model format issued by the Governmental Accounting Standards Board.

Should any reader of these statements have questions or desire additional information, please contact Mayor Mike Jones at the address and/or phone number above.

Financial Highlights

- As of June 30, 2019, the City's assets (\$1,415,919) exceeded liabilities (\$565,439) by \$850,480.
- Unrestricted cash and investment balances as of June 30, 2019 were \$39,813 and current liabilities payable from those funds were \$217,665.
- Net position decreased this year by \$401,473. Net position of the governmental activities decreased by \$37,385 and those of the City's business type activities (utilities) decreased by \$364,088.
- Fund balances, a measure of current financial resources, decreased in the governmental funds by \$41,334 to a June 30, 2019 balance of \$8,910.

Overview of the Financial Statements

The City provides two major categories of services and thus reports on two major activities: 1) Governmental activities, which are primarily funded by taxes and intergovernmental revenues, and 2) Business-type activities, which are funded with user fees and charges. Governmental activities include services such as fire, streets and street lighting, prevention of drug and alcohol abuse, and maintenance, industrial development, and the administrative and oversight functions necessary to provide all of the above. Business-type activities include water, sewer and natural gas services.

The first two financial statements report on both service categories combined. Subsequent statements report separately on governmental services and business-type activities. The financial statements include three major sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

City of Drakesboro, Kentucky
212 W Mose Rager Blvd
Drakesboro, KY 42337
270-476-8986

The first two statements, the government-wide statement of net position and government-wide statement of activities present an overview of the City's governmental and business-type services. The former reports the financial condition of the City as of June 30. It reports all of the City's short-term and long-term assets and liabilities. The latter statement reports how the City's net position changed during the fiscal year. It summarizes the revenues and expenditures of the past year.

Analysis of the City as a Whole

The following two statements, Summary of Government Wide Net Position and Summary of the Statement of Activities – Government Wide, are presented for comparative purposes to prior year information.

Summary of Government Wide Net Position
June 30, 2019 and 2018

	June 30, 2019	June 30, 2018
Current assets	\$ 265,425	\$ 513,712
Noncurrent assets	1,150,494	1,198,347
Total assets	\$ 1,415,919	\$ 1,712,059
Current liabilities	\$ 217,665	\$ 65,677
Noncurrent liabilities	347,774	394,430
Total liabilities	565,439	460,107
Net position:		
Invested in capital assets, net of related debt	974,348	759,854
Restricted	4,123	-
Unrestricted	(127,991)	492,098
Total net position	\$ 850,480	\$ 1,251,952

The net position of the City's governmental and business-type activities is approximately \$850,000 at June 30, 2019 a decrease of \$401,472 from prior year. Of this net position, \$712,000 or 85% is invested in capital assets, approximately \$4,000 is restricted and the remaining net position \$134,000 or 15% is unrestricted, a decrease of approximately \$401,473 as compared to the prior year.

City of Drakesboro, Kentucky
212 W Mose Rager Blvd
Drakesboro, KY 42337
270-476-8986

Summary of the Statement of Activities – Government - Wide
For the Year Ended June 30, 2019 and 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Revenues		
Program revenues:		
Charges for services	\$ 745,568	\$ 739,053
Grants and contributions	7,431	-
General revenues:		
Property taxes	10,393	17,595
License fee and permits	24,820	26,759
Other revenues	15,871	14,811
Total revenues	<u>804,083</u>	<u>798,218</u>
Program expenses		
General government	51,054	35,458
Public safety	4,000	4,000
Parks and recreation	33,613	4,690
Capital expenditures	4,961	30,517
Water	216,777	159,842
Sewer	168,274	123,473
Natural gas	726,887	484,771
Total expenses	<u>1,205,566</u>	<u>842,751</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(401,483)	(44,533)
Other income/(expenses)		
Interest	11	-
Total other income/(expense)	<u>11</u>	<u>-</u>
Increase (decrease) in net position	(401,472)	(44,533)
Net position, beginning of year	<u>1,251,952</u>	<u>1,296,485</u>
Net position, end of year	<u>\$ 850,480</u>	<u>\$ 1,251,952</u>

Current year revenues have increased by approximately \$6,000, an increase of 1% due to an increase in charges for service. Also, total expenses increased approximately \$363,000 due to street repairs, utility small equipment, and payroll.

City of Drakesboro, Kentucky
212 W Mose Rager Blvd
Drakesboro, KY 42337
270-476-8986

The next two financial statements report on governmental services. They are the balance sheet/governmental funds and the statement of revenues, expenditures, and changes in fund balances/governmental funds.

