

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF CITY OF)
AUGUSTA REVISING ITS WHOLESALE) CASE NO. 2020-00277
WATER SERVICE RATES)

**REPLY TO THE CITY OF AUGUSTA’S RESPONSE TO
MOTION FOR HEARING AND ISSUANCE OF SUBPOENAS**

Bracken County Water District (“Bracken District”) submits its Reply to the Response of the City of Augusta (“Augusta”) to Motion for Hearing and Issuance of Subpoenas.

1. Augusta bears the burden of proof in this proceeding.

KRS 278.190(3) states that “the burden of proof to show that the increased rate or charge is just and reasonable shall be upon the utility.” Despite this clear and unmistakable language, Augusta asserts because “Bracken District did not provide any testimony,” no hearing is necessary, and the proposed rate should be immediately approved.¹ Augusta urges the Commission to turn KRS 278.190 on its head and require Bracken District to demonstrate the proposed rate is not reasonable. This shifting of the burden of proof is improper and unlawful. *See, e.g., Com. ex rel. Cowan v. Kentucky Public Service Commission*, 120 P.U.R.4th 168 (Ky. Franklin Cir. Ct. 1991) (“The PSC clearly placed the burden upon the intervenors to demonstrate that the settlement agreement was unreasonable and/or unlawful. This in our view improperly shifted the burden of proof from LG&E to the intervenors and violated the statutory mandate in rate cases.”)

¹ Augusta’s Response to Motion for Hearing and Issuance of Subpoenas at 2.

2. The record of this proceeding fails to support the approval of the proposed wholesale rate.

Augusta has yet to demonstrate that its proposed rate adjustment is reasonable or necessary. Its notice of proposed rate adjustment contained no evidence or information to support of its proposed rate. It has filed no testimony in support of its proposed rate. It has filed information regarding the proposed rate only in response to the requests of Commission Staff and Bracken District and that information has been incomplete or in some instances erroneous.

Compared to other municipal utility wholesale rate proceedings, the record in this proceeding contains a very limited amount of information regarding Augusta's operations and finances. Unlike other municipal utility proceedings, the Commission in this case has not requested a large volume of information, including written witness testimony, at the start of the proceeding to provide a clear picture of the applicant's finances and operations.² Instead, it has made limited requests for information, none of which included a request for Augusta's test period audit report or written testimony.

Moreover, Bracken District's discovery efforts have been limited. The procedural schedule permitted only a single round of discovery. This discovery was without benefit of the most basic documents in a rate proceeding – the applicant's testimony and detailed financial reports.³ With only one round of discovery, Bracken District has not had the opportunity to question the Augusta's responses to its requests or to Augusta's supplemental responses to requests for information or address the additional issues that those responses raise.

² See, e.g., *Electronic Tariff Filing of Henderson Water Utility Revising Its Wholesale Water Service Rates*, Case No. 2021-00067, Order (Ky. PSC Feb. 23, 2021) (directing municipal utility to respond to 35 interrogatories, including a directive to file writing testimony notwithstanding that no wholesale customer had objected to the proposed rate or requested a review of the rate).

³ While the procedure schedule did not provide Bracken District with the opportunity to engage in discovery after the filing of written testimony from Augusta, it provided Augusta with an opportunity to conduct discovery after any filing of Bracken District's testimony.

Despite the limited discovery, Bracken District has identified the following issues that require further examination through a hearing:

- Employee Health Insurance Expense. Augusta cites health insurance expense as a principal reason for the proposed rate adjustment. The record does not show that Augusta adjusted this expense to reflect the Commission’s policy limiting rate recovery of employee health insurance expense to the current national employer contribution rate for private employers, which is currently 78 percent for single person coverage,⁴ or that its proposed adjustment to increase employee health insurance expense considers the Commission’s policy.

- Allocation of Operating Expenses. The Augusta-Bracken District Water Purchase Contract provides:

operating costs shall be allocated based upon the total annual volume of finished treated water delivered to Bracken District and to Augusta’s distribution system at their respective delivery points located immediately adjacent to the Water Treatment Plant. (Augusta shall measure the flow of finished treated water from the Water Treatment Plant to Augusta’s water distribution system by meter located immediately adjacent to the Water Treatment Plant.)⁵

Augusta’s metering records and billing invoices show during the test period 62,599,309 gallons of water were delivered to Augusta’s water distribution system, but the water distribution system was billed for only 59,992,389 gallons⁶. Contrary to the Water Purchase Contract, Augusta used the discounted volume to calculate the allocation factor, thus increasing the operating costs allocated to Bracken District. Augusta should explain this action and how it is consistent with the water purchase contract.

⁴ News Release, Bureau of Labor Statistics, Employee Benefits in the United States – March 2020 (Sept. 24, 2020) (USDLE-20-1792), at 11 (Table 11), available at <https://www.bls.gov/news.release/pdf/ebs2.pdf>.

⁵ Water Purchase Contract at § 16e.

⁶ Augusta’s Response to Bracken District’s First Request for Information to the City of Augusta, Items 55 and 56.

- Wages/Salaries. During the test period, a water treatment plant employee expended a significant portion of this time performing duties for other city departments and a portion of a non-water treatment plant employee's wages and benefits were allocated to the water treatment plant for work allegedly performed for the water treatment plant.⁷ The record, however does not contain no meaningful information regarding how these two employees' salaries were allocated, who prepared the allocation, the precise allocation methodology use or the records maintained to support the allocation. There is no information in the record to support the reasonableness or accuracy of the allocation.

Augusta has stated that the allocations are based upon estimates.⁸ However, the Water Purchase Contract provided that Augusta was to "implement a process for contemporaneous recording of the time that its non-Water Treatment Plant employees expend in support of the Water Treatment Plant and any time that the Water Treatment Plant's employees spend in support of non-Water Treatment Plant functions other than they were based upon estimates."⁹ Augusta has not explained how its use of estimates is consistent with the Water Purchase Contract.

Augusta has also not explained the need for an "Operations Manager" in light of its employment of a water treatment plant supervisor who oversees the water treatment plant's operations and has done so for several years.

- Repairs and Supplies Expense. In its original response to Commission Staff's Initial Request for Information, Item 2e, Augusta reported Repairs and Supplies Expense of \$72,006 and listed these expenses. When Bracken District questioned whether several of these expenses should be capitalized and where already reflected in Augusta's depreciation schedule, Augusta revised its

⁷ *Id.*, Items 9 and 12.

⁸ *Id.*, Item 12.

⁹ Water Purchase Contract at §23.

initial response replacing several expenses with others to produce the same sum of \$72,006. Augusta offered no explanation for its action. Furthermore, several items contained in the revised list appear to be capital expenditure and appear of the same nature as capitalized expenditures listed in Augusta's depreciation schedule. The record contains no explanation to support the characterization that Augusta has given to these items.

- Electricity Expense. Augusta proposed to adjust electricity expense to reflect an increase in its electric supplier's rates. The adjustment, however, is not based upon test period usage but on that total amount billed to the water treatment plant for the following year's usage. Usage in the test period and the following year are not comparable as the water treatment plant operate longer and produced a larger volume of water in the year following the test period. Adjusting electricity based upon following year's usage and rates without making similar adjustment to other expenses violates the matching principle. (If this adjustment is acceptable, then adjustments to other expenses based upon their level in the following year would also be required.)

- Pumping Efficiency. Test results produced in response to Bracken District's requests indicate that the well pumps and high service pumps are operating below design capacity, in some cases below 50 percent of design capacity.¹⁰ Some of these pumps are over 25 years old. The low efficiency rates suggest that the pumping equipment is not being properly maintained or are no longer operating efficiently and require replacement. The reduced efficiency of these pumps will result in unreasonable electric power expenses.

In summary, too areas remain unexplored and too many questions remain unanswered in this proceeding for the Commission to find the proposed wholesale rate is reasonable. Augusta concedes that its responses to requests for information are not complete and require supplemental

¹⁰ *Id.*, Item 39 and 40.

responses and that some of its previous responses have been inaccurate.¹¹ A hearing is an essential tool to address unanswered questions, resolve inconsistencies and errors in an applicant's request, and test the applicant's claims and evidence. For this very reason, a hearing should be held in this proceeding. However, if the Commission determines that a hearing cannot be conducted to address these unanswered questions, then the Commission should find that Augusta has failed to meet its burden of proof and deny the proposed wholesale rate.

