

**City of Berry**  
**111 Main St., P.O. Box 215**  
**Berry, KY 41003**  
**859-234-3185**  
**email address: cityofberry@kih.net**

June 19, 2023

Secretary of State Michael Adams  
Office of Secretary of State  
700 Capital Avenue, Suite 152  
Frankfort, KY 40601

Dear Secretary Adams:

Enclosed please find a copy of the City of Berry, KY Audit Fiscal Year 2019-2020  
and Budget Ordinance 2023-2024 #121-2023.

Sincerely,

Sherri Casey  
City Clerk  
Berry, KY

RECEIVED AND FILED  
DATE June 27, 2023  
\_\_\_\_\_  
\_\_\_\_\_  
MICHAEL G. ADAMS  
SECRETARY OF STATE  
COMMONWEALTH OF KENTUCKY  
BY Kandice Adderson

**CITY OF BERRY BUDGET  
ORDINANCE 121-2023**

AN ORDINANCE ADOPTING THE CITY OF BERRY, KENTUCKY ANNUAL BUDGET, FOR THE FISCAL YEAR BEGINNING JULY 1, 2023, THROUGH JUNE 30, 2024, BY ESTIMATING REVENUES AND RESOURCES, AND APPROPRIATING FUNDS, FOR THE OPERATION OF CITY GOVERNMENT.

**WHEREAS**, an annual budget proposal and message has been prepared and delivered to the City Commission, and

**WHEREAS**, the City Commission has reviewed such budget proposal and made necessary modifications

**NOW, THEREFORE**, be it ordained by the City of Berry:

**Section 1.** That the annual budget for the fiscal year beginning July 1, 2023, and ending June 30, 2024, is hereby adopted as follows:

**Section 2.** That this Ordinance shall be effective upon passage and publication in full as required by law.

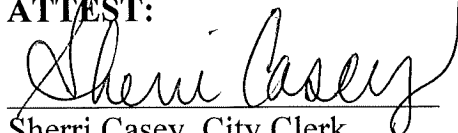
Introduced and First Reading: Regular Meeting: May 25, 2023

Second Reading and Enacted: June 15, 2023

Signed by the Mayor: June 15, 2023

Published in Full: Cynthiana Democrat, June 22, 2023

**ATTEST:**

  
\_\_\_\_\_  
Sherri Casey, City Clerk

**CITY OF BERRY, KY**

  
\_\_\_\_\_  
George Keith Ison, Mayor

Seal

**City of Berry Budget**  
**Fiscal Year 2023-2024**  
**July 1, 2023 thru June 30, 2024**

<b>Resources Available:</b>	<b>General Fund</b>	<b>Road Fund</b>	<b>O &amp; M Fund</b>
<b>Fund Bal. Carried Forward</b>	\$ 7,976.00	\$ 13,676.00	\$ 3,682.00
<b>Short Lived Assets</b>			\$ 1,075.00
<i>Sinking Fund</i>			\$ 3,133.00
<b>Total Forward Adjust</b>	\$ 7,976.00	\$ 13,676.00	
<i>Payroll Account</i>	\$ 1,247.00		
<i>Property Tax</i>	\$ 12,080.00		
<i>Insurance Tax</i>	\$ 39,666.00		
<i>Motor Vehicle Tax</i>	\$ 4,468.00		
<i>Interest Earned</i>	\$ 45.00	\$ 13.00	\$ 3.00
<i>Franchise Taxes</i>	\$ 7,998.00		
<i>Harrison County Sanitation District</i>	\$ 3,600.00		
<i>Tangible Taxes</i>	\$ 1,888.00		
<i>Road - Coal - Mineral</i>		\$ 6,679.00	
<i>Telecom Tax</i>	\$ 85.00		
<i>Connection Fees</i>			\$ 826.00
<i>Penalties</i>			\$ 1,902.00
<i>Sewage Collection</i>			\$ 55,158.00
<i>Garbage</i>			\$ 21,800.00
<b>Total Estimated Revenues</b>	\$ 79,053.00	\$ 20,368.00	\$ 86,879.00
<b>Covid</b>	\$ 30,000.00		
<b>Total Resources</b>	\$ 109,053.00	\$ 20,368.00	\$ 86,879.00

Appropriations:

General Government	\$ 49,488.00		
Public Safety - Fire	\$ 10,369.00		
Public Property	\$ 600.00		
Recreation	\$ 2,300.00		
Public Works		\$ 1,800.00	
Sewer System and Garbage			\$ 87,879.00
<b>Total Appropriations</b>	\$ 62,757.00	\$ 1,800.00	\$ 87,879.00
<b>Adjustments Forward</b>	\$ 70,733.00	\$ 20,368.00	\$ (1,000.00)
<b>Estimated Fund Balance</b>	\$ 32,320.00	\$ 18,568.00	\$ (1,000.00)

**City of Berry Budget**  
**Fiscal Year 2023-2024**  
**July 1, 2023 thru June 30, 2024**

Page 4

**GENERAL GOVERNMENT**

Salary - City Clerk	50% of Salary	\$ 6,000.00
Salary - Mayor & Commissioners		\$ 4,700.00
Legal Services		\$ 1,200.00
FICA Matching		\$ 800.00
Insurance (Prop. - Liab. - Auto)		\$ 6,000.00
Insurance Bond		\$ 200.00
City Hall Utilities	Electricity and Water	\$ 3,600.00
Lion's Building Utilities		\$ 450.00
Data Center Utilities		\$ 2,400.00
Main Street Jail Building Utilities		\$ 500.00
Office Supplies		\$ 900.00
Postage		\$ 500.00
Street Lights		\$ 7,200.00
Line of Credit		\$ 3,000.00
Repairs and Maintenance		\$ 1,200.00
Dues & Subscriptions		\$ 200.00
Planning & Zoning		\$ 800.00
Advertising		\$ 500.00
Audit		\$ 5,000.00
PVA		\$ 500.00
Internet Access	Telephone	\$ 3,038.00
AC & Heating Service		\$ 800.00
<b>TOTAL GENERAL</b>		<b>\$ 49,488.00</b>