The balance sheet lists the resources available as of June 30, 2019, to pay current liabilities and to continue governmental operations in to the following fiscal year. Capital assets are not included in this report, because it is already in the government-wide statement of net position. The balance sheet is intended to demonstrate current, as opposed to long-term, financial strength and/or weakness.

The statement of revenues, expenditures and changes in fund balances provides some of the most important data necessary to choose the level of governmental service. It also provides insight into the level of taxation needed for those services.

Management has reviewed the balance sheet and the statement of revenues, expenditures, and changes in fund balance and presents the following observations, primarily related to the general fund.

- The June 30, 2019 fund balance was \$8,910. The total fund balance was broken down into non-spendable, restricted, committed, assigned, and unassigned. Committed had a balance of \$0 at June 30, 2019. Fund balance decreased by \$32,424.
- The statement of revenues and expenditures shows that the general fund expenditures exceeded revenues by \$31,301.

Proprietary Fund Statements

The three primary statements reporting on the proprietary or business-type activities are:

- Statement of net position – proprietary funds,
- Statement of revenues, expenses, and changes in fund net position – proprietary funds,
- Statement of cash flows – proprietary funds

The three proprietary fund statements demonstrate that the utility operations continue to grow and to be financially sound.

The proprietary fund assets exceeds liabilities by \$702,486. Current year operating expenses increased by approximately \$200,000 due to an increase in utility repairs, utilities, and supplies purchased.

The proprietary fund operations are producing sufficient revenue to fund payments for past capital improvements, maintenance and operating expenses, minor on-going expansions to the infrastructure, and a portion of the governmental services.

**City of Drakesboro, Kentucky
212 W Mose Rager Blvd
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Capital Assets

At June 30, 2019, the City had invested \$1,107,348 in capital assets, net of depreciation. The change in capital assets represents depreciation expense of \$90,999 for the year ended June 30, 2019.

Budgetary Comparison

Actual funds were less than budgeted funds by approximately \$45,000 primarily due to the anticipation of capital projects. Accordingly, actual revenues were more than budgeted revenues.

If you have questions about this report or need additional financial information, Contact the City of Drakesboro, Kentucky at 212 West Mose Rager Blvd, Drakesboro, Kentucky 42337 or 270-476-8986.

CITY OF DRAKESBORO, KENTUCKY
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash	\$ 21,302	\$ 18,511	\$ 39,813
Receivables (net of allowances for uncollectibles)	14,791	210,821	225,612
Total current assets	<u>36,093</u>	<u>229,332</u>	<u>265,425</u>
Noncurrent Assets:			
Restricted cash	-	43,146	43,146
Internal balances	(20,474)	20,474	-
Plant, property, equipment and infrastructure	292,657	3,509,793	3,802,450
Accumulated depreciation	(153,574)	(2,541,528)	(2,695,102)
Capital assets (net of accumulated depreciation)	<u>139,083</u>	<u>968,265</u>	<u>1,107,348</u>
Total noncurrent assets	<u>118,609</u>	<u>1,031,885</u>	<u>1,150,494</u>
Total assets	<u>\$ 154,702</u>	<u>\$ 1,261,217</u>	<u>\$ 1,415,919</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 4,426	\$ 166,295	\$ 170,721
Current portion of bond obligations	-	46,944	46,944
Total current liabilities	<u>4,426</u>	<u>213,239</u>	<u>217,665</u>
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	-	347,774	347,774
Total noncurrent liabilities	<u>-</u>	<u>347,774</u>	<u>347,774</u>
Total liabilities	<u>4,426</u>	<u>561,013</u>	<u>565,439</u>
NET POSITION			
Invested in capital assets, net of related debt	139,083	835,265	974,348
Restricted	4,123	-	4,123
Unrestricted	7,070	(135,061)	(127,991)
Total net position	<u>\$ 150,276</u>	<u>\$ 700,204</u>	<u>\$ 850,480</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF DRAKESBORO, KENTUCKY
Statement of Activities
For the Year Ended June 30, 2019

