

# **CITY OF TAYLORSVILLE, KENTUCKY**

Audited Financial Statements

For the Year Ended June 30, 2013



**PEERCY AND GRAY, PSC**

**Certified Public Accountants**

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Louisville, Kentucky 40299

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# ***CITY OF TAYLORSVILLE***

August 20, 2013

City Commission and Citizens of Taylorsville  
Taylorsville, Kentucky

## **THE ANNUAL FINANCIAL REPORT**

The basic government-wide financial statements of the City of Taylorsville, Kentucky, for the fiscal year ended June 30, 2013 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly that financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The basic government-wide financial statements are presented in two sections: introductory and financial. The introductory section includes this transmittal letter, the list of principal officials and management's discussion and analysis. The financial section includes the opinion of the independent accountant, the basic government-wide financial statements, and the required supplementary information.

The City of Taylorsville, Kentucky is located in Spencer County, Kentucky. The City is a home rule municipal corporation organized on January 29, 1829, under the laws of the Commonwealth of Kentucky, and as such, operates under its own charter. The City Government consists of a mayor and four (4) city commissioners. The mayor serves a four (4) year term. Commissioners serve a (2) year term. The mayor and the city commissioners are elected on an at-large basis.

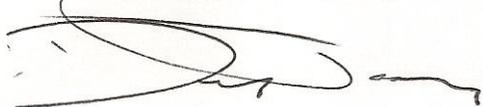
For financial reporting purposes, the City includes in this report all funds, agencies, boards and other commissions that are controlled by the City or dependent on the City legislative branch. "Controlled by" or "dependent on" is determined on the basis of the budget adoption, taxing authority, outstanding debts secured by revenues or general taxing authority of the City, and the City's obligation to fund any deficits that may occur.

The City provides a full range of municipal services. These services include general government oversight, fire and police protection, sanitation and a water/sewer system.

Peercy and Gray, PSC, Certified Public Accountants, audited the financial statements and the related notes of the City of Taylorsville, Kentucky. As stated in the auditor's report, the audit was conducted in accordance with generally accepted *Government Auditing Standards* as accepted in the United States of America and included a review of accounting controls (as required by the laws of the Commonwealth).

City Commission and  
Citizens of Taylorsville

We wish to acknowledge the employees of the City of Taylorsville who are the City's most valuable asset. These individuals serve productively throughout City operations. They continuously provide quality services to the citizens of Taylorsville.



Don Pay, Mayor



Steve Biven, City Clerk

**CITY OF TAYLORSVILLE, KENTUCKY  
GOVERNMENTAL DIRECTORY**

City Hall/City Clerk's Office  
70 Taylorsville Road/Post Office Box 279  
Taylorsville, Kentucky 40071  
Telephone (502) 477-3235  
FAX: (502) 477-1310

E-mail: [sbiven@taylorsvillewater.org](mailto:sbiven@taylorsvillewater.org)  
Meetings held 1<sup>st</sup> Tuesday of each month at 5:00pm

<u>Officer</u>	<u>Office</u>	<u>Term Expires</u>
Donald Pay	Mayor/Police and Fire Commissioner	December 31, 2014
Jack Proctor	Water Department Commissioner	December 31, 2014
Ellen Redmon	Sewer Commissioner	December 31, 2014
Beverly Ingram	Streets and Sidewalks Commissioner	December 31, 2014
Kathy Spears	Office Commissioner	December 31, 2014
Steve Biven	City Clerk	Not Applicable
Randy McConnell	City Comptroller	Not Applicable
Toby Lewis	Police Department	Not Applicable
Nathan Nation	Fire Department	Not Applicable



## **PEEROY AND GRAY, PSC**

**Certified Public Accountants**

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

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### **INDEPENDENT AUDITORS' REPORT**

To the City Council  
City of Taylorsville, Kentucky  
70 Taylorsville Road, PO Box 279  
Taylorsville, Kentucky 40071

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Taylorsville, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### **Report on 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; this includes 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.

#### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriated in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

To the City Council  
City of Taylorsville, Kentucky  
August 20, 2013

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Qualified Opinion on General Fund**

Management has elected not allocate any salaries or wages for administrative staff to the General Fund. Accounting principles generally accepted in the United States of America require that the financial statements meet the assertion of accuracy or classification. To be in compliance with this assertion, the financial statements must properly classify, describe, and disclose revenues, receivables, deferred revenues, unearned revenues, deferred outflows of resources, and deferred inflows of resources including classification in the proper fund and activity. The amount by which this departure would affect the assets, fund balance, and revenues of the General Fund has not been determined, however, we believe that this lack of allocation materially misstates the operations of the General Fund.

### **Qualified Opinion**

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion on General Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Taylorsville, Kentucky, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Unmodified Opinion**

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 activities, each major fund, and the aggregate remaining fund information of the City of Taylorsville, Kentucky, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information, as noted in the table of contents, be presented to supplement the basic financial statements. Such information,

To the City Council  
City of Taylorsville, Kentucky  
August 20, 2013

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 Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Taylorsville, Kentucky's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financials are fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2013, on our consideration of the City of Taylorsville, Kentucky'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Taylorsville, Kentucky's internal control over financial reporting and compliance.

To the City Council  
City of Taylorsville, Kentucky  
August 20, 2013

*Perry and Gray, PSC*

August 20, 2013

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# ***CITY OF TAYLORSVILLE***

## **Management and Discussion Analysis June 30, 2013**

As financial management of the City of Taylorsville, Kentucky, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City of Taylorsville for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

### **Financial Highlights:**

- The assets of the City of Taylorsville exceeded liabilities at June 30, 2013, by \$21,632,248. This is a .44% increase from last year's net assets of \$21,536,482. Of this amount \$478,819 is unrestricted and used to meet the general government's ongoing obligations to citizens and creditors.
- At June 30, 2013, the governmental funds reported combined fund balances of \$612,042.

### **Overview of the Financial Statements:**

This discussion and analysis are intended to serve as an introduction to the City of Taylorsville basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional supplementary information.

### **Government-wide financial statements:**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

- The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**City of Taylorsville**  
**Management Discussion and Analysis**  
**June 30, 2013**

- The Statement of Activities presents information showing how a government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period.
- Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The City of Taylorsville's governmental activities include police, contracted fire protection, streets, sanitation, and general government. The City of Taylorsville has one business-type activity, water and sewer service.

**Fund Financial Statements:**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Taylorsville, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial legal requirements. All of the funds of the City of Taylorsville can be divided into two categories: governmental funds and proprietary funds.

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is useful in evaluating the City of Taylorsville's near-term financing requirements.
- Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.
- The City of Taylorsville maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Municipal Road Aid funds.
- The City of Taylorsville adopts an annual appropriated budget for all of the governmental funds. A budgetary comparison statement for these funds is included in the Audit Report.
- The basic governmental fund financial statements are included in this report.

**City of Taylorsville**  
**Management Discussion and Analysis**  
**June 30, 2013**

**Proprietary Fund:**

Proprietary funds provide the same type of information as the government-wide financial statements' business-type activities, only in more detail. The City of Taylorsville maintains one proprietary fund to account for its water and sewer services.

- The basic proprietary fund financial statements are included in this report.

**Notes to the Financial Statements:**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information:**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning funding progress for the City's employee pension obligation.

**Government-wide Financial Analysis:**

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City of Taylorsville's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Taylorsville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Taylorsville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The increase or decrease reported in the business-type activities cannot be used to make up a difference reported in governmental activities. The City generally can only use these net assets to finance the continuing operations of the water and sewer operations.

Following is a summary statement of net assets (amounts expressed in thousands-footing differences are the result of rounding):

**City of Taylorsville**  
**Management Discussion and Analysis**  
**June 30, 2013**

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 635	\$ 5,247	\$ 5,882
Capital assets	1,102	23,055	24,157
	<hr/>	<hr/>	<hr/>
Total assets	1,737	28,302	30,039
Current liabilities	23	488	511
Long Term liabilities	12	7,884	7,896
	<hr/>	<hr/>	<hr/>
Total liabilities	35	8,372	8,407
Net assets:			
Invested in capital assets	1,102	15,212	16,314
Restricted- Debt and Cash	121	4,315	4,436 <sup>1</sup>
Unrestricted	479	403	882
	<hr/>	<hr/>	<hr/>
Total net assets	<u>\$ 1,702</u>	<u>\$ 19,930</u>	<u>\$ 21,632</u>

<sup>1</sup> Restricted - Debt Portion \$350K + Restricted Cash of \$4,086K = \$4,436K

Revenues for the City are generated from three main sources being Insurance Premium Tax, Occupational License Tax and Property Taxes. This relative mix of different revenue sources are illustrated in the table below:

**City of Taylorsville  
Management Discussion and Analysis  
June 30, 2013**

Revenues by Sources-Governmental Activities	Dollars	% to Total
Occupational Licenses and Taxes	\$ 257,147	31.27%
Insurance Premium Tax	163,672	19.90%
Property Taxes	146,780	17.85%
Sanitation Pass-through	78,845	9.59%
Franchise Fees	58,435	7.10%
Other Revenue	48,113	5.85%
Business and Unloading Fees	28,938	3.51%
Intergovernmental Revenue	21,304	2.59%
Bank Shares Tax	19,239	2.34%
<b>Total Revenue</b>	<b>\$ 822,473</b>	<b>100.00%</b>

Main Street Proceeds received were \$219,379. County Contributions to Main Street were \$11,000, County Contributions to the Hazard Mitigation Project were \$7,152, Municipal Road Aid was \$38,723 and Miscellaneous Grants were \$5,920. Total Revenue after Grants and Contributions were \$1,104,647.

**Financial Analysis of the Government's Funds:**

As noted earlier, the City of Taylorsville uses fund accounting to ensure and demonstrate compliance with financial and legal requirements. The focus of the City of Taylorsville's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. *Unreserved fund* balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The City of Taylorsville's governmental funds reported combined ending fund balances of \$612,042 (\$489,496 is unreserved).

The general fund is the primary operating fund of the City. During the year Expenditures exceeded Revenues in the general fund by \$30,490.

