

CITY OF DRUID HILLS, KENTUCKY

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

YEAR ENDED JUNE 30, 2019

With
Reports of Certified Public Accountant

Charles J. Veeneman, CPA, PSC
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

CHARLES J. VEENEMAN, CPA, PSC
CERTIFIED PUBLIC ACCOUNTANT

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

2527 Nelson Miller Pkwy.
Suite 205
Louisville, KY 40223
502.244.5043 Fax 502.244.5089

MEMBER
KENTUCKY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To: The Honorable Bruce Barbour, Mayor and the City of Druid Hill's Commissioners
City of DRUID HILLS, KENTUCKY

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of the City of DRUID HILLS, KENTUCKY as of and for the year ended June 30, 2019, and the related notes to the financial statements, which 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of DRUID HILLS, KENTUCKY, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

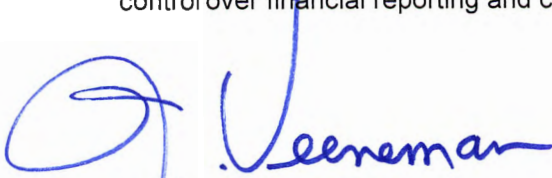
Accounting principles generally accepted in the United States of America require that the Budgetary Comparison information on pages 21-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Information

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 8, 2020 (see pages 25-27), on my consideration of the City of DRUID HILLS, KENTUCKY's internal control over financial reporting and on my 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 my 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 the City of DRUID HILLS, KENTUCKY's internal control over financial reporting and compliance.



Charles J. Veeneman
Certified Public Accountant

Charles J. Veeneman, CPA, PSC
Louisville, KY
January 8, 2020

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

**STATEMENT OF NET POSITION
CITY OF DRUID HILLS, KENTUCKY
JUNE 30, 2019**

ASSETS

Current Assets	
Cash	\$ 145,298
Investments	100,624
Accounts receivable	8,965
Total Current Assets	<u>254,887</u>
Non-Current Assets	
Cash, restricted	9,559
Account receivable - Municipal Aid, restricted	583
Total Non-Current Assets	<u>10,142</u>
Capital Assets	
Infrastructure	65,874
Signage	16,915
Landscaping	4,390
Total Capital Assets	<u>87,179</u>
Less accumulated depreciation	<u>(47,937)</u>
Capital assets, net	<u>39,242</u>
TOTAL ASSETS	<u><u>\$ 304,271</u></u>

LIABILITIES

Current Liabilities	
Accounts payable	\$ 574
Total Current Liabilities	<u><u>\$ 574</u></u>

NET POSITION:

Net investment in capital assets	\$ 39,242
Restricted	
Road Fund	10,142
Unrestricted	
General Fund	<u>254,313</u>
TOTAL NET POSITION	<u><u>\$ 303,697</u></u>

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

**STATEMENT OF ACTIVITIES
CITY OF DRUID HILLS, KENTUCKY
FOR THE YEAR ENDED JUNE 30, 2019**

EXPENSES - FUNCTIONS/PROGRAMS	Expenses	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
General Government	\$ (29,662)	\$ -	\$ (29,662)
Sanitation	(30,040)	-	(30,040)
Streets and Roads	(7,113)	6,288	(825)
Utilities	(6,616)	-	(6,616)
TOTAL EXPENSES	<u>(73,431)</u>	<u>6,288</u>	<u>(67,143)</u>
 GENERAL REVENUES			
Taxes			
Property taxes			46,156
Telecommunications			2,099
Insurance premium			33,691
Income from investments			950
Other income			201
TOTAL GENERAL REVENUES			<u>83,097</u>
 CHANGE IN NET POSITION			 15,954
 Net position, beginning of year - July 1, 2018			 <u>287,743</u>
 Net position, end of year - June 30, 2019			 <u>\$ 303,697</u>