Program Activities	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government	
			Operating Grants and Contributions	Capital Grants and Contributions		Business-Type Activities	Total
Governmental Activities							
General government	\$ (51,054)	\$ -	\$ -	\$ -	(51,054)	\$ -	(51,054)
Fire	(4,000)	-	-	-	(4,000)	-	(4,000)
Streets	(33,613)	-	-	7,431	(26,182)	-	(26,182)
Depreciation (unallocated)	(4,961)	-	-	-	(4,961)	-	(4,961)
Total Governmental Activities	(93,628)	-	-	7,431	(86,197)	-	(86,197)
Business-Type Activities							
Water	(216,777)	122,874	-	-	-	(93,903)	(93,903)
Sewer	(168,274)	111,447	-	-	-	(56,827)	(56,827)
Gas	(726,887)	511,247	-	-	-	(215,640)	(215,640)
Total Business-Type Activities	(1,111,938)	745,568	-	-	-	(366,370)	(366,370)
Total Government	(1,205,566)	745,568	-	7,431	(86,197)	(366,370)	(452,567)
General Revenues:							
Property taxes, levied for general purposes					10,393	-	10,393
License fee and permits, levied for general purposes					24,820	-	24,820
Interest and investment earnings					11	-	11
Miscellaneous					15,871	-	15,871
Total General Revenues					51,095	-	51,095
Change in Net Position					(35,102)	(366,370)	(401,472)
Net Position, Beginning of Year					185,378	1,066,574	1,251,952
Net Position, End of Year					\$ 150,276	\$ 700,204	\$ 850,480

The accompanying notes are an integral part of the basic financial statements.
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CITY OF DRAKESBORO, KENTUCKY
Balance Sheet – Governmental Funds
June 30, 2019

	General	Municipal Road Aid	Total
ASSETS			
Cash	\$ 17,179	\$ 4,123	\$ 21,302
Receivables (net of allowances for uncollectibles)	14,791	-	14,791
Total assets	\$ 31,970	\$ 4,123	\$ 36,093
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 4,426	-	\$ 4,426
Due to proprietary funds	20,474	-	20,474
Total liabilities	24,900	-	24,900
Fund Balances:			
Restricted	-	4,123	4,123
Unassigned	7,070	-	7,070
Total fund balances	7,070	4,123	11,193
Total Liabilities and Fund Balances	\$ 31,970	\$ 4,123	\$ 36,093

The accompanying notes are an integral part of the basic financial statements.
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CITY OF DRAKESBORO, KENTUCKY
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019

Total governmental fund balances	\$ 11,193
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets (net of depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.

<u>139,083</u>

Net position of governmental activities
--

<u><u>\$ 150,276</u></u>

CITY OF DRAKESBORO, KENTUCKY
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2019

	<u>General</u>	<u>Municipal Road Aid</u>	<u>Total</u>
Revenues:			
Property taxes	\$ 10,393	\$ -	\$ 10,393
Occupational license	64	-	64
License and fees	24,756	-	24,756
LGEAF	4,653	7,431	12,084
Miscellaneous	11,218	-	11,218
Total Revenues	<u>51,084</u>	<u>7,431</u>	<u>58,515</u>
Expenditures:			
Current:			
General government	51,054	-	51,054
Fire department	4,000	-	4,000
Street department	25,059	8,554	33,613
Total expenditures	<u>80,113</u>	<u>8,554</u>	<u>88,667</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(29,029)</u>	<u>(1,123)</u>	<u>(30,152)</u>
Other Financing Sources (Uses)			
Interest income	11	-	11
Total Other Financing Sources (Uses)	<u>11</u>	<u>-</u>	<u>11</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(29,018)	(1,123)	(30,141)
Fund Balances, Beginning of Year	<u>36,088</u>	<u>5,246</u>	<u>\$ 41,334</u>
Fund Balances, End of Year	<u>\$ 7,070</u>	<u>\$ 4,123</u>	<u>\$ 11,193</u>

CITY OF DRAKESBORO, KENTUCKY
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds	\$ (30,141)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Depreciation expense reported in statement of activities	<u>(4,961)</u>
Change in net position of governmental activities	<u><u>\$ (35,102)</u></u>

CITY OF DRAKESBORO, KENTUCKY
Statement of Net Position – Proprietary Funds
June 30, 2019

