

CITY OF TAYLORSVILLE, KENTUCKY

June 30, 2014

*AUDITED FINANCIAL STATEMENTS*



**MADDOX & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

## TABLE OF CONTENTS

### Introductory Section

Transmittal Letter .....	1 - 2
Governmental Directory .....	3

### Financial Section

Independent Auditors' Report .....	4 - 6
Management's Discussion and Analysis (MD&A).....	7 - 13

#### Basic Financial Statements

##### *Government-Wide Financial Statements*

Statement of Net Position .....	14
Statement of Activities .....	15

##### *Fund Financial Statements*

Balance Sheet – Governmental Funds .....	16
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position .....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances –Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities .....	19
Statement of Net Position – Proprietary Fund .....	20
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund .....	21
Statement of Cash Flows – Proprietary Fund .....	22
Notes to the Financial Statements .....	23 - 41

### Required Supplementary Information

#### Budgetary Comparison

General Fund .....	42
Municipal Road Aid Fund.....	43
Water and Sewer Fund .....	44
Notes to Required Supplementary Information.....	45 - 47

**Other Supplementary Information**

Schedule of General Fund Activity ..... 48 - 49

Schedule of Municipal Road Aid Fund Activity..... 50

Schedule of Sewer and Water Fund Activity ..... 51 - 52

**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* ..... 53 - 54**

## INDEPENDENT AUDITORS' REPORT

City of Taylorsville, Kentucky  
70 Taylorsville Road  
Taylorsville, KY 40071

To the City Commission

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Taylorsville, Kentucky (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

### **Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks 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 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

## **Opinions**

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, and each major fund, of the City of Taylorsville, Kentucky, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 2 to the financial statements, during the year ended June 30, 2013, the City adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

## **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 listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and the schedules of fund activity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of fund activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 schedules of fund activity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**Maddox & Associates CPAs Inc.**

Fort Thomas, Kentucky

August 14, 2014

City of Taylorsville, Kentucky  
Management Discussion and Analysis  
June 30, 2014

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, Kentucky for the fiscal year ended June 30, 2014. 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, 2014, by \$21,541,014. This is a .42% decrease from last year's net assets of \$21,632,250. Of this amount \$482,498 is unrestricted and used to meet the general government's ongoing obligations to citizens and creditors.
- At June 30, 2014, the governmental funds reported combined fund balances of \$621,448.

**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.
- The Statement of Activities presents information showing how a government's net position changed during the most recent fiscal year. All changes in net position 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's governmental activities include police, contracted fire protection, streets, sanitation, and general government. The City has one business-type activity; water and sewer service.

City of Taylorsville, Kentucky  
Management Discussion and Analysis  
June 30, 2014

**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, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial legal requirements. All of the funds of the City 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'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 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 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.

**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 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.

City of Taylorsville, Kentucky  
Management Discussion and Analysis  
June 30, 2014

**Government-wide Financial Analysis:**

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The largest part of the City's net position 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 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 the net position to finance the continuing operations of the water and sewer operations.

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

	<u>Governmental</u> <u>Activities</u> 2014	<u>Business-type Activities</u> 2014	<u>Total</u> 2014
Current and other assets	\$ 700	\$ 5,745	\$ 6,445
Capital assets	<u>1,024</u>	<u>22,355</u>	<u>23,379</u>
Total assets	1,724	28,100	29,824
Current liabilities	78	805	883
Long Term liabilities	<u>0</u>	<u>7,400</u>	<u>7,400</u>
Total liabilities	78	8,205	8,283
Net assets:			
Invested in capital assets	1,025	14,763	15,788
1.) Restricted – Debt and Cash	139	4,153	4,292
Unrestricted	<u>482</u>	<u>979</u>	<u>1,461</u>
Total net assets	<u>\$1,646</u>	<u>\$ 19,895</u>	<u>\$ 21,541</u>

1.) Restricted - Debt Portion \$288K + Restricted Cash of \$3,865K = \$4,153K.

City of Taylorsville, Kentucky  
Management Discussion and Analysis  
June 30, 2014

Revenues for the City are generated from three main sources: insurance premium tax, occupational license tax, and property taxes. This relative mix of different revenue sources are illustrated in the table below:

Revenues by Sources-Governmental Activities	Dollars	% to Total
Insurance Premium Tax	\$162,275	18.77%
Occupational License Tax	272,459	31.51%
Property Taxes	153,617	17.77%
Sanitation (Pass through)	79,716	9.22%
Franchise Fees	62,937	7.27%
Business and Unloading License	35,438	4.09%
Intergovernmental Revenue	17,680	2.04%
Bank Shares Tax	18,959	2.19%
School Resource Officer Program	20,580	2.37%
Other Revenue	41,280	4.77%
<b>Total Revenue before Grants and Contributions</b>	<b>\$ 864,941</b>	<b>100.00%</b>

**County Contributions to the Hazard Mitigation Project were \$2,417. Total Revenue after Grants and Contributions were \$867,358.**

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

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with financial and legal requirements. The focus of the City'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's governmental funds reported combined ending fund balances of \$621,448 (\$482,498 is unreserved).

The general fund is the primary operating fund of the City. During the year Revenues exceeded Expenditures in the general fund by \$2,548.

The insurance premium tax decreased from \$163,672 in Fiscal Year 2013 to \$162,275 in Fiscal Year 2014. This year's decrease is 1% compared to the prior year decrease of 4%.

Expenses for the year on the FEMA Drainage Project were \$3,090.

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>2014</u> <u>Expenses</u>	<u>2013</u> <u>Expenses</u>
Governmental activities:		
Fire	\$52,505	\$51,945
Street	66,495	81,428
Sanitation	76,851	76,243
General Government	108,290	44,169
Main Street Phase II	-----	249,264
Police	557,579	581,036
FEMA Drainage Project	<u>3,090</u>	<u>13,144</u>
<b>Total Governmental</b>	<b><u>\$ 864,810</u></b>	<b><u>\$1,097,229</u></b>

City of Taylorsville, Kentucky  
Management Discussion and Analysis  
June 30, 2014

The Municipal Road Aid Fund had no expenditures for FY2014.