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

Governmental Funds' Statements

GOVERNMENTAL FUNDS' BALANCE SHEETS
CITY OF DRUID HILLS, KENTUCKY
JUNE 30, 2019

ASSETS	General Fund	Road Fund	Total
Cash	\$ 145,298	\$ -	\$ 145,298
Cash - Restricted	-	9,559	9,559
Investments	100,624	-	100,624
Accounts receivables	8,965	-	8,965
Account receivable-restricted	-	583	583
TOTAL ASSETS	\$ 254,887	\$ 10,142	\$ 265,029
LIABILITIES			
Accounts payable	574	-	574
Due to General Fund	-	-	-
TOTAL LIABILITIES	574	-	574
FUND BALANCES			
Restricted			
Road Fund	-	10,142	10,142
Unassigned			
General Fund	254,313	-	254,313
TOTAL FUND BALANCES	254,313	10,142	264,455
TOTAL LIABILITIES AND FUND BALANCES	\$ 254,887	\$ 10,142	\$ 265,029

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

Reconciliation of the Governmental Funds' Balance Sheets to the Statement Of Net Position:

Total fund balances - governmental funds' per above	\$ 264,455
Amounts reported for governmental activities in the Statement Of Net Position are different because:	
Capital assets (\$ 87,179) net of accumulated depreciation (\$ 47,937) are not financial resources and, therefore, are not reported in the governmental funds.	39,242
Net position of governmental activities per Statement of Net Position (p. 8)	\$ 303,697

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

**STATEMENT OF GOVERNMENTAL FUNDS' REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
CITY OF DRUID HILLS, KENTUCKY
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Total</u>
REVENUES			
Property tax	\$ 46,156	\$ -	\$ 46,156
Insurance premium tax	33,691	-	33,691
Intergovernmental revenue	-	6,288	6,288
Investment income	946	4	950
Telecommunications tax	2,099	-	2,099
Other	201	-	201
TOTAL REVENUES	<u>83,093</u>	<u>6,292</u>	<u>89,385</u>
EXPENDITURES			
<u>General Government</u>			
Auditor	4,100	-	4,100
Elected officials	2,175	-	2,175
Appointed officials	8,700	-	8,700
Insurance	6,309	-	6,309
Community events	938	-	938
Property tax preparation	2,244	-	2,244
Membership and dues	694	-	694
Office supplies and administrative	1,816	-	1,816
City website	400	-	400
City landscaping	225	-	225
Tree maintenance program	1,924	-	1,924
Tree replacement program	100	-	100
Miscellaneous expense	37	-	37
Total - General Government	<u>29,662</u>	<u>-</u>	<u>29,662</u>
Sanitation	30,040	-	30,040
Street and Roads	-	698	698
Utilities	6,616	-	6,616
TOTAL EXPENDITURES	<u>66,318</u>	<u>698</u>	<u>67,016</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	16,775	5,594	22,369
Fund balances, beginning of year - July 1, 2018	<u>237,538</u>	<u>4,548</u>	<u>242,086</u>
Fund balances, end of year - June 30, 2019	<u>\$ 254,313</u>	<u>\$ 10,142</u>	<u>\$ 264,455</u>

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

**STATEMENT OF GOVERNMENTAL FUNDS' REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (continued)
CITY OF DRUID HILLS, KENTUCKY
FOR THE YEAR ENDED JUNE 30, 2019**

Reconciliation to government-wide change in net position:

Net change in Fund Balance per Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances (p. 12)	\$ 22,369
Less: depreciation recorded on Statement of Activities but not on Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances	(6,415)
Change in Net Position per Statement of Activities (p.9)	<u>\$ 15,954</u>

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

**CITY OF DRUID HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of DRUID HILLS is a Home Rule, Commission class city in Jefferson County, Kentucky. The City operates on a commission plan of government. The executive, legislative and administrative powers of the City are vested in the City Commission. The mayor is a member of the Commission along with four Commissioners. The mayor presides at meetings of the commission, calls special meetings of the Commission, administers oaths, and executes and signs legal obligations of the City. The mayor and four Commissioners are elected by the citizens.