The insurance premium tax decreased from \$171,265 in Fiscal Year 2012 to \$163,672 in Fiscal Year 2013. This year's decrease is 4% compared to the prior year decrease of 7%. Insurance premium revenue is budgeted at \$175,000 for Fiscal Year 2014.

The Main Street Phase II Project is now complete.

Expenses for the year on the FEMA Drainage Project were \$13,144.

**City of Taylorsville  
Management Discussion and Analysis  
June 30, 2013**

The table below illustrates the breakdown of program costs as in compliance with GASB 34:

Expenditures by Program-Governmental Activities

<u>Functions/Programs</u>	<u>2013 Expenses</u>	<u>2012 Expenses</u>
Governmental activities:		
Police	\$ 567,410	\$ 511,865
Street	81,427	81,252
Sanitation	76,243	69,946
General Government	54,832	87,708
Fire	51,945	50,306
Total	<u>\$ 831,857</u>	<u>\$ 801,077</u>

The Municipal Road Aid Fund had no expenditures for FY2013.

The Municipal Road Aid Fund Balance at June 30 is \$112,831.

**Financial Analysis of the Proprietary Funds:**

The City of Taylorsville's only proprietary fund is the Water and Sewer Fund. This fund provides the same information found in the government-wide financial statements but in more detail. Unrestricted net position of the Water and Sewer Fund were \$403,086 as of June 30, 2013.

**Budgetary Highlights:**

Differences between the original budget and actual expenditures for all governmental funds are included in this Report.

- Water revenue of \$3,363,637 was \$156,363 under budget for Fiscal Year 2013.
- Meter Sets of \$82,000 were \$20,000 under Budget for Fiscal Year 2013.
- Sewer Revenue of \$332,082 was \$19,918 under Budget for Fiscal Year 2013.
- The SR 44 Sewer Extension Project Grants received were \$107,541 for the Year. The Project is complete.
- Louisville Water Purchased of \$1,015,426 was \$124,574 under Budget for the Year.
- Sewer Net Income before Contributions of \$(251,322) was \$30,722 under Budget for Fiscal Year 2013.
- Water Net Income before Contributions of \$57,224 was \$108,049 under Budget for Fiscal Year 2013.

**City of Taylorsville  
Management Discussion and Analysis  
June 30, 2013**

- Total Net Income before Contributions of \$(194,098) was \$138,771 under Budget for Fiscal Year 2013.
- Total Net Income after Contributions of \$(86,557) was \$31,230 under Budget for Fiscal Year 2013.

**Capital Asset Administration:**

The City of Taylorsville's investment in capital assets includes land, buildings and improvements, equipment, water systems, sewer systems, streets, lighting systems, traffic signals, and other infrastructure. This investment in capital assets as of June 30, 2013, was \$24,157,550 (net of accumulated depreciation). Major capital asset events during the year were:

- Additions of \$ 467,809 to the Water and Sewer fund and \$263,968 to the General fund for a total of \$731,777 in total capital assets. Disposals in the Water and Sewer Fund were \$19,900.
- Depreciation expense of \$89,059 was charged to governmental activities. \$869,547 was charged to the business-type activities.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 75,416	\$ 75,416	\$ 371,119	\$ 371,118	\$ 446,535	\$ 446,534
Building and improvements	868,007	642,676	271,952	282,698	1,139,959	925,374
Equipment and Vehicles	158,561	208,983	330,297	236,161	488,858	445,144
Water and Sewer System	-	-	22,082,198	22,567,325	22,082,198	22,567,325
Total Net Capital Assets	<u>\$ 1,101,984</u>	<u>\$ 927,075</u>	<u>\$23,055,566</u>	<u>\$23,457,302</u>	<u>\$24,157,550</u>	<u>\$24,384,377</u>

Additional information on capital assets can be found in Note C in the Notes to Financial Statements.

**Debt Administration:**

The City of Taylorsville had total outstanding bonded debt of \$7,843,239 at June 30, 2013. Following is a comparative statement of outstanding debt:

**City of Taylorsville  
Management Discussion and Analysis  
June 30, 2013**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Special Revenue Bonds	\$ -	\$ -	\$ 7,843,239	\$ 8,041,610	\$ 7,843,239	\$ 8,041,610
Vacation Pay	12,449	11,048	40,640	33,628	53,089	44,676
<b>Total</b>	<b>\$ 12,449</b>	<b>\$ 11,048</b>	<b>\$ 7,883,879</b>	<b>\$ 8,075,238</b>	<b>\$ 7,896,328</b>	<b>\$ 8,086,286</b>

During the Year, \$198,371 of bonded debt was retired.

**Requests for Information**

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Comptroller  
City of Taylorville, Kentucky  
Post Office Box 279  
Taylorsville, KY 40071

**City of Taylorsville  
Management Discussion and Analysis  
June 30, 2013**

**Water Production Report**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Gallons Purchased	494,660,000	540,611,000	550,269,000	552,254,000	585,467,000	556,865,000	521,805,000
Gallons Sold	<u>388,179,794</u>	<u>406,910,410</u>	<u>409,962,337</u>	<u>394,649,668</u>	<u>425,608,172</u>	<u>429,530,412</u>	<u>409,466,781</u>
Gallons to Account For	106,480,206	133,700,590	140,306,663	157,604,332	159,858,828	127,334,588	112,338,219
Gallons used by City And Returns to Louisville	26,752,850	32,427,113	17,945,648	37,937,930	66,094,871	45,616,268	63,303,557
Available for Sale	467,907,150	508,183,887	532,323,352	514,316,070	519,372,129	511,248,732	458,501,443
Gallons Sold	<u>388,179,974</u>	<u>406,910,410</u>	<u>409,962,337</u>	<u>394,649,668</u>	<u>425,608,172</u>	<u>429,530,412</u>	<u>409,466,781</u>
System Loss	79,727,176	101,273,477	122,361,015	119,666,402	93,763,957	81,718,320	49,034,662
Gallons Purchased	16.12%	18.73%	22.24%	21.67%	16.02%	14.67%	9.40%
Gallons Available	17.04%	19.93%	22.99%	23.27%	18.05%	15.98%	10.69%
<u>Number of Connections in Use</u>							
City	598	610	600	595	568	583	525
County	<u>6,273</u>	<u>6,183</u>	<u>6,148</u>	<u>6,076</u>	<u>5,993</u>	<u>5,856</u>	<u>5,809</u>
Total	6,871	6,793	6,748	6,671	6,561	6,439	6,334

**City of Taylorsville  
Management Discussion and Analysis  
June 30, 2013**

**Water Production Report (Continued)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Water</u>							
<u>Connections</u>							
<u>by Account</u>							
<u>Classification</u>							
Apartments	47	44	49	48	48	48	51
Bulk	3	3	3	3	3	3	3
Commercial	122	120	115	115	116	120	115
Educational							
Institutions	15	15	13	13	13	11	11
Farmstead	53	53	52	51	50	51	50
Government	30	29	28	29	27	28	28
Industrial	1	1	1	1	1	1	1
Miscellaneous	36	35	34	34	34	31	3
Trailer Park	2	4	2	2	2	2	-
Residential	<u>6,562</u>	<u>6,489</u>	<u>6,451</u>	<u>6,375</u>	<u>6,267</u>	<u>6,144</u>	<u>6,072</u>
Total	6,871	6,793	6,748	6,671	6,561	6,439	6,334

**CITY OF TAYLORSVILLE, KENTUCKY**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**June 30, 2013**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets</b>			
Cash and Cash Equivalents - Unrestricted	\$ 625,008	\$ 4,749,664	\$ 5,374,672
Cash and Cash Equivalents - Restricted	7,943	-	7,943
Receivables	1,772	272,860	274,632
Inventories	-	224,129	224,129
Capital Assets			
Land	75,416	371,118	446,534
Buildings, Equipment and Vehicles	1,559,885	1,075,681	2,635,566
Water/Sewer Plant and Equipment	-	31,017,951	31,017,951
Accumulated Depreciation	(533,317)	(9,409,184)	(9,942,501)
Premium on KIA Restructuring	-	196	196
<b>Total Assets</b>	<b>1,736,707</b>	<b>28,302,415</b>	<b>30,039,122</b>
<b>Liabilities</b>			
Accounts Payable	5,023	15,330	20,353
Accrued Expenses	7,890	190,333	198,223
Withholdings and Payroll Taxes Payable	1,825	6,209	8,034
Deferred Revenue Road Bond	7,943	-	7,943
Customer Deposits	-	273,319	273,319
Discount on KIA Restructuring	-	2,674	2,674
General Long-Term Debt			
Due Within One Year	-	251,485	251,485
Due in More Than One Year	-	7,591,754	7,591,754
Accrued Compensated Absences	12,449	40,640	53,089
<b>Total Liabilities</b>	<b>35,130</b>	<b>8,371,744</b>	<b>8,406,874</b>
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	1,101,984	15,212,327	16,314,311
Restricted for:			
Debt Service	-	350,104	350,104
Water/Sewer Operation	-	3,965,154	3,965,154
Road Fund	112,831	-	112,831
Highview Road Account	7,943	-	7,943
Unrestricted	478,819	403,086	881,905
<b>Total Net Position</b>	<b>\$ 1,701,577</b>	<b>\$ 19,930,671</b>	<b>\$ 21,632,248</b>