**PUBLIC SAFETY- FIRE DEPARTMENT**

Audit		\$ 400.00
Fireman's Fund		
Salary - Fire Chief		\$ 1,996.00
Fire Phone		\$ 600.00
Insurance (bldg.)		\$ 800.00
Insurance (fire trucks)		\$ 1,400.00
Vehicle Expense	License	\$ 500.00
Firehouse	Propane	\$ 3,600.00
Supplies		\$ 400.00
Fuel		\$ 1,173.00
State Aid		
<b>TOTAL EXPENSE TO THE CITY</b>		<b>\$ 10,869.00</b>

**City of Berry Budget**  
**Fiscal Year 2023-2024**  
**July 1, 2023 thru June 30, 2024**

Page 5

**RECREATION**

Maintenance & Park Utilities	\$	500.00
<i>PlayGround Equipment</i>	\$	500.00
<i>Park Restroom</i>	\$	700.00
<i>Mowing</i>	\$	600.00
<b>TOTAL RECREATION</b>	<b>\$</b>	<b>2,300.00</b>

**Public Property**

Main St. Lots. Mowing	\$	400.00
<i>Repair &amp; Maintenance</i>	\$	200.00
<b>TOTAL PUBLIC PROPERTY</b>	<b>\$</b>	<b>600.00</b>

**Public Works: Street Road (LGEA) Funds**

<i>Maintenance &amp; Repair to all City Streets as needed, Culvert Installation and Renew Drainage Ditches as Necessary</i>	\$	1,000.00
<i>Backhoe Maintenance and Repair (O &amp; M)</i>	\$	500.00
<i>Insurance Backhoe</i>	\$	100.00
<i>Audit</i>	\$	200.00
<b>Total Public Works</b>	<b>\$</b>	<b>1,800.00</b>

**City of Berry Budget  
Fiscal Year 2023-2024  
July 1, 2023 thru June 30, 2024**

Page 6

**City Wastewater System:**

Salary - Clerk	50% of Salary	\$ 6,480.00
Salary - Operator		\$ 15,600.00
Operator - Additional Services (includes license renewal for cost)		\$ 800.00
Legal Services		\$ 500.00
FICA Matching		\$ 1,175.00
Insurance Bond		\$ 133.00
Insurance-Plant System		\$ 5,040.00
Audit		\$ 4,000.00
Interest USDA		\$ 1,000.00
Principal - USDA		\$ 2,000.00
Fuel		\$ 300.00
Water		\$ 300.00
Electric		\$ 20,000.00
Phone		\$ 600.00
Postage		\$ 500.00
Billing Supplies		\$ 500.00
Chemicals Includes Testing Supplies		\$ 1,000.00
Repair and Maintenance		\$ 4,000.00
CCR Regis Includes Testing Supplies		\$ 600.00
Sewer Truck Insurance		\$ 600.00
Sewer Tax		\$ 50.00
Backhoe Insurance (1/2)		\$ 100.00
Mowing		\$ 800.00
<b>CITY WASTEWATER SYSTEM</b>		<b>\$ 66,079.00</b>
<b>CITY SOLID WASTE</b>		
Rumpke ( City Pickup) 105 Units 17.3 Each		\$ 21,800.00
<b>TOTAL CITY WASTEWATER AND SOLID WASTE PICKUP</b>		<b>\$ 87,879.00</b>

**CITY OF BERRY, KENTUCKY**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**



**CITY OF BERRY, KENTUCKY  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>PAGE</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT - WIDE FINANCIAL STATEMENTS</b>	
Statement of Net Position	3
Statement of Activities	4
<b>FUND FINANCIAL STATEMENTS</b>	
Balance Sheet - Governmental Funds	5
Statement of Revenues, Expenditures, and Changes In Fund Balance - Governmental Funds	6
Statement of Net Position - Proprietary Fund	7
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	8
Statement of Cash Flows - Proprietary Fund	9
Notes to the Financial Statements	10 - 21
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison General Fund	22 - 23
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	24 - 25
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	26 - 28

***SK LEE CPAS, P.S.C.***  
*Certified Public Accountants*

*208 Pauline Drive, Suite D  
Berea, Kentucky 40403  
(859) 986-3756*

*Member of American Institute of CPA's*

*Member of Kentucky Society of CPA's*

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of the City Council  
City of Berry  
Berry, Kentucky 41003

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Berry (hereinafter called the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Responsibilities of Management 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, 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'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***

Our 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 our opinion. 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 and *Government 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*, we:

- 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'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

#### **Required Supplementary Information**

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require 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 considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison general fund on pages 22-23 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2023, on our consideration of the City's internal control over financial reporting and on our 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 our 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'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's internal control over financial reporting and compliance.