3. Augusta, not Bracken District, has engaged in delaying tactics and should not be rewarded for its conduct.

Augusta's claim that Bracken District has engaged in "dilatory practices" focuses solely on actions that occurred prior to January 31, 2021 and that were addressed by the Commission in its Order of February 1, 2021. Bracken District will not address that claim except to point out that the record clearly reflects that: (1) Bracken District timely filed a motion to intervene in this proceeding on September 14, 2020 and the Commission did not address that motion until February 1, 2021; (2) The last action that occurred in this proceeding prior to January 20, 2021 – the date on which Bracken District filed its Motion for a Ruling – occurred on October 14, 2020 when Augusta filed a response to Commission Staff's First Request for Information; (3) Between October 15, 2020 and January 27, 2021, Augusta took no action to obtain a ruling from the Commission on its proposed wholesale rate; and (5) the Commission found on February 1, 2021 that "there is sufficient time to conduct any investigation suggested by Bracken District prior to the statutory date in this matter of May 29, 2021."¹²

Since February 1, 2021, Bracken District has timely complied with the procedural schedule established by the Order of February 1, 2021. It timely served its request for information on

¹¹ Augusta's Response to Bracken District's Motion for Hearing at 1, fn. 1; City of Augusta's Notice of Filing (Feb. 25, 2021).

¹² Order of February 1, 2021 at 4.

Augusta. When Augusta moved to strike to these requests in their entirety, Augusta amended its requests to address Augusta's concerns the next business day and on the following day filed a response to Augusta's motion. It timely advised the Commission of its decision not to file testimony in this matter. On March 10, 2021 – six weeks prior to the deadline to request a hearing, Bracken District requested that the Commission schedule a hearing in this matter.

On the hand, Augusta has engaged in tactics to obstruct and delay the review of its application. Although Commission's Order of February 1, 2021 clearly established Bracken District's right to make reasonable requests for information, Augusta moved to strike Bracken District's requests for information immediately upon Bracken District's filing of those requests. It made its motion even though Bracken District's requests were "relatively straight forward requests for information that generally should be readily available if it exists" and without "explain[ing] why any particular request would be unnecessarily or unduly burdensome."¹³ It persisted in its efforts to prevent discovery even after Bracken District sought to resolve Augusta's concerns through private negotiation and, when no agreement could be reached with Augusta, to unilaterally withdraw requests that might be considered burdensome.

Augusta adopted a similar approach to discovery requests. In response to a request for a copy of Augusta's Audit Report for 2020,¹⁴ Augusta informed Bracken District on **February 24, 2021** that the report had not been completed. On **April 13, 2021**, after Bracken District's counsel inquired about the report, Augusta provide a copy of the report, which was dated **February 18, 2021**.¹⁵ Similarly, Augusta advised that it could not provide the water treatment plant's depreciation schedule for fiscal year 2020 or a list of its repair and supply expenses until

¹³ Order of February 18, 2021 at 1.

¹⁴ Augusta's Response to Bracken District's First Request for Information to the City of Augusta, Item 3. A copy of this response is attached as Exhibit A to this Reply.

¹⁵ A copy of the 2020 Audit Report is attached as Exhibit B to this Reply.

completion of the 2020 Audit Report.¹⁶ As of the date of this response, Augusta has not provided this information.¹⁷ Augusta has selectively answered requests for information or delayed in correcting erroneous responses.¹⁸

Following Bracken District's request on March 10, 2021 for a hearing in this matter, Augusta delayed in voicing its opposition to the request for six weeks. Such delay may have been justified if a need for discovery requests or rebuttal testimony existed. However, as Augusta noted in its Response, "[b]ecause Bracken District did not provide any testimony, no written discovery was issued and there was no testimony to rebut."¹⁹ Augusta did not advise the Commission of its opposition to a hearing until April 23 and only after Bracken District made a second request for a hearing.

Augusta has also been slow to engage in settlement discussions. On March 10, 2021 Bracken District's counsel approach Augusta's counsel to inquire about settlement discussions. On March 12, 2021, Augusta's counsel advised that Augusta of its willingness to discuss settlement. On March 31, 2021, Bracken District presented a detailed settlement offer and term sheet to Augusta. On April 13, 2021, Augusta requested Bracken District's calculations for its rate proposal. On April 15, 2021, Bracken District submitted a two-and-half page, single-spaced explanation of its offer. As of this date, Augusta has not responded to the March 31, 2021 offer except to request a meeting with Bracken District's representatives to discuss the offer. This meeting has been scheduled.

¹⁶ Augusta's Response to Bracken District's First Request for Information to the City of Augusta, Items 14 and 15. See Exhibit C.

¹⁷ See Exhibit D to this Response. Augusta has advised the Commission of its intention to provide the requested information on or before April 30. See Augusta's Response to Motion for Hearing and Issuance of Subpoenas at 1, fn. 1.

¹⁸ Exhibit D to this Response. City of Augusta's Notice of Filing (Feb. 25, 2021) (a lapse of four months between Augusta's initial response to Commission Staff's First Request for Information and the filing of corrections).

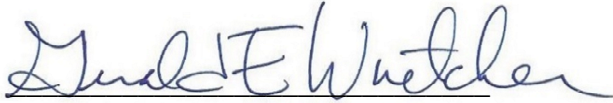
¹⁹ Augusta's Response to Motion for Hearing and Issuance of Subpoenas at 2.

Bracken District has gone to great lengths to accommodate Augusta and to alert the Commission to the need to schedule a hearing. If the Commission now determines that insufficient time remains to hold a hearing and render a decision, it should not reward Augusta for its delaying tactics. If insufficient time exists for a hearing to take additional evidence on Augusta's proposed wholesale and to address the unanswered questions that the proposed wholesale rate presents, the Commission should find that Augusta has failed to meet its burden of proof and dismiss this proceeding.

WHEREFORE, Bracken County Water District requests the Public Service Commission to schedule a hearing in this matter or, in the alternative, to deny the proposed wholesale rate adjustment.

Dated: April 26, 2021

Respectfully submitted,

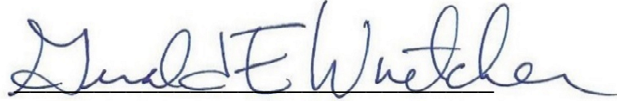


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Counsel for Bracken County Water District

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that Bracken County Water District's electronic filing of this Reply is a true and accurate copy of the same document being filed in paper medium; that the electronic filing was transmitted to the Public Service Commission on April 26, 2021; that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding; and that within 30 days following the end of the state of emergency first announced in Executive Order 2020-215 this Reply in paper medium will be delivered to the Public Service Commission.

A handwritten signature in blue ink that reads "Gerald E. Wuetcher". The signature is written in a cursive style with a horizontal line underneath the name.

Gerald E. Wuetcher

EXHIBIT A

CASE No. 2020-00277
CITY OF AUGUSTA
RESPONSES TO BRACKEN COUNTY WATER DISTRICT'S REQUEST FOR INFORMATION

3. Provide a copy of Augusta's Fiscal Year 2019 and Fiscal Year 2020 Audits.

RESPONSE: A copy of the FY 2019 audit report is attached. The FY 2020 audit report is not complete.

