

**City of Drakesboro, Kentucky**

**Financial Statements**

**June 30, 2019**



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INDEPENDENT AUDITOR'S REPORT

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

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

**Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Disclaimer
Business Type Activities	Disclaimer

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

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

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

### **Disclaimer of Opinion**

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

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7, budgetary comparison information on page 26. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2021, on our consideration of the City of Drakesboro, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Drakesboro, Kentucky's internal control over financial reporting and compliance.

*Campbell, Myers & Rutledge, PLLC*

Glasgow, Kentucky  
June 7, 2021

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

Management's Discussion and Analysis

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

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

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

Financial Highlights

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

Overview of the Financial Statements

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

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

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

Analysis of the City as a Whole

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

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

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

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

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

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

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



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

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

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

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

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

#### Proprietary Fund Statements

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

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

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

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

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

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Capital Assets

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

Budgetary Comparison

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

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

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

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

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

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

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

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

**CITY OF DRAKESBORO, KENTUCKY**  
**Balance Sheet – Governmental Funds**  
**June 30, 2019**

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

**CITY OF DRAKESBORO, KENTUCKY**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Position of Governmental Activities**  
**June 30, 2019**

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

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

<u>139,083</u>
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<b>Net position of governmental activities</b>	\$	<u>150,276</u>
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**CITY OF DRAKESBORO, KENTUCKY**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Governmental Funds**  
**For the Year Ended June 30, 2019**

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

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

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

**Net change in fund balances - total governmental funds** \$ (30,141)

*Amounts reported for governmental activities in the statement  
of activities are different because:*

Depreciation expense reported in statement of activities (4,961)

**Change in net position of governmental activities** \$ (35,102)



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

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

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

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

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

**Cash Flows from Operating Activities**

Cash received from customers	\$ 778,724
Cash payments to suppliers for goods and services	(728,178)
Cash payments to employees for services	<u>(121,557)</u>
Net Cash Provided (Used) by Operating Activities	<u>(71,011)</u>

**Cash Flows from Noncapital Financing Activities**

Transfers to/from general fund	<u>(22,757)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(22,757)</u>

**Cash Flows from Capital and Related Financing Activities**

Payments on long term debt	(41,492)
Interest paid on long term debt	<u>(20,184)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(61,676)</u>

Net Increase (Decrease) in Cash and Cash Equivalents (155,444)

Cash and Cash Equivalents, Beginning of Year 217,101

**Cash and Cash Equivalents, End of Year** \$ 61,657

**Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities**

Income (loss) from operations	\$ (346,186)
Adjustments to reconcile operating income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	86,038
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	33,156
Increase (decrease) in accounts payable	<u>155,981</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (71,011)</u>

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

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

Organization

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

Financial Statement Presentation

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

Basis of Presentation – Fund Accounting

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

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

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level.

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

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

Fund Accounting

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

Governmental Funds – Governmental funds are those which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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

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

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

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

Measurement focus, basis of accounting, and financial statement presentation

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

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

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

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

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

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

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

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

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

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

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

Net Position

Net position classifications are defined as follows:

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

Cash and Investments

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

Receivables

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

Capital Assets

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

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

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

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

The estimated useful lives of capital assets are as follows:

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

Extraordinary and Special Items

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

Budgets and Budgetary Accounting

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

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



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

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

Use of Estimates

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

**Note 2 - Cash and Investments**

Deposits

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

**Note 3 - Interfund Transactions**

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

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

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

**Note 4 - Capital Assets**

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

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

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

**Note 5 – Long-Term Debt Payable**

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

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

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

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

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

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

**Note 6 – Property Taxes**

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

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

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

**Note 6 – Property Taxes - Concluded**

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

The following is the District’s property tax calendar:

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

**Note 7 – Deferred Inflows/Outflows of Resources**

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

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

**Note 8 – Other Information**

Risk Management

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

**Note 9 - Subsequent Events**

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

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

## **Required Supplemental Information**

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

	General				Municipal Road Aid			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:								
Property taxes	\$ 12,000	\$ 12,000	\$ 10,393	\$ (1,607)	\$ -	\$ -	\$ -	\$ -
Occupational license	-	-	64	64	-	-	-	-
Insurance premium tax	4,000	4,000	-	(4,000)	-	-	-	-
License and fees	14,500	14,500	24,756	10,256	-	-	-	-
LGEAF	4,000	4,000	4,653	653	10,500	10,500	7,431	(3,069)
Rent	1,500	1,500	-	(1,500)	-	-	-	-
Other	8,500	8,500	11,218	2,718	-	-	-	-
Total Revenues	<u>44,500</u>	<u>44,500</u>	<u>51,084</u>	<u>6,584</u>	<u>10,500</u>	<u>10,500</u>	<u>7,431</u>	<u>(3,069)</u>
Expenditures:								
Current:								
General government	31,100	31,100	51,054	(19,954)	-	-	-	-
Fire department	4,000	4,000	4,000	-	-	-	-	-
Street department	-	-	25,059	(25,059)	23,000	23,000	8,554	14,446
Park department	900	900	-	900	-	-	-	-
Total expenditures	<u>36,000</u>	<u>36,000</u>	<u>80,113</u>	<u>(44,113)</u>	<u>23,000</u>	<u>23,000</u>	<u>8,554</u>	<u>14,446</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,500</u>	<u>8,500</u>	<u>(29,029)</u>	<u>(37,529)</u>	<u>(12,500)</u>	<u>(12,500)</u>	<u>(1,123)</u>	<u>11,377</u>
Other Financing Sources (Uses)								
Interest income	7,000	7,000	11	(6,989)	144	144	-	(144)
Total Other Financing Sources (Uses)	<u>7,000</u>	<u>7,000</u>	<u>11</u>	<u>(6,989)</u>	<u>144</u>	<u>144</u>	<u>-</u>	<u>(144)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 15,500</u>	<u>\$ 15,500</u>	<u>\$ (29,018)</u>	<u>\$ (44,518)</u>	<u>\$ (12,356)</u>	<u>\$ (12,356)</u>	<u>\$ (1,123)</u>	<u>\$ 11,233</u>
Fund Balances, Beginning of Year			<u>36,088</u>				<u>5,246</u>	
Fund Balances, End of Year			<u>\$ 7,070</u>				<u>\$ 4,123</u>	

## **Supplemental Information**

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

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



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

**Noncompliance 2019-001**

**Criteria:**

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

**Condition:**

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

**Cause:**

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

**Effect:**

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

**Recommendation:**

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

**Management Response:**

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

**Material Weakness 2019-002**

**Criteria:**

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

**Condition:**

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

**Cause:**

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

**Effect:**

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

**Recommendation:**

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

**Management Response:**

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

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

**Material Weakness 2019-003**

**Criteria:**

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

**Condition:**

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

**Cause:**

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

**Effect:**

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

**Recommendation:**

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

**Management Response:**

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

**Significant Deficiencies 2019-004**

**Criteria:**

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

**Condition:**

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

**Cause:**

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

**Effect:**

Customers are continuing to use the services even after delinquency.

**Recommendation:**

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

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

**Management Response:**

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

**Significant Deficiency 2019-005**

**Criteria:**

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

**Condition:**

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

**Cause:**

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

**Effect:**

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

**Recommendation:**

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

**Management Response:**

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

**Significant Deficiency 2019-006**

**Criteria:**

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

**Condition:**

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

**Cause:**

The inherent size of the City.

**Effect:**

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

**Recommendation:**

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

**Management Response:**

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



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

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

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Drakesboro, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Drakesboro, Kentucky's basic financial statements and have issued our report thereon dated June 7, 2021. Our report disclaims an opinion on such financial statements because of limitations surrounding the balance of accounts receivable associated with property taxes in the governmental activities and the billing registers as they relate to the reported revenue in the proprietary funds.

**Internal Control over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, 2019-002 and 2019-003.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies, 2019-004, 2019-005 and 2019-006.

### **Compliance and Other Matters**

In connection with our engagement to audit the financial statements of the City of Drakesboro, Kentucky, we preformed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-001. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

### **City of Drakesboro, Kentucky's Response to Findings**

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

### **Purpose of this Report**

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

*Campbell, Myers & Rutledge, PLLC*

Glasgow, Kentucky  
June 7, 2021