***SK LEE CPAs, P.S.C.***

Berea, Kentucky  
June 8, 2023

**CITY OF BERRY, KENTUCKY  
STATEMENT OF NET POSITION  
JUNE 30, 2020**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 13,813	\$ 1,869	\$ 15,682
Accounts receivables, net	9,603	6,447	16,050
Prepaid expenses	1,085	-	1,085
Due from other funds	5,914	-	5,914
Restricted cash	11,524	7,703	19,227
Capital assets, net	213,497	804,787	1,018,284
<b>Total Assets</b>	<b><u>\$ 255,436</u></b>	<b><u>\$ 820,806</u></b>	<b><u>\$ 1,076,242</u></b>
<b>Liabilities and Net Position</b>			
Accounts payable	\$ 6,299	\$ 3,900	\$ 10,199
Accrued expenses	924	936	1,860
Accrued interest	-	344	344
Due to other funds	-	5,914	5,914
Long-term liabilities:			
Due within one year	8,968	1,000	9,968
Due in more than one year	36,477	26,500	62,977
<b>Total Liabilities</b>	<b><u>52,668</u></b>	<b><u>38,594</u></b>	<b><u>91,262</u></b>
<b>Net Position</b>			
Net investment in capital assets	168,052	777,287	945,339
Restricted	11,524	7,703	19,227
Unrestricted	23,192	(2,778)	20,414
<b>Total Net Position</b>	<b><u>202,768</u></b>	<b><u>782,212</u></b>	<b><u>984,980</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 255,436</u></b>	<b><u>\$ 820,806</u></b>	<b><u>\$ 1,076,242</u></b>

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

**CITY OF BERRY, KENTUCKY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental Activities</b>				
General government	\$ 71,681	\$ -	\$ -	\$ (71,681)
Fire	8,146	-	-	2,854
Street	7,895	-	-	(7,895)
Parks and recreation	2,692	-	-	(2,692)
<b>Total Governmental Activities</b>	<b>90,414</b>	<b>-</b>	<b>-</b>	<b>(79,414)</b>
<b>Business-Type Activity</b>				
Proprietary	99,631	51,054	-	(48,577)
<b>Total Business-Type Activity</b>	<b>99,631</b>	<b>51,054</b>	<b>-</b>	<b>(48,577)</b>
<b>Total Activities</b>	<b>\$ 190,045</b>	<b>\$ 51,054</b>	<b>\$ -</b>	<b>\$ (127,991)</b>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Change in Net Position</b>			
Net (Expense) Revenue	\$ (79,414)	\$ (48,577)	\$ (127,991)
<b>General Revenues</b>			
Property tax	16,722	-	16,722
Franchise fees	7,999	-	7,999
Other taxes	34,486	-	34,486
Inter-governmental	5,376	-	5,376
Other revenues	14,227	17,230	31,457
<b>Total General Revenues</b>	<b>78,810</b>	<b>17,230</b>	<b>96,040</b>
<b>Change in Net Position</b>	<b>(604)</b>	<b>(31,347)</b>	<b>(31,951)</b>
<b>Net Position, Beginning</b>	<b>203,372</b>	<b>813,559</b>	<b>1,016,931</b>
<b>Net Position, Ending</b>	<b>\$ 202,768</b>	<b>\$ 782,212</b>	<b>\$ 984,980</b>

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

**CITY OF BERRY, KENTUCKY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	<b>General Fund</b>	<b>Other Governmental Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 13,813	\$ -	\$ 13,813
Accounts receivable, net	9,603	-	9,603
Prepaid expenses	1,085	-	1,085
Due from other funds	5,914	-	5,914
Restricted cash	-	11,524	11,524
<b>Total Assets</b>	<b>\$ 30,415</b>	<b>\$ 11,524</b>	<b>\$ 41,939</b>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 6,299	\$ -	\$ 6,299
Accrued expenses	924	-	924
<b>Total Liabilities</b>	<b>7,223</b>	<b>-</b>	<b>7,223</b>
 <b>Fund Balances</b>			
Nonspendable	1,085	-	1,085
Restricted	-	11,524	11,524
Unassigned	22,107	-	22,107
<b>Total Fund Balances</b>	<b>23,192</b>	<b>11,524</b>	<b>34,716</b>
 <b>Total Liabilities and Fund Balances</b>	 <b>\$ 30,415</b>	 <b>\$ 11,524</b>	 <b>\$ 41,939</b>

Amounts reported for *governmental activities* in the Statement of Net Position are different because:

Fund balances reported above	\$ 34,716
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	213,497
Short-term debt not expected to be liquidated with expendable current financial resources and therefore are not reported in the funds.	(45,445)
<b>Net Position of Governmental Activities</b>	<b>\$ 202,768</b>

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

**CITY OF BERRY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Other Governmental Fund	Total Governmental Funds
<b>REVENUES</b>			
Property tax	\$ 16,722	\$ -	\$ 16,722
Franchise fees	7,999	-	7,999
Other taxes	34,486	-	34,486
Inter-governmental	11,000	5,376	16,376
Other revenues	14,227	-	14,227
<b>Total Revenues</b>	<b>84,434</b>	<b>5,376</b>	<b>89,810</b>
<b>EXPENDITURES</b>			
Current:			
General and administration department	64,024	-	64,024
Fire department	5,054	-	5,054
Street department	1,422	5,601	7,023
Parks and recreation department	2,537	-	2,537
Capital outlay	43,660	-	43,660
Debt service:			
Principal	15,506	-	15,506
Interest	2,721	-	2,721
<b>Total Expenditures</b>	<b>134,924</b>	<b>5,601</b>	<b>140,525</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(50,490)</b>	<b>(225)</b>	<b>(50,715)</b>
<b>Fund Balance, Beginning</b>	<b>73,682</b>	<b>11,749</b>	<b>85,431</b>
<b>Fund Balance, Ending</b>	<b>\$ 23,192</b>	<b>\$ 11,524</b>	<b>\$ 34,716</b>
<b>Net Changes in Fund Balances - Total Governmental Funds</b>			<b>\$ (50,715)</b>