The Municipal Road Aid Fund Balance at June 30 is \$132,136.

**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 \$570,936 as of June 30, 2014.

**Budgetary Highlights:**

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

- Water revenue of \$3,339,905 was \$230,095 under budget for the Year.
- Meter Sets of \$105,200 were \$21,200 over Budget for the Year.
- Sewer Revenue of \$328,545 was \$23,455 under Budget for the Year.
- The KYTC Reimbursement for SR 44 was \$83,569.
- The KYTC Reimbursement for the Bridge Utility Project was \$43,116.
- The KYTC Reimbursement for the Normandy Road Project was \$14,834.
  
- Louisville Water Purchased of \$1,078,160 was \$3,160 over Budget for the Year.
  
- Sewer Net Income before Contributions of \$(249,131) was \$24,699 under Budget for the Year.
  
- Water Net Income before Contributions of \$72,091 was \$152,341 under Budget for the Year.
  
- Total Net Income before Contributions of \$(177,040) was \$177,040 under Budget for the Year.
  
- Total Net Income after Contributions of \$(35,521) was \$35,521 under Budget for the Year.

**Capital Asset Administration:**

The City’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, 2014, was \$23,379,655 (net of accumulated depreciation). Major capital asset events during the year were:

- Additions of \$ 177,758 to the Water and Sewer fund and \$7,065 to the General fund for a total of \$184,823 in total capital assets.
  
- Depreciation expense of \$84,632 was charged to governmental activities. \$878,085 was charged to the business-type activities.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 75,416	\$ 75,416	\$ 371,118	\$ 371,118	\$ 446,534	\$ 446,534
Building and improvements	839,867	868,005	268,395	271,952	1,108,262	1,139,957
Equipment	109,133	158,563	250,816	330,296	359,949	488,859
Water and Sewer System	<u>-</u>	<u>-</u>	<u>21,464,910</u>	<u>22,082,199</u>	<u>21,464,910</u>	<u>22,082,199</u>

Total Net Capital Assets	<u>\$1,024,416</u>	<u>\$1,101,984</u>	<u>\$22,355,239</u>	<u>\$23,055,565</u>	<u>\$23,379,655</u>	<u>\$ 24,157,549</u>
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City of Taylorsville, Kentucky  
Management Discussion and Analysis  
June 30, 2014

**Debt Administration:**

The City had total outstanding bonded debt of \$7,591,754 at June 30, 2014. Following is a comparative statement of outstanding debt:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special revenue bonds	-	-	7,591,754	7,843,240	7,591,754	7,843,240
Accumulated employee vacation pay	<u>9,747</u>	<u>12,449</u>	<u>37,910</u>	<u>40,640</u>	<u>47,657</u>	<u>53,089</u>
Total	<u>\$ 9,747</u>	<u>\$ 11,048</u>	<u>\$7,629,664</u>	<u>\$7,883,880</u>	<u>\$7,639,411</u>	<u>\$7,896,329</u>

During the year, \$251,486 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, KENTUCKY  
Water and Sewer Fund  
Water Production Report

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Gallons Purchased	524,682,000	494,660,000	540,611,000	550,269,000	552,254,000	585,467,000
Gallons Sold	<u>384,262,125</u>	<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>
Gallons to Account For	140,419,875	106,480,206	133,700,590	140,306,663	157,604,332	159,858,828
Gallons used by City And Returns to Louisville	61,991,910	26,752,850	32,427,113	17,945,648	37,937,930	66,094,871
Gallons Available For Sale	462,690,090	467,907,150	508,183,887	532,323,352	514,316,070	519,372,129
Gallons Sold	<u>384,262,125</u>	<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>
System Loss	78,427,965	79,727,356	101,273,477	122,361,015	119,666,402	93,763,957
% Loss to Gallons Purchased	14.95	16.12	18.73	22.24	21.67	16.02
% Loss to Gallons Available	16.95	17.04	19.93	22.99	23.27	18.05
<u>Number of Connections in Use</u>						
City	637	598	610	600	595	568
County	<u>6,317</u>	<u>6,273</u>	<u>6,183</u>	<u>6,148</u>	<u>6,076</u>	<u>5,993</u>
Total	6,954	6,871	6,793	6,748	6,671	6,561

Water Connections by Account Classification

Apartments	46	47	44	49	48	48
Bulk	3	3	3	3	3	3
Commercial	121	122	120	115	115	116
Education Inst.	15	15	15	13	13	13
Farmstead	52	53	53	52	51	50
Government	32	30	29	28	29	27
Industrial	1	1	1	1	1	1
Miscellaneous	35	36	35	34	34	34
Trailer Park	2	2	4	2	2	2
Residential	<u>6,647</u>	<u>6,562</u>	<u>6,489</u>	<u>6,451</u>	<u>6,375</u>	<u>6,267</u>
Total	6,954	6,871	6,793	6,748	6,671	6,561

City of Taylorsville, Kentucky  
Statement of Net Position  
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents - unrestricted	\$ 558,165	\$ 1,006,254	\$ 1,564,419
Cash and cash equivalents - restricted	139,050	4,152,901	4,291,951
Receivables	129,569	257,838	387,407
Intergovernmental receivables	3,951	62,449	66,400
Inventories	0	224,361	224,361
Due from other funds	0	40,844	40,844
Nondepreciable capital assets	75,416	371,118	446,534
Depreciable capital assets	949,001	21,984,120	22,933,121
<b>Total assets</b>	<b>1,855,152</b>	<b>28,099,885</b>	<b>29,955,037</b>
<b>Liabilities:</b>			
Accounts payable	13,774	82,593	96,367
Accrued expenses	0	18,695	18,695
Accrued wages and benefits	10,088	30,838	40,926
Customer deposits	0	315,050	315,050
Other current liabilities	6,814	0	6,814
Interest payable	0	140,322	140,322
Due to other funds	40,844	0	40,844
Long-term liabilities:			
Due within one year	0	192,107	192,107
Due in more than one year	0	7,399,647	7,399,647
Compensated absences	9,747	37,910	47,657
<b>Total liabilities</b>	<b>81,267</b>	<b>8,217,162</b>	<b>8,298,429</b>
<b>Net position:</b>			
Net investment in capital assets	1,024,417	14,763,484	15,787,901
Restricted	139,050	4,152,901	4,291,951
Unrestricted	610,418	966,338	1,576,756
<b>Total net position</b>	<b>\$ 1,773,885</b>	<b>\$ 19,882,723</b>	<b>\$ 21,656,608</b>