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

**CITY OF TAYLORSVILLE, KENTUCKY**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**June 30, 2013**

<b>Functions/Programs</b>	Program Revenues:					<b>Total</b>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Government Business-Type Activities</u>	
<b>Governmental Activities</b>						
General Government	\$ (88,633)	\$ -	\$ 36,987	\$ (51,646)	\$ -	\$ (51,646)
Public Safety, Fire	(51,945)	1,060	-	(50,885)	-	(50,885)
Public Safety, Police	(619,902)	-	-	(619,902)	-	(619,902)
Sanitation	(76,243)	78,845	-	2,602	-	2,602
Streets	(85,594)	-	38,723	(46,871)	-	(46,871)
<b>Total Governmental Activities</b>	(922,317)	79,905	75,710	(766,702)	0	(766,702)
<b>Business-Type Activities:</b>						
Water and Sewer Services	(4,217,183)	4,053,269	107,541	0	(56,373)	(56,373)
<b>Total Business-Type Activities</b>	(4,217,183)	4,053,269	107,541	0	(56,373)	(56,373)
<b>General Revenues:</b>						
Franchise Fees				\$ 58,435		\$ 58,435
Interest Income, Unrestricted				3,155	(30,183)	(27,028)
Interest Income, Restricted				589		589
Insurance License				163,672		163,672
Main Street Proceeds				219,379		219,379
Miscellaneous Revenues				24,529		24,529
Occupational Licenses and Taxes				278,238		278,238
Property Taxes, Fines & Penalties				188,198		188,198
Disposition of Asset				601		601
Telecommunication Tax				4,486		4,486
Unloading Licenses				7,750		7,750
<b>Total General Revenues</b>				949,032	(30,183)	918,849
<b>Change in Net Position</b>				182,330	(86,556)	95,774
<b>Net Position - Beginning July 1, 2012</b>				1,519,247	20,017,227	21,536,474
<b>Net Position - Ending June 30, 2013</b>				<u>\$ 1,701,577</u>	<u>\$ 19,930,671</u>	<u>\$ 21,632,248</u>

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

**CITY OF TAYLORSVILLE, KENTUCKY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2013**

	<b>General</b>	<b>Special Revenues</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents - Unrestricted	\$ 512,177	\$ 112,831	\$ 625,008
Cash and cash equivalents - Restricted	7,943	-	7,943
Receivables	1,772	-	1,772
<b>Total Assets</b>	<b>521,892</b>	<b>112,831</b>	<b>634,723</b>
<b>Liabilities</b>			
Accounts Payable	5,023	-	5,023
Accrued Expenses	7,890	-	7,890
Withholding Tax Payable	1,825	-	1,825
Deferred Revenue Road Bond	7,943	-	7,943
<b>Total Liabilities</b>	<b>22,681</b>	<b>-</b>	<b>22,681</b>
<b>Fund Balances</b>			
Nonspendable Fund Balance			
Receivables	1,772	-	1,772
Restricted Fund Balance			
Municipal Road Aid	-	112,831	112,831
Highview Road Account	7,943		7,943
Unassigned Fund Balance	489,496	-	489,496
<b>Total Fund Balances</b>	<b>499,211</b>	<b>112,831</b>	<b>612,042</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 521,892</b>	<b>\$ 112,831</b>	<b>\$ 634,723</b>

Amounts reported for governmental activities in the statement of net position are different because :

Total Fund Balances - Total Governmental Funds	\$ 612,042
Capital assets (net of depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds. See Note C - Capital Assets for details.	
	1,101,984
Accrued Compensated Absences of \$12,449 are not due in the current period and are not reported in the funds	(12,449)
<b>Net Position of Governmental Activities</b>	<b>\$ 1,701,577</b>

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

**CITY OF TAYLORSVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2013**

	General	Special Revenues	Totals
<b>Revenues</b>			
Disposition of Assets	\$ 601	\$ -	\$ 601
Franchise Fees	58,435	-	58,435
Interest Income	3,155	589	3,744
Intergovernmental Revenues	36,987	38,723	75,710
Insurance Premium Tax	163,672	-	163,672
Main Street Proceeds	219,379	-	219,379
Miscellaneous Revenues	24,529	-	24,529
Occupational Licenses and Taxes	278,238	-	278,238
Property Taxes, Fines and Penalties	188,198	-	188,198
Police Income	1,060	-	1,060
Telecommunication Tax	4,486	-	4,486
Unloading Fees	7,750	-	7,750
<b>Total Revenues</b>	<b>986,490</b>	<b>39,312</b>	<b>1,025,802</b>
<b>Expenditures</b>			
Current:			
General government	54,832	-	54,832
Public safety:			
Fire	51,945	-	51,945
Police	567,410	-	567,410
Sanitation Department	76,243	-	76,243
Street Department	81,427	-	81,427
<b>Total Expenditures</b>	<b>831,857</b>	<b>-</b>	<b>831,857</b>
<b>Other Financing Sources (Uses):</b>			
Transfers In	78,845	-	78,845
Capital Outlays, General Government	(251,742)	-	(251,742)
Capital Outlays, Police Department	(12,226)	-	(12,226)
<b>Total Other Financing Sources (Uses)</b>	<b>(185,123)</b>	<b>-</b>	<b>(185,123)</b>
<b>Net Change in Fund Balance</b>	<b>(30,490)</b>	<b>39,312</b>	<b>8,822</b>
<b>Fund Balance, Beginning of Year</b>	<b>529,701</b>	<b>73,519</b>	<b>603,220</b>
<b>Fund Balances, End of Year</b>	<b>\$ 499,211</b>	<b>\$ 112,831</b>	<b>\$ 612,042</b>

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

**CITY OF TAYLORSVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES-GOVERNMENTAL FUNDS (CONTINUED)**  
**Fiscal Year Ended June 30, 2013**

	Total Governmental Funds
Net Change in Fund Balances-Total Governmental Funds	\$ 8,822
Amounts reported for Governmental Activities in the statement of activities are different because:	
Depreciation expense reported in statement of activities	(89,059)
Capital outlay reported in governmental expenditures	263,968
Net Change in Compensated Absences	(1,401)
Change in Net Position of Governmental Activities	\$ 182,330

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

**CITY OF TAYLORSVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**June 30, 2013**

<b>Assets</b>	
Current assets	
Cash and Cash Equivalents	\$ 4,749,664
Receivables	272,860
Inventories	224,129
	5,246,653
<b>Total Current Assets</b>	
Noncurrent Assets	
Capital Assets	
Land	371,118
Buildings, Equipment and Vehicles	1,075,681
Water/Sewer Plant and Equipment	31,017,951
Depreciation	(9,409,184)
Premium on KIA Restructuring	196
	23,055,762
<b>Total Non-Current Assets</b>	
<b>Total Assets</b>	
	\$ 28,302,415
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	\$ 15,330
Accrued Expenses	190,333
Withholdings and Payroll Taxes Payab	6,209
Customer Deposits	273,319
Bonds and Notes Payable	
Due Within One Year	251,485
	736,676
<b>Total Current Liabilities</b>	
Non-Current Liabilities	
Deferred Sewer Impact Fee	-
Discount on KIA Restructuring	2,674
Bonds and Notes Payable	
Due in More Than One Year	7,591,754
Accrued Compensated Absences	40,640
	7,635,068
<b>Total Non-Current Liabilities</b>	
<b>Total Liabilities</b>	
	8,371,744
<b>Net Position</b>	
Invested in Capital Assets, Net of Related Debt	15,212,327
Restricted for:	
Debt Service	350,104
Water/Sewer Operation	3,965,154
Unrestricted	403,086
	19,930,671
<b>Total Net Position</b>	
<b>Total Liabilities and Net Position</b>	
	\$28,302,415

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

**CITY OF TAYLORSVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND**  
**NET POSITION – PROPRIETARY FUNDS**  
**Year Ended June 30, 2013**

<b>Operating Revenues:</b>	
Water Revenue	\$ 3,640,340
Sewer Revenue	347,082
Sanitation Revenue	78,845
<b>Total Operating Revenues</b>	4,066,267
 <b>Operating Expenditures</b>	
Water Services	2,771,672
Sewer Services	273,307
<b>Total Operating and Maintenance Expenditures</b>	3,044,979
<b>Operating Income before Depreciation</b>	1,021,288
<b>Depreciation and Amortization</b>	869,547
<b>Operating Income (Loss)</b>	151,741
 <b>Non-Operating Income (Expenses)</b>	
Sale of Assets	3,801
Grant Revenues	107,541
Other Income	62,046
Interest Expense, Kentucky Infrastructure Authority	(14,791)
Interest Expense, Rural Development	(287,866)
Interest Income	(30,183)
<b>Total Non-Operating Income (Expense)</b>	(159,452)
<b>Income Before Transfers</b>	(7,711)
Transfers Out	(78,845)
<b>Change in Net Position</b>	(86,556)
<b>Net Position, Beginning of Year</b>	20,017,227
<b>Net Position, End of Year</b>	\$ 19,930,671

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

**CITY OF TAYLORSVILLE, KENTUCKY**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**Year Ended June 30, 2013**

	<b>Water and Sewer Utility</b>
<b>Cash Flows From Operating Activities</b>	
Cash received from customers	\$ 3,728,692
Cash payments to suppliers for good and services	(2,029,889)
Cash payments to employees and professional contractors for services	(1,065,336)
	<b>633,467</b>
<b>Cash Flows From Noncapital Financing Activities</b>	
Transfers to other funds	(78,845)
	<b>(78,845)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Acquisition of property	(467,809)
Principal paid on bonds	(198,372)
Interest paid on bonds	(302,657)
Proceeds from Sale of Assets	3,801
Grant Revenues	107,541
	<b>(857,496)</b>
<b>Cash Flows From Investing Activities</b>	
Other Income	62,046
Interest income	(30,183)
	<b>31,863</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(271,011)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>5,020,675</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,749,664</b>
<b>Classified as</b>	
Current non-restricted	\$ 434,406
Current restricted	4,315,258
	<b>4,749,664</b>
<b>Total Cash and Cash Equivalents, June 30, 2013</b>	<b>\$ 4,749,664</b>

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

**CITY OF TAYLORSVILLE, KENTUCKY**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**(CONTINUED)**  
**Year Ended June 30, 2013**

**Reconciliation of Operating Income to  
Net Cash Provided by Operating Activities:**

Operating Income	\$ 151,741
Adjustments to reconcile net income to net cash provided by operating activities:	
Compensated Absences	7,012
Depreciation and Amortization	869,547
Premium on KIA Bonds	196
Restructuring Revenue	(2,673)
(Increases) Decreases In:	
Receivables	68,210
Inventories	(56,234)
Increases Decreases In:	
Accounts Payable	(1,441)
Accrued Expenses	2,336
Withholdings and Payroll Taxes Payable	558
Customer Deposits	31,375
Deferred Sewer Impact Fee	(437,160)
	(437,160)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 633,467</b>

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

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**Note A – Summary of Significant Accounting Policies**

These financial statements of the City of Taylorsville, Kentucky (City) were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP). The following summary of the more significant policies of the City is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

**Reporting Entity**

The City of Taylorsville, Kentucky was incorporated January 29, 1829. The City operates under a Mayor-Commission form of government. The City's major operations include fire and police protection, street maintenance, and general administrative services. In addition, the City operates a water and sewer system and provides solid waste collection.