	Water	Sewer	Gas	Total
ASSETS				
Current assets:				
Cash	\$ 13,453	\$ -	\$ 5,058	\$ 18,511
Receivables (net of allowances for uncollectibles)	39,174	34,352	137,295	210,821
Total current assets	52,627	34,352	142,353	229,332
Noncurrent assets:				
Restricted cash	28,257	-	14,889	43,146
Due (to) from other funds	(97,533)	94,274	23,733	20,474
Plant and equipment	1,194,159	886,871	1,428,763	3,509,793
Accumulated depreciation	(963,129)	(532,125)	(1,046,274)	(2,541,528)
Total capital assets (net of accumulated depreciation)	231,030	354,746	382,489	968,265
Total noncurrent assets	161,754	449,020	421,111	1,031,885
Total assets	\$ 214,381	\$ 483,372	\$ 563,464	\$ 1,261,217
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 31,289	\$ 13,851	\$ 121,155	\$ 166,295
Bonds and notes payable, current portion	14,500	14,500	17,944	46,944
Total current liabilities	45,789	28,351	139,099	213,239
Noncurrent liabilities				
Bonds and notes payable, net of current portion	118,500	118,500	110,774	347,774
Total noncurrent liabilities	118,500	118,500	110,774	347,774
Total liabilities	164,289	146,851	249,873	561,013
NET POSITION				
Invested in capital assets, net of related debt	231,030	221,746	382,489	835,265
Unrestricted	(180,938)	114,775	(68,898)	(135,061)
Total net position	\$ 50,092	\$ 336,521	\$ 313,591	\$ 700,204

CITY OF DRAKESBORO, KENTUCKY
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
For the Year Ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Total</u>
Operating revenues:				
Total operating revenues	<u>\$ 122,874</u>	<u>\$ 111,447</u>	<u>\$ 511,247</u>	<u>\$ 745,568</u>
Operating expenses:				
Purchased water	113,251	-	-	113,251
Purchased gas	-	-	247,556	247,556
Utilities	180	23,919	15,016	39,115
Maintenance	23,944	69,486	269,066	362,496
Salaries and wages	21,898	21,898	77,761	121,557
Legal and accounting	1,500	1,500	21,176	24,176
Insurance	8,118	8,114	24,224	40,456
Payroll taxes	1,358	1,358	4,821	7,537
Office expense	1,794	1,097	2,781	5,672
Depreciation	32,039	19,237	34,762	86,038
Supplies	8,873	-	4,536	13,409
Training	815	435	14,360	15,610
Miscellaneous	3,007	1,046	10,828	14,881
Total operating expenses	<u>216,777</u>	<u>148,090</u>	<u>726,887</u>	<u>1,091,754</u>
Operating income (loss)	<u>(93,903)</u>	<u>(36,643)</u>	<u>(215,640)</u>	<u>(346,186)</u>
Non-operating revenues (expenses)				
Interest expense	<u>(9,554)</u>	<u>(3,404)</u>	<u>(7,226)</u>	<u>(20,184)</u>
Total non-operating revenues (expenses)	<u>(9,554)</u>	<u>(3,404)</u>	<u>(7,226)</u>	<u>(20,184)</u>
Increase/(Decrease) in net position	(103,457)	(40,047)	(222,866)	(366,370)
Net position, beginning of year	<u>153,549</u>	<u>376,568</u>	<u>536,457</u>	<u>1,066,574</u>
Net position, end of year	<u>\$ 50,092</u>	<u>\$ 336,521</u>	<u>\$ 313,591</u>	<u>\$ 700,204</u>

CITY OF DRAKESBORO, KENTUCKY
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2019

Cash Flows from Operating Activities	
Cash received from customers	\$ 778,724
Cash payments to suppliers for goods and services	(728,178)
Cash payments to employees for services	<u>(121,557)</u>
Net Cash Provided (Used) by Operating Activities	<u>(71,011)</u>
Cash Flows from Noncapital Financing Activities	
Transfers to/from general fund	<u>(22,757)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(22,757)</u>
Cash Flows from Capital and Related Financing Activities	
Payments on long term debt	(41,492)
Interest paid on long term debt	<u>(20,184)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(61,676)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(155,444)
Cash and Cash Equivalents, Beginning of Year	<u>217,101</u>
Cash and Cash Equivalents, End of Year	<u>\$ 61,657</u>
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities	
Income (loss) from operations	\$ (346,186)
Adjustments to reconcile operating income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	86,038
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	33,156
Increase (decrease) in accounts payable	<u>155,981</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (71,011)</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF DRAKESBORO, KENTUCKY
Notes to Financial Statements
June 30, 2019

Note 1 - Description of Entity and Summary of Significant Accounting Policies

Organization

City of Drakesboro, Kentucky, operates under a Mayor-Council form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, public improvements, planning and zoning, and general administrative services. The City is designated as a "Home Rule" city under House Bill 331, enacted January 1, 2015.

Financial Statement Presentation

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial principles. The City has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

Basis of Presentation – Fund Accounting

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 statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The statement of net position presents the financial condition of the governmental and business-type activities of the City. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

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 demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level.

