

CITY OF DRUID HILLS, KENTUCKY

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

YEAR ENDED JUNE 30, 2018

With

Reports of Certified Public Accountant

Charles J. Veeneman, CPA, PSC
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To: Mayor and the City Commission
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, 2018, 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, 2018, 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

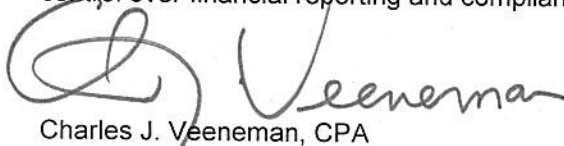
Accounting principles generally accepted in the United States of America require that the Budgetary Comparison information on pages 21-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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 25, 2019 (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

Louisville, KY
January 25, 2019

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

CITY OF DRUID HILLS, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS

Current Assets	
Cash	\$ 230,696
Accounts receivable	8,311
Total Current Assets	239,007
Non-Current Assets	
Cash, restricted	6,457
Account receivable - Municipal Aid, restricted	591
Total Non-Current Assets	7,048
Capital Assets	
Infrastructure	65,874
Signage	16,915
Landscaping	4,390
Total Capital Assets	87,179
Less accumulated depreciation	(41,521)
Capital assets, net	45,658
TOTAL ASSETS	\$ 291,713

LIABILITIES

Current Liabilities	
Accounts payable	\$ 3,969
Total Current Liabilities	\$ 3,969

NET POSITION:

Net investment in capital assets	\$ 45,658
Restricted	
Road Fund	4,548
Unrestricted	
General Fund	237,538
TOTAL NET POSITION	\$ 287,744

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

**CITY OF DRUID HILLS, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

EXPENSES - FUNCTIONS/PROGRAMS	Expenses	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
General Government	\$ 32,925	\$ -	\$ 32,925
Sanitation	30,036	-	30,036
Streets and Roads	10,994	6,228	4,766
Utilities	6,789	-	6,789
TOTAL EXPENSES	<u>80,744</u>	<u>6,228</u>	<u>74,516</u>
 GENERAL REVENUES			
Taxes			
Property taxes			45,914
Telecommunications			2,053
Insurance premium			32,546
Income from investments			168
TOTAL GENERAL REVENUES			<u>80,681</u>
 CHANGE IN NET POSITION			 6,165
Net position, beginning of year - July 1, 2017			<u>281,579</u>
Net position, end of year - June 30, 2018			<u><u>\$ 287,744</u></u>

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

Governmental Funds' Statements

**CITY OF DRUID HILLS, KENTUCKY
GOVERNMENTAL FUNDS' BALANCE SHEETS
JUNE 30, 2018**

ASSETS	General Fund	Road Fund	Total
Cash	\$ 230,696	\$ -	\$ 230,696
Cash - Restricted		6,457	6,457
Due from Road Fund	2,500	-	2,500
Accounts receivables	8,311	-	8,311
Account receivable-restricted	-	591	591
TOTAL ASSETS	<u>\$ 241,507</u>	<u>\$ 7,048</u>	<u>\$ 248,555</u>
 LIABILITIES			
Accounts payable	3,969	-	3,969
Due to General Fund	-	2,500	2,500
TOTAL LIABILITIES	<u>3,969</u>	<u>2,500</u>	<u>6,469</u>
 FUND BALANCES			
Restricted			
Road Fund	-	4,548	4,548
Unassigned			
General Fund	237,538	-	237,538
TOTAL FUND BALANCES	<u>237,538</u>	<u>4,548</u>	<u>242,086</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 241,507</u>	 <u>\$ 7,048</u>	 <u>\$ 248,555</u>

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement Of Net Position:

Total fund balances - governmental funds per above	\$ 242,086
Amounts reported for governmental activities in the Statement Of Net Position are different because:	
Capital assets (\$ 87,179) net of accumulated depreciation (\$ 41,521) are not financial resources and, therefore, are not reported in the governmental funds.	45,658
Net position of governmental activities per Statement of Net Position (p. 8)	<u>\$ 287,744</u>

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

**CITY OF DRUID HILLS, KENTUCKY
STATEMENT OF GOVERNMENTAL FUNDS' REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Total</u>
REVENUES			
Property tax	\$ 45,914	\$ -	\$ 45,914
Insurance premium tax	32,546	-	32,546
Intergovernmental revenue	-	6,228	6,228
Investment income	167	1	168
Telecommunications tax	2,053	-	2,053
Other	-	-	-
TOTAL REVENUES	<u>80,680</u>	<u>6,229</u>	<u>86,909</u>
EXPENDITURES			
General Government	32,925	-	32,925
Sanitation	30,036	-	30,036
Street and Roads	-	4,324	4,324
Utilities	6,789	-	6,789
TOTAL EXPENDITURES	<u>69,750</u>	<u>4,324</u>	<u>74,074</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,930	1,905	12,835
Fund balances, beginning of year - July 1, 2017	<u>226,608</u>	<u>2,643</u>	<u>229,251</u>
Fund balances, end of year - June 30, 2018	<u>\$ 237,538</u>	<u>\$ 4,548</u>	<u>\$ 242,086</u>

