

October 21, 2021

Members of City Council
c/o Mayor Andy Schabell
City of Alexandria, Kentucky
Alexandria, Kentucky

We have audited the financial statements of the governmental activities and each major fund of the City of Alexandria, Kentucky for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 2, 2021. Professional standards also require that we communicate to you the following information related to our audit.

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 the City of Alexandria, Kentucky are described in the Summary of Significant Accounting Policies note to the financial statements. No significant new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the City of Alexandria, Kentucky during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 estimates affecting the City of Alexandria, Kentucky's financial statements were:

Management's estimate of the delinquent property tax receivable is based on management's current and historical knowledge of the collectability of all delinquent accounts. We evaluated the key factors and assumptions used to develop the delinquent property tax receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciation expense of capital assets is based on the useful lives of the assets using the straight line method. We evaluated the key factors and assumptions used to develop the depreciation expense of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the Net Pension and OPEB Liability, Deferred Inflows and Outflows and Pension and OPEB Expense is based on an actuarial valuation as of the measurement date. We evaluated the key factors and assumptions used to develop the Net Pension and OPEB Liability, Deferred Inflows and Outflows, and Pension and OPEB Expense in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached Adjusting Journal Entries Report summarizes misstatements either provided to us by management or detected as a result of audit procedures and corrected by management.

Additionally, the attached Schedules of Passed Adjusting Journal Entries summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' 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 October 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 City of Alexandria, Kentucky's financial statements or a determination of the type of auditors' 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 City of Alexandria, Kentucky's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison schedules and pension and OPEB schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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We were engaged to report on the supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Members of City Council and management of the City of Alexandria, Kentucky and is not intended to be, and should not be, used by anyone other than these specified parties.

VonLehman & Company Inc.

Client: 020022.001 - City of Alexandria, Kentucky
Engagement: 2021 Audit - City of Alexandria, Kentucky
Period Ending: 6/30/2021
Trial Balance: TB
Workpaper: 'Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 3		4102.03		
To book Aug PR Check Received in Sept as AR and Def Revenue				
1.00.1212	PAYROLL TAXES RECEIVABLE		98,966	
1.00.5222	DEFERRED REVENUE			98,966
Total			98,966	98,966
Adjusting Journal Entries JE # 4		5207.00		
To tie Net Assets for General Fund to PY FS				
1.04.1010	NET ASSETS		107	
1.50.4005	WASTE EXPENSES			107
Total			107	107
Adjusting Journal Entries JE # 5		5207		
To tie Net Assets for Sewer Fund to PY FS.				
2.06.2501	Fund Balance		1	
2.92.6025	SEWER EXPENSES:92.6200 -+ MISCELLANEOUS:92.6025 -+ Fees			1
Total			1	1
Adjusting Journal Entries JE # 6		4104.00		
To adjust sewer fund rec to actual				
2.00.1218	ASSESSMENT RECEIVABLE:00.1218 -+ Douglas James		3,656	
2.00.1219	ASSESSMENT RECEIVABLE:00.1219 -+ Viewpoint		4,783	
2.06.2300	DEFERRE DREVENUE			8,439
Total			8,439	8,439
Adjusting Journal Entries JE # 14		1200.04		
Adjust Deferred Revenue to tie to rec balance				
2.92.6025	SEWER EXPENSES:92.6200 -+ MISCELLANEOUS:92.6025 -+ Fees		1	
2.06.2300	DEFERRE DREVENUE			1
Total			1	1
Adjusting Journal Entries JE # 17		5103.01		
To record trade in vlaue credit for tractor				
1.30.4180	PW		2,000	
1.10.2205	MISC INCOME			2,000
Total			2,000	2,000
Total Adjusting Journal Entries			109,514	109,514

Schedule of Passed Adjusting Journal Entries - Government Fund Financial Statements

Governmental Unit:

Financial Statement Date:

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	W/P Ref.	Financial Statement Effect—Amount of Over- (Under-) statement of:						
				Total Assets	Total Liabilities	Working Cap.	Fund Balance/Net Position	Revenues	Expn.	Change in Fund Balance/ Net Position
Legal fees underaccrued for	F	Legal fees not accrued for	3301.01		-7,640		7,640		-7,640	-7,640
Total				0	-7,640	0	7,640	0	-7,640	-7,640
Less audit adjustments subsequently booked										
Net unadjusted AD—current year (iron curtain method)				0	-7,640	0	7,640	0	-7,640	-7,640
Effect of unadjusted AD—prior years										
Combined current year and prior year AD (rollover method)				0	-7,640	0	7,640	0	-7,640	-7,640
Financial statement caption totals				6,041,996	171,802		5,735,489	6,344,938	5,606,348	998,590
Current year AD as % of F/S captions (iron curtain method)				0.00%	-4.45%	0.00%	0.13%	0.00%	-0.14%	-0.77%
Current and prior year AD as % of F/S captions (rollover method)				0.00%	-4.45%	0.00%	0.13%	0.00%	-0.14%	-0.77%

Schedule of Passed Adjusting Journal Entries - Government Wide Financial Statements

Governmental Unit:

Financial Statement Date:

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	W/P Ref.	Financial Statement Effect—Amount of Over- (Under-) statement of:						
				Total Assets	Total Liabilities	Working Cap.	Fund Balance/Net Position	Revenues	Expen.	Change in Fund Balance/ Net Position
Legal fees underaccrued for	F	Part of legal fees not accrued for in the CY	3301.01		-7,640		7,640		-7,640	7,640
Total				0	-7,640	0	7,640	0	-7,640	7,640
Less audit adjustments subsequently booked										
Net unadjusted AD—current year (iron curtain method)				0	-7,640	0	7,640	0	-7,640	7,640
Effect of unadjusted AD—prior years										
Combined current year and prior year AD (rollover method)				0	-7,640	0	7,640	0	-7,640	7,640
Financial statement caption totals				14,069,682	10,663,758		3,405,924	6,567,136	6,199,184	367,952
Current year AD as % of F/S captions (iron curtain method)				0.00%	-0.07%	0.00%	0.22%	0.00%	-0.12%	2.08%
Current and prior year AD as % of F/S captions (rollover method)				0.00%	-0.07%	0.00%	0.22%	0.00%	-0.12%	2.08%