CITY OF DRAKESBORO, KENTUCKY
Notes to Financial Statements
June 30, 2019

Note 1 - Description of Entity and Summary of Significant 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. The City has two categories of funds: governmental and proprietary.

Governmental Funds – Governmental funds are those 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 purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - This fund is used to account for the Municipal Road Aid Funds from the Commonwealth of Kentucky that is legally restricted to expenditure for specific purposes.

Proprietary Funds – Proprietary fund reporting focuses on changes in net position, financial position and cash flows. The City's proprietary funds are classified as enterprise funds.

Water, Sewer and Natural Gas – These funds are used to account for the receipt and disbursement of the water, sewer, and natural gas operations of the City.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF DRAKESBORO, KENTUCKY
Notes to Financial Statements
June 30, 2019

Note 1 - Description of Entity and Summary of Significant Accounting Policies, Continued

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales tax collected and held by vendors at year end on behalf of the City is also recognized as revenue if collected within 30 days after year end. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Balance Classification: The City adopted GASB Statement No. 54. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has a due to/from other funds that are for capital projects and equipment in proprietary funds financed through the general fund.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the other resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City had restricted resources as of June 30, 2019 in the Municipal Road Aid Fund for future repair and reconstruction of roadways.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City had no committed resources as of June 30, 2019.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The city did not have any assigned resources as of June 30, 2019.

CITY OF DRAKESBORO, KENTUCKY
Notes to Financial Statements
June 30, 2019

Note 1-Description of Entity and Summary of Significant Accounting Policies, Continued

- Unassigned: This classification includes the residual fund balance for the General Fund and the amount established for Minimum Funding which represents the portion of the General Fund balance that has been established by Ordinance 1120, as amended by Ordinance 1312 and Ordinance 1472, to be used for debt service or in emergency situations. A 4/5 vote of the City Council is required to authorize the spending of any of these funds for any reason. The Unassigned Classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Net Position

Net position classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- *Restricted* - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* - This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Cash and Investments

The City considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Investments are reported at fair market value.

Receivables

The City uses the direct write-off method to account for bad debts. No allowance for bad debts has been provided, as no material write-offs are expected for receivables as of June 30, 2019. The direct write-off method does not significantly depart from generally accepted accounting principles.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the applicable governmental or business type activities columns in the government-wide financial statements. The cost of additions to capital assets and major replacements of retired units of property is capitalized. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction.

CITY OF DRAKESBORO, KENTUCKY
Notes to Financial Statements
June 30, 2019

Note 1 - Description of Entity and Summary of Significant Accounting Policies, Continued

The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statement of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense as incurred. Depreciation has been provided over estimated useful lives of the assets using the straight-line method.

The estimated useful lives of capital assets are as follows:

Utility plant	50 years
Infrastructure	50 years
Equipment	5 - 10 years
Other	10 - 20 years

Extraordinary and Special Items

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. If such items exist during the reporting period, they are reported separately in the statement of revenues, expenses and changes in net position.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are held to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

CITY OF DRAKESBORO, KENTUCKY
Notes to Financial Statements
June 30, 2019

Note 1 - Description of Entity and Summary of Significant Accounting Policies, Concluded

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Cash and Investments

Deposits

At year end, the carrying amount of the City's cash deposits were \$82,959 and the bank balance was \$89,337. The difference between book and bank balances primarily represents checks that have been issued and deposits that have been received, but have not cleared the bank as of June 30, 2019.

Note 3 - Interfund Transactions

Due to/from other funds are for capital projects and equipment in proprietary funds financed through the general fund. These amounts are not expected to be repaid within the next year.

Due to	Due From				
	General	Water	Sewer	Gas	Total
General	\$ -	\$ -	\$ -	\$ -	\$ -
Water	14,191	-	-	-	14,191
Sewer	-	94,274	-	-	94,274
Gas	6,283	17,450	-	-	23,733
Total	<u>\$ 20,474</u>	<u>\$ 111,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,198</u>