The citizens of Taylorsville elect a mayor-at-large and four (4) city commission members.

The financial statements of the City of Taylorsville, Kentucky include the funds, account groups and entities over which the Mayor and Commission exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the Government Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, was determined based on the City's ability to significantly influence operations, select the governing body, and participate in fiscal management and the scope of public service.

**Basis of Accounting/Measurement Focus/Financial Statement Presentation**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

*Government-Wide Financial Statements*

The government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental and business-type activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. 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. The types of transactions reported as program revenues for the City are reported in two (2) categories: 1) charges for services, and 2) operating grants and contributions.

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**Note A – Summary of Significant Accounting Policies (Continued)**

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all GASB Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

*Governmental Fund Financial Statements*

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in balances as presented in these statements to the net assets and changes in net assets presented in the Government-wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance revenue sources, which have been treated as susceptible to accrual by the City, are property tax, insurance premium tax, occupational tax, intergovernmental revenues and other taxes. (See Note D) Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Fund Balance Classification: The Governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**Note A – Summary of Significant Accounting Policies (Continued)**

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Receivables as being Non-spendable.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified certain cash accounts as being restricted because their use is restricted by Kentucky Revised Statutes and/or a City Ordinance. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2013.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Mayor through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. No funds have been assigned as of June 30, 2013.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The City Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

CITY OF TAYLORSVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2013

**Note A – Summary of Significant Accounting Policies (Continued)**

*Proprietary Fund Financial Statements*

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are 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 Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. 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 funds 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.

*Component Units and Fiduciary Activities*

There are no governmental component units incorporated in the basic government-wide financial statements. A *component unit* is a legally separate entity that is included in the primary government’s financial reporting entity using the criteria of Government Standards Accounting Board Statement No. 14.

There are no fiduciary activities incorporated in the financial statements.

*Budgetary Information, Compliance and Accountability*

Annual budgets are adopted on a basis consistent with Section 91A.030 of the Kentucky Revised Statutes (KRS) for the general, enterprise fund, and the special revenue fund. Budgets for all government activities and business-type activities are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

On or before June 30<sup>th</sup> of each year, the Mayor must present the proposed budget to the City’s Commission for review. The Commission holds public hearings and a final budget must be prepared and adopted no later than July 1<sup>st</sup> of the new fiscal year.

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**Note A – Summary of Significant Accounting Policies (Continued)**

The appropriated budget is prepared by fund, function and department. Transfers of appropriations can be made within a City department. The general government function of the General Fund is treated as a department for budgetary purposes and its budget is adopted as the object level. Transfers of appropriations between departments require the approval of the governing Commission. The legal level of budgetary control is the governing Commission. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

Budgeted amounts, as amended, in the financial statements are as adopted by ordinances of the City.

**Encumbrance Accounting**

Encumbrance accounting is a system under which purchase orders, contracts and other commitments for the expenditures of City monies are recorded as a reservation of budget. The City does not use the encumbrance system of accounting to record and track budgeted expenses.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

**Investments**

Kentucky Revised Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial paper Record; bankers' acceptances' repurchase agreements; and the state treasurer's investment pool.

**Accounts Receivable**

Amounts due from private individuals, businesses, organizations or other government entities which pertain to charges for services rendered by the City departments are reported as receivables.

Receivables are reviewed periodically to establish or update the provisions for uncollectible amounts. These provisions are estimated based on an analysis for the age of the various accounts. The City records the amount of earned but unbilled revenues for the Water and Sewer Utilities System enterprise funds.

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**Note A – Summary of Significant Accounting Policies (Continued)**

**Interfund Transactions**

Interfund transactions are reflected as loans, services provided, and reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Charges for solid waste collection (garbage) are included in the monthly bills sent to customers of the Taylorsville Water Works and Sewer Department. The utility company remits the fees collected from the customers to the City of Taylorsville General Fund. During fiscal year ended June 30, 2013, \$78,845 was collected for solid waste collection. \$78,845 was transferred to the Taylorsville General Fund.

**Inventories**

Inventories within the proprietary fund consist primarily of supplies valued at cost which approximates market. Cost is determined by the first-in, first-out method. The cost of inventories is recorded as an expense when consumed rather than when purchased.

**Restricted Assets**

The use of certain assets of general governmental funds and business-type proprietary funds is restricted by specific provisions of City ordinances, Kentucky Revised Statutes and bond resolutions. Assets so designated are identified as restricted assets in the balance sheet. When both restricted and unrestricted resources are available for use, the City’s policy is to use restricted resources first, then unrestricted resources as they are needed. Restricted assets are classified as non-current if they are for the acquisition or construction of capital assets, for liquidation of long-term debt or other than current operations.

CITY OF TAYLORSVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2013

**Note A – Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. In connection with implementation of GASB Statement No. 34, the City established a threshold of \$1,000 for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but charged to an expense account in the current year.

**Impairment Loss**

General Government Activities and Business-type Activities revenues do not include impairment losses due to the elimination of equipment (net of accumulated depreciation) that was no longer of service for City use.

**Infrastructure**

The City has elected to use the modified approach in accounting for its street network (pavement, drainage, sidewalks, and curbs). The modified approach allows governments to report as expenses in lieu of depreciation, infrastructure expenditures which maintain the asset but do not add to or improve the asset. Additions and improvements to the street network are capitalized. The City uses a pavement rating system to rate street condition and quantifies the results of maintenance efforts.

The condition of street pavement is rated using the Asphalt Institute's *Asphalt Pavement Rating Form*, which bases ratings on a weighted average of thirteen defects found in pavements. The form uses a measurement scale that is based on a condition index rating from zero for failed pavement to 100 for pavement in perfect condition. The condition index is used to classify roads and streets in seven categories: very good (94-100), good (76-93), fair (64-75), poor (41-63), very poor (0-40). It is the City's policy to maintain at least 80% of its street system in good or better condition. The last time the City rated the condition of City Streets was for reporting in the financial statements for June 30, 2010 and the year then ended.

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**Note A – Summary of Significant Accounting Policies (Continued)**

**Operating and Non-operating Revenues and Expenses**

The business-type proprietary fund financial statements distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses are those that result from providing services associated with the principal activities of the respective fund. Primary examples of operating revenues are charges for water and wastewater treatment services of the City’s utility system. Operating expenses include the cost of sales and services, administration costs and depreciation expenses.

Non-operating revenues and expenses are all those that do not meet the criteria described previously, and include interest and tax revenues, and debt service expenses.

**Compensated Absences**

It is the policy of the City to permit City employees to accumulate a limited amount of earned but unused leave benefits which will be paid to City employees upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned. The valuation of accrued leave benefits is calculated in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The liability is typically liquidated with resources of the same fund that has paid the applicable employee’s regular salaries and fringe benefits.

**Net Assets/Reserves and Designations**

At June 30, 2013, net assets of the primary government consisted of the following:

	Governmental Activities	Business-Type Activities
Invested in capital assets, net of related debt:		
Net property, plant, and equipment	\$ 1,101,984	\$ 23,055,566
Less: Restricted for:		
Debt Service	-	(7,843,239)
Debt Service	-	350,104
Water/Sewer Operation	-	3,965,154
Streets and Roads	112,831	-
Highview Road Account	7,943	-
Unrestricted	478,819	403,086
	\$ 1,701,577	\$ 19,930,671
Total Net Assets		

None of the net assets are restricted by enabling legislation.

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**Note A – Summary of Significant Accounting Policies (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property Taxes Receivable, Property Tax Calendar and Provision for Uncollectible Real Property Taxes**

Property tax (real property) rolls are prepared by the Spencer County Property Tax Assessors office on property assessed as of the preceding January 1. The assessments are determined in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Date per KRS 134.015</u>
Due date for payment	Upon receipt
2% discount	To November 30
Face value payment period	To December 31
Past due date, 10% penalty	January 1
Interest charges	1.0% per month effective January 1

Vehicle taxes are collected by the County Clerk of Spencer County. Vehicle taxes are due in the birth month of the licensee.

**Note B – Deposits and Investments**

*Primary Government*

The City maintains and controls three (3) cash accounts of the primary government. The cash accounts are as follows:

General Fund Checking, non-restricted	\$ 512,177
Highview Road Account, restricted	7,943
Municipal Aid Checking, restricted	<u>112,831</u>
	<u>\$ 632,951</u>

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**Note B - Deposits and Investments (Continued)**

The City maintains and controls nine (9) cash accounts of the business-type activity. The cash accounts are as follows:

Water & Sewer Money Market	\$ 366,851
Operation and Maintenance Checking, free	434,406
Revenue Checking, restricted	4,816
Escrow Account Checking, restricted	273,319
Water and Sewer Extension Checking, restricted	8,274
Bond and Interest Checking, restricted	350,104
Depreciation Money Market, restricted	3,299,803
Customer Rebate Checking, restricted	807
Meter Set and Supplemental Checking, restricted	<u>10,300</u>
	4,748,680
Cash on Hand	484
Petty Cash	<u>500</u>
	<u><u>\$ 4,749,664</u></u>

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three (3) months or less to be cash equivalents.

*Concentration of Credit Risk*

The City has reduced its concentration of credit risk by depositing City funds in several federally insured financial institutions. As of June 30, 2013 City funds were deposited in three (3) area financial institutions; Citizens Union Bank 35%, Commonwealth Bank and Trust 58% and The Peoples Bank 7%.