City of Taylorsville, Kentucky  
Statement of Activities  
For the Year Ended June 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 107,907	\$ 0	\$ 2,417	\$ 0	\$ (105,490)	\$ 0	\$ (105,490)
Public safety - police	555,105	20,580	31,040	0	(503,485)	0	(503,485)
Public safety - fire	52,504	0	0	0	(52,504)	0	(52,504)
Sanitation	76,851	79,716	0	0	2,865	0	2,865
Streets	151,127	0	18,926	0	(132,201)	0	(132,201)
Total governmental activities	<u>943,494</u>	<u>100,296</u>	<u>52,383</u>	<u>0</u>	<u>(790,815)</u>	<u>0</u>	<u>(790,815)</u>
Business-type activities:							
Water and sewer services	<u>4,240,086</u>	<u>4,004,781</u>	<u>0</u>	<u>145,203</u>	<u>0</u>	<u>(90,102)</u>	<u>(90,102)</u>
Total business-type activities	<u>4,240,086</u>	<u>4,004,781</u>	<u>0</u>	<u>145,203</u>	<u>0</u>	<u>(90,102)</u>	<u>(90,102)</u>
Total city	<u>\$ 5,183,580</u>	<u>\$ 4,105,077</u>	<u>\$ 52,383</u>	<u>\$ 145,203</u>	<u>(790,815)</u>	<u>(90,102)</u>	<u>(880,917)</u>
General revenues:							
Property tax					152,737	0	152,737
Bank shares tax					18,959	0	18,959
Auto tax					15,784	0	15,784
Telecommunications tax					4,486	0	4,486
Insurance premium tax					178,922	0	178,922
Franchise fees					61,012	0	61,012
Business licenses					23,875	0	23,875
Unloading licenses					11,563	0	11,563
Occupational tax					299,777	0	299,777
Lease income					0	41,792	41,792
Interest					2,138	8,520	10,658
Other revenues					4,426	0	4,426
Total general revenues					<u>773,679</u>	<u>50,312</u>	<u>823,991</u>
Change in net position					(17,136)	(39,790)	(56,926)
Prior period adjustment					89,444	(8,158)	81,286
Net position - beginning					<u>1,701,577</u>	<u>19,930,671</u>	<u>21,632,248</u>
Net position - ending					<u>\$ 1,773,885</u>	<u>\$ 19,882,723</u>	<u>\$ 21,656,608</u>

City of Taylorsville, Kentucky  
 Balance Sheet  
 Governmental Funds  
 June 30, 2014

	General Fund	Special Revenue	Total Governmental Funds
<b>Assets:</b>			
Cash and cash equivalents - unrestricted	\$ 558,165	\$ 132,136	\$ 690,301
Cash and cash equivalents - restricted	6,914	0	6,914
Taxes receivable	129,569	0	129,569
Intergovernmental receivable	3,951	0	3,951
<b>Total assets</b>	<b>\$ 698,599</b>	<b>\$ 132,136</b>	<b>\$ 830,735</b>
<b>Liabilities:</b>			
Accounts payable	\$ 13,774	\$ 0	\$ 13,774
Other liabilities	6,814	0	6,814
Payroll related liabilities	10,088	0	10,088
Due to other funds	40,844	0	40,844
<b>Total liabilities</b>	<b>71,520</b>	<b>0</b>	<b>71,520</b>
<b>Deferred inflows of resources</b>			
Unavailable revenue	35,571	0	35,571
<b>Fund balances:</b>			
Restricted	6,914	132,136	139,050
Unassigned	584,594	0	584,594
<b>Total fund balances</b>	<b>591,508</b>	<b>132,136</b>	<b>723,644</b>
<b>Total liabilities and fund balances</b>	<b>\$ 698,599</b>	<b>\$ 132,136</b>	<b>\$ 830,735</b>

City of Falmouth, Kentucky  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2014

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

Total governmental fund balances	\$	723,644
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.		1,024,417
Some assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		35,571
Long-term liabilities are not due and payable in the current period and, therefore are not included in the funds.		(9,747)
Net position of governmental activities	\$	<u>1,773,885</u>

City of Taylorsville, Kentucky  
Statement of Revenues, Expenditure, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

	General Fund	Special Revenue	Total Governmental Funds
<b>Revenues:</b>			
Taxes - property	\$ 152,737	\$ 0	\$ 152,737
Taxes - insurance premiums	159,052	0	159,052
Taxes - occupational	286,642	0	286,642
Taxes - other	39,229	0	39,229
Franchise fees	58,446	0	58,446
Business and unloading licenses	35,438	0	35,438
Charges for services	100,296	0	100,296
Intergovernmental	31,040	18,926	49,966
Interest	1,759	379	2,138
Police miscellaneous income	2,280	0	2,280
Other	4,563	0	4,563
<b>Total revenues</b>	<b>871,482</b>	<b>19,305</b>	<b>890,787</b>
<b>Expenditures:</b>			
<b>Current</b>			
General government	107,907	0	107,907
Public safety -police	557,807	0	557,807
Public safety - fire	52,504	0	52,504
Sanitation	76,851	0	76,851
Streets	66,495	0	66,495
<b>Capital outlay</b>			
General government	3,485	0	3,485
Public safety -police	3,580	0	3,580
<b>Total expenditures</b>	<b>868,629</b>	<b>0</b>	<b>868,629</b>
Net change in fund balances	2,853	19,305	22,158
Prior period adjustment	89,444	0	89,444
Beginning fund balances	499,211	112,831	612,042
Ending fund balances	<u>\$ 591,508</u>	<u>\$ 132,136</u>	<u>\$ 723,644</u>