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

**CITY OF DRUID HILLS, KENTUCKY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (continued)
FOR THE YEAR ENDED JUNE 30, 2018**

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)	\$ 12,835
Less: depreciation recorded on Statement of Activities but not on Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances	(6,670)
Change in Net Position per Statement of Activities (p.9)	<u>\$ 6,165</u>

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

**CITY OF DRUID HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018**

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, 2018

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, 2018**

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, 2018 was \$ 6,670. 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, \$ 6,670 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, 2018 the carrying amounts of the City's deposits were \$ 237,153 and the bank balances totaled \$ 237,440.

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

	6/30/2018
Category 1 Deposits that are insured or collateralized with securities held by City or its agent in the City's name	\$ 237,153
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, 2018, the amount of restricted cash in the Road Fund was \$ 6,457.

NOTE 3 – RECEIVABLES

The components of accounts at June 30, 2018 are as follows:

	General Fund Balance Sheet	Road Fund Balance Sheet	Statement of Net Position
	-----	-----	-----
Insurance Premiums Tax	\$ 8,311	\$ ---	\$ 8,311
Kentucky Municipal Road Aid	----	591	591
	-----	-----	-----
Totals	\$ 8,311	\$ 591	\$ 8,902
	=====	=====	=====

**CITY OF DRUID HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

During the year ended June 30, 2018, the capital assets and depreciation balances and activity of the City were as follows:

	7/1/2017			6/30/2018
	Beginning	6/30/2018	6/30/2018	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	19,225	5,301	-	24,526
Signs	12,737	491	-	13,228
Landscaping	2,889	878	-	3,767
TOTAL ACCUMULATED DEPRECIATION	34,851	6,670	-	41,521
Net Book Value	\$ 52,328	\$ (6,670)	\$ -	\$ 45,658

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. The balance owed to the General Fund at June 30, 2018, June 30, 2017 and June 30, 2016 was \$ 2,500.

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, 2018 the City received \$ 6,228 in Municipal Aid operating grants.

NOTE 7 - RELATED PARTY

During the year ended June 30, 2018, the City paid approximately \$ 1,808 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, 2018**

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 commitments at June 30, 2018:

- 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.
- During the year ended June 30, 2018, the City was released from a prior commitment for website design which had originally been through March 3, 2020. At June 30, 2018, the City owed its current website designer \$ 3,250 (shown in accounts payable on page 8's Statement of Net Position) but had no other commitment to this or any other contractor.

NOTE 10 - CONTINGENCIES

The City (along with several other cities) was sued by Louisville Metro Government for the right to determine their waste management contracts. This suit does not request any monetary damages and no financial loss is expected from this lawsuit.