*Credit Risk*

At June 30, 2013, the carrying value of the City of Taylorsville's deposits was \$5,642,386. The Federal Deposit Insurance Corporation (FDIC) insures the first \$250,000 of the total of deposits at financial institutions. Total deposited funds in excess of the \$250,000 insured by FDIC are covered by securities pledged for the City of Taylorsville by Citizens Union Bank, Commonwealth Bank and Trust Company and The Peoples Bank. Pledged securities are as follows:

<u>Financial Institution</u>	<u>Deposits</u>	<u>FDIC</u> <u>Insured</u>	<u>Securities</u> <u>Market Value</u>	<u>Surplus</u>
Citizens Union Bank	\$ 1,975,732	\$ 250,000	\$ 2,382,885	\$ 657,153
Commonwealth Bank	3,299,803	250,000	4,151,386	1,101,583
The Peoples Bank	366,851	250,000	167,188	50,337

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**Note B - Deposits and Investments (Continued)**

*Custodial Credit Risk*

Kentucky revised Statutes (KRS) authorizes municipalities to invest in obligations of the United States of America and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge security obligations of the United States of America government or its agencies.

The Ordinances authorizing the Waterworks and Sewer System revenue bonds require that the City of Taylorsville establish a sinking fund and a depreciation reserve fund. Bond and Interest Sinking Fund is funded in an amount not less than the maximum annual requirements for the payment of principal and interest on all revenue bonds. The Bond and Interest Sinking Fund has a balance of \$350,104 as of June 30, 2013 and is considered fully funded.

According to the current bonds ordinances, the City is to transfer from the Revenue Fund the sum of \$4,655 each month to the Depreciation Reserve Fund until fully funded at \$463,040. The balance in the Depreciation Fund as of June 30, 2013 is \$3,299,803 and is considered fully funded.

**Note C - Capital Assets**

Capital asset activity for the year ended June 30, 2013, was as follows:

<u>Asset Class</u>	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
<u>Governmental Activities:</u>				
Land	\$ 75,416	\$ -	\$ -	\$ 75,416
Buildings	832,945	249,264	-	1,082,209
Vehicles	363,772	-	-	363,772
Equipment	99,200	14,704	-	113,904
Total Capital Assets	1,371,333	263,968	-	1,635,301
Less, Accumulated Depreciation				
Buildings	190,267	23,935	-	214,202
Vehicles	176,956	39,551	-	216,507
Equipment	77,035	25,573	-	102,608
Total Accumulated Depreciation	444,258	89,059	-	533,317
Governmental activities Capital Assets, net	<u>\$ 927,075</u>	<u>\$ 174,909</u>	<u>\$ -</u>	<u>\$ 1,101,984</u>

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**Note C - Capital Assets (Continued)**

<u>Asset Class</u>	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
<b>Business-type activities:</b>				
Land	\$ 371,119	\$ -	\$ -	\$ 371,119
Buildings and Improvements	619,914	3,251	-	623,165
Vehicles, Water	458,934	163,254	(19,900)	602,288
Vehicles, Sewer	53,896	-	-	53,896
Machinery and Equipment	397,067	19,180	-	416,247
Louisville Line Project	3,849,395	-	-	3,849,395
Phase I Water Dist. System	2,575,753	-	-	2,575,753
Phase II Water Dist. System	4,158,606	-	-	4,158,606
Phase III Water Dist. System	3,336,509	-	-	3,336,509
Phase IV Water Dist. System	576,194	-	-	576,194
Water System	6,964,643	56,178	-	7,020,821
Sewer System	4,753,067	225,946	-	4,979,013
Waste Water Upgrade	3,901,744	-	-	3,901,744
<b>Total Capital Assets</b>	<b>32,016,841</b>	<b>467,809</b>	<b>(19,900)</b>	<b>32,464,750</b>
<b>Less Accumulated Depreciation:</b>				
Building and Improvements	337,217	13,996	-	351,213
Vehicles, Water	366,532	41,404	(19,900)	388,036
Vehicles, Sewer	19,991	11,362	-	31,353
Machinery and Equipment	287,213	35,532	-	322,745
Louisville Line Project	1,519,592	96,610	-	1,616,202
Phase I Water Dist. System	547,347	64,394	-	611,741
Phase II Water Dist. System	537,131	103,965	-	641,096
Phase III Water Dist. System	253,190	83,413	-	336,603
Phase IV Water Dist. System	26,001	14,405	-	40,406
Water System	2,631,873	172,740	-	2,804,613
Sewer System	1,987,681	134,182	-	2,121,863
Waste Water Upgrade	45,769	97,544	-	143,313
<b>Total Accumulated Depreciation</b>	<b>8,559,537</b>	<b>869,547</b>	<b>(19,900)</b>	<b>9,409,184</b>
<b>Business-type activities Capital Assets, net</b>	<b>\$ 23,457,304</b>	<b>\$ (401,738)</b>	<b>\$ -</b>	<b>\$ 23,055,566</b>

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**Note C - Capital Assets (Continued)**

During the fiscal year ending June 30, 2013, depreciation expense was charged to the funds as follows:

Governmental Activities	
General Government	\$ 33,801
Police Department	51,091
Streets	<u>4,167</u>
Total	<u><u>\$ 89,059</u></u>
Business Type Activities	
Water	\$ 626,459
Sewer	<u>243,088</u>
Total	<u><u>\$ 869,547</u></u>

Depreciation is computed using the straight line method. The estimated service life of each class of capital asset is based upon guidelines established by the Internal Revenue Service.

Donated capital assets are recorded at estimated fair value at the date of donation.

**Note D – Receivables**

As of June 30, 2013, the Receivables due the City consist of the following:

	Governmental Activities	Business-Type Activities
Property Taxes	\$ 1,772	\$ -
Accounts Receivable, Customers	<u>-</u>	<u>272,860</u>
Total Accounts Receivables	<u><u>\$ 1,772</u></u>	<u><u>\$ 272,860</u></u>

The City of Taylorsville uses the specific charge-off method to recognize Bad Debt Expense.

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**Note E - Long Term Debt**

The following is a summary of the changes in long-term obligations of the City of Taylorsville as of June 30, 2013:

	Balance 6/30/2012	Increase	Decrease	Balance 6/30/2013	Amounts Due Within One Year
Business-type Activities:					
Revenue Bonds					
Kentucky Infrastructure Authority					
C88-12	\$ 75,000	\$ -	\$ (25,000)	\$ 50,000	\$ 50,000
C93-01	30,000	-	(15,000)	15,000	15,000
FO2-03 Phase I	744,111	-	(61,372)	682,739	61,985
Rural Development Agency					
In County Project	1,320,500	-	(15,500)	1,305,000	16,500
In City Project	196,000	-	(2,500)	193,500	2,500
1994 A	518,000	-	(14,000)	504,000	14,000
1998	1,578,000	-	(31,000)	1,547,000	33,000
2001	612,000	-	(11,000)	601,000	11,000
Phase II	1,558,000	-	(23,000)	1,535,000	24,000
Bond 92-19	860,000	-	-	860,000	14,500
Bond 92-12	550,000	-	-	550,000	9,000
	<u>\$ 8,041,611</u>	<u>\$ -</u>	<u>\$ (198,372)</u>	<u>\$ 7,843,239</u>	<u>\$ 251,485</u>

Business-Type Activities

\$1,335,000 Series 1988 Waterworks and Sewer System Revenue Refunding Bonds due to Kentucky Infrastructure Authority, monthly installments vary throughout the term of the bond, mature July 1, 2018, interest rate is variable from 2.250% to 5.250%. \$ 50,000

\$227,478 Series G 1993, Government Agencies Program Bonds due to Kentucky Infrastructure Authority, monthly installments vary throughout the term of the bond, mature July 1, 2014, interest rate is variable from 3.160% to 5.290%. 15,000

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**Note E - Long Term Debt (Continued)**

<p>\$1,241,766 Series 2003 Phase I Water Distribution System Bonds due to Kentucky Infrastructure Authority, semi-annual installments approximate \$35,000 and are due June 1 and December 1 throughout the term of the bond, mature January 1, 2039, interest rate is fixed at 1.000%.</p>	682,739
<p>\$666,000 Series A 1994 Waterworks and Sewer System Revenue Bonds due to United States Department of Agriculture, Rural Development, annual installments range from \$7,000 to \$37,000 throughout the term of the bond, and are due January 1, mature July 1, 2034, interest rate is fixed at 4.500%.</p>	504,000
<p>\$1,844,000 Series 1998 Waterworks and Sewer System Revenue Bonds due to United States Department of Agriculture, Rural Development, annual installments range from \$19,000 to \$95,000 throughout the term of the bond, and are due January 1, mature July 1, 2039, interest rate is fixed at 4.500%.</p>	1,547,000
<p>\$690,000 Series 2001 Sewer Rehabilitation Bonds due to United States Department of Agriculture, Rural Development, annual installments range from \$7,000 to \$36,000 throughout the term of the bond, and are due January 1, mature July 1, 2044, interest rate is fixed at 4.500%.</p>	601,000
<p>\$1,692,000 Series 2004 Phase II Water Distribution System Bonds due to United States Department of Agriculture, Rural Development, annual installments range from \$16,500 to \$93,500 throughout the term of the bond, and are due January 1, mature January 1, 2043, interest rate is fixed at 4.500%.</p>	1,535,000
<p>\$1,350,000 Series 2008 Phase III Water Distribution System Bonds (in county project)(Formerly Kentucky Rural Water Financing Corporation interim financing), due to United States Department of Agriculture, Rural Development, annual installments range from \$14,000 to \$71,500 throughout the term of the bond, and are due beginning January 1, mature January 1, 2049, interest rate is 4.375%.</p>	1,305,000
<p>\$200,000 Series 2008 Phase III Water Distribution System Bonds (in city project)(Formerly Kentucky Rural Water Financing Corporation interim financing), due to United States Department of Agriculture, Rural Development, annual installments range from \$2,000 to \$12,000 throughout the term of the bond, and are due January 1, mature January 1, 2049, interest rate is 4.375%.</p>	193,500

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**Note E - Long Term Debt (Continued)**

\$860,000 Series 2011 Revenue Bond Series A 92-19, due to United States Department of Agriculture, Rural Development, mature July 1, 2051, interest rate is 2.250%, semi annual payments due January 1 and July 1, secured by revenue. 860,000

\$550,000 Series 2011 Revenue Bond Series A 92-21, due to United States Department of Agriculture, Rural Development, mature July 1, 2051, interest rate is 2.250%, semi annual payments due January 1 and July 1, secured by revenue. 550,000

\$ 7,843,239

<u>Business-type Fund</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 251,485	\$ 298,244	\$ 549,729
2015	192,107	289,577	481,684
2016	198,735	282,166	480,901
2017	203,869	275,854	479,723
2018	212,009	269,342	481,351
2019-2023	1,165,376	1,238,829	2,404,205
2024-2028	1,055,658	1,039,026	2,094,684
2029-2033	1,258,500	807,584	2,066,084
2034-2038	1,385,000	532,019	1,917,019
2039-2043	1,141,500	255,682	1,397,182
2044-2048	620,000	85,477	705,477
2049-2051	159,000	7,149	166,149
	<u>\$ 7,843,239</u>	<u>\$ 5,380,949</u>	<u>\$13,224,188</u>

1. Depreciation Fund – All of the United States Department of Agriculture and Rural Development bonds loan requirements are in compliance.

