

CITY OF DRUID HILLS, KENTUCKY

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

YEAR ENDED JUNE 30, 2023

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 Caroline Westfall, Mayor, and the City of Druid Hill's Commissioners
City of DRUID HILLS, KENTUCKY

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. I am required to be independent of the City of DRUID HILLS, KENTUCKY and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of DRUID HILLS, KENTUCKY's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of DRUID HILLS KENTUCKY's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of DRUID HILLS, KENTUCKY's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. Management has omitted the Management's Discussion and Analysis. I have applied certain limited procedures to the budgetary comparison 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 12, 2024 (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 solely 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 the effectiveness of the City of DRUID HILLS, KENTUCKY's 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

Louisville, Kentucky
February 12, 2024

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

**STATEMENT OF NET POSITION
CITY OF DRUID HILLS, KENTUCKY
JUNE 30, 2023**

ASSETS

Current Assets	
Cash	\$ 251,414
Investment	50,000
Accounts receivable	10,164
Total Current Assets	311,578
Non-Current Assets	
Cash, restricted - American Rescue Plan Fund	71,993
Cash, restricted - Road Fund	21,494
Account receivable - Municipal Aid, restricted	623
Total Non-Current Assets	94,110
Capital Assets	
Infrastructure	65,874
Signage	16,915
Landscaping	4,390
Speed Humps	16,200
Total Capital Assets	103,379
Less accumulated depreciation	(72,201)
Capital assets, net	31,178
TOTAL ASSETS	\$ 436,866

LIABILITIES

Current Liabilities	
Accounts payable	\$ 618
Unearned revenue	71,993
Total Current Liabilities	\$ 72,611

NET POSITION:

Net investment in capital assets	\$ 31,178
Restricted	
Road Fund	22,117
Unrestricted	
General Fund	310,960
TOTAL NET POSITION	\$ 364,255

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, 2023**

	<u>Expenses</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
EXPENSES - FUNCTIONS/PROGRAMS			
General Government	\$ (33,153)	\$ -	\$ (33,153)
Sanitation	(27,688)	-	(27,688)
Streets and Roads	(7,478)	6,493	(985)
Utilities	<u>(7,456)</u>	<u>-</u>	<u>(7,456)</u>
TOTAL EXPENSES	<u>(75,775)</u>	<u>6,493</u>	<u>(69,282)</u>
 GENERAL REVENUES			
Taxes, property			51,785
Licenses and permits:			
Insurance premium			37,239
Telecommunications			<u>2,155</u>
Total, licenses and permits			39,394
Income from investments			374
Other income			<u>1,870</u>
TOTAL GENERAL REVENUES			<u>93,423</u>
 CHANGE IN NET POSITION			 24,141
 Net position, beginning of year - July 1, 2022			 <u>340,114</u>
 Net position, end of year - June 30, 2023			 <u><u>\$ 364,255</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, 2023

ASSETS	General Fund	American Rescue Plan Fund	Road Fund	Total
Cash	\$ 251,414	\$ -	\$ -	\$ 251,414
Cash - Restricted	-	71,993	21,494	93,487
Investment	50,000	-	-	50,000
Accounts receivables	10,164	-	-	10,164
Account receivable-restricted	-	-	623	623
TOTAL ASSETS	\$ 311,578	\$ 71,993	\$ 22,117	\$ 405,688
LIABILITIES				
Accounts payable	618	-	-	618
Unearned revenue	-	71,993	-	71,993
TOTAL LIABILITIES	618	71,993	-	72,611
FUND BALANCES				
Restricted				
Road Fund	-	-	22,117	22,117
American Rescue Plan Fund	-	-	-	-
Unassigned				
General Fund	310,960	-	-	310,960
TOTAL FUND BALANCES	310,960	-	22,117	333,077
TOTAL LIABILITIES AND FUND BALANCES	\$ 311,578	\$ 71,993	\$ 22,117	\$ 405,688

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	\$ 333,077
Amounts reported for governmental activities in the Statement Of Net Position are different because:	
Capital assets (\$ 103,379) net of accumulated depreciation (\$ 72,201) are not financial resources, and, therefore, are not reported in the governmental funds.	31,178
Net position of governmental activities per Statement of Net Position (p. 8)	\$ 364,255