The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Government Accounting Standards Board (GASB). The accompanying financial statements include all activities and functions of the City.

B. Government-Wide and Fund Financial Statements

Two types of financial statements are presented: government-wide statements and fund statements. The Statement of Net Position and the Statement of Activities are government-wide financial statements. They present a long-term view of the City's finances by major funds. The City has two governmental funds: General Fund and Road Fund. The Road Fund accounts for Municipal Road Aid assistance received from the Commonwealth of Kentucky. The City has no other fund types, such as fiduciary or proprietary funds, nor does the City have any component units.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Taxes are recognized as revenues in the years 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available to finance current expenditures of the fund. Expenditures related to claims and judgments are recognized when the obligations are expected to be liquidated with expendable financial resources. The City considers revenues to be available if they are collectible within sixty days after year-end. Those revenues susceptible to accrual are: property taxes, franchise taxes, special assessments, licenses, interest, charges for services, and federal and state grants. Revenues from fines, permits, and donations are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Earned grant revenue that is not available (as defined above) is deferred to future periods.

**CITY OF DRUID HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

D. Fund Accounting

The City uses funds to maintain its financial records during the years. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the 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 City has the following governmental funds:

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

Road Fund – This fund is used to account for funds distributed by the Commonwealth of Kentucky which are legally restricted to expenditures for the construction, maintenance and repair of streets and roads.

E. Net Position / Fund Balances

In the Statement of Net Position, the difference between the City's assets and liabilities is recorded as net position. The three components of net position are as follows:

Net Investment in Capital Assets – This category records capital assets net of accumulated depreciation.

Restricted Net Position – Net position that is restricted by external sources such as banks or by law is reported separately as restricted net position. When assets are restricted in use they are recorded as restricted net position. The City has restricted net position relating to Municipal Road Aid monies.

Unrestricted Net Position – This category represents net position not appropriable for expenditures or legally segregated for a specific future use.

In the governmental funds' balance sheets, fund balances are segregated as follows:

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements, or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of the other governments.

Committed – Amounts that can be only used for the specific purposes determined by a formal action of the City Commission.

Assigned – Amounts that are intended to be used by the government for a specific purpose but do not meet the criteria to be classified as restricted or committed.

Unassigned – Amounts that are not restricted, committed or assigned.

**CITY OF DRUID HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City's policy for spending restricted resources is to allocate disbursements to restricted funds to the extent such disbursements were budgeted to be paid from restricted funds. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the City Commission has provided otherwise in its commitment or assignment functions.

F. Other Accounting Policies

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could vary from the estimates that were used.

Program Revenues

Program revenues consist of charges for miscellaneous services. Currently, the City has no program revenues.

Indirect Expense

Indirect expenses are minimal and are charged to general administration in the Statement of Activities.

Use of Restricted Net Assets

The City's only restricted net assets are from the Road Aid Fund which is required by the State of Kentucky to be used only for street and road construction, maintenance and repair. The City's policy is to charge major costs of maintaining streets and roads to the restricted net assets as long as they are available.

Property Taxes

Taxes are levied each July 1 on the assessed value as of January 1 and are payable by the end of November. A penalty of 5% of the face amount is charged if not paid by November 30. An additional fee of 1% of the face amount per month or partial month accrues until paid. In addition, any other specific collection costs are added.

Compensated Absences

All City employees are part-time and do not earn compensation for vacation or other absences.

Capital Assets

General capital assets result from expenditures in the governmental funds. The assets are reported in the government-wide statement of net assets, but are not reported in the governmental fund balance sheet.

All capital assets are capitalized at cost and updated for additions and retirements during the years. Major improvements to assets are capitalized, but the cost of maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

Infrastructure assets such as streets, roads, curbs and gutters, sidewalks, drainage systems and lighting systems acquired by the City prior to July 1, 2003 have not been capitalized in accordance with the option available to Phase 3 governments by the Government Accounting Standards Board (GASB 34). Infrastructure assets acquired after 2003 are capitalized.