CITY OF DRAKESBORO, KENTUCKY
Notes to Financial Statements
June 30, 2019

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities				
<i>Capital assets, not being depreciated</i>				
Land	\$ 6,300	\$ -	\$ -	\$ 6,300
Total capital assets, not being depreciated	<u>6,300</u>	<u>-</u>	<u>-</u>	<u>6,300</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	174,116	-	-	174,116
Equipment	72,434	-	-	72,434
Furniture and fixtures	5,381	-	-	5,381
Park	34,426	-	-	34,426
Total capital assets, being depreciated	<u>286,357</u>	<u>-</u>	<u>-</u>	<u>286,357</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(78,065)	(3,181)	-	(81,246)
Equipment	(60,741)	(1,780)	-	(62,521)
Furniture and fixtures	(5,381)	-	-	(5,381)
Park	(4,426)	-	-	(4,426)
Total accumulated depreciation	<u>(148,613)</u>	<u>(4,961)</u>	<u>-</u>	<u>(153,574)</u>
Total capital assets, being depreciated net	<u>137,744</u>	<u>(4,961)</u>	<u>-</u>	<u>132,783</u>
Governmental activities capital assets, net	<u>\$ 144,044</u>	<u>\$ (4,961)</u>	<u>\$ -</u>	<u>\$ 139,083</u>
	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Business-Type Activities				
<i>Capital assets, not being depreciated</i>				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total capital assets, not being depreciated	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
<i>Capital assets, being depreciated</i>				
Plant	\$ 3,236,192	\$ -	\$ -	\$ 3,236,192
Equipment	263,601	-	-	263,601
Total capital assets, being depreciated	<u>3,499,793</u>	<u>-</u>	<u>-</u>	<u>3,499,793</u>
<i>Less: accumulated depreciation</i>				
Plant	(2,229,087)	(74,575)	-	(2,303,662)
Equipment	(226,403)	(11,463)	-	(237,866)
Total accumulated depreciation	<u>(2,455,490)</u>	<u>(86,038)</u>	<u>-</u>	<u>(2,541,528)</u>
Total capital assets, being depreciated net	<u>1,044,303</u>	<u>(86,038)</u>	<u>-</u>	<u>958,265</u>
Business-type activities capital assets, net	<u>\$ 1,054,303</u>	<u>\$ (86,038)</u>	<u>\$ -</u>	<u>\$ 968,265</u>

CITY OF DRAKESBORO, KENTUCKY
Notes to Financial Statements
June 30, 2019

Note 5 – Long-Term Debt Payable

The original amount of each bond issue, the issue date, interest rates, and maturity are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rate</u>	<u>Maturity Date</u>
1982	\$ 412,000	5.00%	January 1, 2022
1997	\$ 300,000	4.50%	January 1, 2037

Long-term debt activities for the year ended June 30, 2019, are as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Debt Payments</u> <u>and Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Amount Due</u> <u>Within One Year</u>
Bond 1982	\$ 86,000	\$ -	\$ 20,000	\$ 66,000	\$ 21,000
Bond 1997	207,000	-	7,000	200,000	8,000
FSB loan	145,493	-	16,775	128,718	17,944
	<u>\$ 438,493</u>	<u>\$ -</u>	<u>\$ 43,775</u>	<u>\$ 394,718</u>	<u>\$ 46,944</u>

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the City at June 30, 2019 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 46,944	\$ 17,651	\$ 64,595
2021	48,887	15,273	64,160
2022	50,853	12,822	63,675
2023	29,869	10,849	40,718
2024	30,967	9,375	40,342
2025-2029	81,198	30,830	112,028
2030-2034	63,000	16,898	79,898
2035-2039	43,000	3,247	46,247
	<u>\$ 394,718</u>	<u>\$ 116,945</u>	<u>\$ 511,663</u>

Note 6 – Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied January 1, become delinquent in the following year.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. The ad valorem tax for fiscal year 2019 was \$.270 on each \$100 worth of real and \$.307 for tangible property.

CITY OF DRAKESBORO, KENTUCKY
Notes to Financial Statements
June 30, 2019

Note 6 – Property Taxes - Concluded

Motor vehicle taxes with a calendar 2019 tax rate of \$.307 per \$100 assessed valuation are due and collected in the birth month of the vehicles licensee. They are collected by the County Clerk of Muhlenburg County and remitted to the City monthly.

The following is the District's property tax calendar:

Date Event

January 1, year of levy	Assessment date
November 1, year of levy	Taxes levied
November 30, year of levy	2% discount allowed
December 31, year of levy	Gross amount due
January 1, following year	Delinquent date, 5% penalty added
February 1, following year	21% penalty added

Note 7 – Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has no items qualifying for reporting in this category.

Note 8 – Other Information

Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, job related illnesses or injuries to employees, and natural disasters. The City carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9 - Subsequent Events

In March 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. Consequently, governments have encouraged self-isolation to curtail the spread. Many industries are experiencing disruptions and the City's operations could be adversely affected, but the impact is not known at this point. Accordingly, management believes that a material impact on the City's financial position and results of operations is reasonably possible.