WITNESS: Doug Padgett

EXHIBIT B

CITY OF AUGUSTA, KENTUCKY
AUDITED BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

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

CITY OF AUGUSTA, KENTUCKY

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2020

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets.....	12
Statement of Revenues, Expenditures and Change in Fund Balances – Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund.....	16
Statement of Net Assets – Proprietary Funds.....	17
Statements of Revenues, Expenses and Changes in Net Assets - Proprietary Funds.....	18
Statement of Cash Flows – Proprietary Funds.....	19

CITY OF AUGUSTA, KENTUCKY

TABLE OF CONTENTS – CONTINUED

YEAR ENDED JUNE 30, 2020

Notes to the Basic Financial Statements.....20-34

Supplementary Information:

Combining Balance Sheet – All Proprietary Fund Types35
Combining Statement of Revenues, Expenditures and Changes
 In Net Assets – All Proprietary Fund Types36
Combining Statement of Cash Flows – All Proprietary Fund Types.....37
Schedule of Revenues – Budget and Actual – General Fund.....38
Schedule of Expenditures – Budget and Actual – General Fund.....39
Water Treatment Plant Costs.....40
Schedule of Debt Service Requirements
 Series B Water System Revenue Bonds.....41
 Series B Water System Revenue Bonds.....42

**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.....43-44**

Management Letter Comments.....45-47

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

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

Mayor and City Council
City of Augusta
Augusta, Kentucky 41002

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Augusta, Kentucky as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Augusta, Kentucky, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2021, on our consideration of the City of Augusta, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Augusta, Kentucky's internal control over financial reporting and compliance.

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

February 18, 2021

**CITY OF AUGUSTA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2020**

As management of the City of Augusta, Kentucky “the City”, we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

- The City ended the 2020-year with net assets (both City and Utilities) of \$3,576,000. The principal part of net assets is comprised of the City’s investment in fixed assets.
- The City received a loan of \$200,000 from Ky Bond Corporation for pool repairs. The repairs began in FY 2020 and expected to be completed in FY 2021.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$3,576,000 as of June 30, 2020.

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

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

Net Assets for the period ending June 30, 2020

Comparative data for 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Current Assets	\$2,252,000	\$1,994,000
Noncurrent Assets	<u>3,802,000</u>	<u>3,916,000</u>
Total Assets	6,054,000	5,911,000
Current Liabilities	1,213,000	1,177,000
Noncurrent Liabilities	<u>1,266,000</u>	<u>1,322,000</u>
Total Liabilities	2,479,000	2,499,000
Net Assets		
Investment in capital assets (net of debt)	3,592,000	3,486,000
Restricted	117,000	192,000
Unreserved Fund Balance	<u>(133,000)</u>	<u>(268,000)</u>
Total Net Assets	\$3,575,000	\$ 3,411,000

Comments on Budget Comparisons

- The City's total revenues for the fiscal year ended June 30, 2020, net of interfund transfers were \$2,761,000.
- General fund budget compared to actual revenue varied from line to line with the ending actual revenues being \$253,000 less than budget. The main contributing factors for the variance was the sanitation fee revenue actual was less than budgeted
- General fund budget expenditures to actual varied \$61,000 less than budget during June 30, 2020.

The following table presents a summary of governmental fund revenues and expense for the fiscal year ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Revenues:		
Local revenue sources	\$1,535,000	\$ 1,297,000
Federal and State revenue sources	0	0
Other Sources	<u>0</u>	<u>0</u>
Total revenues	\$1,535,000	\$ 1,297,000
Expenses:		
General government	290,000	301,000
Police	207,000	167,000
Fire	33,000	34,000
Streets	187,000	141,000
Sanitation	319,000	362,000
Recreation, pool and park	69,000	91,000
Tourism	50,000	46,000
Debt Service	18,000	0
Capital Outlay	<u>302,019</u>	<u>5,000</u>
Total expenses	<u>\$ 1,476,000</u>	<u>\$1,146,000</u>
Revenue in Excess of Expense	\$ 59,000	\$ 150,000

General Fund Revenue

The majority of revenue was derived from local sources. Revenues from sanitation services were \$338,000.

General Fund Expenses

Salaries comprise of \$ 368,000 of total expenses, or 25% of total expense.

Utility Operations

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

Water	\$ (49,000)
Gas	\$ 158,000
Sewer	\$ (62,000)
Water Treatment	\$ 8,000

Budgetary Implications

The City adopted a budget for 2021 in which anticipated revenue equaled expenditures. The City has a cash balance of \$84,000 for the beginning of the next fiscal year. The utility had a cash balance of \$820,000 for the beginning of the 2021 fiscal year. The City does not anticipate any significant action, which would impact the budget.

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

City of Augusta
219 Main Street
Augusta, Kentucky 41002

BASIC FINANCIAL STATEMENTS

CITY OF AUGUSTA, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	83,405	820,442	903,847
Accounts Receivable:			
Accounts	65,634	93,505	159,139
Loans	-		-
Deposits	-		-
Due from other funds	23,000	1,074,830	1,097,830
Restricted Cash	90,566		90,566
Total Current Assets	262,604	1,988,776	2,251,381
Noncurrent Assets			
Nondepreciated capital assets:			
Land	22,000		22,000
Depreciated capital assets:			
Buildings and improvements	3,174,826		3,174,826
Equipment	610,133		610,133
Utility Systems		6,453,990	6,453,990
Less: Accumulated depreciation	(2,199,813)	(4,258,375)	(6,458,188)
Net Capital Assets	1,607,146	2,195,615	3,802,761
Total Noncurrent Assets	1,607,146	2,195,615	3,802,761
TOTAL ASSETS	1,869,751	4,184,391	6,054,142
LIABILITIES			
Current Liabilities			
Accounts payable	5,519	13,595	19,115
Accrued Liabilities	14,109	9,688	23,796
Accrued interest payable		328	328
Customer Deposits		25,720	25,720
Due to Other Funds	402,914	694,916	1,097,830
Current portion of Bonds and Notes Payable	15,000	51,900	66,900
Total Current Liabilities	437,542	796,147	1,233,689
Noncurrent Liabilities			
Bonds payable		1,110,162	1,110,162
Notes Payable	173,750		173,750
Total Noncurrent Liabilities	173,750	1,110,162	1,283,912
TOTAL LIABILITIES	611,292	1,906,309	2,517,601
NET POSITION			
Invested in capital assets, net of related debt	1,418,396	2,134,908	3,553,304
Restricted for:			
Capital projects		-	-
Other purposes	116,451		116,451
Unrestricted	(276,388)	143,173	(133,215)
TOTAL NET ASSETS	1,258,458	2,278,081	3,536,535
TOTAL LIABILITIES AND NET ASSETS	1,869,751	4,184,391	6,054,142

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

**CITY OF AUGUSTA, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES:							
General Government	548,087	301,557		39,295	(207,234)	-	\$ (207,234)
Police	206,963	3,812			(203,151)		\$ (203,151)
Fire	32,886				(32,886)		(32,886)
Streets	187,616				(187,616)		(187,616)
Sanitation	319,114	338,259			19,145		19,145
Recreation, Pool and Parks	69,377				(69,377)		(69,377)
Tourism	49,939				(49,939)		(49,939)
Depreciation	121,450				(121,450)		(121,450)
TOTAL GOVERNMENTAL ACTIVITIES	1,535,432	643,627	-	39,295	(852,509)	-	(852,509)
BUSINESS-TYPE ACTIVITIES:							
Utilities	1,131,407	1,257,461	-		-	126,055	126,055
TOTAL BUSINESS-TYPE ACTIVITIES	1,131,407	1,257,461	-			126,055	126,055
TOTAL CITY	2,666,838	1,901,088	-	39,295	(852,509)	126,055	(726,454)
General Revenues							
Taxes					425,756		425,756
Federal and State Grants					95,338		95,338
Local and Other Revenues					326,412		326,412
Investment Earnings					4,280		4,280
Total General Revenues					851,787	-	851,787
Change in Net Assets							
Net Assets July 1, 2019					(722)	126,110	125,388
					1,259,449	2,151,968	3,411,415
Net Assets June 30, 2020					1,258,458	\$ 2,278,081	\$ 3,536,535