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$43,660 exceeds depreciation expense of \$9,055 in the current period. 34,605

Proceeds of certain notes payable are reported as financing sources in governmental funds and thus contribute to the increase in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Outstanding loan balance at beginning of the year was \$60,951 compared to \$45,445 at end of year. 15,506

**Change in Net Position of Governmental Activities** **\$ (604)**

CITY OF BERRY, KENTUCKY  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
JUNE 30, 2020

**Assets**

**Current Assets**

Cash and cash equivalents	\$	1,869
Restricted cash		7,703
Accounts receivables, net		6,447
<b>Total Current Assets</b>		<u><b>16,019</b></u>

**Non-Current Assets**

Capital assets:		
Depreciable, net		804,787
<b>Total Non-Current Assets</b>		<u><b>804,787</b></u>

<b>Total Assets</b>	<b>\$</b>	<u><u><b>820,806</b></u></u>
---------------------	-----------	------------------------------

**Liabilities and Net Position**

**Current Liabilities**

Accounts payable	\$	3,900
Accrued expenses		936
Accrued interest		344
Due to other funds		5,914
Revenue bonds payable		1,000
<b>Total Current Liabilities</b>		<u><b>12,094</b></u>

**Non-Current Liabilities**

Revenue bonds payable		26,500
<b>Total Non-Current Liabilities</b>		<u><b>26,500</b></u>

<b>Total Liabilities</b>		<u><b>38,594</b></u>
--------------------------	--	----------------------

**Net Position**

Net investment in capital assets		777,287
Restricted		7,703
Unrestricted		(2,778)
<b>Total Net Position</b>		<u><b>782,212</b></u>

<b>Total Liabilities and Net Position</b>	<b>\$</b>	<u><u><b>820,806</b></u></u>
---	-----------	------------------------------

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



**CITY OF BERRY, KENTUCKY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>Operating Revenues</b>	
Charges for services	\$ 51,054
Other revenues	17,230
<b>Total Operating Revenues</b>	<u><b>68,284</b></u>
 <b>Operating Expenses</b>	
Salaries	14,840
Insurance	6,785
Maintenance and repairs	2,524
Trash	19,276
Utilities and telephone	20,308
Miscellaneous	6,705
Depreciation	28,509
<b>Total Operating Expenses</b>	<u><b>98,947</b></u>
<b>Operating Loss</b>	<u><b>(30,663)</b></u>
 <b>Non-Operating Revenues (Expenses)</b>	
Interest income	4
Interest expense	(688)
<b>Total Non-Operating Revenues (Expenses)</b>	<u><b>(684)</b></u>
<b>Change in Net Position</b>	<b>(31,347)</b>
<b>Total Net Position, Beginning</b>	<u><b>813,559</b></u>
<b>Total Net Position, Ending</b>	<u><u><b>\$ 782,212</b></u></u>

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

**CITY OF BERRY, KENTUCKY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>Cash Flows From Operating Activities</b>	
Cash received from customers	\$ 53,802
Cash received from other sources	17,230
Cash payments to employees	(15,300)
Cash payments to suppliers for goods and services	(52,107)
	<b>3,625</b>
 <b>Cash Flows From Capital and Related Financing Activities</b>	
Principal and interest paid on revenue bonds	(1,700)
Acquisition and construction of capital assets	-
	<b>(1,700)</b>
 <b>Cash Flows From Investing Activities</b>	
Cash received from interest income	4
	<b>4</b>
 <b>Net Increase in Cash and Cash Equivalents</b>	
	1,929
 <b>Cash and Cash Equivalents, Beginning of Year</b>	
	7,643
 <b>Cash and Cash Equivalents, End of Year <sup>(1)</sup></b>	
	\$ 9,572
 <b><sup>(1)</sup> Cash and cash equivalents are reflected in the Statement of Net Position as follows:</b>	
Cash and cash equivalents	1,869
Cash and cash equivalents-restricted	7,703
<b>Subtotal</b>	<b>\$ 9,572</b>
 <b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (30,663)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	28,509
Changes in assets and liabilities:	
(Increase) decrease in customer accounts receivable	2,748
Increase (decrease) in accounts payable	2,474
Increase (decrease) in due to other funds	557
<b>Total Adjustments</b>	<b>34,288</b>
 <b>Net Cash Provided by Operating Activities</b>	
	<b>\$ 3,625</b>

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

**CITY OF BERRY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Berry, Kentucky (hereinafter "the City") operates under a Mayor-Commission form of government. The City's major operations include fire protection, parks, and recreation and general administrative services. The City also operates a Waste-water system for its citizens. The citizens of Berry elect a mayor-at-large and four city commission members. The accompanying financial statements present the City's primary government unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the City (as distinct from a legal relationship).

**Reporting Entity**

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has no component unit.

**Basis of Presentation**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and user charges.

**Government-wide financial statements** display information about the reporting government as a whole. These statements focus on the sustainability as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

*Statement of Net Position* presents information on all of the assets and liabilities, with the difference between the two reported as *net position*.

*Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund financial statements** display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and detailed in the supplementary information.

Generally, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the business-type activity and the General Fund. Charges are allocated as reimbursement for services provided by the General Fund in support of those functions based on levels or services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

CITY OF BERRY, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Basis of Presentation – Continued**

*General Fund* is the City's primary operating fund. It accounts for all financial operations of the City and except for those required to be accounted for in another designated fund.