**CITY OF DRUID HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the Statement of Activities.

Estimated useful lives for depreciable assets are as follows:

Infrastructure (road paving)	– 10 years
Landscaping	-- 5 years
Street signs	– 10 years

Depreciation expense for the year ended June 30, 2019 was \$ 6,415. Depreciation is recorded in the Statement of Activities (page 10) but not in the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances (page 12). On the Statement of Activities, \$ 6,415 depreciation expense is reported under 'Streets and Roads'.

NOTE 2 – CASH DEPOSITS

Deposits in excess of the amount of depository insurance are required by State law and Federal regulations to be secured by collateral pledged by the depositories. At June 30, 2019 the carrying amounts of the City's deposits were \$ 255,480 and the bank balances totaled \$ 255,680.

The cash deposits held at financial institutions can be categorized according to three levels of risk as follows:

	6/30/2019
Category 1 Deposits that are insured or collateralized with securities held by City or its agent in the City's name	----- \$ 250,000
Category 2 Deposits that are collateralized with securities held by the pledging Financial institution's trust department or agent in the City's name	\$ 0
Category 3 Deposits not collateralized or insured	\$ 5,680

Cash in the Road Fund account is restricted for the use of construction, repair and maintenance of the City's roads. At June 30, 2019, the amount of restricted cash in the Road Fund was \$ 9,559.

NOTE 3 – RECEIVABLES

The components of accounts at June 30, 2019 are as follows:

	General Fund Balance Sheet	Road Fund Balance Sheet	Statement of Net Position
	-----	-----	-----
Insurance Premiums Tax	\$ 8,965	\$ ----	\$ 8,965
Kentucky Municipal Road Aid	----	583	583
	-----	-----	-----
Totals	\$ 8,965	\$ 583	\$ 9,548
	=====	=====	=====

**CITY OF DRUID HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

During the year ended June 30, 2019, the capital assets and depreciation balances and activity of the City were as follows:

	7/1/2018			6/30/2019
	Beginning	6/30/2019	6/30/2019	Ending
	Balances	Additions	Disposals	Balances
<u>COST</u>				
Infrastructure	\$ 65,874	\$ -	\$ -	\$ 65,874
Signs	16,915	-	-	16,915
Landscaping	4,390	-	-	4,390
TOTAL COST	87,179	-	-	87,179
LESS:				
<u>ACCUMULATED DEPRECIATION</u>				
Infrastructure	24,526	5,301	-	29,827
Signs	13,228	491	-	13,719
Landscaping	3,767	623	-	4,390
TOTAL ACCUMULATED DEPRECIATION	41,521	6,415	-	47,936
Net Book Value	\$ 45,658	\$ (6,415)	\$ -	\$ 39,243

NOTE 5 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS

The inter-fund receivable and payable are netted to zero on the Statement of Net Position (page 9). These inter-fund balances are reported on the Governmental Funds' Balance Sheets (page 11). Inter-fund transfers are primarily used to pay road expenses. Usually, transfers are made from the General to the Road Fund to pay Road Fund expenses. During the year ended June 30, 2016, the General Fund transferred \$ 2,500 to the Road Fund to defray Road Fund expenses. This \$ 2,500 transfer was paid off by the Road Fund during the year ended June 30, 2019. At June 30, 2019 there were no inter-fund receivable or payables.

NOTE 6 - INTERGOVERNMENTAL REVENUES

Under current provisions of state law, the City receives subsidies from the State of Kentucky for Municipal Aid. These subsidies are restricted to being spent on the construction, repair and maintenance of the City's roads. During the year ended June 30, 2019 the City received \$ 6,288 in Municipal Aid operating grants.

NOTE 7 - RELATED PARTY

During the year ended June 30, 2019, the City paid approximately \$ 1,225 to a company that is a tree vendor and snow removal provider to the city. The city clerk is an employee of this company. Also, the city clerk's husband is a commissioner of the City and has been since the year ended June 30, 2015.