City of Taylorsville, Kentucky  
 Reconciliation of the Statement of Revenues, Expenditures, and  
 Changes in Fund Balances of Governmental Funds to the  
 Statement of Activities  
 For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$	22,158
<p>Governmental funds report capital outlays as expenditures.          However, in the statement of activities, the cost of these assets          is allocated over their estimated useful lives and reported as          depreciation expense.</p>		
Capital outlay reported in governmental expenditures		7,065
Depreciation expense reported in the statement of activities		(84,632)
<p>Some revenues reported in the statement of activities are not currently          available and therefore are not reported as revenues in governmental funds</p>		
		35,571
<p>Some expenses reported in the statement of activities do not require          the use of current financial resources and therefore are not reported          as expenditures in governmental funds</p>		
		2,701
Change in net position of governmental activities	<u>\$</u>	<u>(17,137)</u>

City of Taylorsville, Kentucky  
Statement of Net Position  
Proprietary Fund  
June 30, 2014

	Utility Fund
Assets:	
Current assets:	
Cash	\$ 5,159,155
Customer receivables	320,287
Inventories	224,361
Due from other funds	40,844
Total current assets	<u>5,744,647</u>
Noncurrent assets:	
Capital assets not being depreciated, net	371,118
Capital assets being depreciated, net	21,984,120
Total noncurrent assets	<u>22,355,238</u>
Total assets	<u><u>\$ 28,099,885</u></u>
Liabilities:	
Accounts payable	\$ 82,593
Accrued expenses	159,017
Payroll and related expenses	30,838
Customer deposits	315,050
Compensated absences	37,910
Long-term liabilities:	
Due within one year	192,107
Due in more than one year	7,399,647
Total liabilities	<u>8,217,162</u>
Net position:	
Net investment in capital assets	14,763,484
Restricted for:	
Debt service	288,116
Water/sewer operation	3,864,785
Unrestricted	966,338
Total net position	<u>19,882,723</u>
Total liabilities and net position	<u><u>\$ 28,099,885</u></u>

City of Taylorsville, Kentucky  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2014

Operating revenues	
Water revenue	\$ 3,623,004
Sewer revenue	<u>355,545</u>
Total operating revenues	<u>3,978,549</u>
Operating expenses	
Water services	2,804,332
Sewer services	<u>268,883</u>
Total operating expenses	<u>3,073,215</u>
Operating income before depreciation	905,334
Depreciation	<u>878,085</u>
Operating income	<u>27,249</u>
Non-operating income (expense)	
Grant revenue	145,203
Interest income	8,520
Other revenue	68,024
Interest expense	<u>(288,786)</u>
Total non-operating income (expense)	<u>(67,039)</u>
Change in net position	(39,790)
Prior period adjustment	(8,158)
Net position - beginning	<u>19,930,671</u>
Net position - ending	<u>\$ 19,882,723</u>

City of Taylorsville, Kentucky  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2014

Cash flows from operating activities	
Receipts from customers	\$ 3,972,872
Payments to suppliers and service proviers	(1,565,835)
Payments to employees for salaries and benefits	(1,421,529)
Payments to general governement	<u>(79,716)</u>
Net cash provided by operating activities	<u>905,792</u>
Cash flows from capital and related financing activities	
Acquistion of property	(177,758)
Principal payments on bonds	(251,485)
Interest payments on bonds	(288,786)
Cash received from grants	<u>145,203</u>
Net cash provided by operating activities	<u>(572,826)</u>
Cash flows from investing activities	
Other cash receipts	68,024
Cash received from interest income	<u>8,521</u>
Net cash (used) by financing activities	<u>76,545</u>
Net increase in cash and cash equivalentents	409,511
Cash and cash equivalentents, beginning of year	<u>4,749,644</u>
Cash and cash equivalentents, end of year	<u>\$ 5,159,155</u>

**Note 1 - Summary of Significant Accounting Policies**

These financial statements of the City of Taylorsville, Kentucky (the “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 was incorporated January 29, 1829. The City operates under a Mayor-Commission form of government consisting of the mayor and four city commission members. 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 financial statements of the City include the funds for which the Mayor and Commission are financially accountable. Financial accountability, as defined by Section 2100 of the Government Account 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, participate in fiscal management, and the scope of public service. The City has no component units or entities for which the government is considered to be financially accountable.

**Basis of Accounting/Masurement 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.

Certain eliminations have been made as prescribed as 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<sup>th</sup>, 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 of “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:

- 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 classifications 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 of regulations of other governments, of (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, 2014.
- **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, 2014.
- **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).

#### 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 reported as non-operating expenses.

Component Units and Fiduciary Activities

There are no government 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 91 A.030 of Kentucky Revised Statutes (KRS) for the general, enterprise fund, and the special revenue fund. Budgets for all government activities and business-type activities and 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.

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, business, 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.

### **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, 2014, \$79,716 was collected for solid waste collection and remitted to the Taylorsville General Fund.

### **Inventories**

Interfund within the proprietary fund consists 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.

### **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 as 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 the financial statements for June 30, 2010 and the year then ended.

### **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 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 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 Position - Reserves and Designations**

At June 30, 2014, net position of the primary government consisted of the following:

	Governmental Activities	Business-Type Activities
Net investment in capital assets	\$ 1,024,417	\$ 14,763,484
Restricted for:		
Debt service	0	288,116
Water/sewer operation	0	3,565,436
Streets and roads	132,136	0
Highview Road	6,814	0
FEMA drainage project	100	0
Unrestricted	610,418	1,265,687
Total net position	\$ 1,773,885	\$ 19,882,723

None of the net position is restricted by enabling legislation.

