

CITY OF DRUID HILLS, KENTUCKY

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

YEAR ENDED JUNE 30, 2020

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
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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, 2020, 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, 2020, 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

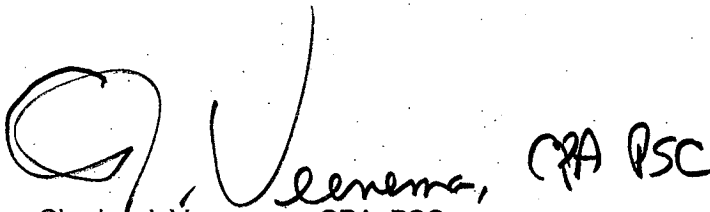
Accounting principles generally accepted in the United States of America require that the Budgetary Comparison information on pages 20-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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 11, 2021 (see pages 25-26), 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, CPA, PSC
Certified Public Accountant
Louisville, KY
January 11, 2021

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

**STATEMENT OF NET POSITION
CITY OF DRUID HILLS, KENTUCKY
JUNE 30, 2020**

ASSETS

Current Assets	
Cash	\$ 159,635
Investments	102,949
Accounts receivable	8,412
Total Current Assets	270,996
Non-Current Assets	
Cash, restricted	15,695
Account receivable - Municipal Aid, restricted	481
Total Non-Current Assets	16,176
Capital Assets	
Infrastructure	65,874
Signage	16,915
Landscaping	4,390
Total Capital Assets	87,179
Less accumulated depreciation	(53,729)
Capital assets, net	33,450
TOTAL ASSETS	\$ 320,622

LIABILITIES

Current Liabilities	
Accounts payable	\$ 1,874
Total Current Liabilities	\$ 1,874

NET POSITION:

Net investment in capital assets	\$ 33,450
Restricted	
Road Fund	15,420
Unrestricted	
General Fund	269,878
TOTAL NET POSITION	\$ 318,748

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, 2020**

	<u>Expenses</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
EXPENSES - FUNCTIONS/PROGRAMS			
General Government	\$ (33,025)	\$ -	\$ (33,025)
Sanitation	(30,047)	-	(30,047)
Streets and Roads	(5,792)	6,029	237
Utilities	(6,945)	-	(6,945)
TOTAL EXPENSES	<u>(75,809)</u>	<u>6,029</u>	<u>(69,780)</u>
 GENERAL REVENUES			
Taxes			
Property taxes			46,277
Telecommunications			2,118
Insurance premium			33,758
Income from investments			2,532
Other income			146
TOTAL GENERAL REVENUES			<u>84,831</u>
 CHANGE IN NET POSITION			15,051
 Net position, beginning of year - July 1, 2019			<u>303,697</u>
 Net position, end of year - June 30, 2020			<u><u>\$ 318,748</u></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, 2020

ASSETS	General Fund	Road Fund	Total
Cash	\$ 159,635	\$ -	\$ 159,635
Cash - Restricted	-	15,695	15,695
Investments	102,949	-	102,949
Accounts receivables	8,412	-	8,412
Account receivable-restricted	-	481	481
TOTAL ASSETS	\$ 270,996	\$ 16,176	\$ 287,172
LIABILITIES			
Accounts payable	1,118	756	1,874
Due to General Fund	-	-	-
TOTAL LIABILITIES	1,118	756	1,874
FUND BALANCES			
Restricted			
Road Fund	-	15,420	15,420
Unassigned			
General Fund	269,878	-	269,878
TOTAL FUND BALANCES	269,878	15,420	285,298
TOTAL LIABILITIES AND FUND BALANCES	\$ 270,996	\$ 16,176	\$ 287,172

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	\$ 285,298
Amounts reported for governmental activities in the Statement Of Net Position are different because:	
Capital assets (\$ 87,179) net of accumulated depreciation (\$ 53,729) are not financial resources and, therefore, are not reported in the governmental funds.	33,450
Net position of governmental activities per Statement of Net Position (p. 8)	\$ 318,748

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, 2020**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Total</u>
REVENUES			
Property tax	\$ 46,277	\$ -	\$ 46,277
Insurance premium tax	33,758	-	33,758
Intergovernmental revenue	-	6,029	6,029
Investment income	2,527	5	2,532
Telecommunications tax	2,118	-	2,118
Other	146	-	146
TOTAL REVENUES	<u>84,826</u>	<u>6,034</u>	<u>90,860</u>
EXPENDITURES			
<u>General Government</u>			
Auditor	4,300	-	4,300
Elected officials	2,175	-	2,175
Appointed officials	7,600	-	7,600
Insurance	7,073	-	7,073
Community events	1,537	-	1,537
Property tax preparation	2,275	-	2,275
Membership and dues	879	-	879
Office supplies and administrative	336	-	336
City website	400	-	400
City landscaping	1,253	-	1,253
Tree maintenance program	2,655	-	2,655
Tree replacement program	490	-	490
Speed hump project	-	756	756
Miscellaneous expense	1,296	-	1,296
Total - General Government	<u>32,269</u>	<u>756</u>	<u>33,025</u>
Sanitation	30,047	-	30,047
Street and Roads	-	-	-
Utilities	6,945	-	6,945
TOTAL EXPENDITURES	<u>69,261</u>	<u>756</u>	<u>70,017</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,565	5,278	20,843
Fund balances, beginning of year - July 1, 2019	<u>254,313</u>	<u>10,142</u>	<u>264,455</u>
Fund balances, end of year - June 30, 2020	<u>\$ 269,878</u>	<u>\$ 15,420</u>	<u>\$ 285,298</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, 2020**