NOTE 11 - SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 25, 2019, 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. On December 7, 2018, the city's mayor, Ben Franklin, passed away. One of the commissioners, Bruce Barbour, had been appointed Mayor Pro Tem during the year. Mr. Barbour was appointed mayor to complete Mr. Franklin's term, which expires December 31, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DRUID HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	First Amended Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
RESOURCES AVAILABLE:					
Budgetary fund balance, July 1, 2017	\$ 226,608	\$ 226,608	\$ 226,608	\$ 226,608	\$ -
CURRENT-YEAR RESOURCES					
Property tax	45,931	45,931	45,931	45,914	(17)
Insurance premium tax	25,565	25,565	25,565	32,546	6,981
Telecommunications tax	2,000	2,000	2,000	2,053	53
Investment income	110	110	110	167	57
Miscellaneous	1,182	4,182	4,182	-	(4,182)
TOTAL CURRENT-YEAR RESOURCES	<u>74,788</u>	<u>77,788</u>	<u>77,788</u>	<u>80,680</u>	<u>2,892</u>
TOTAL RESOURCES AVAILABLE FOR APPROPRIATION	301,396	304,396	304,396	307,288	2,892
CURRENT-YEAR APPROPRIATIONS					
<u>General Government</u>					
Mayor and commissioner compensation	1,775	1,775	1,775	1,775	-
Professional staff fees	7,500	7,500	7,500	7,225	275
Auditor	4,000	4,000	4,000	4,000	-
Insurance	7,460	7,460	7,460	7,068	392
Property tax bill preparation	2,150	2,150	2,150	2,246	(96)
Memberships and dues	780	780	780	743	37
Office supplies and copying	1,870	1,870	1,870	568	1,302
Miscellaneous operating expenses	2,080	2,080	2,080	1,627	453
Garden Club	-	-	760	292	468
Snow removal - sidewalks	620	620	620	318	302
Tree replacement program	1,000	1,000	1,000	50	950
Tree maintenance program	-	-	2,730	1,549	1,181
Administrative support	1,720	1,720	1,720	1,020	700
City website	1,040	1,040	1,040	1,044	(4)
Safety patrol	1,000	1,000	1,000	-	1,000
Total - General Government	<u>32,995</u>	<u>32,995</u>	<u>36,485</u>	<u>29,525</u>	<u>6,960</u>
<u>Public Service</u>					
Sanitation	30,030	30,030	30,030	30,036	(6)
<u>Utilities</u>					
Utilities	<u>8,320</u>	<u>8,320</u>	<u>8,320</u>	<u>6,768</u>	<u>1,552</u>
TOTAL CURRENT-YEAR APPROPRIATIONS	<u>71,345</u>	<u>71,345</u>	<u>74,835</u>	<u>66,329</u>	<u>8,506</u>
EXCESS TOTAL RESOURCES OVER (UNDER) TOTAL APPROPRIATIONS	<u>\$ 230,051</u>	<u>\$ 233,051</u>	<u>\$ 229,561</u>	240,959	<u>\$ 11,398</u>
Differences between cash and modified accrual basis				<u>(3,421)</u>	
Fund Balance on a Generally Accepted Accounting Principal Modified Accrual Basis - page 12				<u>\$ 237,538</u>	

**CITY OF DRUID HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - ROAD FUND
CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	First Amended Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
RESOURCES AVAILABLE:					
Budgetary fund balance, July 1, 2017	\$ 2,643	\$ 2,643	\$ 2,643	\$ 2,643	-
CURRENT-YEAR RESOURCES					
Municipal Road Aid receipts	5,400	5,400	5,400	6,228	828
Interest income	2	2	2	1	(1)
TOTAL CURRENT-YEAR RESOURCES	<u>5,402</u>	<u>5,402</u>	<u>5,402</u>	<u>6,229</u>	<u>827</u>
TOTAL RESOURCES AVAILABLE FOR APPROPRIATION	8,045	8,045	8,045	8,872	827
CURRENT-YEAR APPROPRIATIONS					
<u>Streets and Roads</u>					
Garden Club	760	760	-	-	-
Snow removal - streets	3,480	3,480	3,480	800	2,680
General maintenance	580	3,580	3,580	3,254	326
Capital outlay - roads	1,025	1,025	1,025	270	755
Tree maintenance program	3,000	3,000	270	-	270
Total Streets and Roads	<u>8,845</u>	<u>11,845</u>	<u>8,355</u>	<u>4,324</u>	<u>4,031</u>
TOTAL CURRENT-YEAR APPROPRIATIONS	<u>8,845</u>	<u>11,845</u>	<u>8,355</u>	<u>4,324</u>	<u>4,031</u>
EXCESS TOTAL RESOURCES OVER (UNDER) TOTAL APPROPRIATIONS	<u>\$ (800)</u>	<u>\$ (3,800)</u>	<u>\$ (310)</u>	\$ 4,548	<u>\$ 4,858</u>
Differences between cash and modified accrual basis				-	
Fund Balance on a Generally Accepted Accounting Principal Modified Accrual Basis - page 12				<u>\$ 4,548</u>	

**CITY OF DRUID HILLS, KENTUCKY
NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2018**

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 two amendments to the budget during the year ended June 30, 2019.

The budget is prepared on a cash basis. 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.

INTERNAL CONTROL AND COMPLIANCE REPORT

CHARLES J. VEENEMAN, CPA, PSC
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Mayor and the City Commission
City of DRUID HILLS, 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 HILLS, KENTUCKY as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of DRUID HILLS, KENTUCKY's basic financial statements, and have issued my report thereon dated January 25, 2019.

Internal Control over Financial Reporting

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

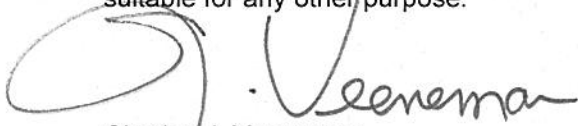
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of DRUID HILLS, KENTUCKY's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws and regulations, 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 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.



Charles J. Veeneman
Certified Public Accountant

Charles J. Veeneman, CPA, PSC
Louisville, Kentucky
January 25, 2019