Required Depreciation Reserve Fund Balance, June 30, 2013	\$ 463,040
Depreciation Reserve Account Balance	\$3,299,803

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**Note E - Long Term Debt (Continued)**

In addition to the above from the Revenue Fund, there shall also be deposited in the Depreciation Fund, as received, the proceeds of all property damage insurance (except public liability) maintained in connection with the System, and the cash proceeds of any surplus, worn out or obsolescent properties of the System, if the same is sold on order of the City. Any fees that may be levied and collected by the City for the privilege of connecting to the System (excluding initial deposits received in aid of the project, if any) shall be paid, as received, into the Depreciation Fund.

The Depreciation Fund shall be available and may be withdrawn and used by the City, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals or replacements, not included in the Annual Budget of Current Expenses, and the cost of constructing additions and improvements to the System which will either enhance its revenue-producing capacity or provide a high degree of service. This Fund shall also be available for transfer to the Bond and Interest Sinking Fund in order to avoid a default in connection with any bonds payable from the Sinking Fund.

2. Operation and Maintenance Fund- This Fund receives on a monthly basis, the remaining balance in the Revenue Fund after the above transfer has been made. This Fund is used to pay operating expenses. Any funds remaining after meeting these expenses in excess of two (2) months operating expense reserve shall be transferred into the Depreciation Fund.

During Fiscal year ended June 30, 2013 interest expense was charged to the business-type activities as follows:

	<u>Water Service</u>	<u>Sewer Service</u>
Kentucky Infrastructure Authority	\$ 14,791	\$ -
USDA Rural Development Agency	205,853	82,013
Total Interest Expense	\$ 220,644	\$ 82,013

**Note F - Risk Management**

The City of Taylorsville is exposed to various risk of loss to torts: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, natural disasters. In order to minimize its loss due to these various risks, the City has insurance with the Kentucky League of Cities Insurance Services for general liability insurance, property insurance and commercial risk insurance for all risk of loss such as worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three (3) years.

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**Note F - Risk Management**

**1. General Liability Coverage, L5539-011140**

a. General Liability	\$ 2,000,000	Per Occurrence
b. Public Officials Liability	2,000,000	Per Occurrence
c. Law Enforcement Liability	2,000,000	Per Occurrence
d. Automobile Liability	2,000,000	Per Occurrence
e. Automobile Physical Damage	Actual Cash	Per Occurrence

**2. Property Coverage, P5539-011090**

a. Building and Personal Property	\$ 7,337,676	Per Occurrence
b. Scheduled Equipment	247,639	Per Occurrence
c. Flood	5,000,000	Per Occurrence
d. Flood Zones B, C, X, only	50,000,000	Annual Aggregate for all participating members
e. Earth Movement	7,585,315	Per Occurrence
	\$ 200,000,000	Annual Aggregate for all participating members

**3. Workers' Compensation Coverage, W5539-011080**

- a. Part One applies to the Workers' Compensation Law of the Commonwealth of Kentucky
- b. Part Two applies as follows:
 

	247,639	Per Occurrence
--	---------	----------------

  - i. Bodily Injury by accident - \$4,000,000 each employee
  - ii. Bodily injury by disease - \$4,000,000 each employee
  - iii. Bodily injury by disease - \$4,000,000 each employee
- c. Part Three provides that coverage does not apply to all states, only Commonwealth of Kentucky

**Note G - Related Parties Transactions**

In a governmental entity, related parties include members of the governing body (city commissioners, etc.), board members, administrative officials (mayor, city clerk, etc.), immediate family members of the preceding individuals, and affiliated governmental units that are not included in the financial statements as part of the reporting entity such as water and sewer systems. There are no related party transactions to be disclosed.

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**Note H - Economic Dependency**

The City is not economically dependent on one or more major taxpayers or suppliers.

**Note I - Pending Litigation**

The City of Taylorsville is a defendant in one (1) lawsuit. According to legal counsel, the outcome of the lawsuit is not determinable.

**Note J - Retirement Plans**

Most City employees are covered under the County Employees Retirement System (CERS), a cost sharing, multiple-employer, and public employer's retirement system pursuant to KRS 78.530. It is administered by the Board of Trustees of the Kentucky Retirement Systems. The plan covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Funding for the Plan is provided through employee payroll withholdings of 5% to 8% and employer (City) contributions of 18.96% to 35.89% of the employee's total compensation subject to the contribution.

Year	Non - Hazardous Duty	Hazardous Duty
Payroll Eligible:		
2013	\$ 750,325	\$ 219,790
2012	723,012	209,969
2011	750,893	234,058
Contribution Requirements:		
2013	\$ 153,409	\$ 82,640
2012	137,083	75,085
2011	119,172	67,546

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for non hazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2013**

**Note J - Retirement Plans (Continued)**

CERS also provides postretirement health care coverage. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>	<u>% Paid by Member Through Payroll Deduction</u>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646 or on the web at [www.kyret.ky.com](http://www.kyret.ky.com).

**Note K - Date of Management's Review**

Subsequent events were evaluated through August 20, 2013 which is the date the financial statements were available to be issued.

**CITY OF TAYLORSVILLE, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULES**  
**REQUIRED SUPPLEMENTARY INFORMATION-MODIFIED ACCRUAL BASIS**  
**GENERAL FUND**  
**For The Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>General Fund Revenues:</b>				
Property Taxes	\$ 184,000	\$ 184,000	\$ 188,198	\$ 4,198
Licenses and Permits	210,000	210,000	163,672	(46,328)
Occupational License Tax	250,000	250,000	278,238	28,238
Intergovernmental Revenues	21,000	21,000	36,987	15,987
Franchise Fees	55,000	55,000	58,435	3,435
Charges for Services	78,000	78,000	78,845	845
Kentucky Law Enforcement Foundation Program	0	0	21,304	21,304
Grant Proceeds	0	5,900	5,920	20
HB 413 Court Cost	11,000	11,000	11,400	400
Floodwall Drainage Project	1,000,000	1,000,000	-	(1,000,000)
Project Funds	250,000	250,000	-	(250,000)
Interest, Rents and Miscellaneous	8,500	8,500	222,336	213,836
<b>Total General Fund Revenues</b>	<u>2,067,500</u>	<u>2,073,400</u>	<u>1,065,335</u>	<u>(1,008,065)</u>
<b>General Fund Appropriations:</b>				
General government	52,894	52,894	306,574	(253,680)
Public safety				0
Police Dept	546,565	600,000	579,636	20,364
Fire Protection Contract Services	54,000	54,000	51,945	2,055
Public Works				0
Streets	86,041	93,190	81,427	11,763
Sanitation	78,000	78,000	76,243	1,757
Floodwall Drainage Project	1,000,000	1,000,000	0	1,000,000
Project Expense	250,000	250,000	0	250,000
<b>Total General Fund Appropriations</b>	<u>2,067,500</u>	<u>2,128,084</u>	<u>1,095,825</u>	<u>1,032,259</u>
Net Change in Fund Balance	0	(54,684)	(30,490)	24,194
Fund Balances, Beginning of Year	<u>511,423</u>	<u>518,660</u>	<u>529,701</u>	<u>11,041</u>
Fund Balances, End of Year	<u>\$ 511,423</u>	<u>\$ 463,976</u>	<u>\$ 499,211</u>	<u>\$ 35,235</u>

**CITY OF TAYLORSVILLE, KENTUCKY  
 BUDGETARY COMPARISON SCHEDULES  
 REQUIRED SUPPLEMENTARY INFORMATION-MODIFIED ACCRUAL BASIS  
 MUNICIPAL ROAD AID FUND  
 For The Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Street Fund Revenues:</b>				
Intergovernmental Revenues	\$ 20,000	\$ 20,000	\$ 38,723	\$ 18,723
Interest, Rents and Miscellaneous	200	200	589	389
<b>Total Street Fund Revenues</b>	<u>20,200</u>	<u>20,200</u>	<u>39,312</u>	<u>19,112</u>
<b>Street Fund Appropriations:</b>				
Public Works				-
Streets	25,000	25,000	-	25,000
<b>Total Street Fund Appropriations</b>	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
<b>Net Change in Fund Balance</b>	(4,800)	(4,800)	39,312	44,112
<b>Fund Balances, Beginning of Year</b>	<u>49,656</u>	<u>73,519</u>	<u>73,519</u>	<u>0</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 44,856</u></u>	<u><u>\$ 68,719</u></u>	<u><u>\$ 112,831</u></u>	<u><u>\$ 44,112</u></u>