*Special Revenue Fund* accounts for financial resources provided by the State of Kentucky through its Municipal Road Aid and Local Government Economic Assistance Funds. These funds are restricted for the use of public safety and street improvements.

**Proprietary fund financial statements** include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for the proprietary fund. The proprietary fund is accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus.

The government-wide financial statements and the proprietary fund financial statements are presented on a *full accrual* basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues taxes and fees, franchise fees, intergovernmental grants, and investment income.

Unavailable revenue, a deferred inflow of resources, arises on the balance sheets of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This *unavailable* revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the balance sheets of the governmental funds for unavailable revenue is recognized as revenue in the Statement of Activities. Note that unavailable revenues also arise outside the scope of measurement focus and basis of accounting, such as when resources are received before there is legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

**CITY OF BERRY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus and Basis of Accounting – Continued**

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as funds liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The proprietary fund distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods regarding a proprietary fund's principle ongoing operations. The principle operating revenues of the City's Waste-water Fund are charges to customers for sales and services. The Waste-water Fund also recognize System Development Charges (SDC) fees intended to recover the cost of connecting new customers to the waste-water systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overhead charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the policy to use restricted resources first, then unrestricted resources as they are needed.

**Budgeting**

The City adopts an annual budget for the general fund. The budget is prepared on the modified accrual basis, a comprehensive basis of accounting other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized and recorded when received in cash and when paid, respectively. Revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis (GAAP) on the government-wide statements.

**Cash**

The City considers demand deposits and money market funds with an original maturity of 90 days or less, to be cash equivalents. The City considers all cash, both restricted and unrestricted, as cash and cash equivalents for purposes of the Statement of Cash Flows.

The City has restricted cash to satisfy bond issue requirements, including cash restricted for bond payments.

**CITY OF BERRY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Receivables**

Recorded property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. An allowance for doubtful accounts is not deemed necessary by management, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1.

Receivables of the proprietary fund are recognized as revenue when earned, including services provided but not billed. Other receivables consist of amounts due at year end from other state, local and federal governments. Interest and investment revenue receivable in all funds consist of revenue due on each investment.

Allowances for uncollectible accounts are maintained on all types of receivables that historically experience uncollectible amounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

**Internal Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term inter-fund loans are reported as "inter-fund receivables and payables." Long-term inter-fund loans (non-current portion) are reported as "advances from and to other funds." Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation leave. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

**Property Tax Calendar**

Property taxes for fiscal year 2020 were levied in November 2019, respectively, on the assessed property located in the City of Berry as of the preceding January 1. The rate for real estate was 23 cents per one hundred dollars of assessed value. The rate for auto and boats was 36 cents and other tangible property was 20 cents per one hundred dollars, respectively. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

- |   |                              |
|---|------------------------------|
| 1. Due date for payment of taxes, 2% discount | November 30                  |
| 2. Face value payment period                  | December 1 to December 31    |
| 3. Past due date, 10% penalty                 | January 1                    |
| 4. Interest charge                            | 12% per annum from January 1 |

These taxes are collected by the City Clerk. Vehicle taxes are collected by the County Clerk of Harrison County and are due and collected in the birth month of the licensee.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF BERRY, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Restricted Cash**

Cash which may only be used for construction of capital assets or debt service principal and interest payments in accordance with applicable laws and regulations have been reported as restricted cash on the Government-Wide Statement of Net Position and the Proprietary Fund Statement of Net Position.

**Capital Assets**

Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The City defines capital assets as assets with an individual cost of more than \$500, and an estimated useful life of more than two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized. When assets are retired or otherwise disposed of, the costs are removed from the asset accounts and a gain or loss is recorded. In the Fund Financial Statements, capital assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	15 years
Equipment	5-10 years
Waste-water system	25-40 years
Infrastructure	15-40 years

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

**CITY OF BERRY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Net Position/Fund Balances**

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through state statute. In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

*Non-spendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

*Committed* – Portion of fund balance that can only be used for specific purposes imposed by majority vote of the City Council Members. Any changes or removal of specific purposes requires majority action by them.

*Assigned* – Portion of fund balance that has been budgeted by the City Council.

*Unassigned* – Portion of fund balance that has not been restricted, committed or assigned for specific purpose.

**Operating Revenues and Expenses**

Operating revenues and expenses generally result from providing and producing goods and/or services in connection with the Enterprise Funds. Operating expenses include administrative expenses, supplies, personnel costs, utilities, professional fees, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses and may include interest, grants, and gain or loss on disposition of capital assets.

**Expenditures/Expenses**

In the Government-Wide Financial Statements, expenses are classified by function. In the Fund Financial Statements, government fund expenditures are classified by character current, debt service, and capital outlay. The City's policy regarding the allocation of indirect expenses is to reflect such expenses as a separate program. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Use of 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. Accordingly, actual results could differ from those estimates.



**CITY OF BERRY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2020**

**NOTE 2 – CASH**

Under Kentucky Revised Statute 66.480 the City is allowed to invest in obligations of the U.S. Treasury and U.S. Agencies, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest-bearing deposits of insured national or state banks. Cash, both restricted and unrestricted, at June 30, 2020 consisted of the following:

<u>Account</u>	<u>Interest Bearing</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Fireman's Fund	No	\$ 403	\$ -	\$ 403
General	Yes	1,402	-	1,402
Payroll	Yes	1,203	-	1,203
Petty Cash	No	284	-	284
Road Department	Yes	11,524	-	11,524
State Aid Fire Department	Yes	10,521	-	10,521
Sinking Fund	Yes	-	3,524	3,524
Wastewater O&M	Yes	-	1,869	1,869
Short Lived Assets/Dereciation reserve	Yes	-	4,179	4,179
<b>Total</b>		<b>\$ 25,337</b>	<b>\$ 9,572</b>	<b>\$ 34,909</b>

**Custodial Credit Risk**

Custodial Credit Risk is the risk that the City's deposits may not be returned in the event of depository institution failure. The City is required to maintain its deposits with a depository institution insured by Federal Deposit Insurance Corporation (FDIC) or by securities pledged at market in the City's name. Deposits at the bank are insured by the FDIC insurance of \$250,000 for time and savings accounts and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). At June 30, 2020, the carrying amount of the City's deposits were \$34,909 and the bank balances were \$34,867. The bank balances were fully covered by FDIC insurance.