**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 Uncollectable Real Property Taxes**

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

Description	Date per KRS 134.015
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 2- Change in Accounting Principles**

In the fiscal year, the City implemented GASB Statement No. 62, *“Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”*; GASB Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”*; and GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities”*. The implementation of the GASB Statements did not have a material effect on the financial statements of the City.

**Note 3- Deposits and Investments**

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

	<u>Non-restricted</u>	<u>Restricted</u>
General fund checking	\$ 558,165	\$ 0
Highview road account	0	6,814
FEMA drainage project	0	100
Municipal aid checking	0	132,136
	<u>\$ 558,165</u>	<u>\$ 139,050</u>

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

	Non-restricted	Restricted
Water and sewer money market	\$ 366,985	\$ 0
Operation and maintenance checking	638,285	0
Revenue checking	0	3,115
Escrow checking	0	299,350
Water and sewer extension checking	0	3,935
Bond and interest checking	0	288,116
SR44 waterline relocate checking	0	100
SR55 bridge utility relocate checking	0	81
Depreciation money market	0	3,541,593
Customer rebate checking	0	811
Normandy waterline relocate checking	0	100
Meter set and supplemental checking	0	15,700
	1,005,270	4,152,901
Cash on hand	484	0
Petty cash	500	0
	\$ 1,006,254	\$ 4,152,901

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.

*Concentrations 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, 2014 City funds were deposited in three (3) area financial institutions; Citizens Union Bank 35%, Commonwealth Bank and Trust 59%, and The Peoples Bank 6%.

*Credit Risk*

At June 30, 2014, the carrying value of the City of Taylorsville's deposits was \$5,894,278. The Federal Deposit Insurance Corporation (FDIC) insures the first \$250,000 of the total of deposits in financial institutions. Total deposited funds in excess of the \$250,000 insured by FDIC are covered by securities pledged for the City by Citizens Union Bank, Commonwealth Bank and Trust Company, and The Peoples Bank.

Financial Institution	Deposits	FDIC Insured	Securities Market Value	Surplus
Citizens Union Bank	\$ 2,075,377	\$ 250,000	\$ 2,270,098	\$ 444,721
Commonwealth Bank	\$ 3,451,916	\$ 250,000	\$ 3,696,212	\$ 494,296
The Peoples Bank	\$ 366,985	\$ 250,000	\$ 179,163	\$ 62,178

*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.

The 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 sinking fund has a balance of \$288,116 as of June 30, 2014 and is considered fully funded.

The depreciation reserve fund is to be funded monthly from the revenue fund until fully funded at \$466,880. The balance in the depreciation reserve as of June 30, 2014 is \$3,541,593 and is considered fully funded.

**Note 4- Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

Governmental Activities:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 75,416	\$ 0	\$ 0	\$ 75,416
Capital assets being depreciated:				
Buildings	1,082,209	0	0	1,082,209
Vehicles	363,772	0	0	363,772
Equipment	113,904	7,065	0	120,969
Total capital assets being depreciated	<u>1,559,885</u>	<u>7,065</u>	<u>0</u>	<u>1,566,950</u>
Less accumulated depreciation for:				
Buildings	214,202	28,137	0	242,339
Vehicles	216,507	48,971	0	265,478
Equipment	102,608	7,524	0	110,132
Total accumulated depreciation	<u>533,317</u>	<u>84,632</u>	<u>0</u>	<u>617,949</u>
Total capital assets being depreciated, net	<u>1,026,568</u>	<u>(77,567)</u>	<u>0</u>	<u>949,001</u>
Governmental activities capital assets, net	<u>\$ 1,101,984</u>	<u>\$ (77,567)</u>	<u>\$ 0</u>	<u>\$ 1,024,417</u>

CITY OF TAYLORSVILLE, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

Business-type activities:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 371,118	\$ 0	\$ 0	\$ 371,118
Capital assets being depreciated:				
Buildings and improvements	623,165	10,909	0	634,074
Vehicles, water	602,288	0	0	602,288
Vehicles, sewer	53,896	0	0	53,896
Machinery and equipment	416,247	1,485	0	417,732
Louisville line project	3,849,395	0	0	3,849,395
Phase I water distribution system	2,575,753	0	0	2,575,753
Phase II water distribution system	4,158,606	0	0	4,158,606
Phase III water distribution system	3,336,509	0	0	3,336,509
Phase IV water distribution system	576,194	0	0	576,194
Water system	7,020,821	162,732	0	7,183,553
Sewer system	4,979,013	2,631	0	4,981,644
Waster water upgrade	3,901,744	0	0	3,901,744
Total capital assets being depreciated	<u>32,093,631</u>	<u>177,757</u>	<u>0</u>	<u>32,271,388</u>
Less accumulated depreciation for:				
Buildings and improvements	351,213	14,467	0	365,680
Vehicles, water	388,036	39,151	0	427,187
Vehicles, sewer	31,353	9,006	0	40,359
Machinery and equipment	322,745	32,808	0	355,553
Louisville line project	1,616,202	96,610	0	1,712,812
Phase I water distribution system	611,741	64,394	0	676,135
Phase II water distribution system	641,096	103,965	0	745,061
Phase III water distribution system	336,603	83,413	0	420,016
Phase IV water distribution system	40,406	14,405	0	54,811
Water system	2,804,613	173,067	0	2,977,680
Sewer system	2,121,863	149,255	0	2,271,118
Waster water upgrade	143,313	97,543	0	240,856
Total accumulated depreciation	<u>9,409,184</u>	<u>878,084</u>	<u>0</u>	<u>10,287,268</u>
Total capital assets being depreciated, net	<u>22,684,447</u>	<u>(700,327)</u>	<u>0</u>	<u>21,984,120</u>
Business-type activities capital assets, net	<u>\$ 23,055,565</u>	<u>\$ (700,327)</u>	<u>\$ 0</u>	<u>\$ 22,355,238</u>

During the fiscal year ending June 30, 2014, depreciation expense was charged to the funds as follows:

Governmental activities:	
General government	\$ 38,207
Public safety - police	42,636
Streets	<u>3,789</u>
	<u>\$ 84,632</u>
Business-type activities:	
Water	\$ 622,280
Sewer	<u>255,804</u>
	<u>\$ 878,084</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 5 – Receivables**

As of June 30, 2014, the receivables due the City consist of the following:

	Governmental Activities	Business-Type Activities
Property taxes	\$ 2,566	\$ 0
Franchise fees	3,120	0
Insurance tax	44,640	0
Occupational tax	78,433	0
Motor vehicle tax	810	0
Customer accounts	<u>0</u>	<u>257,838</u>
Receivables	<u>\$ 129,569</u>	<u>\$ 257,838</u>
KLEFPF	\$ 1,402	\$ 0
HB 413	2,549	0
KY Transportation Cabinet	<u>0</u>	<u>62,449</u>
Intergovernmental receivables	<u>\$ 3,951</u>	<u>\$ 62,449</u>

The City uses the specific charge-off method to recognize bad debt expense.

**Note 6 - Long Term Debt**

Changes in the City's long-term liabilities for the year ended June 30, 2014 are as follows:

	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014	Amounts Due Within One Year
Business-type activities:					
Revenue bonds					
Kentucky Infrastructure Authority					
C88-12	\$ 50,000	\$ 0	\$ 50,000	\$ 0	\$ 0
C93-01	15,000	0	15,000	0	0
F02-03	682,739	0	61,985	620,754	62,607
Rural Development Agency					
Series 1994 A 92-07	504,000	0	14,000	490,000	15,000
Series 1998 91-10	1,547,000	0	33,000	1,514,000	34,000
Series 2001 92-12	601,000	0	11,000	590,000	12,000
Series 2004 91-13	1,535,000	0	24,000	1,511,000	25,000
Series 2008 County	1,305,000	0	16,500	1,288,500	17,000
Series 2008 City	193,500	0	2,500	191,000	2,500
Series 2011 A	860,000	0	14,500	845,500	15,000
Series 2011 B	550,000	0	9,000	541,000	9,000
	<u>\$ 7,843,239</u>	<u>\$ 0</u>	<u>\$ 251,485</u>	<u>\$ 7,591,754</u>	<u>\$ 192,107</u>

Business - Type Activities

<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, 2039, interest rate is fixed at 1.000%.</p>	<p>\$ 620,754</p>
<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>	<p>490,000</p>
<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, 2034, interest rate is fixed at 4.500%.</p>	<p>1,514,000</p>
<p>\$690,000 Series 2001 Sewer Rehabilitation 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 July 1, 2044, interest rate is fixed at 4.500%.</p>	<p>590,000</p>
<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>	<p>1,511,000</p>
<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 bond, and are due beginning January 1, mature January 1, 2049, interest rate is 4.375%.</p>	<p>1,288,500</p>
<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>	<p>191,000</p>
<p>\$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.</p>	<p>845,500</p>
<p>\$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.</p>	<p>541,000</p>
	<p><u>\$ 7,591,754</u></p>

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, 2014	\$ 466,880
Depreciation Reserve Account Balance	\$3,541,593

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 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.

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.

**Note 7- 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.

General Liability Coverage, L5539-011140

General liability	\$ 2,000,000	per occurrence
Public officials liability	\$ 2,000,000	per occurrence
Law enforcement liability	\$ 2,000,000	per occurrence
Automobile liability	\$ 2,000,000	per occurrence
Automobile physical damage	Actual	per occurrence

Property Coverage, P5539-011090

Building and personal property	\$ 7,337,676	per occurrence
Scheduled equipment	\$ 247,639	per occurrence
Flood	\$ 5,000,000	per occurrence
Flood zones B, C, X only	\$ 50,000,000	per occurrence
Earth movement	\$ 7,585,315	per occurrence

Workers' Compensation Coverage, W5539-011080

Per occurrence	\$ 247,639	
Bodily injury by accident	\$ 4,000,000	each employee
Bodily injury by disease	\$ 4,000,000	each employee

**Note 8- 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 sewer systems. There are no related party transactions to be disclosed.

**Note 9 - Economic Dependency**

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

**Note 10 - 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 11- 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 Boards 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 18.89% to 35.70% of the employee’s total compensations subject to the contribution.

Year	Non-Hazardous Duty	Hazardous Duty
2014	\$ 809,501	\$ 229,663
2013	\$ 750,325	\$ 219,790
2012	\$ 723,012	\$ 209,969
2014	\$ 153,008	\$ 83,230
2013	\$ 153,409	\$ 82,640
2012	\$ 137,083	\$ 75,085

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 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.

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.

Years of Service	% Paid by Insurance Fund	% Paid by Member Through Payroll Deduction
20 or more	100%	0%
15 to 19	75%	25%
10 to 14	50%	50%
4 to 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 participating 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 participations 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' 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 12- Date of Management's Review**

Subsequent events were evaluated through August 14, 2014 which is the date the financial statement

City of Taylorsville, Kentucky  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 188,000	\$ 188,000	\$ 193,722	\$ 5,722
Licenses and permits	205,000	205,000	197,713	(7,287)
Occupational license tax	255,000	255,000	272,459	17,459
Intergovernmental revenues	21,000	21,000	21,261	261
Franchise fees	55,000	55,000	62,937	7,937
Charges for services	80,000	80,000	79,716	(284)
School resource officer	20,580	20,580	20,580	0
HB 413 court costs	12,000	12,000	10,369	(1,631)
FEMA drainage project	1,000,000	1,000,000	0	(1,000,000)
Other revenue	7,500	7,500	8,602	1,102
<b>Total revenues</b>	<b>1,844,080</b>	<b>1,844,080</b>	<b>867,359</b>	<b>(976,721)</b>
<b>Expenditures</b>				
General government	48,734	75,000	111,380	(36,380)
Public safety - police	596,797	596,797	557,579	39,218
Public safety - fire	56,000	56,000	52,504	3,496
Public works - streets	62,549	75,000	66,495	8,505
Public works - sanitation	80,000	80,000	76,851	3,149
FEMA Drainage Project	1,000,000	1,000,000	0	1,000,000
<b>Total expenditures</b>	<b>1,844,080</b>	<b>1,882,797</b>	<b>864,809</b>	<b>1,017,988</b>
Net change in fund balance	0	(38,717)	2,550	41,267
Fund balance - beginning	518,660	486,764	499,211	12,447
Fund balance - ending	\$ 518,660	\$ 448,047	\$ 501,761	\$ 53,714