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

**CITY OF AUGUSTA, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020**

	General Fund	Special Revenue Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	80,520	2,885	83,405
Accounts Receivable:			-
Customers, Net	26,338		26,338
Other	39,295	-	39,295
Loans		-	-
Due From Other Funds		23,000	23,000
Deposits	-		-
Restricted Assets			-
Cash	90,566		90,566
Fixed Assets			-
Construction in Progress			
Accumulated Depreciation			
TOTAL ASSETS	236,720	25,885	262,604
LIABILITIES AND NET ASSETS			
Accounts Payable	5,519	-	5,519
Accrued Liabilities	14,109		14,109
Accrued Interest Payable			-
Due to Other Funds	402,914		402,914
Notes Payable			-
TOTAL LIABILITIES	422,542	-	422,542
Fund Balance:			
Restricted	90,566	25,885	116,451
Unassigned	(276,388)		(276,388)
TOTAL FUND BALANCES	(185,820)	25,885	(159,938)
TOTAL LIABILITIES AND FUND BALANCES	236,720	25,885	262,604

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

CITY OF AUGUSTA, KENTUCKY

RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS

June 30, 2020

Total fund balance per fund financial statements	\$ (159,938)
Changes required for presentation of Net Assets in conformity with GASB34:	
Capital assets are not reported in the fund financial statements because they are not current financial resources; however they are reported in the Statement of Net Assets.	
Total Cost	3,806,960
Accumulated Depreciation	<u>(2,199,813)</u>
	1,607,146
Certain liabilities (such as bond payable, capital leases, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statements because they are not currently due and payable, but they are presented in the Statement of Net Assets.	
	<u>(188,750)</u>
Net assets for government activities	<u>\$ 1,258,458</u>

**CITY OF AUGUSTA, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Special Revenue (PARKS & RECREATION) Funds	TOTALS (Memorandum Only)
REVENUES:			
Taxes	425,756		425,756
Licenses and Permits	301,557		301,557
Fines and Forfeits	3,812		3,812
Intergovernmental Revenue	112,895		112,895
Charges for Services	338,259		338,259
Kentucky Grant	39,295		39,295
Miscellaneous	313,136	35	313,171
	TOTAL REVENUES	35	1,534,745
EXPENDITURES:			
Current:			
General Government	289,894	-	289,894
Police	206,963		206,963
Fire	32,886		32,886
Streets	187,616		187,616
Sanitation	319,114		319,114
Recreation, Pool and Parks	69,377	305	69,682
Tourism	49,939		49,939
Capital Outlay	302,019	-	302,019
Debt Service	18,398		18,398
	TOTAL EXPENDITURES	305	1,476,510
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	58,505	(270)	58,235
OTHER FINANCING SOURCES (USES):			
Federal Grant	-		-
CDBG Fund	-		-
Memorial Gift - Library	-		-
Transfer to Library	-		-
Transfers - Net (Utility Funds)	-		-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	58,505	(270)	58,235
FUND BALANCE JULY 1, 2019	(244,325)	26,154	(218,174)
Prior Period Adjustment	-	-	-
FUND BALANCE JUNE 30, 2020	\$ (185,820)	\$ 25,885	\$ (159,938)

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

CITY OF AUGUSTA, KENTUCKY

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

June 30, 2020

Net change in total fund balances per fund financial statements \$ 58,235

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

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

Total current capital outlays	109,945
Depreciation for the year	<u>(121,450)</u>
	(11,506)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the Statement of Net Assets.	<u>(47,451)</u>
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Change in net assets of governmental activities per Statement of Activities \$ (722)

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

FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	464,094	425,756	(38,338)
Licenses and Permits	278,000	301,557	23,557
Fines and Forfeits	-	3,812	3,812
Intergovernmental Revenue	45,000	112,895	67,895
Charges for Services	627,000	338,259	(288,741)
Kentucky Grant-Clopay	-	39,295	39,295
Miscellaneous	373,900	313,136	(60,764)
	TOTAL REVENUES	1,787,994	1,534,710
			(253,284)
EXPENDITURES:			
Current:			
General Government	622,437	289,894	332,543
Police	218,086	206,963	11,124
Fire	35,100	32,886	2,214
Recreation and Park	78,594	69,377	9,217
Streets	175,450	187,616	(12,166)
Sanitation	305,000	319,114	(14,114)
Tourism	66,500	49,939	16,561
Capital Outlay	13,833	302,019	(288,186)
Debt Service	22,000	18,398	3,602
	TOTAL EXPENDITURES	1,537,000	1,476,205
			60,795
Excess of revenues over (under) expenditures Before Other Financing Sources (Uses)	250,994	58,505	309,499
OTHER FINANCING SOURCES (USES):			
Transfers in (out) - Proprietary Funds	-	-	-
	TOTAL OTHER FINANCING SOURCES (USES)	-	-
			-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	250,994	58,505	58,505
FUND BALANCE JULY 1, 2019	21,277	(244,327)	265,604
Prior Period Adjustment		-	-
FUND BALANCE JUNE 30, 2020	21,277	(185,820)	207,097

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

FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes			-
Licenses and Permits			-
Fines and Forfeits			-
Intergovernmental Revenue			
Charges for Service			-
Miscellaneous	-	35	35
TOTAL REVENUES	-	35	35
EXPENDITURES:			
Current			-
General Government	-	-	-
Police			-
Fire			-
Recreation		305	(305)
Streets			-
Sanitation			-
Tourism			-
Capital Outlay			-
Debt Service			-
TOTAL EXPENDITURES	-	305	(305)
Excess of revenues over (under) expenditures Before Other Financing Sources (Uses)	-	(270)	(270)
OTHER FINANCING SOURCES (USES):			
Transfers in (out) - Proprietary Funds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(270)	(270)
 FUND BALANCE JULY 1, 2019	 37,292	 26,155	 (11,137)
FUND BALANCE JUNE 30, 2020	 \$ 37,292	 \$ 25,885	 \$ (11,407)

**CITY OF AUGUSTA, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2020**

	<u>Business- type Activities</u>
ASSETS AND RESOURCES	
Current assets:	
Cash and cash equivalents	\$ 820,442
Accounts Receivable	93,505
Restricted cash and Investment	
Due from other funds	<u>1,074,830</u>
Total Current assets	<u>1,988,776</u>
Noncurrent assets:	
Bond Issue Costs	-
Nondepreciated capital assets:	
Land	
Depreciated capital assets:	
Building and improvements	6,453,990
Equipment	
Less accumulated depreciation	<u>(4,258,375)</u>
Net Capital Assets	<u>2,195,615</u>
Total noncurrent assets	<u>2,195,615</u>
TOTAL ASSETS	<u><u>\$ 4,184,391</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 13,595
Accrued Liabilities	9,688
Accrued Interest Payable	328
Customer Deposits	25,720
Due to Other Funds	694,916
Current Portion of Bonds and Notes Payable	<u>51,900</u>
Total Current Liabilities	<u>796,147</u>
NONCURRENT LIABILITIES	
Bonds Payable	1,110,162
Notes Payable	<u>-</u>
Total Noncurrent Liabilities	<u>1,110,162</u>
TOTAL LIABILITIES	1,906,309
NET ASSETS:	
Contributed Capital	2,008,797
Restricted for:	
Capital Projects	-
Unassigned	<u>269,285</u>
TOTAL NET ASSETS	<u><u>2,278,081</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,184,391</u></u>

**CITY OF AUGUSTA, KENTUCKY
COMBINES STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

OPERATING REVENUES	
Charges for Services	\$ 768,395
Charges for Sales to Water District	<u>379,618</u>
TOTAL OPERATING REVENUES	1,148,013
OPERATING EXPENSES	
Salaries and wages	358,494
Gas Purchases	106,962
Water Treatment Expense in Excess of Revenue	-
Chemicals and Testing	40,906
Utilities and Telephone	174,420
Professional Fees	44,501
Insurance	17,317
Repair and Supplies	107,732
Transportation	22,177
Office Expense and Other	49,595
Amortization	-
Depreciation	<u>171,576</u>
TOTAL OPERATING EXPENSES	<u>1,093,679</u>
OPERATING INCOME (LOSS)	54,334
NON-OPERATING REVENUES (Expenses)	
Other Income	108,690
Interest Income	581
Interest Expense	<u>(37,493)</u>
Net Loss Before Capital Contributions and Transfers	126,112
Capital Contributions	-
Transfers - Charges to General Fund	<u>-</u>
NET INCOME (LOSS)	126,112
TOTAL NET ASSETS - JULY 1, 2019	<u>2,151,969</u>
TOTAL NET ASSETS - JUNE 30, 2020	<u><u>\$ 2,278,081</u></u>