**NOTE 3 – RECEIVABLES**

Receivables, including accrued interest, as of year-end for the City's individual major and non-major funds in the aggregate, including applicable allowances for doubtful accounts are as follows at June 30, 2020:

	<u>General</u>	<u>Sewer</u>	<u>Total</u>
Accounts receivable			
Customers	\$ -	\$ 7,470	\$ 7,470
Taxes	9,603	-	9,603
Gross receivables	9,603	7,470	17,073
Less allowance for bad debt	-	1,023	1,023
<b>Net total receivables</b>	<b>\$ 9,603</b>	<b>\$ 6,447</b>	<b>\$ 16,050</b>

**CITY OF BERRY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2020**

**NOTE 4 – CAPITAL ASSETS**

The following table summarizes the changes to capital assets for governmental activities for the year:

	<u>Beginning Balance 7/1/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/20</u>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 35,914	\$ -	\$ -	\$ 35,914
Construction in Process	-	-	-	-
<b>Total capital assets, not being depreciated:</b>	<u>35,914</u>	<u>-</u>	<u>-</u>	<u>35,914</u>
<b>Capital assets, being depreciated:</b>				
Buildings & Improvements	207,068	43,660	-	250,728
Equipment	181,701	-	-	181,701
Vehicles	16,200	-	-	16,200
<b>Total capital assets, being depreciated:</b>	<u>404,969</u>	<u>43,660</u>	<u>-</u>	<u>448,629</u>
<b>Less accumulated depreciation for Governmental Activities</b>				
Buildings & Improvements	77,492	6,641	-	84,133
Equipment	168,814	2,242	-	171,056
Vehicles	15,686	171	-	15,857
<b>Total accumulated depreciation</b>	<u>261,992</u>	<u>9,054</u>	<u>-</u>	<u>271,046</u>
<b>Total capital assets, being depreciated, net</b>	<u>142,977</u>			<u>177,583</u>
<b>Governmental Activities capital assets, net</b>	<u>\$ 178,891</u>			<u>\$ 213,497</u>

Depreciation expense for governmental activities is charged to functions as follows:

	<u>2020</u>
General government	\$ 4,936
Fire	3,090
Parks & Recreation	156
Street	872
<b>Total Depreciation Expense</b>	<u>\$ 9,054</u>

**CITY OF BERRY, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2020**

**NOTE 4 - CAPITAL ASSETS – CONTINUED**

The following table summarizes the changes to capital assets for business-type activity for the year:

	<u>Beginning Balance 7/1/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/20</u>
<b>Business-Type Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Process	-	-	-	-
<b>Total capital assets, not being depreciated:</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Capital assets, being depreciated:</b>				
Vehicles	15,903	-	-	15,903
Sewer and Storm System	2,427,866	-	-	2,427,866
Equipment	49,948	-	-	49,948
<b>Total capital assets, being depreciated:</b>	<u>2,493,717</u>	<u>-</u>	<u>-</u>	<u>2,493,717</u>
<b>Less accumulated depreciation for Business-Type Activities</b>				
Vehicles	12,783	3,120	-	15,903
Sewer and Storm System	1,608,570	24,245	-	1,632,815
Equipment	39,068	1,144	-	40,212
<b>Total accumulated depreciation</b>	<u>1,660,421</u>	<u>28,509</u>	<u>-</u>	<u>1,688,930</u>
<b>Total capital assets, being depreciated, net</b>	<u>833,296</u>			<u>804,787</u>
<b>Business-Type activities capital assets, net</b>	<u>\$ 833,296</u>			<u>\$ 804,787</u>

Depreciation expense for business-type activity is charged to functions as follows:

	<u>2020</u>
Waste-water	28,509
<b>Total Depreciation Expense</b>	<u>\$ 28,509</u>

**CITY OF BERRY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2020**

**NOTE 5 – SHORT-TERM DEBT**

The City has unsecured lines of credit available totaling \$20,000. A line of credit in the amount of \$20,000 is used to increase its level of operational cash and bears an annual interest rate of 5% and is renewable on November 2, 2020. The following is a summary of short-term debt for the year ended June 30, 2020:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental-type</b>					
Farmer's National Bank	\$ 11,951	\$ -	\$ 7,151	\$ 4,800	\$ 4,800
<b>Total</b>	<u>\$ 11,951</u>	<u>\$ -</u>	<u>\$ 7,151</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>

**NOTE 6 – LONG-TERM DEBT**

The following is a summary of debt transactions of the City for the year ended June 30, 2020:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental-type</b>					
Notes Payable	\$ 49,000	\$ -	\$ 8,355	\$ 40,645	\$ 4,168
<b>Business-type</b>					
Revenue Bonds	28,500	-	1,000	27,500	1,000
<b>Total</b>	<u>\$ 77,500</u>	<u>\$ -</u>	<u>\$ 9,355</u>	<u>\$ 68,145</u>	<u>\$ 5,168</u>