**CITY OF TAYLORSVILLE, KENTUCKY  
 BUDGETARY COMPARISON SCHEDULES  
 REQUIRED SUPPLEMENTARY INFORMATION-MODIFIED ACCRUAL BASIS  
 WATER AND SEWER FUND  
 For The Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Water and Sewer Fund Revenues:</b>				
Charges for Services	\$ 4,269,000	\$ 4,269,000	\$ 4,066,267	\$ (202,733)
Project Funds	270,000	270,000	107,541	(162,459)
Interest, Rents and Miscellaneous	-	-	35,664	35,664
<b>Total Water and Sewer Fund Revenues</b>	<b>4,539,000</b>	<b>4,539,000</b>	<b>4,209,472</b>	<b>(329,528)</b>
<b>Water and Sewer Fund Appropriations:</b>				
Public Utilities	4,324,328	4,324,328	3,993,371	330,957
Project Expense	270,000	270,000	0	270,000
Interest Expense	-	-	302,657	(302,657)
<b>Total Water and Sewer Fund Appropriation</b>	<b>4,594,328</b>	<b>4,594,328</b>	<b>4,296,028</b>	<b>298,300</b>
<b>Net Change in Fund Balance</b>	<b>(55,328)</b>	<b>(55,328)</b>	<b>(86,556)</b>	<b>(31,228)</b>
Restricted Fund Balance	17,829,814	19,395,235	19,809,771	414,536
Unrestricted Fund Balance	621,993	621,993	207,456	(414,537)
<b>Fund Balances, Beginning of Year</b>	<b>18,451,807</b>	<b>20,017,228</b>	<b>20,017,227</b>	<b>(1)</b>
<b>Fund Balances, End of Year</b>	<b>\$ 18,396,479</b>	<b>\$ 19,961,900</b>	<b>\$ 19,930,671</b>	<b>\$ (31,230)</b>

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-**  
**MODIFIED ACCRUAL BASIS**  
**For The Fiscal Year Ended June 30, 2013**

**Note A – Budgetary Basis of Accounting**

While the City reports financial position, results of operations and changes in fund balance in accordance with generally accepted accounting principles (GAAP) accepted in the United States, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, and disbursements. The Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget (Non-GAAP Basis) and Actual results presented as RSI for each major governmental fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**Note B – Reconciling Net Increase (Decrease) in Net Assets, Budgetary Basis to Net Increase (Decrease) in Net Assets GAAP Basis**

<u>General Fund</u>	
Net Change in Fund Balance, Budgetary Basis	\$ (30,490)
Municipal Street Fund Income Included	39,312
Depreciation Expense	(89,059)
Capital Asset Expenses	263,968
Change in Accrued Compensated Absences	<u>(1,401)</u>
Net Change in Net Position, GAAP Basis	<u><u>\$ 182,330</u></u>
 <u>Municipal Road Aid Fund</u>	
Net Change in Fund Balance, Budgetary Basis	\$ 39,312
Municipal Street Fund Income Included	<u>(39,312)</u>
Net Change in Net Position, GAAP Basis	<u><u>\$ 0</u></u>

GAAP increase (decrease) in net assets in the Municipal Road Aid Fund is reported as part of the net increase (decrease) in net assets in the statement of activities, General Fund. See the reconciliation of the net change in net assets, budgetary basis to the net change in net assets, GAAP basis, and General Fund above.

**Note C – Information About Infrastructure Assets Reported Using the Modified Approach**

As allowed by GASB Statement No. 34, *Basic Financial statements- and Management’s Discussion and Analysis- for State and Local Governments*, the City has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the “modified approach,” infrastructure assets are not depreciated, and maintenance and preservation costs are not expensed. The City capitalizes costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach.

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-**  
**MODIFIED ACCRUAL BASIS**  
**For The Fiscal Year Ended June 30, 2013**

**Note C – Information About Infrastructure Assets Reported Using the Modified Approach (Continued)**

In order to use the modified approach, the City is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets and the condition level established and disclose by the City.
- Document that the infrastructure assets are being preserved approximately at or above the condition level established by the City.

A government that uses the modified approach has to document that it has performed a complete condition assessment of the assets at least every three years. The City completed a condition assessment of the assets and reported the results of the assessment in the financial statements of June 30, 2010 and for the year then ended. That assessment is reported in these financial statements as of June 30, 2010 and for the year then ended.

**Roads**

The City applies the modified approach to the thirty-three (33) streets and roads that are owned by the City and maintained by the City's Streets Department. The goal of the City in conjunction with adopting the modified approach is to develop and provide a cost effective pavement maintenance and rehabilitation program that preserves the City's investment in its road network and enhances public transportation and safety.

**Measurement Scale**

The condition of road pavement is measured using the City Pavement Measurement System. This system uses a measurement scale that considers the condition of the highways and roads as denoted by a Pavement Condition Index (PCI), ranging from 0 to 100. The PCI is used to classify roads into categories as follows:

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-**  
**MODIFIED ACCRUAL BASIS**  
**For The Fiscal Year Ended June 30, 2013**

**Note C – Information About Infrastructure Assets Reported Using the Modified Approach (Continued)**

Category	PCI Rating Range	Description
Very Good	94- 100	New or nearly new pavement which provides a very smooth ride and is mainly free of distress (No maintenance work needed).
Good	76 - 93	Pavement which provides an adequate ride and exhibits few, if any, visible signs of distress (Minor maintenance may be needed).
Fair	64 - 75	Surface defects such as cracking, rutting, and ravelling are affecting the ride (Major maintenance is likely needed).
Poor	41 - 63	These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough (Structural improvements, in addition to major maintenance are likely needed).
Very Poor	0 - 40	Pavement in this category is severely deteriorated and the ride quality is unacceptable (Complete road reconstruction is likely needed).

**Established Condition Level**

It is the City’s policy to maintain at least 80% of its roads at or above the “good” condition level, and no more than 10% at a “very poor” condition. Condition assessments are performed by geographic district within the City on approximately one-third of the roads each year, achieving a complete condition assessment at least every three years.

**CITY OF TAYLORSVILLE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-**  
**MODIFIED ACCRUAL BASIS**  
**For The Fiscal Year Ended June 30, 2013**

**Note C – Information About Infrastructure Assets Reported Using the Modified Approach (Continued)**

**Assessed Conditions**

The following table reports the percentage of pavement meeting the “very good” and “good” condition ratings, as well as those falling into the “fair” category, as assessed in 2010. Some City streets were assessed as “poor” or “very poor”. Prior to 2010, the City did not use as asset management system. Therefore, no meaningful comparison of the condition of the City’s roads prior to 2010 is available.

During the past five (5) years ended June 30, the City budgeted and spent the following amounts to maintain the streets, roads and sidewalks of the City of Taylorsville:

<b>Category</b>	<b>2010</b>
Very Good	94- 100
Good	76 - 93
Fair	64 - 75
Poor	41 - 63
Very Poor	0 - 40

During the past five (5) years ended June 30, the City budgeted and spent the following amounts to maintain the streets, roads and side2walks of the City of Taylorsville:

Ended June 30,	Annual Budget	Annual Expenditure
2009	\$ 210,000	\$ 196,076
2010	514,000	458,985
2011	44,195	42,099
2012	37,285	35,272
2013	118,190	81,427

**CITY OF TAYLORSVILLE, KENTUCKY**  
**SCHEDULE OF GENERAL FUND ACTIVITY**  
**June 30, 2013**

<b>Revenue</b>	Activities					<b>Total</b>
	General Governmental	Fire Department	Police Department	Street Department	Sanitation Department	
Automobile Tax, County	\$ 12,966	\$ -	\$ -	\$ -	\$ -	\$ 12,966
Automobile Tax, Inter-county	2,140	-	-	-	-	2,140
Bank Shares Tax	19,239	-	-	-	-	19,239
Discount on Taxes	(2,294)	-	-	-	-	(2,294)
Fines, Forfeits and Penalties	97	-	6,976	-	-	7,073
Franchise Fees	58,435	-	-	-	-	58,435
Insurance License	163,672	-	-	-	-	163,672
Interest Income	3,155	-	-	-	-	3,155
Intergovernmental Revenue	-	-	32,704	-	-	32,704
Main Street Proceeds	219,379	-	-	-	-	219,379
Miscellaneous Revenue	24,339	-	190	-	-	24,529
Occupational Licenses	257,050	-	-	-	-	257,050
Occupational Tax	21,188	-	-	-	-	21,188
Police Overtime	-	-	4,283	-	-	4,283
Police Revenue	-	-	1,060	-	-	1,060
Property Taxes	149,074	-	-	-	-	149,074
Sale of Assets	601	-	-	-	-	601
Telecommunications Tax	4,486	-	-	-	-	4,486
Unloading Licenses	7,750	-	-	-	-	7,750
<b>Total Revenues</b>	941,277	-	45,213	-	-	986,490

**CITY OF TAYLORSVILLE, KENTUCKY**  
**SCHEDULE OF GENERAL FUND ACTIVITY (CONTINUED)**  
**For The Year Ended June 30, 2013**

<b>Expenditures</b>	Activities					<b>Total</b>
	General Governmental	Fire Department	Police Department	Street Department	Sanitation Department	
Advertisements	\$ -	\$ -	\$ 150	\$ -	\$ -	\$ 150
Bank Charges	619	-	-	-	-	619
Contract Services	1,500	51,945	3,640	-	-	57,085
Dues	-	-	50	97	-	147
Engineering Services	2,810	-	-	-	-	2,810
FEMA Drainage Project	13,144	-	-	-	-	13,144
FICA	42	-	15,329	-	-	15,371
Insurance	533	-	19,670	612	-	20,815
Legal and Audit Fees	12,396	-	-	-	-	12,396
Main Street Manager	5,833	-	-	-	-	5,833
Main Street Phase II	-	-	-	-	-	-
Maintenance, Building	-	-	-	-	-	-
Maintenance and Repairs	1,704	-	816	33,573	-	36,093
Medical Insurance	-	-	86,079	-	-	86,079
Medicare	10	-	3,585	-	-	3,595
Miscellaneous	180	-	39	-	-	219
Office Supplies	286	-	3,853	-	-	4,139
Postage	-	-	458	-	-	458
Publications and Printing	1,556	-	152	143	-	1,851
Rent	1,500	-	-	-	-	1,500
Repairs and Maintenance	581	-	4,154	-	-	4,735
Retirement Expense	-	-	88,621	-	-	88,621
Salaries	677	-	245,340	-	-	246,017
Salaries, Overtime	-	-	20,881	-	-	20,881
Sanitation Expense	-	-	-	-	76,243	76,243
Seminars and Travel	109	-	3,312	-	-	3,421
Supplies	137	-	7,667	2,090	-	9,894
Tax Preparation	5,165	-	-	-	-	5,165
Taxes and Licenses	24	-	180	-	-	204
Training Expense	-	-	690	-	-	690
Uniforms	-	-	7,625	-	-	7,625
Unsafe Structure Expense	1,800	-	-	-	-	1,800
Utilities	4,226	-	10,731	44,912	-	59,869
Vehicle Expense	-	-	15,477	-	-	15,477
Vehicle Fuel Expense	-	-	30,312	-	-	30,312
<b>Total Expenditures</b>	<b>54,832</b>	<b>51,945</b>	<b>568,811</b>	<b>81,427</b>	<b>76,243</b>	<b>833,258</b>
<b>Other Financing Sources (Uses)</b>						
Sanitation	-	-	-	-	78,845	78,845
Capital Outlay	(251,742)	-	(12,226)	-	-	(263,968)
<b>Total Other Financing Uses</b>	<b>(251,742)</b>	<b>-</b>	<b>(12,226)</b>	<b>-</b>	<b>78,845</b>	<b>(185,123)</b>
<b>Net Revenues Over Expenditures</b>	<b>\$ 634,703</b>	<b>\$ (51,945)</b>	<b>\$ (535,824)</b>	<b>\$ (81,427)</b>	<b>\$ 2,602</b>	<b>\$ (31,891)</b>

