



Van Gorder, Walker & Co., Inc.
Certified Public Accountants

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March 11, 2021

To the Mayor and City Council of
The City of Cold Spring, Kentucky

We have audited the financial statements of the City of Cold Spring, Kentucky (City) for the year ended June 30, 2020, and have issued our report thereon dated March 11, 2021. Professional standards (*AUC 260*) require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 12, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of City of Cold Spring, Kentucky. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

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 City of Cold Spring, Kentucky are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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(s) affecting the financial statements was (were):

Management's estimate of fixed asset depreciation is based on the depreciation basis as described in the Note A and detailed in Note E to the Financial Statements. We evaluated the key factors and assumptions used to develop the fixed asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Per requirements issued under the Government Accounting Standards Board (GASB) Statement No. 68, the City has booked, on its statement of net position only, its proportionate share of the Kentucky County Employee Retirement System's unfunded pension liability. Adjustments are made annually to the net unfunded pension liability and to related deferred inflows and outflows of resources related to pension costs. Details of this pension adjustment are disclosed in Note G to the Financial Statements and further disclosures, over the last ten years, are made as required supplementary information.

Per requirements issued under the Government Accounting Standards Board (GASB) Statement No. 75, the City has booked, on its statement of net position, its proportionate share of the Kentucky County Employee Retirement System's unfunded other post-employment benefits (OPEB) liability for the health insurance portion of the retirement plan. Adjustments are made annually to the net unfunded OPEB liability and to related deferred inflows and outflows of resources related to OPEB costs. Details of this OPEB adjustment are disclosed in Note G to the Financial Statements and further disclosures, over the last ten years, are made as required supplementary information.

The disclosures in the financial statements are neutral, consistent, and clear. There are no financial statement disclosures that are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered **no** significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We made the following adjustments:

In the funds:

- Reclassification of a \$221,502 deposit in transit as an accounts receivable of \$195,028
- Reduced accounts payable and related expense \$120,860
- Recorded additional \$11,080 of interest earned on certificates of deposit
- Adjusted due to/due from between funds of \$3,430

In the government-wide financial statements:

- Recognized an additional \$597,342 in capital assets
- Adjusted compensated absences to \$39,453
- Adjusted net pension/OPEB liability to \$4,210,391; deferred inflows to \$670,745 and deferred outflows to \$1,236,465

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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. We are pleased to report that **no** such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 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 governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We 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 auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We noted the following compliance findings we were required to report:

- Kentucky Revised Statutes (KRS) state that “no moneys shall be expended from any source except as provided in the originally adopted or subsequently amended budget”. During the year the City spent (\$48,848) more than budgeted in violation of KRS.

Internal Control Over Financial Reporting

Professional standards (AUC 265) require that we provide you with information concerning the City’s internal control over financial reporting. This information was provided as part of the City’s Annual Financial Report in the “**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**”, found on pages 42-43 of the Annual Financial Report.

Management Items

In planning and performing our audit of the financial statements of the City, for the year ended June 30, 2020, we considered internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. We provided a management letter dated March 11, 2021 to address two items.

This letter is solely for the use of the City Council of the City of Cold Spring, Kentucky and should not be used for any other purpose. Please feel free to contact us if we can be of any assistance. Thank you for allowing us to be of service to the City of Cold Spring, Kentucky

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Erlanger, Kentucky

CITY OF COLD SPRING, KENTUCKY BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL - GENERAL FUND For the Year Ended June 30, 2020