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, 2023**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Total</u>
REVENUES			
Property taxes	\$ 51,785	\$ -	\$ 51,785
Licenses and permits	39,394	-	39,394
Intergovernmental revenue	-	6,493	6,493
Investment income	325	49	374
American Rescue Plan receipts	-	-	-
Other	1,870	-	1,870
TOTAL REVENUES	<u>93,374</u>	<u>6,542</u>	<u>99,916</u>
EXPENDITURES			
<u>General Government</u>			
Auditor	6,115	-	6,115
Legal	2,500	-	2,500
Elected officials	2,175	-	2,175
Appointed officials	5,750	-	5,750
Insurance	6,344	-	6,344
Community events	2,708	-	2,708
Property tax preparation	2,569	-	2,569
Membership and dues	760	-	760
Office supplies and administrative	1,709	-	1,709
City website	992	-	992
City landscaping	653	-	653
General Maintenance	878	-	878
Total - General Government	<u>33,153</u>	<u>-</u>	<u>33,153</u>
Road maintenance	-	2,793	2,793
Sanitation	27,688	-	27,688
Utilities	7,456	-	7,456
TOTAL EXPENDITURES	<u>68,297</u>	<u>2,793</u>	<u>71,090</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	25,077	3,749	28,826
Fund balances, beginning of year - July 1, 2022	<u>285,883</u>	<u>18,368</u>	<u>304,251</u>
Fund balances, end of year - June 30, 2023	<u>\$ 310,960</u>	<u>\$ 22,117</u>	<u>\$ 333,077</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, 2023**

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)	\$ 28,826
Less: depreciation recorded on Statement of Activities but not on Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances	(4,685)
Plus: capital assets expenses on Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances but not on the Statement of Activities	-
Change in Net Position per Statement of Activities (p.9)	<u><u>\$ 24,141</u></u>

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

**CITY OF DRUID HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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 three governmental funds: General Fund, Road Fund and American Rescue Plan Fund. The Road Fund accounts for Municipal Road Aid assistance received from the Commonwealth of Kentucky. The American Rescue Plan Fund accounts for grants received from the Federal Government as a response to the economic and public health impacts of COVID-19. 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, 2023

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.

American Rescue Plan Fund – The ARP Fund is used for funds distributed by the U.S. Treasury, which are legally restricted for: the response to the COVID-19 public health emergency or its negative economic impacts; the response to workers performing essential work during the COVID-19 emergency; the provision of government services; and investments in water, sewer, or broadband infrastructure.

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 appropriate 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, 2023**

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, 2023**

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, 2023 was \$ 4,685. Depreciation is recorded in the Statement of Activities (page 9) but not in the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances (page 12). On the Statement of Activities (page 9), \$ 4,685 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, 2023 the carrying amounts of the City's deposits were \$ 344,901 and the bank balances totaled \$ 345,394.

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

		6/30/2023
Category 1	Deposits that are insured or collateralized with securities held by City or its agent in the City's name	----- \$ 344,901
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: \$ 21,494 for the use of construction, repair and maintenance of the City's roads, and, cash in the American Rescue Plan Fund of \$ 71,993 is broadly restricted to the payment of general government expenses of the City.

NOTE 3 – RECEIVABLES

The components of accounts at June 30, 2023 are as follows:

	General Fund Balance Sheet	Road Fund Balance Sheet	Statement of Net Position
	-----	-----	-----
Insurance Premiums Tax	\$ 10,164	\$ ---	\$ 10,164
Kentucky Municipal Road Aid	---	623	623
	-----	-----	-----
Totals	\$ 10,164	\$ 623	\$ 10,787
	=====	=====	=====

**CITY OF DRUID HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

During the year ended June 30, 2023, the capital assets and depreciation balances and activity of the City were as follows:

	7/1/2022		6/30/2023	6/30/2023	6/30/2023
	Beginning	6/30/2023	6/30/2023	6/30/2023	Ending
	Balances	Additions	Disposals	Disposals	Balances
<u>COST</u>					
Infrastructure	\$ 65,874	\$ -	\$ -	\$ -	\$ 65,874
Signs	16,915	-	-	-	16,915
Speed Humps	16,200	-	-	-	16,200
Landscaping	4,390	-	-	-	4,390
TOTAL COST	103,379	-	-	-	103,379
 LESS:					
<u>ACCUMULATED DEPRECIATION</u>					
Infrastructure	45,502	2,573	-	-	48,075
Signs	15,194	492	-	-	15,686
Speed Humps	2,430	1,620	-	-	4,050
Landscaping	4,390	-	-	-	4,390
TOTAL ACCUMULATED DEPRECIATION	67,516	4,685	-	-	72,201
Net Book Value	\$ 35,863	\$ (4,685)	\$ -	\$ -	\$ 31,178

NOTE 5 - 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, 2023, the City received \$ 6,493 in Municipal Aid operating grants.

During the year ended June 30, 2022, the City received a \$ 71,938 grant from the American Rescue Plan. Upon receipt of this grant, the City recognized unearned revenue until the money is spent for its intended purpose, at which point the corresponding revenue is recorded. Although this grant is restrictive, its allowed uses are broad and include "General Government Expenses". No expenses were made from this grant during the year ended June 30, 2023. It gained interest of \$ 55 during the year and the balance of \$ 71,993 is recorded in unearned revenue at June 30, 2023 (pages 8 and 11).

The specifications of the grant provide that the use of the expenses must be obligated by December 31, 2024. At the date of this report, the City had not determined the anticipated use of all of these grant funds.

NOTE 6 - RELATED PARTY

During the year ended June 30, 2023, the City paid approximately \$ 4,908 to a company that is a tree vendor and snow removal provider to the City. The city clerk (through December 31, 2022 and mayor beginning January 1, 2023) is an employee of this tree vendor.