**CITY OF DRUID HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City carries insurance for general liability, public officials' liability, and building and property. In addition, the City carries surety bonds on its mayor, treasurer and finance commissioner. Any loss expense is accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 9 – COMMITMENTS

The City has the following contractual commitment at June 30, 2019:

- A five-year contract with its waste management vendor from July 1, 2017 through June 30, 2022 for services at the monthly amount of \$ 2,503.

NOTE 10 - CONTINGENCIES

At June 30, 2019 and as of January 8, 2020, the date of this audit report, the city had no known contingencies.

NOTE 11 - SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 8, 2020, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
CITY OF DRUID HILLS, KENTUCKY
FOR THE YEAR ENDED JUNE 30, 2019**

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
RESOURCES AVAILABLE:			
Budgetary fund balance, July 1, 2018	\$ 237,538	\$ 237,538	\$ -
CURRENT-YEAR RESOURCES			
Property tax	45,780	46,156	376
Insurance premium tax	29,000	33,038	4,038
Telecommunications tax	2,000	2,099	99
Investment income	110	322	212
Miscellaneous	-	199	199
TOTAL CURRENT-YEAR RESOURCES	<u>76,890</u>	<u>81,814</u>	<u>4,924</u>
TOTAL RESOURCES AVAILABLE FOR APPROPRIATION	314,428	319,352	4,924
CURRENT-YEAR APPROPRIATIONS			
General Government	40,825	33,062	7,763
Sanitation	30,036	30,040	(4)
Utilities	7,500	6,609	891
Public Safety	1,000	-	1,000
TOTAL CURRENT-YEAR APPROPRIATIONS	<u>79,361</u>	<u>69,711</u>	<u>9,650</u>
EXCESS TOTAL RESOURCES OVER (UNDER) TOTAL APPROPRIATIONS	<u>\$ 235,067</u>	249,641	<u>\$ 14,574</u>
Differences between cash and modified accrual basis		<u>4,672</u>	
Fund Balance on a Generally Accepted Accounting Principal Modified Accrual Basis - page 12		<u>\$ 254,313</u>	

**BUDGETARY COMPARISON SCHEDULE
ROAD FUND
CITY OF DRUID HILLS, KENTUCKY
FOR THE YEAR ENDED JUNE 30, 2019**

	Original And Final Budget	Actual	Variance Favorable (Unfavorable)
RESOURCES AVAILABLE:			
Budgetary fund balance, July 1, 2018	\$ 4,548	\$ 4,548	\$ -
CURRENT-YEAR RESOURCES			
Municipal Road Aid receipts	5,500	6,295	795
Interest income	-	4	4
TOTAL CURRENT-YEAR RESOURCES	5,500	6,299	799
TOTAL RESOURCES AVAILABLE FOR APPROPRIATION	10,048	10,847	799
CURRENT-YEAR APPROPRIATIONS			
Streets and Roads	5,475	698	4,777
Total Streets and Roads	5,475	698	4,777
TOTAL CURRENT-YEAR APPROPRIATIONS	5,475	698	4,777
EXCESS TOTAL RESOURCES OVER (UNDER) TOTAL APPROPRIATIONS	\$ 4,573	\$ 10,149	\$ 5,576
Differences between cash and modified accrual basis		(7)	
Fund Balance on a Generally Accepted Accounting Principal Modified Accrual Basis - page 12		\$ 10,142	

**NOTES TO BUDGETARY COMPARISON SCHEDULES
CITY OF DRUID HILLS, KENTUCKY
JUNE 30, 2019**

BUDGET POLICY AND BASIS OF ACCOUNTING

Budgeted amounts in the financial statements are adopted by ordinance of the City. The City adopts the annual budget in June of the year preceding the upcoming budget year beginning July 1. The City may amend the budget, if necessary, due to excess expenditures. There were no amendments to the budget during the year ended June 30, 2019.

The budget is prepared on a basis without consideration to time of receipt or payment. Revenues and expenses are budgeted by total expected, and the assumption is made that all revenues will be received and all expenses will be paid during the fiscal year.