**CITY OF AUGUSTA, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from:	
Services	1,148,013
Other Income	108,690
Cash payments to employees for services	(358,494)
Cash payments for contract services	-
Cash payments to suppliers for goods and services	(594,944)
Cash payments for other operating expenses	-

NET CASH PROVIDED BY OPERATING ACTIVITIES 303,266

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to General Fund	<u>46,010</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Loan Proceeds	(8,398)
Principal Paid	(51,800)
Interest Paid	(37,493)
Fixed Assets Acquired	(78,485)

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES (176,176)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>581</u>
	-

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS **\$ 173,099**

CASH AND CASH EQUIVALENTS JULY 1, 2019 647,343

CASH AND CASH EQUIVALENTS JUNE 30, 2020 **\$ 820,442**

Reconciliation of operating income to net cash used for operating activities

Operating income	54,334
other income	108,690
Transfers	-
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	171,576
State Grants	-
Changes in assets and liabilities:	
Receivables	(4,158)
Inventories	-
Accrued liabilities	<u>(27,177)</u>

Net Cash used for operating activities **\$ 303,266**

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation

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

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

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

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The City has the following funds:

I. Governmental Fund Types

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

II. Proprietary Fund Types

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

II. (Continued)

Basis of Accounting

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

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

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting - Continued

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2020, to finance the General Fund operations were \$.348 per \$100 valuation for real property, \$.61 per \$100 valuation for business personal property and \$.185 per \$100 valuation for motor vehicles. The assessed value upon which the levy for the 2019 fiscal year was based, was \$38,103,395

Capital Assets

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS -- CONTINUED

Year ended June 30, 2020

Basis of Accounting -- Continued

Capital Assets -- Continued

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

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

Interfund Balances

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

Budgetary Process

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

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

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

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

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

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2020 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Accrued Liabilities and Long-Term Obligations

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

Fund Balance Reserves

Fund Financial Statements:

Fund Balance Designation

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

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

Net Positions

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting - Continued

Operating Revenues and Expenses

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

Contributions of Capital

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

Interfund Activity

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

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the City's total cash and cash equivalents was \$981,000. Of the total cash balance, federal depository insurance and pledged assets covered the balance throughout the year. All cash and equivalents were covered at 6/30/20.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

Cash and cash equivalents at June 30, 2020 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Checking	\$ 981,649	\$ 982,120
Certificates of Deposit	<u>12,292</u>	<u>12,292</u>
	<u>\$ 993,942</u>	<u>\$ 994,412</u>

Breakdown per financial statements:

Governmental funds	\$ 173,969
Proprietary funds	<u>820,442</u>
	<u>\$ 994,412</u>

CITY OF AUGUSTA

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2020

NOTE D - CAPITAL ASSETS

Capital asset for the fiscal year ended June 30, 2020 was as follows:

Governmental Activities	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
Land	22,000			22,000
Park, pool and shelter	375,602			375,602
Buildings and improvements	1,415,249	7,575		1,422,824
Streets	591,188	83,162		674,351
Lighting and dock	847,636			847,636
Vehicles	186,538	19,207	24,465	181,280
Other equipment	283,268			283,268
Total at historical cost	3,721,481	109,945	24,465	3,806,960
Less accumulated depreciation:				
Park, pool and shelter	269,846	5,445		275,291
Building and improvements	386,998	37,599		424,597
Streets	371,961	25,611		397,573
Lighting and dock	621,154	44,428		665,581
Vehicles	163,934	7,315	15,495	155,755
Other Equipment	279,967	1,052		281,019
Total accumulated depreciation	2,093,858	121,450	15,495	2,199,813
Governmental Activities Capital Assets-Net	1,627,622	(11,506)	8,971	1,607,146
Business - Type Activities				
Land	9,714			9,714
Water Utility	4,328,322	11,853		4,340,174
Gas Utility	846,109	7,099		853,208
Sewer Utility	1,200,435	50,457		1,250,892
Totals at historical cost	6,384,580	69,409	-	6,453,990
Less accumulated depreciation:				
Water Utility	2,480,959	126,574		2,607,533
Gas Utility	739,497	13,783		753,280
Sewer Utility	866,340	31,220		897,561
Total accumulated depreciation	4,086,798	171,576	-	4,258,375
Business - Type Activities Capital Assets - Net	2,297,782	(102,168)	-	2,195,615

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE E – RESERVES

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

A. Sinking Fund

On or before the 20th day of each month the City is required to set aside an amount into a special account known as the “City of Augusta Water System Bond and Interest Sinking Fund”. The amount to be so set aside and paid into the Sinking Fund each month shall be sums equal to the following amounts:

1. A sum of one-sixth of the interest becoming due on the next succeeding interest due date, with respect to all outstanding Bond Issues.
2. A sum equal to one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding December 1.

The required balance of the reserve at June 30, 2020 was \$33,198. The City has set aside \$32,683 into the restricted account. There was \$115,000 in deposits that was made to the sinking fund for the year. As required in (1) or (2) above, the monthly funding should be \$33,198. The account is underfunded by \$515.

B. Depreciation Fund

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

When the balance in the Depreciation Fund reaches \$88,200 the monthly payments may be reduced to \$50 until the fully funded level of \$91,800. When the balance reaches \$91,800, the monthly payments may be discontinued or by the order of the City Council, may be diverted into the Sinking Fund Account to be held as part of the Sinking Fund Reserve and may then be used to redeem Bonds; however, the payments into the Depreciation Fund must be resumed whenever necessary to restore the balance up to \$91,800. The Depreciation Reserve requirement at June 30, 2020 was \$69,080. The City had set aside \$59,600 at June 30, 2020 into a restricted account. The account is underfunded by \$9,480.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE F. LONG-TERM DEBT

Long-Term Debt of the City consists of Revenue Bonds payable from the Proprietary Funds and Notes Payable by the Governmental and Proprietary Funds. A detail of Long-Term Debt at June 30, 2020 is as follows.

A. Revenue Bonds – Proprietary Funds

Sewer Utility Fund:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019A Series, due USDA Rural Development At interest rate 2.4% to 3.5% per annum with Final payment in 2029	188,750	34,893	223,643

Water Utility Fund:

2016 Series C, due to KRWFC at interest rate of 3.2% Per annum with final payment Due in 2035	1,005,000	279,638	1,284,638
2004 Series, due USDA Rural Development at interest rate of 4.50% per annum with final payment due in 2044	<u>80,600</u>	<u>52,956</u>	<u>133,556</u>
	<u>\$1,274,350</u>	<u>\$ 367,487</u>	<u>\$1,641,837</u>

The annual requirements to amortize all revenue bonds payable outstanding as of June 30, 2020, are as follows:

<u>YEAR ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
<u>JUNE 30</u>			
2021	66,900	40,785	107,685
2022	69,083	39,186	108,270
2023	77,100	37,197	114,297
2024	79,283	34,793	114,076
2025	82,300	32,273	114,573
2026-2030	412,683	118,518	531,201
2031-2035	375,300	55,493	430,793
2036-2040	91,700	6,953	98,653
2041-2044	20,000	2,290	22,290
TOTAL	<u>\$1,274,350</u>	<u>\$ 367,487</u>	<u>\$1,641,837</u>

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

B. Notes Payable

Governmental Fund

Pool Project

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

The maturities of Notes Payable at June 30, 2020 were as follows:

	Principle	Interest
2021	15,000	6,266
2022	17,083	5,853
2023	20,000	5,383
2024	22,083	4,833
2025	25,000	4,174
2025-2029	<u>89,583</u>	<u>8,383</u>
	188,750	34,893

Water Fund

Clopay Well

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

The maturities of Notes Payable at June 30, 2020 were as follows:

	Principle	Interest
2021	8,525	1,453
2022	8,698	1,281
2023	8,873	1,105
2024	9,052	926
2025	9,235	743
2026-2029	<u>32,148</u>	<u>1,110</u>
	\$76,534	\$6,618

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2020

NOTE G. CDBG GRANT AND LOANS RECEIVABLE

The City received a Community Development Block Grant in 1984 for \$217,500. The amount was loaned to local businesses, to be repaid at 5% over 7-12 years. All repayments are to be recirculated through loans to the community for economic development. There are no outstanding loans as of June 30, 2020.