**CITY OF TAYLORSVILLE, KENTUCKY**  
**SCHEDULE OF MUNICIPAL ROAD AID FUND ACTIVITY**  
**For The Year Ended June 30, 2013**

<b>Expenditures</b>	Municipal Street Activities
<b>Revenues</b>	
Intergovernmental Revenue:	
Municipal Road Aid	\$ 38,723
Interest Income	589
<b>Total Revenues</b>	39,312
 <b>Expenditures</b>	
<b>Total Expenditures</b>	-
<b>Net Revenues Over Expenditures</b>	\$ 39,312

**CITY OF TAYLORSVILLE, KENTUCKY**  
**SCHEDULE OF WATER AND SEWER SERVICE**  
**FUND ACTIVITY**  
**For The Year Ended June 30, 2013**

<b>Revenues</b>	Activities			Total
	Water Service	Sewer Service	Sanitation Service	
<b>Operating Revenue</b>				
Water Revenue	\$3,363,637	\$ -	\$ -	\$3,363,637
Surcharge Phase I	46,579	-	-	46,579
Surcharge Phase II	34,437	-	-	34,437
Surcharge Phase III	6,006	-	-	6,006
Activation Fees	18,060	-	-	18,060
Meter Sets	82,000	-	-	82,000
Penalties	72,965	-	-	72,965
Redeposit and Returned Checks	9,011	-	-	9,011
Restructuring Revenue	2,674	-	-	2,674
Return Check Fees	3,165	-	-	3,165
Return Check Revenue	(10,112)	-	-	(10,112)
Turn On and Service Trips	11,550	-	-	11,550
Vendors Compensation	368	-	-	368
Sanitation Revenue	-	-	78,845	78,845
Sewer Revenue	-	332,082	-	332,082
Sewer Tap On Fees	-	15,000	-	15,000
<b>Total Revenues</b>	<b>\$3,640,340</b>	<b>\$ 347,082</b>	<b>\$ 78,845</b>	<b>\$4,066,267</b>

**CITY OF TAYLORSVILLE, KENTUCKY**  
**SCHEDULE OF WATER AND SEWER SERVICE**  
**FUND ACTIVITY (CONTINUED)**  
**For The Year Ended June 30, 2013**

<b>Expenditures</b>	Activities			
	Water Service	Sewer Service	Sanitation Service	Total
Advertising	\$ 1,685	\$ 609	\$ -	\$ 2,294
Bad Debts	3,278	-	-	3,278
Bank Charges	3,015	-	-	3,015
Chemicals	1,455	-	-	1,455
Clothing Allowance	8,423	1,912	-	10,335
Consulting	-	-	-	-
Contract Labor	6,240	-	-	6,240
Cost of Goods Sold	30,902	2	-	30,904
Dues and Subscriptions	2,400	-	-	2,400
Education and Seminars	1,961	490	-	2,451
Engineering Services	232	-	-	232
FICA	43,463	5,891	-	49,354
Freight	3,112	602	-	3,714
Inspection and Laboratory Fees	14,285	16,900	-	31,185
Insurance and Bonds	50,297	11,988	-	62,285
Legal and Audit Fees	16,771	4,445	-	21,216
License and Permits, Floodwall	87	-	-	87
Louisville Water Purchased	1,015,426	-	-	1,015,426
Maintenance and Repairs	54,387	14,913	-	69,300
Maintenance and Repairs, Office Equipment	34,783	-	-	34,783
Medical Allowance	29,925	-	-	29,925
Medical Insurance	239,763	23,923	-	263,686
Medicare	10,165	1,378	-	11,543
Meter Costs	66,992	-	-	66,992
Office Supplies	20,158	139	-	20,297
Postage	26,034	-	-	26,034
Premium on KIA Bonds	196	-	-	196
Retirement Expense	134,166	19,313	-	153,479
Salaries	706,420	93,715	-	800,135
Salaries, Overtime	35,655	5,761	-	41,416
Sewer System Study	-	7,306	-	7,306
SUI Expense	536	-	-	536
Supplies	19,313	2,516	-	21,829
Transfer to Dispatch	9,600	-	-	9,600
Transfer to Other	-	-	-	-
Truck Expense	-	2,215	-	2,215
Travel Expenses	1,463	265	-	1,728
Utilities	118,134	48,763	-	166,897
Vehicle Expense	25,267	-	-	25,267
Vehicle Fuel Expense	35,683	10,261	-	45,944
<b>Total Operating Expenditures</b>	<b>\$2,771,672</b>	<b>\$ 273,307</b>	<b>\$ -</b>	<b>\$3,044,979</b>
<b>Operating Income Before Depreciation</b>	<b>\$ 868,668</b>	<b>\$ 73,775</b>	<b>\$ 78,845</b>	<b>\$1,021,288</b>
<b>Depreciation and Amortization</b>	<b>626,459</b>	<b>243,088</b>	<b>-</b>	<b>869,547</b>
<b>Operating Income (Loss)</b>	<b>242,209</b>	<b>(169,313)</b>	<b>78,845</b>	<b>151,741</b>

**CITY OF TAYLORSVILLE, KENTUCKY**  
**SCHEDULE OF WATER AND SEWER SERVICE**  
**FUND ACTIVITY (CONTINUED)**  
**For The Year Ended June 30, 2013**

<b>Non - Operating Income (Expenses)</b>	Activities			Total
	Water Service	Sewer Service	Sanitation Service	
Sale of Assets	3,801	-	-	3,801
Sewer Upgrade, CDBG Grant	-	-	-	-
Sewer Upgrade, RDA Grant	-	-	-	-
State Road 44 Sewer Extension	-	107,541	-	107,541
Customer Contributed Capital	7,388	-	-	7,388
Lease Income	39,032	-	-	39,032
Miscellaneous Income	15,626	-	-	15,626
Interest Expense, KIA	(14,791)	-	-	(14,791)
Interest Expense, RDA	(205,853)	(82,013)	-	(287,866)
Interest Income	(30,183)	-	-	(30,183)
<b>Total Non - Operating Income (Expenses)</b>	(184,980)	25,528	-	(159,452)
<b>Income Before Transfers</b>	57,229	(143,785)	78,845	(7,711)
Transfer to Sanitation	-	-	(78,845)	(78,845)
<b>Net Revenues Over (Under) Expenditures</b>	<u>\$ 57,229</u>	<u>\$ (143,785)</u>	<u>\$ -</u>	<u>\$ (86,556)</u>



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**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 City Council  
City of Taylorsville, Kentucky  
70 Taylorsville Road, PO Box 279  
Taylorsville, Kentucky 40071

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 activities, each major fund, and the aggregate remaining fund information of the City of Taylorsville, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 20, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Taylorsville, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Taylorsville, Kentucky'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. Our audit revealed that the city did not allocate any administrative salaries to the General Fund in accordance with the accuracy or classification assertion required by accounting principles generally accepted in the United States of America. We consider this deficiency to be a material weakness.

**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  
(Continued)**

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. However, material weaknesses may exist that have not been identified

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the City of Taylorsville, Kentucky's financial statements are free of 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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Perry and Gray, PSC*  
August 20, 2013

**CITY OF TAYLORSVILLE, KENTUCKY  
COMMENT AND RECOMMENDATION  
For The Year Ended June 30, 2013**

**Management has elected not allocate any salaries or wages for administrative staff to the General Fund**

Management has elected not allocate any salaries or wages for administrative staff to the General Fund. Accounting principles generally accepted in the United States of America require that the financial statements meet the assertion of accuracy or classification. To be in compliance with this assertion, the financial statements must properly classify, describe, and disclose revenues, receivables, deferred revenues, unearned revenues, deferred outflows of resources, and deferred inflows of resources including classification in the proper fund and activity. The amount by which this departure would affect the assets, fund balance, and revenues of the General Fund has not been determined, however, we believe that this lack of allocation materially misstates the operations of the General Fund.

We recommend that management initiate policies and procedures to allocate fairly administrative salaries to the General Fund.

*Auditee's Response:*

The City of Taylorsville respectively disagrees with allocating salaries for administrative staff to the General Fund. The City of Taylorsville allocates salaries to the department of which the employee spends the majority of their time. Such an allocation would require extensive time studies on the employees. In addition, job tasks for some employees change on a daily basis. This allocation would require constant review and some employees would have to be allocated to as many as five departments which further increases the inaccuracies. Any allocation entry made would be guesswork and totally inaccurate.

That being said, the External Auditor stated that he was unable to provide us with an accurate number to calculate this allocation. Therefore, neither the External Auditor nor the city management can accurately make this adjustment. Mr. Peercy contacted the city's prior auditor, Robert Ryan, CPA, and he agreed with how the City of Taylorsville has been allocating payroll. In addition, the three Auditors prior to Mr. Ryan agreed with the method of payroll allocation utilized by the City of Taylorsville. For these reasons, we feel that allocating salaries for administrative staff to the General Fund would require us to invent numbers that the city could not adequately defend.