	Budgeted Amounts			Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Revisions	Final		
Budgetary fund balance, July 1	\$ 6,710,923	\$ 1,381,731	\$ 8,092,654	\$ 8,092,654	\$ -
Resources (inflows)					
Property taxes	980,000	15,577	995,577	993,548	(2,029)
Licenses/permits	167,100	(28,784)	138,316	273,485	135,169
Intergovernmental	118,203	(12,313)	105,890	139,481	33,591
Fines and forfeitures	2,900	8,160	11,060	1,550	(9,510)
Charges for services	459,499	(100,000)	359,499	366,787	7,288
Parks, trees and recreation	2,100	100	2,200	1,024	(1,176)
Other	2,125,176	222,380	2,347,556	2,819,442	471,886
Amounts available for appropriation	10,565,901	1,486,851	12,052,752	12,687,971	635,219
Charges to appropriations (outflows)					
General government	1,006,526	(25,482)	981,044	903,400	77,644
Police	1,873,712	(60,922)	1,812,790	1,734,007	78,783
Public works	707,473	(70,137)	637,336	534,261	103,075
Enterprises	26,700	(3,568)	23,132	23,062	70
Parks, trees and recreation	56,600	(4,837)	51,763	33,619	18,144
Total charges to appropriations	3,671,011	(164,946)	3,506,065	3,228,349	277,716
Proceeds from capital lease	-	-	-	-	-
Transfer from (to) other fund	(1,092,707)	(757,293)	(1,850,000)	(850,000)	1,000,000
Budgetary fund balance, June 30	\$ 5,802,183	\$ 894,504	\$ 6,696,687	\$ 8,609,622	\$ 1,912,935

CITY OF COLD SPRING, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
MUNICIPAL AID ROAD FUND
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Revisions	Final		
Budgetary fund balance, July 1	\$ 600,000	\$ (900,326)	\$ (300,326)	\$ (300,326)	\$ -
Resources (inflows)					
Other income	-	-	-	680	680
Intergovernmental	118,203	(311)	117,892	117,345	(547)
Amounts available for appropriation	<u>718,203</u>	<u>(900,637)</u>	<u>(182,434)</u>	<u>(182,301)</u>	<u>133</u>
Charges to appropriations (outflows)					
Municipal road fund	1,811,250	134,870	1,946,120	1,994,968	(48,848)
Total charges to appropriations	<u>1,811,250</u>	<u>134,870</u>	<u>1,946,120</u>	<u>1,994,968</u>	<u>(48,848)</u>
Transfer from General Fund	<u>1,092,707</u>	<u>757,293</u>	<u>1,850,000</u>	<u>850,000</u>	<u>(1,000,000)</u>
Budgetary fund balance, June 30	<u>\$ (340)</u>	<u>\$ (278,214)</u>	<u>\$ (278,554)</u>	<u>\$ (1,327,269)</u>	<u>\$ (1,048,715)</u>

*NOTE: As budgeted, numbers do not foot.

CITY OF COLD SPRING, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
STORM SEWER FUND
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Revisions	Final		
Budgetary fund balance, July 1	\$400,331	\$ 147,432	\$547,763	\$ 547,763	\$ -
Resources (inflows)					
Commercial fees	175,300	-	175,300	177,339	2,039
Residential fees	73,400	-	73,400	75,816	2,416
Interest	-	-	-	1,633	1,633
Amounts available for appropriation	<u>649,031</u>	<u>147,432</u>	<u>796,463</u>	<u>802,551</u>	<u>6,088</u>
Charges to appropriations (outflows)					
Storm sewer expense	215,479	(30,000)	245,479	113,086	132,393
Total charges to appropriations	<u>215,479</u>	<u>(30,000)</u>	<u>245,479</u>	<u>113,086</u>	<u>132,393</u>
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary fund balance, June 30	<u>\$433,552</u>	<u>\$ 177,432</u>	<u>\$550,984</u>	<u>\$ 689,465</u>	<u>\$ 138,481</u>

City of Cold Spring
Audit Report – year ending 6/30/2020

The City of Cold Spring audit report is published in compliance with KRS 91A.040(6). You can find the Auditor's Opinion Letter and Budgetary Comparison Schedules online at www.coldspringky.gov under the Public Notices page. The entire audit report including financial statements and supplemental information is available for public inspection at the Cold Spring City Building, 5694 E. Alexandria Pk. Cold Spring, KY during normal business hours. Citizens may obtain a copy of the complete audit report at a cost of ten cents per page.