Management has evaluated subsequent events through June 7, 2021, the date which the financial statements were available to be issued.

Required Supplemental Information

CITY OF DRAKESBORO, KENTUCKY
Statement of Revenues, Expenditures and Changes in Fund
Balances – Budget and Actual – Governmental Funds
For the Year Ended June 30, 2019

	General			Municipal Road Aid			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
Revenues:							
Property taxes	\$ 12,000	\$ 12,000	\$ 10,393	\$ -	\$ -	\$ -	\$ -
Occupational license	-	-	64	-	-	-	-
Insurance premium tax	4,000	4,000	-	-	-	-	-
License and fees	14,500	14,500	24,756	-	-	-	-
LGEAF	4,000	4,000	4,653	10,500	10,500	7,431	(3,069)
Rent	1,500	1,500	-	-	-	-	-
Other	8,500	8,500	11,218	-	-	-	-
Total Revenues	44,500	44,500	51,084	10,500	10,500	7,431	(3,069)
Expenditures:							
Current:							
General government	31,100	31,100	51,054	-	-	-	-
Fire department	4,000	4,000	4,000	-	-	-	-
Street department	-	-	25,059	23,000	23,000	8,554	14,446
Park department	900	900	-	-	-	-	-
Total expenditures	36,000	36,000	80,113	23,000	23,000	8,554	14,446
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,500	8,500	(29,029)	(12,500)	(12,500)	(1,123)	11,377
Other Financing Sources (Uses)							
Interest income	7,000	7,000	11	144	144	-	(144)
Total Other Financing Sources (Uses)	7,000	7,000	11	144	144	-	(144)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	15,500	15,500	(29,018)	(12,356)	(12,356)	(1,123)	11,233
Fund Balances, Beginning of Year			36,088			5,246	
Fund Balances, End of Year			\$ 7,070			\$ 4,123	

Supplemental Information

CITY OF DRAKESBORO, KENTUCKY
Schedule of Expenditures-Governmental Funds
For the Year Ended June 30, 2019

	<u>General</u>	<u>Municipal Road Aid</u>	<u>Total</u>
Expenditures:			
Current:			
General government			
Salary	\$ 10,947	\$ -	\$ 10,947
Utilities	3,657	-	3,657
Membership dues	924	-	924
Taxes and licenses	670	-	670
Office supplies	8,090	-	8,090
Janitorial supplies	120	-	120
Repairs and maintenance	8,397	-	8,397
Gas line operations	(1,504)	-	(1,504)
Insurance	1,648	-	1,648
Legal and accounting	7,318	-	7,318
Printing and advertising	5,129	-	5,129
Miscellaneous	5,658	-	5,658
	<u>51,054</u>	<u>-</u>	<u>51,054</u>
Fire department:			
Dispatch Salaries	4,000	-	4,000
	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Street department:			
Street lighting	12,468	-	12,468
Street paving	11,847	8,554	20,401
Park and miscellaneous	744	-	744
	<u>25,059</u>	<u>8,554</u>	<u>33,613</u>
Total expenditures	<u>\$ 80,113</u>	<u>\$ 8,554</u>	<u>\$ 88,667</u>

CITY OF DRAKESBORO, KENTUCKY
Schedule of Findings and Responses
June 30, 2019

Noncompliance 2019-001

Criteria:

Under KRS 83A.060, Enactment of Ordinances, City Ordinances must only address one issue and must clearly state the subject addressed in writing. Ordinance readings must be held on two separate days and are not effective until published under KRS 424.

Condition:

During the course of our audit, for City Ordinances as they related to utilities, we found no evidence of two separate readings and the ordinances were not clear nor readily available when requested.

Cause:

Ordinances were not clear or readily available when requested. Only summations of events were contained within the minutes of the City.

Effect:

Ordinances unavailable to the public upon request and the city is not compliant with KRS 83A.060.

Recommendation:

We recommend ordinances as they relate to the utility rates be published for view by the public.

Management Response:

The City will be making ordinances available for public viewing and any new ordinance readings will be held on two separate days.

Material Weakness 2019-002

Criteria:

Property taxes are the main source of income for the City's general fund.

Condition:

During the course of our audit, it was revealed that a compiled listing of delinquent property taxes for properties was not readily available for the presentation of the balance of accounts receivable.