City of Taylorsville, Kentucky  
Municipal Road Aid Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 24,000	\$ 18,000	\$ 18,926	\$ 926
Other revenue	500	350	379	29
Total revenues	<u>24,500</u>	<u>18,350</u>	<u>19,305</u>	<u>955</u>
Expenditures				
Streets	<u>98,019</u>	<u>98,019</u>	<u>0</u>	<u>98,019</u>
Total expenditures	<u>98,019</u>	<u>98,019</u>	<u>0</u>	<u>98,019</u>
Net change in fund balance	(73,519)	(79,669)	19,305	98,974
Fund balance - beginning	<u>73,519</u>	<u>112,831</u>	<u>112,831</u>	<u>-</u>
Fund balance - ending	<u>\$ 0</u>	<u>\$ 33,162</u>	<u>\$ 132,136</u>	<u>\$ 98,974</u>

City of Taylorsville, Kentucky  
 Water and Sewer Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 4,292,000	\$ 4,192,000	\$ 3,978,549	\$ (213,451)
Project revenue	0	250,000	145,203	(104,797)
Other revenue	0	0	76,544	76,544
<b>Total revenues</b>	<b>4,292,000</b>	<b>4,442,000</b>	<b>4,200,296</b>	<b>(241,704)</b>
<b>Expenditures</b>				
Operating	4,292,000	4,392,000	3,805,514	586,486
Interest expense	0	0	288,786	(288,786)
Project expense	0	250,000	141,518	108,482
<b>Total expenditures</b>	<b>4,292,000</b>	<b>4,642,000</b>	<b>4,235,818</b>	<b>406,182</b>
Net change in fund balance	0	(200,000)	(35,522)	164,478
Fund balance - beginning	20,017,228	19,930,671	19,930,671	0
Fund balance - ending	<u>\$ 20,017,228</u>	<u>\$ 19,730,671</u>	<u>\$ 19,895,149</u>	<u>\$ 164,478</u>

**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 statement of revenues, expenditures, and changes in fund balances - budget (non-GAAP budgetary basis) and actual is presented to provide a meaningful comparison of actual results with the budget.

**Note B- Reconciling Net Change in Fund Balance Budgetary Basis to GAAP Basis**

Net change in fund balance	General Fund	Municipal Road Aid Fund	Water and Sewer Fund
GAAP Basis	\$ 2,853	\$ 19,305	\$ (39,790)
Net adjustment for revenue accruals	(4,123)	0	0
Net adjustment for expenditure accruals	3,820	0	4,268
Budgetary basis	\$ 2,550	\$ 19,305	\$ (35,522)

**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 capitalized costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach.

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 ever 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, 2014 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 the 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 Safety**

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.

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 raveling 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 deteriorate 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.

**Assessed Conditions**

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

<u>Ended June 30</u>	<u>Budget</u>	<u>Expenditure</u>
2010	514,000	458,985
2011	44,195	42,099
2012	37,285	35,272
2013	118,190	81,427
2014	75,000	66,495

City of Taylorsville, Kentucky  
 Schedule of General Fund Activity  
 For the Year Ended June 30, 2014

	General Government	Fire Department	Police Department	Street Department	Sanitation Department	Total
Automobile tax - county	\$ 13,440	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,440
Automobile tax - intercounty	1,534	0	0	0	0	1,534
Bank shares tax	18,959	0	0	0	0	18,959
Business license	23,875	0	0	0	0	23,875
Discount on taxes	(2,569)	0	0	0	0	(2,569)
FEMA drainage project	2,417	0	0	0	0	2,417
Fines, forfeitures, and penalties	1,686	0	0	0	0	1,686
Franchise fees	62,937	0	0	0	0	62,937
HB 413 court costs	10,369	0	0	0	0	10,369
Insurance premium tax	162,275	0	0	0	0	162,275
Interest income	1,759	0	0	0	0	1,759
Intergovernmental revenue	0	0	17,680	0	0	17,680
Miscellaneous revenue	2,146	0	0	0	0	2,146
Occupational license tax	272,460	0	0	0	0	272,460
Police finger printing	0	0	60	0	0	60
Police overtime reimbursement	0	0	3,580	0	0	3,580
Police seized revenue	0	0	1,320	0	0	1,320
Police warrants reimbursement	0	0	900	0	0	900
Property tax	156,186	0	0	0	0	156,186
Sanitation	0	0	0	0	79,716	79,716
School resource officer program	0	0	20,580	0	0	20,580
Telecommunications tax	4,486	0	0	0	0	4,486
Unloading license	11,563	0	0	0	0	11,563
<b>Total revenues</b>	<b>743,523</b>	<b>0</b>	<b>44,120</b>	<b>0</b>	<b>79,716</b>	<b>867,359</b>

City of Taylorsville, Kentucky  
 Schedule of General Fund Activity (continued)  
 For the Year Ended June 30, 2014