In addition, the city clerk (through December 31, 2022 and mayor beginning January 1, 2023) is married to one of the city's commissioners.

As of the date of this report, there were no other related party relationships within the City.

**CITY OF DRUID HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 – 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 probably that a loss has occurred and the amount of the loss can be reasonable estimated. There were no losses during the year ended June 30, 2023.

NOTE 8 – COMMITMENTS

The City has the following contractual commitment at June 30, 2023:

- A four-year contract with its waste management supplier from July 1, 2023 through June 30, 2027. These services include solid waste, recyclables, and yard waste collection. The contractual rates are fixed for the first two years and increase at approximately 7% for the final two years. The approximate monthly expenditure of the waste management services for the first two years is \$ 3,700 per month.

NOTE 9 - CONTINGENCIES

At June 30, 2023 and as of February 12, 2024, the date of this audit report, the city had no known contingencies.

REQUIRED SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
CITY OF DRUID HILLS, KENTUCKY
FOR THE YEAR ENDED JUNE 30, 2023**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
RESOURCES AVAILABLE:			
Budgetary fund balance, July 1, 2022	\$ 285,883	\$ 285,883	\$ -
CURRENT-YEAR RESOURCES			
Property tax	50,000	51,785	1,785
Insurance premium tax	35,000	37,221	2,221
Telecommunications tax	2,000	2,155	155
Investment income	75	325	250
Miscellaneous	-	-	-
TOTAL CURRENT-YEAR RESOURCES	<u>87,075</u>	<u>91,486</u>	<u>4,411</u>
TOTAL RESOURCES AVAILABLE FOR APPROPRIATION	372,958	377,369	4,411
CURRENT-YEAR APPROPRIATIONS			
General Government	51,675	34,009	17,666
Sanitation	35,000	27,688	7,312
Utilities	9,000	7,443	1,557
Road	1,500	-	1,500
Public Safety	3,000	-	3,000
TOTAL CURRENT-YEAR APPROPRIATIONS	<u>100,175</u>	<u>69,140</u>	<u>31,035</u>
EXCESS TOTAL RESOURCES OVER (UNDER) TOTAL APPROPRIATIONS	<u>\$ 272,783</u>	308,229	<u>\$ 35,446</u>
Differences between cash and modified accrual basis		<u>2,731</u>	
Budgetary Fund Balance, June 30, 2023, on a Generally Accepted Accounting Principal Modified Accrual Basis - page 12		<u>\$ 310,960</u>	

**BUDGETARY COMPARISON SCHEDULE
ROAD FUND
CITY OF DRUID HILLS, KENTUCKY
FOR THE YEAR ENDED JUNE 30, 2023**

	Original And Final Budget	Actual	Variance Favorable (Unfavorable)
RESOURCES AVAILABLE:			
Budgetary fund balance, July 1, 2022	\$ 18,368	\$ 18,368	\$ -
 CURRENT-YEAR RESOURCES			
Municipal Road Aid receipts	5,500	6,434	934
Interest income	10	49	39
TOTAL CURRENT-YEAR RESOURCES	5,510	6,483	973
 TOTAL RESOURCES AVAILABLE FOR APPROPRIATION	23,878	24,851	973
 CURRENT-YEAR APPROPRIATIONS			
Streets and Roads	12,500	2,793	9,707
Total Streets and Roads	12,500	2,793	9,707
TOTAL CURRENT-YEAR APPROPRIATIONS	12,500	2,793	9,707
 EXCESS TOTAL RESOURCES OVER (UNDER) TOTAL APPROPRIATIONS	\$ 11,378	\$ 22,058	\$ 10,680
Differences between cash and modified accrual basis		59	
Budgetary Fund Balance, June 30, 2023, on a Generally Accepted Accounting Principal Modified Accrual Basis - page 12		\$ 22,117	

**NOTES TO BUDGETARY COMPARISON SCHEDULES
CITY OF DRUID HILLS, KENTUCKY
JUNE 30, 2023**

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 May or 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, 2023.

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 and no depreciation expense is budgeted.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND COMPLIANCE

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 Caroline Westfall, Mayor, and the City of Druid Hills' Commissioners
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, 2023, 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 February 12, 2024.

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 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.

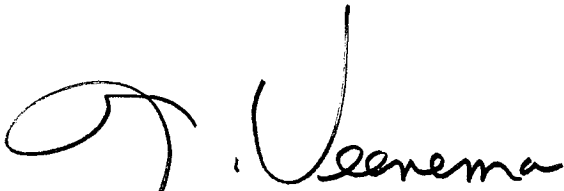


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of DRUID HILLS, 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.

A handwritten signature in black ink, appearing to read "C. J. Veeneman". The signature is fluid and cursive, with a large initial "C" and "J" on the left and "Veeneman" written in a more compact script to the right.

Charles J. Veeneman, CPA, PSC
Louisville, KY
February 12, 2024