Cause:

A manual set of books for multiple years was available and records were maintained for delinquent properties, but no actions had been taken.

Effect:

No action had been taken on delinquent property taxes and therefore liens have been assessed on delinquent property to ensure that the City will be able to collect those revenues in the future.

Recommendation:

We recommend that the City purchase software in order to track delinquent bills in order that they can be turned over for legal action.

Management Response:

The City has purchased software in order to track delinquent property taxes.

CITY OF DRAKESBORO, KENTUCKY
Schedule of Findings and Responses
June 30, 2019

Material Weakness 2019-003

Criteria:

The use of separate funds within the City's Proprietary fund aids in financial management and profitability determination.

Condition:

During our audit it was noted that while the proprietary billing registers were being produced and an accounts receivable subsidiary was being maintained; the billing registers did not reconcile back to the general ledger for recorded revenue.

Cause:

Monthly comparisons to recorded revenue and actual amounts billed are not being made.

Effect:

Without monitoring billed revenue, recorded revenue and amounts collected, the City is unable to determine if proper amounts have been collected and opens the City up to opportunities of fraud and misappropriations.

Recommendation:

We recommend that monthly reconciliations and comparisons be made between amounts billed and recorded revenue in the general ledger for the gas, water, and sewer utilities and that discrepancies be investigated.

Management Response:

Management understands the importance and is now printing out daily deposit reports that contain a detail of deposited customer amounts and reconcile to the daily cash deposit. Management will also provide monthly billed reports to the external bookkeeper for reconciling.

Significant Deficiencies 2019-004

Criteria:

The City's policy for utility cutoff is to terminate services immediately when bills become delinquent.

Condition:

During the review of utility accounts, it was noted that service for delinquent customers was not being terminated timely.

Cause:

Customer services were cut off when delinquent; however, it was typically three months after delinquency.

Effect:

Customers are continuing to use the services even after delinquency.

Recommendation:

We recommend that the City adhere to its cutoff policy and terminate service immediately when bills become delinquent in order to minimize bad debts.

CITY OF DRAKESBORO, KENTUCKY
Schedule of Findings and Responses
June 30, 2019

Management Response:

The City is working on adhering to the cutoff policy to terminate service immediately when bills become delinquent.

Significant Deficiency 2019-005

Criteria:

The use of separate funds within the City aids in financial management and demonstrates legal compliance.

Condition:

During our audit it was noted that there was no uniform way of recording interfund transactions between governmental and proprietary funds.

Cause:

Deposits for multiple funds are being made into one account, interfund transactions are often recorded as revenue, and the revenue is not always recorded in the correct fund.

Effect:

Deposits into one account create due to/due from transactions.

Recommendation:

We recommend that deposits be allocated between the funds and when necessary, a due to/due from transaction be recorded as opposed to revenue in the fund.

Management Response:

Management understands the importance and will ensure that interfund transactions are recorded uniformly and that repayments are only recorded in the general ledger when the cash is actually transferred from one account to another to prevent outstanding interfund transactions.

Significant Deficiency 2019-006

Criteria:

Management is responsible for developing and implementing an internal control structure for the safeguarding of assets.

Condition:

The City does not have adequate segregation of duties for an internal control structure to exist.

Cause:

The inherent size of the City.

Effect:

There is an increased risk of material misstatement due to the deficiency in internal control.

Recommendation:

We recommend that the city seek compensating controls to mitigate this deficiency.

Management Response:

The City will implement compensating controls for the lack of segregation of duties due to the inherent size of the City.



CAMPBELL, MYERS AND RUTLEDGE, PLLC

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

We were engaged to audit, 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, each major fund, and the aggregate remaining fund information of the City of Drakesboro, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Drakesboro, Kentucky's basic financial statements and have issued our report thereon dated June 7, 2021. Our report disclaims an opinion on such financial statements because of limitations surrounding the balance of accounts receivable associated with property taxes in the governmental activities and the billing registers as they relate to the reported revenue in the proprietary funds.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of the City of Drakesboro, Kentucky, we considered the City of Drakesboro, 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 the City of Drakesboro, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Drakesboro, Kentucky's internal control.

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

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, 2019-002 and 2019-003.

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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies, 2019-004, 2019-005 and 2019-006.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the City of Drakesboro, Kentucky, we preformed 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-001. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

City of Drakesboro, Kentucky's Response to Findings

City of Drakesboro, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Drakesboro, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Campbell, Myers & Ratledge, PLLC

Glasgow, Kentucky
June 7, 2021