	General Government	Fire Department	Police Department	Street Department	Sanitation Department	Total
Advertisements	\$ 117	\$ 0	\$ 75	\$ 0	\$ 0	\$ 192
Bank charges	650	0	11	0	0	661
Capital outlay	3,485	0	3,580	0	0	7,065
Contract services	1,500	52,504	3,710	0	0	57,714
Dues and donations	3,000	0	0	0	0	3,000
Engineering services	11,360	0	0	0	0	11,360
FEMA drainage project	3,090	0	0	0	0	3,090
FICA	42	0	16,215	0	0	16,257
Insurance	617	0	24,802	518	0	25,937
Legal and audit fees	20,208	0	3,539	0	0	23,747
Main street manager	7,000	0	0	0	0	7,000
Medical insurance	0	0	73,466	0	0	73,466
Medicare	10	0	3,792	0	0	3,802
Miscellaneous	388	0	0	0	0	388
Office supplies	186	0	4,247	0	0	4,433
Publication and printing	1,734	0	645	0	0	2,379
Rent	1,500	0	0	0	0	1,500
Repairs and maintenance	1,226	0	8,450	18,728	0	28,404
Retirement	0	0	83,230	0	0	83,230
Salaries	41,521	0	256,741	0	0	298,262
Salaries, overtime	0	0	20,463	0	0	20,463
Sanitation	0	0	0	0	76,851	76,851
Seminars and travel	4,396	0	775	0	0	5,171
State unemployment insurance	0	0	1,423	0	0	1,423
Supplies	22	0	3,495	517	0	4,034
Tax preparation	5,082	0	0	0	0	5,082
Taxes and licenses	212	0	44	0	0	256
Training expense	0	0	675	0	0	675
Uniforms	0	0	5,025	0	0	5,025
Utilities	4,034	0	11,537	46,732	0	62,303
Vehicle expense	0	0	7,131	0	0	7,131
Vehicle fuel	0	0	24,508	0	0	24,508
Total expenditures	<u>111,380</u>	<u>52,504</u>	<u>557,579</u>	<u>66,495</u>	<u>76,851</u>	<u>864,809</u>
Change in fund balance	<u>\$ 632,143</u>	<u>\$ (52,504)</u>	<u>\$ (513,459)</u>	<u>\$ (66,495)</u>	<u>\$ 2,865</u>	<u>\$ 2,550</u>

City of Taylorsville, Kentucky  
 Schedule of Municipal Road Aid Fund Activity  
 For the Year Ended June 30, 2014

	Municipal Street Activities
Intergovernmental revenue	\$ 18,926
Interest income	379
	<hr/>
Total revenue	19,305
Expenditures	<hr/> 0
Change in fund balance	<hr/> <u>\$ 19,305</u>

City of Taylorsville, Kentucky  
 Schedule of Water and Sewer Fund Activity  
 For the Year Ended June 30, 2014

	Water Service	Sewer Service	Total
Activation fees	\$ 17,670	\$ 0	\$ 17,670
Customer contibuted capital	15,183	0	15,183
Garbage fees	79,716	0	79,716
Grant proceeds	3,685	0	3,685
Impact fee	0	27,000	27,000
Interest income	8,521	0	8,521
KYTC 55 bridge utility project	43,115	0	43,115
KYTC normandy project	14,834	0	14,834
KYTC SR44 project	83,569	0	83,569
Lease income	41,792	0	41,792
Meter sets	105,200	0	105,200
Miscellaneous revenue	11,050	0	11,050
Penalties	67,794	0	67,794
Redeposits	10,634	0	10,634
Restructuring revenue	2,674	0	2,674
Return check revenue	3,600	0	3,600
Returned check fees	(10,552)	0	(10,552)
Sewer revenue	0	328,545	328,545
Surcharge Phase I	47,151	0	47,151
Surcharge Phase II	36,552	0	36,552
Surcharge Phase III	6,162	0	6,162
Turn on and service trips	14,010	0	14,010
Vendors compensation	438	0	438
Water refunds and allowances	(18,235)	0	(18,235)
Water revenue	<u>3,339,905</u>	<u>0</u>	<u>3,339,905</u>
Total revenues	<u>3,924,468</u>	<u>355,545</u>	<u>4,280,013</u>

City of Taylorsville, Kentucky  
Schedule of Water and Sewer Fund Activity (continued)  
For the Year Ended June 30, 2014

	Water Service	Sewer Service	Total
Advertising	\$ 2,927	\$ 100	\$ 3,027
Bad debts	4,733	0	4,733
Bank charges	3,742	0	3,742
Uniforms	9,462	1,986	11,448
Dues and subscriptions	2,023	0	2,023
Education and seminars	2,729	120	2,849
Insurance	60,419	11,963	72,382
Legal and audit fees	19,212	1,053	20,265
Maintenance and repairs	67,309	12,789	80,098
Travel	859	0	859
Licenses and permits	562	1,420	1,982
Office supplies	16,088	146	16,234
Postage	29,398	0	29,398
Premium on KIA bond	196	0	196
Interest expense	208,163	80,623	288,786
Vehicle fuel	38,546	7,575	46,121
Vehicle expenses	8,234	0	8,234
Truck expenses	1,752	0	1,752
Depreciation	622,280	255,805	878,085
Consulting	500	0	500
Removal expenses	650	2,598	3,248
Contract labor	6,240	0	6,240
Utilities	124,467	50,539	175,006
Salaries	720,363	96,103	816,466
Medical allowance	24,053	0	24,053
State unemployment	3,481	487	3,968
Medical insurance	247,572	23,923	271,495
Retirement	134,197	18,812	153,009
FICA	44,452	5,938	50,390
Medicare	10,396	1,389	11,785
Salaries, overtime	28,446	5,115	33,561
Engineering services	3,441	563	4,004
Chemicals	1,238	0	1,238
Lab fees and inspections	16,454	17,383	33,837
Supplies	28,836	4,867	33,703
Freight	5,051	1,002	6,053
Louisville water purchased	1,078,160	0	1,078,160
Meter repair	48,424	0	48,424
Sewer system repairs	0	398	398
Transfer to dispatch	9,600	0	9,600
Total expenses	<u>3,634,655</u>	<u>602,697</u>	<u>4,237,352</u>
Change in fund balance	<u>289,813</u>	<u>(247,152)</u>	<u>42,661</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

City of Taylorsville, Kentucky  
70 Taylorsville Road  
Taylorsville, KY 40071

To the City Commission

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, and each major fund of the City of Taylorsville, Kentucky (the "City"), as of and for the year ended June 30, 2014, 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 14, 2014.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

**Maddox & Associates CPAs, Inc.**

Fort Thomas, KY

August 14, 2014