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)	\$ 20,843
Less: depreciation recorded on Statement of Activities but not on Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances	(5,792)
Change in Net Position per Statement of Activities (p.9)	<u>\$ 15,051</u>

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

**CITY OF DRUID HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020**

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, 2020**

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, 2020**

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, 2020 was \$ 5,792. 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 (page 9), \$ 5,792 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 \$ 278,279 and the bank balances totaled \$ 278,279.

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

	6/30/2020
Category 1 Deposits that are insured or collateralized with securities held by City or its agent in the City's name	\$ 278,279
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	\$ 0

Cash in the Road Fund account is restricted for the use of construction, repair and maintenance of the City's roads. At June 30, 2020, the amount of restricted cash in the Road Fund was \$ 15,695.

NOTE 3 – RECEIVABLES

The components of accounts at June 30, 2020 are as follows:

	General Fund Balance Sheet	Road Fund Balance Sheet	Statement of Net Position
	-----	-----	-----
Insurance Premiums Tax	\$ 8,412	\$ ---	\$ 8,412
Kentucky Municipal Road Aid	----	481	481
	-----	-----	-----
Totals	\$ 8,412	\$ 481	\$ 8,893
	=====	=====	=====

**CITY OF DRUID HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

During the year ended June 30, 2020, the capital assets and depreciation balances and activity of the City were as follows:

	7/1/2019 Beginning Balances	6/30/2020 Additions	6/30/2020 Disposals	6/30/2020 Ending 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
<u>LESS:</u>				
<u>ACCUMULATED DEPRECIATION</u>				
Infrastructure	29,827	5,301	-	35,128
Signs	13,720	491	-	14,211
Landscaping	4,390	-	-	4,390
TOTAL ACCUMULATED DEPRECIATION	47,937	5,792	-	53,729
Net Book Value	\$ 39,242	\$ (5,792)	\$ -	\$ 33,450

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, 2020, there were no inter-fund transfers and there are no inter-fund transfers at June 30, 2020.

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 \$ 6,029 in Municipal Aid operating grants.

NOTE 7 - RELATED PARTY

During the year ended June 30, 2020, the City paid approximately \$ 540 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, 2020**

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, 2020:

- 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, 2020 and as of January 11, 2021, the date of this audit report, the city had no known contingencies.

NOTE 11 - SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 11, 2021, 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, 2020**

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
RESOURCES AVAILABLE:			
Budgetary fund balance, July 1, 2019	\$ 237,538	\$ 254,313	\$ 16,775
CURRENT-YEAR RESOURCES			
Property tax	46,000	46,277	277
Insurance premium tax	30,000	34,312	4,312
Telecommunications tax	2,000	2,118	118
Investment income	250	202	(48)
Miscellaneous	-	146	146
TOTAL CURRENT-YEAR RESOURCES	<u>78,250</u>	<u>83,055</u>	<u>4,805</u>
TOTAL RESOURCES AVAILABLE FOR APPROPRIATION	315,788	337,368	21,580
CURRENT-YEAR APPROPRIATIONS			
General Government	42,175	31,740	10,435
Sanitation	32,000	30,047	1,953
Utilities	7,500	6,931	569
Public Safety	1,000	-	1,000
TOTAL CURRENT-YEAR APPROPRIATIONS	<u>82,675</u>	<u>68,718</u>	<u>13,957</u>
EXCESS TOTAL RESOURCES OVER (UNDER) TOTAL APPROPRIATIONS	<u>\$ 233,113</u>	268,650	<u>\$ 35,537</u>
Differences between cash and modified accrual basis		<u>1,228</u>	
Fund Balance on a Generally Accepted Accounting Principal Modified Accrual Basis - page 12		<u>\$ 269,878</u>	