**Governmental-Type Activity – Notes Payable**

The City entered into an agreement to finance the construction of a new roof on the City Hall building in the amount of \$50,000 bearing an interest rate of 5.50% with a scheduled maturity date of March 29, 2029. The note is to be paid in monthly installments of \$544.68. The City Hall building is pledged as collateral against the note. As of June 30, 2020, the principal balance was \$40,645. Future maturities are as follows:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual</u> <u>Requirements</u>
2021	\$ 4,168	\$ 2,368	\$ 6,536
2022	4,396	2,140	6,536
2023	4,644	1,892	6,536
2024	4,906	1,630	6,536
2025	5,183	1,353	6,536
2026-2029	17,348	2,479	19,827
<b>Totals</b>	<u>\$ 40,645</u>	<u>\$ 11,862</u>	<u>\$ 52,507</u>

**CITY OF BERRY, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2020**

**NOTE 6 – LONG-TERM DEBT– CONTINUED**

**Business-Type Activity – Revenue Bonds Payable**

Waste-water bonds with par value of \$50,000 were issued in 2013 and mature annually January 1, with a final maturity scheduled for 2052, however, the City has made extra principal payments and the amortization schedule has been adjusted accordingly. Annual interest payments are due annually, with an interest rate of 2.5%. Assuming the bonds are not called prior to maturity, the minimum obligations of the City's funds at June 30, 2020 for the payment of bond principal and interest are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Requirements</u>
2021	1,000	677	1,677
2022	1,000	660	1,660
2023	1,000	644	1,644
2024	1,000	627	1,627
2025-2029	5,000	2,910	7,910
2030-2034	5,000	2,564	7,564
2035-2039	7,000	2,259	9,259
2040-2044	6,500	1,990	8,490
<b>Totals</b>	<b>\$ 27,500</b>	<b>\$ 12,331</b>	<b>\$ 39,831</b>

**NOTE 7 – BOND ORDINANCE REQUIREMENTS**

**Business-Type Activity – Revenue Bonds Payable**

The revenue bond ordinance requires that the following reserves be created and maintained:

Sinking Fund Reserve - this reserve is required to receive a monthly transfer of one-sixth of the next interest payment and one-twelfth of the net principal. The reserve has a balance of \$4,179 at June 30, 2020. Reserve requirements were met during the year ending June 30, 2020.

Depreciation Reserve - this reserve is required to receive a monthly transfer of \$20 until a balance of \$2,400 is maintained. This reserve is for balancing depreciation in the system. The reserve has a balance of \$1,869 as of June 30, 2020. Reserve requirements were met for the year ending June 30, 2020.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The City receives funding from federal, state, and local government agencies. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of grants advanced, or refuse to reimburse the City for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the City's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their program.

As of June 30, 2020, there were no pending litigation, un-asserted claims, nor assessments against the City.

**NOTE 9 – RISK MANAGEMENT**

The City is exposed to various forms of asset losses associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. As of June 30, 2020, the City was sufficiently insured.

**CITY OF BERRY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2020**

**NOTE 10 – CONTRACTS**

The City entered into an agreement with a solid waste collection service period of January 1, 2020 through December 31, 2020 for residential solid waste collection services at a rate of \$16 per unit per month.

**NOTE 11 – DATE OF MANAGEMENT'S REVIEW**

Subsequent events were evaluated through June 8, 2023, which is the date the financial statements were available to be issued.

In December of 2019, a novel strain of coronavirus (COVID-19) surfaced and has rapidly spread throughout the world. The World Health Organization (WHO) has classified COVID-19 as a pandemic. Due to its uncertainty, international and U.S. financial markets have experienced significant volatility. In addition, travel restrictions, business shutdowns, high levels unemployment, and inventory shortages are several other areas impacted by the pandemic. These impacts have caused multiple jurisdictions within the United States to declare state of emergencies. It is predicted that COVID-19 implications will continue for a long time. Although there has been no immediate impact to the City's operations, certain operational functions such as service charges and late fees are susceptible to future concerns. Potential economic events are unknown at this time but may include events such as disruptions or restrictions in the City's employee's abilities to work.

**CITY OF BERRY, KENTUCKY  
REQUIRED SUPPLEMENTAL  
BUDGETARY COMPARISON GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Governmental Revenues</b>				
Property taxes	\$ 16,772	\$ 16,772	\$ 16,722	\$ (50)
Franchise fees	8,938	8,938	\$ 7,999	
Other taxes	26,109	26,109	34,486	8,377
Intergovernmental	-	-	11,000	11,000
Other revenues	2,838	2,838	14,227	11,389
<b>Total Revenues</b>	<b>54,657</b>	<b>54,657</b>	<b>84,434</b>	<b>29,777</b>
<b>Governmental Expenditures</b>				
Current:				
General and administration	47,483	47,483	64,024	(16,541)
Fire department	11,269	11,269	5,054	6,215
Street department	700	700	1,422	(722)
Parks and recreation	2,600	2,600	2,537	63
Capital outlay	-	-	43,660	(43,660)
Debt service:				
Principal	6,000	6,000	15,506	(9,506)
Interest	-	-	2,721	(2,721)
<b>Total Expenditures</b>	<b>68,052</b>	<b>68,052</b>	<b>134,924</b>	<b>(66,872)</b>
<b>Net Change in Fund Balance</b>	<b>(13,395)</b>	<b>(13,395)</b>	<b>(50,490)</b>	<b>96,649</b>
<b>Fund Balance, Beginning</b>	<b>14,978</b>	<b>14,978</b>	<b>73,682</b>	<b>28,080</b>
<b>Fund Balance, Ending</b>	<b>\$ 1,583</b>	<b>\$ 1,583</b>	<b>\$ 23,192</b>	<b>\$ 33,314</b>