Capital expenditures are expensed, rather than capitalized, in the budget preparation.

INTERNAL CONTROL AND COMPLIANCE REPORT

CHARLES J. VEENEMAN, CPA, PSC
CERTIFIED PUBLIC ACCOUNTANT

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

2527 Nelson Miller Pkwy.
Suite 205
Louisville, KY 40223
502.244.5043 Fax 502.244.5089

MEMBER
KENTUCKY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

Government Auditing Standards Report on Internal Control over Financial Reporting and on Compliance and Other Matters—with Material Weakness and Compliance Finding

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 Honorable Bruce Barbour, Mayor, and the City of Druid Hill's Commissioners
City of DRUID HILL, KENTUCKY

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of DRUID HILL, 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 DRUID HILL, KENTUCKY's basic financial statements and have issued my report thereon dated January 8, 2020.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of DRUID HILL, 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of DRUID HILL, KENTUCKY's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of DRUID HILL, 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.

My 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, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

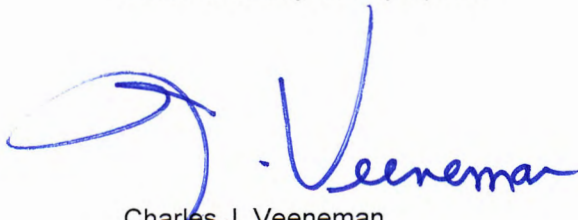
As part of obtaining reasonable assurance about whether the City of DRUID HILL, KENTUCKY's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed two instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as 2019-1 Finding and 2019-2 Finding.

City of DRUID HILL, KENTUCKY's Response to Findings

The City of DRUID HILL, KENTUCKY's response to the finding identified in my audit is described in the accompanying Schedule Of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the city'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.



Charles J. Veeneman
Certified Public Accountant

Charles J. Veeneman, CPA, PSC
Louisville, KY
January 8, 2020

**SCHEDULE OF FINDINGS AND RESPONSES
CITY OF DRUID HILL, KENTUCKY
FOR THE YEAR ENDED JUNE 30, 2019**

Compliance

2019-1 Finding

Uninsured Deposits

- Condition:* During the year ended June 30, 2019, the City had funds deposited at a bank that were in excess of the Federal Deposit Insurance Corporation's threshold of \$ 250,000. At June 30, 2019 these excess funds were not subject to any collateralization agreement and were uninsured.
- Criteria:* KRS 66.480 requires that city funds be either insured by the Federal Deposit Insurance Corporation, collateralized by the City's bank or invested in one of a list of acceptable investments (primarily obligations of the United States).
- Cause:* The City was unaware of KRS 66.480 requirements regarding investments.
- Effect:* The City risks the loss of its investments if the bank would fail.
- Recommendation:* The City should either keep a maximum of the FDIC threshold at any one bank or the City should have a collateralization agreement on file with their bank insuring all funds in excess of the FDIC threshold.
- Response:* The City agrees with the recommendation and, on September 18, 2019, entered into a Collateral Security Agreement with its bank that collateralizes and protects the funds over the \$ 250,000 threshold.

2019-2 Finding

Unpublished Ordinances and Audit Report

- Condition:* During the year ended June 30, 2019, the City did not publish all of its ordinances or its Audit Report for the year ended June 30, 2018.
- Criteria:* KRS 83A.060(9) states that no ordinance shall be effective until published pursuant to KRS Chapter 424. KRS 91A.040(6) states that cities shall publish a copy of their audit report in accordance with KRS Chapter 424.
- Cause:* The City was unaware that the ordinances and audit need to be published.
- Effect:* The City risks the possibility that current ordinances will be ruled ineffective due to non-publishing and that the city will not be in compliance with KRS 91A.040(6) relating to publishing their audit reports.
- Recommendation:* The City should follow Section 424 and either advertise the ordinances and audit report in a local newspaper or mail the ordinances to the city's residents via first-class mail.
- Response:* The City agrees with the recommendation and will publish or mail all future ordinances and its audit report.