

December 21, 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, 2021, and have issued our report thereon dated December 21, 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 recognized, 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 recognized, 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:

- See AJEs Attached

In the government-wide financial statements:

- Recognized \$1.97M in Construction in Progress.
- Recognized \$852K in Capital Assets, \$2.15M in Disposals, and \$515K in depreciation expense.
- Adjusted compensated absences to \$102,672.
- Adjusted net pension/OPEB liability to \$5,618,064; deferred inflows to \$280,422 and deferred outflows to \$1,702,608.

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 December 21, 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.

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, 2021, 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 December 21, 2021, to address several 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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Certified Public Accountants
Erlanger, Kentucky

CITY OF COLD SPRING, KENTUCKY BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL - GENERAL FUND For the Year Ended June 30, 2021

	Budgeted Amounts				Variance with Final Budget Favorable (Unfavorable)
	Original*	Revisions	Final*	Actual	
Budgetary fund balance, July 1	\$ 6,696,687	\$ -	\$ 6,696,687	\$ 8,609,622	\$ 1,912,935
Resources (inflows)					
Property taxes	980,000	-	980,000	1,020,459	40,459
Licenses/permits	167,100	-	167,100	242,544	75,444
Intergovernmental	117,203	-	117,203	129,222	12,019
Fines and forfeitures	2,900	-	2,900	3,230	330
Charges for services	373,968	-	373,968	381,657	7,689
Parks, trees and recreation	2,100	-	2,100	-	(2,100)
Other	2,226,176	-	2,226,176	3,289,164	1,062,988
Amounts available for appropriation	<u>10,566,134</u>	<u>-</u>	<u>10,566,134</u>	<u>13,675,898</u>	<u>3,109,764</u>
Charges to appropriations (outflows)					
General government	1,075,841	1,500,000	2,575,841	1,537,892	1,037,949
Police	1,933,727	1,500,000	3,433,727	2,694,731	738,996
Public works	720,967	-	720,967	615,431	105,536
Enterprises	27,700	-	27,700	24,696	3,004
Parks, trees and recreation	100,100	-	100,100	12,356	87,744
Total charges to appropriations	<u>* 3,855,746</u>	<u>3,000,000</u>	<u>* 6,855,746</u>	<u>4,885,106</u>	<u>1,970,640</u>
Proceeds from capital lease	-	-	-	-	-
Transfer from (to) other fund	<u>(511,644)</u>	<u>3,000,000</u>	<u>2,488,356</u>	<u>(1,800,000)</u>	<u>(4,288,356)</u>
Budgetary fund balance, June 30	<u>\$ 6,198,744</u>	<u>\$ -</u>	<u>\$ 6,198,744</u>	<u>\$ 6,990,792</u>	<u>\$ 792,048</u>

*NOTE: As budgeted, numbers do not foot.

Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance

Budgetary Fund Balance	\$ 6,990,792
Prior Period Adjustment	430,242
G.A.A.P Basis General Fund Balance	<u>\$ 7,421,034</u>

CITY OF COLD SPRING, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
MUNICIPAL AID ROAD FUND
For the Year Ended June 30, 2021

	Budgeted Amounts				Variance with Final Budget Favorable (Unfavorable)
	Original	Revisions	Final	Actual	
Budgetary fund balance, July 1	\$ 21,772	\$ -	\$ 21,772	\$ (1,327,269)	\$ (1,349,041)
Resources (inflows)					
Other income	-	-	-	-	-
Intergovernmental	118,203	-	118,203	109,195	(9,008)
Amounts available for appropriation	139,975	-	139,975	(1,218,074)	(1,358,049)
Charges to appropriations (outflows)					
Municipal road fund	651,619	-	651,619	415,169	236,450
Total charges to appropriations	651,619	-	651,619	415,169	236,450
Transfer from General Fund	511,644	-	511,644	1,800,000	1,288,356
Budgetary fund balance, June 30	\$ -	\$ -	\$ -	\$ 166,757	\$ 166,757

CITY OF COLD SPRING, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
STORM SEWER FUND
For the Year Ended June 30, 2021

	Budgeted Amounts				Variance with Final Budget Favorable (Unfavorable)
	Original	Revisions	Final	Actual	
Budgetary fund balance, July 1	\$674,208	\$ -	\$674,208	\$ 689,465	\$ 15,257
Resources (inflows)					
Commercial fees	175,300	-	175,300	176,745	1,445
Residential fees	73,400	-	73,400	76,224	2,824
Interest	-	-	-	389	389
Amounts available for appropriation	<u>922,908</u>	<u>-</u>	<u>922,908</u>	<u>942,823</u>	<u>19,915</u>
Charges to appropriations (outflows)					
Storm sewer expense	217,529	-	217,529	93,443	124,086
Total charges to appropriations	<u>217,529</u>	<u>-</u>	<u>217,529</u>	<u>93,443</u>	<u>124,086</u>
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary fund balance, June 30	<u>\$705,379</u>	<u>\$ -</u>	<u>\$705,379</u>	<u>\$ 849,380</u>	<u>\$ 144,001</u>