NOTE H. INSURANCE AND RELATED ACTIVITIES

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

NOTE I. PENDING LITIGATION

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

SUPPLEMENTARY INFORMATION

**CITY OF AUGUSTA, KENTUCKY
COMBINING BALANCE SHEET
ALL PROPRIETARY FUND TYPES
For the Year Ended June 30, 2020**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
ASSETS					
Cash and cash equivalents	\$ 14,623	\$ 178,161	\$ 208,564	\$ 419,094	\$ 820,442
Account Receivable					-
Customers - Net	21,039		10,042	25,405	56,486
Other		37,019			37,019
Due from other funds	-	7,491	1,067,339		1,074,830
Restricted Assets					-
Cash					-
Investments					-
Fixed Assets	498,760	3,841,414	853,846	1,259,969	6,453,990
Accumulated Depreciation	(385,721)	(2,221,813)	(753,280)	(897,561)	(4,258,375)
Construction In Progress	-	-	-	-	-
Bond Issue Costs					-
TOTAL ASSETS	\$ 148,702	\$ 1,842,273	\$ 1,386,510	\$ 806,908	\$ 4,184,391
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts Payable	\$ 85	\$ 6,637	\$ 2,099	\$ 4,775	\$ 13,595
Accrued Liabilities	1,301	5,352	2,168	867	9,688
Accrued Interest Payable		328			328
Customer Deposits	12,520		13,200	-	25,720
Due to Other Funds	361,988	-		332,928	694,916
Notes Payable	76,462		-	-	76,462
Payable from Restricted Assets					-
Revenue Bonds Payable		1,085,600			1,085,600
Total Liabilities	452,356	1,097,917	17,467	338,570	1,906,309
NET ASSETS					
Reserves				-	-
Contributed Capital	70,000	1,440,428		498,369	2,008,797
Unassigned	(373,655)	(696,072)	1,369,043	(30,031)	269,285
Total Net Assets	(303,655)	744,356	1,369,043	468,339	2,278,081
TOTAL LIABILITIES AND NET ASSETS	\$ 148,702	\$ 1,842,273	\$ 1,386,510	\$ 806,908	\$ 4,184,391

**CITY OF AUGUSTA, KENTUCKY
COMBINES STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2020**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
OPERATING REVENUES					
Charges for services	\$ 210,855		\$ 417,171	\$ 140,370	\$ 768,395
Charges to Bracken Water District		379,618			379,618
Charges to Augusta Water Fund		124,041			124,041
Total Revenues	<u>210,855</u>	<u>503,660</u>	<u>417,171</u>	<u>140,370</u>	<u>1,272,054</u>
OPERATING EXPENSES					
Salaries and Wages	52,536	216,726	51,809	37,422	358,494
Gas Purchases			106,962		106,962
Water Treatment	124,041				124,041
Chemicals, Testing and Study		40,906			40,906
Utilities and Telephone	23,551	80,945	2,485	67,438	174,420
Professional Fees	8,654	6,756	8,910	20,181	44,501
Insurance	2,088	10,276	1,268	3,685	17,317
Repair and Supplies	13,513	28,754	30,959	34,507	107,732
Transportation	4,716	1,577	10,244	5,639	22,177
Office Expense and Other	13,506	615	33,001	2,474	49,595
Amorization					-
Depreciation	17,472	109,102	13,783	31,220	171,576
Total Operating Expenses	<u>260,076</u>	<u>495,657</u>	<u>259,422</u>	<u>202,565</u>	<u>1,217,720</u>
OPERATING INCOME (LOSS)	<u>(49,222)</u>	<u>8,003</u>	<u>157,749</u>	<u>(62,196)</u>	<u>54,334</u>
NON-OPERATING REVENUES (EXPENSES)					
Other Income	1,466		3,387	103,837	108,690
Franchise Charges to General Fund	-	-		-	-
Interest Income	-	551	0	30	581
Interest Expense	(1,591)	(35,902)	-	-	(37,493)
Net Income (Loss) Before Capital Contributions	<u>(49,347)</u>	<u>(27,348)</u>	<u>161,136</u>	<u>41,671</u>	<u>126,113</u>
Capital Contributions				-	-
NET INCOME (LOSS)	<u>(49,347)</u>	<u>(27,348)</u>	<u>161,136</u>	<u>41,671</u>	<u>126,113</u>
Net Assets (Deficit), July 1, 2019	<u>(254,308)</u>	<u>771,705</u>	<u>1,207,907</u>	<u>426,668</u>	<u>2,151,968</u>
NET ASSETS (DEFICIT), JUNE 30, 2020	<u>\$ (303,655)</u>	<u>\$ 744,357</u>	<u>\$ 1,369,044</u>	<u>\$ 468,339</u>	<u>\$ 2,278,081</u>

**CITY OF AUGUSTA, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (49,222)	\$ 8,003	\$ 157,749	\$ (62,196)	\$ 54,334
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	17,472	109,102	13,783	31,220	171,576
Other Income	1,466	-	3,387	103,837	108,690
Transfers	-	-	-	-	-
Grants	-	-	-	-	-
(Increase) Decrease in Assets					
Accounts Receivable	1,938	-	(1,053)	(5,042)	(4,158)
Restricted Funds	-	-	-	-	-
Increase (Decrease) in Liabilities					
Account Payable	(107)	(1,711)	(34,181)	3,213	(32,787)
Other Liabilities	292	155	486	194	1,127
Due to Other Funds	23,363	35,147	(110,500)	98,000	46,010
Customer Deposits	2,280	-	2,200	-	4,480
NET CASH PROVIDED BY OPERATING ACTIVITIES	(2,518)	150,696	31,871	169,226	349,273
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interest Income	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Loan Proceeds	(8,398)	-	-	-	(8,398)
Principal Paid	-	(51,800)	-	-	(51,800)
Interest Paid	(1,591)	(35,902)	-	-	(37,493)
Fixed Assets Acquired	-	(11,852)	(7,099)	(59,534)	(78,485)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(9,989)	(99,554)	(7,099)	(59,534)	(176,176)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,507)	51,141	24,773	109,692	173,099
CASH AND CASH EQUIVALENTS JULY 1, 2019	27,130	127,020	183,791	309,402	647,343
CASH AND CASH EQUIVALENTS JUNE 30, 2020	\$ 14,624	\$ 178,161	\$ 208,564	\$ 419,093	\$ 820,442

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

FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Positive (Negative)
TAXES			
Property Taxes	\$ 135,000	\$ 167,527	\$ 32,527
Bank Shares Taxes	6,000	6,168	168
Motor Vehicle Taxes	20,000	25,146	5,146
Recreational Property Taxes	31,094	26,579	(4,515)
Payroll Taxes	272,000	200,335	(71,665)
	<u>464,094</u>	<u>425,756</u>	<u>(38,338)</u>
LICENSES AND PERMITS			
Occupational Licenses	12,000	14,957	2,957
Franchise Fees	114,000	90,183	(23,817)
Insurance Premium License Fees	150,000	193,170	43,170
Liquor Licenses	2,000	3,248	1,248
	<u>278,000</u>	<u>301,557</u>	<u>23,557</u>
FINES AND FORFEITS			
Arrest Fees	0	3,812	3,812
	<u>-</u>	<u>3,812</u>	<u>3,812</u>
INTERGOVERNMENTAL REVENUES			
Base Court Revenue	6,000	5,870	(130)
Police Incentive Pay	12,000	11,687	(313)
Municipal Road Aid	27,000	95,338	68,338
	<u>45,000</u>	<u>112,895</u>	<u>67,895</u>
CHARGES FOR SERVICES			
Sanitation Fees	620,000	338,259	(281,741)
Accident Reports	-	-	-
Pool and Marina Income	7,000	-	(7,000)
	<u>627,000</u>	<u>338,259</u>	<u>(288,741)</u>
MISCELLANEOUS			
Interest	-	4,280	4,280
Library Tax	20,000	23,968	3,968
Tourism	10,000	11,644	1,644
Ghostwalk	-	-	-
Riverfest Regatta	6,000	-	(6,000)
Turning Leaves Festival	800	1,119	319
Swingtime	2,000	2,347	347
Sternwheel Days	-	5,979	5,979
Battle of Augusta	-	1,696	1,696
Junk Fest	-	250	250
Spring Fling Event	-	60	60
Recreation	-	13,760	13,760
Telecommunications	5,600	5,305	(295)
Community Center	2,500	3,007	507
FA Neider	6,000	7,700	1,700
Grants - Local, State & Federal	90,000	39,295	(50,705)
Ball Park Revenue	6,000	-	(6,000)
Pool Project Fund	225,000	203,939	(21,061)
Corridor Management	-	-	-
Restrooms Main Street	-	-	-
Transfer from Gas-Clopay	-	-	-
Miscellaneous	-	28,081	28,081
	<u>373,900</u>	<u>352,431</u>	<u>(21,469)</u>
TOTAL REVENUE	<u>\$ 1,787,994</u>	<u>\$ 1,534,710</u>	<u>\$ (253,284)</u>