**CITY OF BERRY, KENTUCKY  
REQUIRED SUPPLEMENTAL  
BUDGETARY COMPARISON GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES</b>				
<b>General and Administration</b>				
Salaries	\$ 9,420	\$ 9,420	\$ 12,447	\$ (3,027)
Professional services	6,548	6,548	14,399	(7,851)
Insurance	7,000	7,000	4,800	2,200
Utilities	15,183	15,183	15,201	(18)
Office supplies	1,700	1,700	2,616	(916)
Repairs and maintenance	2,000	2,000	1,908	92
Telephone and internet	3,038	3,038	250	2,788
Advertising	994	994	1,062	(68)
Miscellaneous	1,600	1,600	11,341	(9,741)
<b>Total General &amp; Administration</b>	<b>47,483</b>	<b>47,483</b>	<b>64,024</b>	<b>(16,541)</b>
<b>Fire Department</b>				
Salaries	1,996	1,996	2,149	(153)
Professional Services	800	800	-	800
Insurance	2,200	2,200	1,548	652
Maintenance and repairs	1,173	1,173	73	1,100
Vehicle expense	500	500	1,284	(784)
Utilities	3,600	3,600	-	3,600
Supplies	400	400	-	400
Telephone	600	600	-	600
<b>Total Fire Department</b>	<b>11,269</b>	<b>11,269</b>	<b>5,054</b>	<b>6,215</b>
<b>Street Department</b>				
Maintenance and repairs	700	700	-	700
Street lights	-	-	1,422	(1,422)
Vehicle expense	-	-	-	-
Insurance	-	-	-	-
Professional services	-	-	-	-
<b>Total Street Department</b>	<b>700</b>	<b>700</b>	<b>1,422</b>	<b>(722)</b>
<b>Parks and Recreation</b>				
Materials and supplies	500	500	-	500
Maintenance and repairs	1,300	1,300	1,153	147
Insurance	-	-	339	(339)
Utilities	800	800	1,045	(245)
<b>Total Parks and Recreation</b>	<b>\$ 2,600</b>	<b>\$ 2,600</b>	<b>\$ 2,537</b>	<b>\$ 63</b>

Notes to the Required Supplementary Information:

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1. The budgeted amounts include any amendments made and any appropriations lapse at year end unless specifically carried over.



**SK LEE CPAS, P.S.C.**

*Certified Public Accountants*

*208 Pauline Drive, Suite D*

*Berea, Kentucky 40403*

*(859) 986-3756*

*Member of American Institute of CPA's*

*Member of Kentucky Society of CPA's*

**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 Honorable Mayor and Members of the City Council  
City of Berry  
Berry, Kentucky 41003

We 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, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Berry (hereinafter called the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 8, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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.

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-003.

## **The City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***SK LEE CPAs, P.S.C.***

Berea, Kentucky  
June 8, 2023

**CITY OF BERRY, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**MATERIAL WEAKNESS**

**2020-001 Financial Statement Preparation**

**Condition:**

Financial statements, including note disclosures, are not being prepared by the City.

**Criteria:**

A key component of internal control is to ensure that personnel, management, or others within the City have the ability to prepare financial statements, including the notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Cause:**

The City did not prepare a complete set of GAAP financial statements and related note disclosures.

**Effect:**

Management is responsible establishing and maintaining internal controls for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with accounting principles generally accepted in the United States of America. The City does not internally possess the ability to recognize and implement new authoritative guidance in regards to financial reporting. However, management is knowledgeable in respect to the financial accounting and amounts reported in the financial statements. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures.

**Recommendation:**

Management should continue to engage the audit firm to prepare a draft of the financial statements including the notes to the financial or hire an accountant to perform their services.

**Views of Responsible Officials:**

Management agrees with the recommendation.

**CITY OF BERRY, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2020**

**MATERIAL WEAKNESS**

**2020-002 Segregation of Duties**

**Condition:**

While conducting our audit procedures to gain an understanding of internal controls over financial reporting, we noted a lack of segregation of duties which enabled one individual access to authorize transactions, custody of assets, recording and reporting of the City's transactions.

**Criteria:**

Segregation of duties is a control in which no person should be given the responsibility to perform more than one related function of an accounting process.

**Cause:**

Due to the small number of administrative and clerical employees at the City, there is an inherent limitation in its ability to segregate custodial duties from recordkeeping duties.

**Effect:**

The lack of internal controls increases the risk that an error, either intentional or unintentional, will go undetected and the financial statements will contain material misstatements.

**Recommendation:**

The City should hire an additional employee or the city officials should perform independent reviews of the accounting process throughout the fiscal year.

**Views of Responsible Officials:**

Management agrees with the recommendations, however it is impractical to correct the deficiency due to the limited resources available, but will continue to have the city officials review the accounting process.

**CITY OF BERRY, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2020**

NON - COMPLIANCE

**2020 - 003 UFIR Filing**

Condition:

The UFIR was not filed by the due date.

Criteria:

Per KRS 65.905, a city should file the UFIR by May 1<sup>st</sup> following the close of the fiscal year.

Cause:

The City could not prepare the UFIR until the audit was complete.

Effect:

The City was non-compliant with KRS 65.905 by filing the UFIR late.

Recommendation:

The City should file the UFIR by the deadline.

Views of Responsible Officials:

Management concurs with the finding.