**BUDGETARY COMPARISON SCHEDULE
ROAD FUND
CITY OF DRUID HILLS, KENTUCKY
FOR THE YEAR ENDED JUNE 30, 2020**

	Original And Final Budget	Actual	Variance Favorable (Unfavorable)
RESOURCES AVAILABLE:			
Budgetary fund balance, July 1, 2019	\$ 10,142	\$ 10,142	\$ -
 CURRENT-YEAR RESOURCES			
Municipal Road Aid receipts	6,000	6,131	131
Interest income	2	5	3
TOTAL CURRENT-YEAR RESOURCES	<u>6,002</u>	<u>6,136</u>	<u>134</u>
 TOTAL RESOURCES AVAILABLE FOR APPROPRIATION	 16,144	 16,278	 134
 CURRENT-YEAR APPROPRIATIONS			
Streets and Roads	8,000	-	8,000
Total Streets and Roads	<u>8,000</u>	<u>-</u>	<u>8,000</u>
TOTAL CURRENT-YEAR APPROPRIATIONS	<u>8,000</u>	<u>-</u>	<u>8,000</u>
 EXCESS TOTAL RESOURCES OVER (UNDER) TOTAL APPROPRIATIONS	 <u>\$ 8,144</u>	 <u>\$ 16,278</u>	 <u>\$ 8,134</u>
Differences between cash and modified accrual basis		(858)	
Fund Balance on a Generally Accepted Accounting Principal Modified Accrual Basis - page 12		\$ 15,420	

**NOTES TO BUDGETARY COMPARISON SCHEDULES
CITY OF DRUID HILLS, KENTUCKY
JUNE 30, 2020**

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, 2020.

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.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND COMPLIANCE

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MEMBER
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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, 2020, 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 11, 2021.

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.

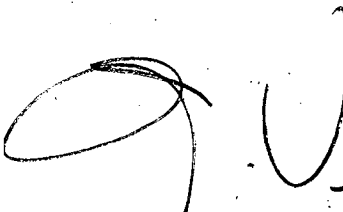


Compliance and Other Matters

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of 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.



Veeneman, CPA PSC

Charles J. Veeneman, CPA, PSC
Louisville, KY
January 11, 2021

CHARLES J. VEENEMAN, CPA, PSC
CERTIFIED PUBLIC ACCOUNTANT

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Communication with Those Charged with Governance at the Conclusion of the Audit

January 11, 2021

To Mayor Bruce Barbour and the Commissioners of the City of DRUID HILLS, KENTUCKY
Druid Hills, Kentucky

I have audited the financial statements of the governmental activities of the City of DRUID HILLS, KENTUCKY for the year ended June 30, 2020. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated September 14, 2020. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of DRUID HILLS, KENTUCKY are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2020. I noted no transactions entered into by the City of DRUID HILLS, KENTUCKY during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City of DRUID HILLS, KENTUCKY'S financial statements was:

Management's estimate of the useful lives of the capital assets is based on historical lives of similar assets and management's evaluation of the estimated useful life. I evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was Note 4- CAPITAL ASSETS AND DEPRECIATION. This disclosure shows the beginning balances, current-year additions and deletions, and ending balances of the assets, accumulated depreciation, and net asset values of the City's fixed assets. These net asset values represent 10% of the City's total assets at June 30, 2020. In understanding the net position of the City, it is important that one understand the composition of this Note 4 disclosure.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

The financial statement disclosures are neutral, consistent, and clear.



Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated January 11, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditor. However, there were no such discussions for this audit.

Other Matters

I applied certain limited procedures to the Budgetary Comparison Schedules listed on pages 20 through 23, which are required supplementary information that supplement the basic financial statements. My procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on it.

The other issues resulting from the audit are as follows:

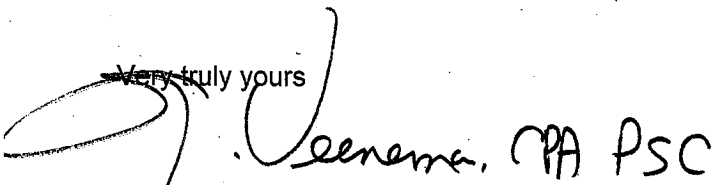
In preparing its budget for the year, the City should use a separate column for the budget of its Road Fund. The Kentucky Revised Statutes require that the money received from Municipal Aid be restricted to the construction, repair and maintenance of roads. It is important that the City provide a budget column which clearly identifies the Road Fund's income and expenses.

The City would enhance its internal control if its commissioner, David Westfall, abstained from voting and/or any decisions on items relating to his wife and City Clerk, Caroline Westfall, or Greenhaven/Savatree, Caroline's employer.

Restriction on Use

This information is intended solely for the use of the Mayor and the City Commission and management of the City of DRUID HILLS, KENTUCKY and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours

A handwritten signature in black ink that reads "Charles J. Veeneman, CPA PSC". The signature is written in a cursive style with a large, looping initial "C".

Charles J. Veeneman, CPA, PSC
Louisville, KY
January 11, 2021