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

FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Positive (Negative)
GENERAL GOVERNMENT			
Salaries & Fringe Benefits	\$ 66,650	\$ 58,422	\$ 8,228
Professional Services	21,600	21,885	(285)
Other Legal Costs	12,000	12,865	(865)
Telephone and Utilities	35,800	30,440	5,360
Office Supplies	7,850	8,177	(327)
Cemeteries	-	3,311	(3,311)
Library	24,532	34,791	(10,259)
Insurance	50,868	50,480	388
Training & Travel	500	652	(152)
Advertisement and Dues	2,800	2,626	175
Community Center	12,000	9,801	2,199
Reimburse for ?	93,213	-	93,213
Investigation	-	-	-
Credit Card Reimb	230,000	-	230,000
Economic Assistance Clopay	-	-	-
Industrial Authority	-	-	-
Miscellaneous	64,624	56,444	8,180
	622,437	289,894	332,543
POLICE			
Salaries and Fringe Benefits	172,636	160,373	12,264
Vehicle Expense	12,500	12,102	398
Repairs and Maintenance	23,650	27,036	(3,386)
Telephone	2,300	2,365	(65)
Training and Travel	3,000	1,172	1,828
Insurance	4,000	3,915	85
	218,086	206,963	11,124
FIRE DEPARTMENT			
Operations	35,100	32,886	2,214
	35,100	32,886	2,214
STREETS			
Maintenance Salaries & Benefits	90,450	90,055	395
Electric	-	-	-
Repairs and Maintenance	85,000	97,561	(12,561)
	175,450	187,616	(12,166)
SANITATION			
Refuse Contract	305,000	319,114	(14,114)
RECREATION AND PARK DEPARTMENTS			
Salaries	11,500	8,828	2,672
Utilities	13,900	7,562	6,338
Sternwheel/Ghostwalk/Swingtime/Turning Leaves	12,100	12,082	18
FA Neider	8,400	1,753	6,647
Operation and Maintenance	32,694	39,152	(6,458)
	78,594	69,377	9,217
TOURISM			
Salaries and Fringe Benefits	66,500	49,939	16,561
Corridor Management -ESRI Software	-	-	-
	66,500	49,939	16,561
CAPITAL OUTLAY	13,833	302,019	(288,186)
DEBT SERVICE	22,000	18,398	3,602
TOTAL EXPENDITURES	\$ 1,537,000	\$ 1,476,205	\$ 60,795

CITY OF AUGUSTA, KENTUCKY

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CITY OF AUGUSTA, KENTUCKY
SCHEDULE OF DEBIT SERVICE REQUIREMENTS
SERIES B WATER SYSTEM REVENUE BONDS
June 30, 2020

Payable to: Rural Development
 Purpose: Water Treatment Plant

Fiscal Year	Rate of Interest	Interest Coupons Payable December 1	Interest Coupons Payable June 1	Bond Principle Payable December 1	Total Annual Requirement
2020-2021	3.20%	15,721	15,171	50,000	80,891
2021-2022	3.20%	15,171	14,621	50,000	79,791
2022-2023	3.20%	14,621	13,741	55,000	83,361
2023-2024	3.20%	13,741	12,861	55,000	81,601
2024-2025	3.20%	12,861	11,981	55,000	79,841
2025-2026	3.20%	11,981	11,021	60,000	83,001
2026-2027	3.20%	11,021	10,061	60,000	81,081
2027-2028	3.20%	10,061	9,101	60,000	79,161
2028-2029	3.20%	9,101	8,061	65,000	82,161
2029-2030	3.20%	8,061	7,021	65,000	80,081
2030-2031	3.20%	7,021	5,981	65,000	78,001
2031-2032	3.20%	5,981	4,861	70,000	80,841
2032-2033	3.20%	4,861	3,741	70,000	78,601
2033-2034	3.20%	3,741	2,494	75,000	81,234
2034-2035	3.20%	2,494	1,247	75,000	78,741
2035-2036	3.20%	1,247	-	75,000	76,247
Totals		147,679	131,959	1,005,000	1,284,638

CITY OF AUGUSTA, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
SERIES 2004 WATER SYSTEM REVENUE BONDS
June 30, 2020

Payable to: Rural Development
 Purpose: Water Treatment Plant

Fiscal Year	Rate of Interest	Interest Coupons Payable December 1	Interest Coupons Payable June 1	Bond Principle Payable December 1	Total Annual Requirement
2020-2021	4.50%	1,814	1,814	1,900	5,528
2021-2022	4.50%	1,771	1,771	2,000	5,542
2022-2023	4.50%	1,726	1,726	2,100	5,552
2023-2024	4.50%	1,679	1,679	2,200	5,558
2024-2025	4.50%	1,629	1,629	2,300	5,558
2025-2026	4.50%	1,577	1,577	2,400	5,554
2026-2027	4.50%	1,523	1,523	2,500	5,546
2027-2028	4.50%	1,467	1,467	2,600	5,534
2028-2029	4.50%	1,409	1,409	2,700	5,518
2029-2030	4.50%	1,348	1,348	2,900	5,596
2030-2031	4.50%	1,283	1,283	3,000	5,566
2031-2032	4.50%	1,215	1,215	3,100	5,530
2032-2033	4.50%	1,145	1,145	3,300	5,590
2033-2034	4.50%	1,071	1,071	3,400	5,542
2034-2035	4.50%	995	995	3,600	5,590
2035-2036	4.50%	914	914	3,800	5,628
2036-2037	4.50%	828	828	3,900	5,556
2037-2038	4.50%	740	740	4,100	5,580
2038-2039	4.50%	648	648	4,300	5,596
2039-2040	4.50%	551	551	4,500	5,602
2040-2041	4.50%	450	450	4,700	5,600
2041-2042	4.50%	344	344	4,900	5,588
2042-2043	4.50%	234	234	5,200	5,668
2043-2044	4.50%	117	117	5,200	5,434
Totals		<u>26,478</u>	<u>26,478</u>	<u>80,600</u>	<u>133,556</u>

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

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

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

To the Board of Directors
City of Augusta District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards, applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Augusta District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Augusta District, Kentucky's basic financial statements and have issued our report thereon dated February 18, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

February 18, 2021

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

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

131 E. ELECTRIC AVENUE
FLEMINGSBURG, KY 41041
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(606) 784-4451
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ACCOUNTANT'S REPORT ON
MANAGEMENT POINTS

Mayor and City Council
City of Augusta
Augusta, Kentucky 41002

In planning and performing my audit of the basic financial statements of City of Augusta for the year ended June 30, 2020, I considered the City's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during my audit, I became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated February 18, 2021, on the financial statements of the City of Augusta.

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

Donna J. Hendrix, CPA

DONNA J. HENDRIX, CPA, PSC
Morehead, Kentucky

February 18, 2021

CITY OF AUGUSTA, KENTUCKY
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES
Year Ended June 30, 2020

Status of Prior Year Management Points

2019-1 RESERVE ACCOUNTS

Condition: The Depreciation Reserve balance was short by \$9,480 and the Sinking fund balance was short by \$515.

Recommendation: The City should catch up the funding balance for the Depreciation Fund and Sinking Fund.

Response: The City is diligently working on catching up these shortages by FY2021.

Status: Reserve is still underfunded see 2020-1.

CITY OF AUGUSTA, KENTUCKY
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES
Year Ended June 30, 2020

Current year Management Points

2020-1 RESERVE ACCOUNTS

Condition: The Depreciation Reserve balance was short by \$9,480 and the Sinking fund balance was short by \$515.

Recommendation: The City should catch up the funding balance for the Depreciation Fund and Sinking Fund.

Response: The City is diligently working on catching up these shortages by FY2021.

EXHIBIT C

CASE NO. 2020-00277
CITY OF AUGUSTA
RESPONSES TO BRACKEN DISTRICT'S FIRST REQUEST FOR INFORMATION

14. Provide a list of all repair and supply expenses for Fiscal Year 2020 in the same Excel spreadsheet format as provided in Augusta's Response to Commission Staff's First Request for Information, Question 2e.

RESPONSE: Augusta's FY 2020 audit is not yet complete and, therefore, cannot provide this information.

WITNESS: Doug Padgett

CASE No. 2020-00277
CITY OF AUGUSTA
RESPONSES TO BRACKEN COUNTY WATER DISTRICT'S REQUEST FOR INFORMATION

15. Provide a depreciation schedule for the Water Treatment Plant for the Year Ended June 30, 2020.

RESPONSE: The depreciation schedule is included in the annual audit report, which has not been finalized for FY 2020. Please see the depreciation schedule for FY 2019, which was provided in response to the Commission's First Request for Information.

WITNESS: Doug Padgett

EXHIBIT D

Wuetcher, Gerald

From: Wuetcher, Gerald
Sent: Thursday, March 25, 2021 1:16 PM
To: Todd Osterloh (tosterloh@sturgillturner.com)
Subject: Case No. 2020-00277: City of Augusta

Todd:

I am writing to bring to your attention non-responsive responses of Augusta to three of Bracken County Water District's requests for information.

Bracken County Water District Request No. 9 stated as follows:

For each current employee for whom a portion of his or her wages and benefits are allocated to the Water Treatment Plant, provide the following:

- a. Position;
- b. Current Wage Rate or Salary;
- c. Number of hours worked in **test period**;
- d. Number of regular hours worked in **test period**;
- e. Number of overtime hours worked in **test period**;

While Augusta provided information regarding employee wages and salaries, it did not provide it for the test period (FY 2019). It provided the information for FY 2020 (7/01/2019 to 6/30/2020). This information does not permit Bracken County Water District or the Commission Staff to verify actual test period salaries and wages expense or confirm the proposed pro formal salaries and wages expense.

Bracken County Water District Request No. 11 stated:

For each Augusta employee listed in the Response to Question 9, list the **current cost** of each benefit (e.g., health insurance, dental insurance, life insurance, retirement) that Augusta provides. State whether the employee is required to make any contribution towards the cost of the benefit (e.g., paying a portion of the cost of health insurance premiums). If the employee is required to contribute towards the benefit's cost, state the percentage of the total cost of the benefit that the employee is **currently** required to contribute and, if this percentage differs from the contribution rate in Fiscal Year 2019, state the required contribution rate in Fiscal Year 2019.

Augusta provided the FY 2019 cost of the benefit, not the current cost. It was unclear from the provided table whether the listed employee contribution is the current or the contribution required in FY 2019. Again the response does not permit either Bracken County Water District or the Commission Staff to confirm actual test period salaries and wages expense or confirm the proposed pro formal salaries and wages expense.

Bracken County Water District Request No. 21 requested information about certain repairs included in test-period Repairs and Supplies Expense. While Augusta responded to repairs related to Well #1, it did not respond to the other listed repairs, specifically (a) Line 16, High Service Pump Repair; (b) Line 17, High Service Pump Repair; and (c) Line 36, Repair Well Telemetry.

As this information is important to Bracken District's formulation of a settlement proposal, I request that that the information be provided as soon as possible.

Regarding settlement discussions, I am trying to confirm the days during the next two weeks in which Bracken County Water District's representatives will be available. At this point, March 30 and April 1, 2, 5 and 6 are unavailable. After I have consulted with my client, I will have a clearer idea of their availability.

If you have any questions, please contact me.

Sincerely,

Jerry



Gerald E. Wuetcher
Counsel to the Firm
859-231-3017 Direct
859-550-3894 Mobile
300 W. Vine Street, Ste. 2100
Lexington, KY 40507-1801

The following message, and any documents or previous e-mails attached to it, may contain confidential information protected by the attorney-client privilege. If it was sent to you in error, do not read it. Please inform the sender that you received it and then delete it. Thank you.

Wuetcher, Gerald

From: Wuetcher, Gerald
Sent: Tuesday, April 13, 2021 11:52 AM
To: 'Todd Osterloh'
Subject: RE: Term Sheet for Settlement Discussions
Attachments: Case No. 2020-00277: City of Augusta

Todd:

I will assemble our calculations and provide as soon as possible. Is it possible for Augusta to provide the information that Bracken District requested in its Request for Information but was not provided? I have attached the message in which Bracken District advised that this information was not provided.

Bracken District received the Water Treatment Plant's check register for March 2021. That register indicates a payment to the City's CPA. Please advise if this payment means that the Audit Report for 2020 has been completed. Bracken District has requested a copy of this report. If it has been completed, Bracken District believes that the Commission's Orders of February 1 and 18 require the City to provide the report once it becomes available.

Sincerely,

Jerry



Gerald E. Wuetcher
Counsel to the Firm
859-231-3017 Direct
859-550-3894 Mobile
300 W. Vine Street, Ste. 2100
Lexington, KY 40507-1801

The following message, and any documents or previous e-mails attached to it, may contain confidential information protected by the attorney-client privilege. If it was sent to you in error, do not read it. Please inform the sender that you received it and then delete it. Thank you.

From: Todd Osterloh <tosterloh@sturgillturner.com>
Sent: Tuesday, April 13, 2021 11:33 AM
To: Wuetcher, Gerald <Gerald.Wuetcher@skofirm.com>
Subject: RE: Term Sheet for Settlement Discussions

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Jerry,

Wuetcher, Gerald

From: Wuetcher, Gerald
Sent: Tuesday, April 13, 2021 2:20 PM
To: 'Todd Osterloh'
Subject: RE: Augusta FY20 Audit

Todd:

Thanks. Bracken District has also requested a copy of the 2020 Depreciation Schedule. At the time of Augusta's response, Augusta advised that such a schedule would not be available until completion of the 2020 audit. Is that schedule now available?

Jerry

From: Todd Osterloh <tosterloh@sturgillturner.com>
Sent: Tuesday, April 13, 2021 2:12 PM
To: Wuetcher, Gerald <Gerald.Wuetcher@skofirm.com>
Subject: Augusta FY20 Audit

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Jerry,

Per your request, I am attaching Augusta's FY20 audit that was recently completed. I will plan to file this in the record of the case.

Todd

Wuetcher, Gerald

From: Wuetcher, Gerald
Sent: Tuesday, April 13, 2021 2:20 PM
To: 'Todd Osterloh'
Subject: RE: Augusta FY20 Audit

Todd:

Thanks. Bracken District has also requested a copy of the 2020 Depreciation Schedule. At the time of Augusta's response, Augusta advised that such a schedule would not be available until completion of the 2020 audit. Is that schedule now available?

Jerry

From: Todd Osterloh <tosterloh@sturgillturner.com>
Sent: Tuesday, April 13, 2021 2:12 PM
To: Wuetcher, Gerald <Gerald.Wuetcher@skofirm.com>
Subject: Augusta FY20 Audit

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Jerry,

Per your request, I am attaching Augusta's FY20 audit that was recently completed. I will plan to file this in the record of the case.

Todd