

CITY OF PEWEE VALLEY, KENTUCKY

REPORT OF AUDIT

YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Council of the City of
Pewee Valley, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, and aggregate fund information of the City of Pewee Valley, Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Pewee Valley, Kentucky's basic financial statement 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

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

An audit involves performing procedure to obtain audit evidence about the amounts and disclosures in the financial statements. The procedure selected depends 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 presentations 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, I 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.

I believe that the evidence I obtained is sufficient and appropriate to provide basis for my audit opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and aggregate fund information of the City of Pewee Valley, Kentucky as of June 30, 2018; and the respective changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

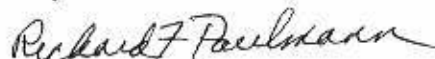
Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3-7 and 25, 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board; who considers it to be an essential part of financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide assurance.

Other Supplementary Information

The Combining Balance Sheet-Non-Major Governmental Funds and the Combining Statement of Revenues, Expenditures and changes in Fund Balances-Non-Major Funds on pages 26 and 27 are presented for additional analysis and are not required parts of the basic financial statements. These combining financial statements have been subject to the auditing procedure applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with Governmental Auditing Standards, I have also issued my report dated October 17, 2018, on my consideration of City of Pewee Valley's internal control over financial reporting and on 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering City of Pewee Valley's internal control over financial reporting and compliance.



Richard F. Paulmann CPA, LLC

Pewee Valley, KY
October 17, 2018

CITY OF PEWEE VALLEY, KENTUCKY
P.O. BOX 769
PEWEE VALLEY, KENTUCKY 40056

Management's Discussion and Analysis

The management of the City of Pewee Valley desires to offer the readers of these financial statements this narrative and analysis of the financial activities of the City of Pewee Valley for the fiscal year ended June 30, 2018.

Financial Highlights

During the fiscal year 2018, the City had general revenues of \$672,031, an increase from 2017 of \$82,625, and \$45,443 in operating grants. Total expenditures for fiscal year 2018 were \$580,426, representing a decrease of \$11,580. With revenues exceeding expenditures by \$138,352, the City's Net Assets increased from \$2,538,893 to \$2,677,245.

The financial position of the City remains strong. Tax revenues remain consistent as well as operating expenses. The main variance overall in revenues is related to Insurance Premium Taxes received. The general fund balance at June 30, 2018 was \$1,296,111, an increase of \$95,046. Non-major governmental funds balance was \$151,349, an increase of \$18,702. Total fund balances increased \$113,748 or 8.5%. The non-major governmental fund balance is restricted for roads and storm water. The general fund balance is not restricted and is available for future use.

The ending cash balance for the City was \$1,114,424. This reflects an increase in cash during the year of \$94,247.

On March 29, 2012 the City entered into a general obligation lease with the Kentucky Bond Corporation (the Lessor). Funds from this lease, totaling \$255,000, were used to fund a portion of the City's railroad crossing gate project. Note 5 (Railroad Crossing Gate Project) discusses the details of the lease transaction.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City of Pewee Valley's basic financial statements. These statements consist of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements are designed to provide readers with a broad overview of the City of Pewee Valley's finances, in a manner similar to a private-sector business. The government-wide financial statements consist of a statement of net position, and a statement of activities.

The statement of net position presents information on all of the City of Pewee Valley 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 of Pewee Valley is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the 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 periods.

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues. The City of Pewee Valley's activities include administration, law enforcement, public works and waste management. Capital outlays and related debt are also supported by these revenue sources. The government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements are a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The basic government fund financial statements can be found on pages 10-12 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-24 of this report.

Government-wide Financial Analysis

| | FYE'17 <u>Amount</u> | FYE'18 <u>Amount</u> | Increase <u>(Decrease)</u> |
|----------------------------|-------------------------|-------------------------|-------------------------------|
| Current and other assets | \$ 1,368,632 | \$ 1,487,935 | \$ 119,303 |
| Capital assets and land | 1,278,183 | 1,250,760 | -27,423 |
| Total Assets | <u>2,646,815</u> | <u>2,738,695</u> | <u>91,880</u> |
| Payables | 28,299 | 28,936 | 637 |
| Lease Obligations | 79,623 | 32,514 | (47,109) |
| Total Liabilities | <u>107,922</u> | <u>61,450</u> | <u>(46,472)</u> |
| Invested in capital assets | 1,198,560 | 1,218,246 | 19,686 |
| Restricted | 63,383 | 93,326 | 29,943 |
| Unrestricted | 1,276,950 | 1,365,673 | 88,723 |
| Total Net Assets | <u>2,538,893</u> | <u>2,677,245</u> | <u>138,352</u> |

The statement of Net Position shows that the City of Pewee Valley has assets of \$2,738,695 with liabilities of \$61,450. Of the \$2,738,695 total assets, \$1,250,760 is comprised of capital assets, net of depreciation. During fiscal year 2018, the total capital assets, net of depreciation decreased by \$27,423 or 2.1 %. This decrease was due to \$99,574 spent on roads while the depreciation charge was \$126,997. The statement also reflects the entries related to the City's general obligation lease agreement with the Kentucky Bond Corporation and a police vehicle loan. The City entered into the Kentucky Bond Corporation lease obligation to finance part of the crossing gate project estimated cost of \$555,000. The original principal amount of the lease obligation was \$255,000. As of June 30, 2013, the City had expended all of these funds. The lease is payable over eighty (80) months starting with the first payment on May 1, 2012. On June 30, 2018 the City had a lease obligation remaining of \$23,333, all of which is due over the next twelve months. The police vehicle loan was for \$28,240, dated September 9, 2015 with payments over forty-eight (48) months. On June 30, 2018 the City had a loan balance remaining of \$9,181 of which \$7,318 is due over the next twelve months.

Following is a comparative statement of activities. Expenses are shown net of operating grants.

| | FYE'17 | FYE'18 | Increase |
|--------------------------|----------------------|----------------------|--------------------------|
| | <u>Amount</u> | <u>Amount</u> | <u>(Decrease)</u> |
| General Revenue | | | |
| Property taxes | \$ 223,385 | \$ 232,337 | \$8,952 |
| Insurance premium taxes | 320,461 | 390,462 | 70,001 |
| Interest income | 2,843 | 3,571 | 728 |
| Storm water fees | 26,044 | 27,436 | 1,392 |
| Miscellaneous | <u>16,673</u> | <u>18,225</u> | <u>1,552</u> |
| Total General Revenue | <u>\$589,406</u> | <u>\$672,031</u> | <u>\$82,625</u> |
| Net Expenses | | | |
| General government | \$ 173,844 | \$ 140,897 | \$ 32,947 |
| Police | 81,618 | 83,126 | (1,508) |
| Waste management | 74,907 | 78,532 | (3,625) |
| Public works | <u>207,919</u> | <u>231,124</u> | <u>(23,205)</u> |
| Total Net Expenses | <u>538,288</u> | <u>533,679</u> | <u>4,609</u> |
| Increase in Net Position | <u>\$51,118</u> | <u>\$138,352</u> | <u>\$78,016</u> |

A storm water fee was enacted during 2010 to meet Federal mandates. The fee is \$36 per residence annually. Property taxes increased during the Fiscal Year due increase in values and new properties. Public works expenditures in fiscal year 2018 net to \$231,124. On a grossed up basis, \$269,004 was spent on public works which was 46.3% of total gross expenditures. Expenditures in this category include road maintenance, construction, upkeep and replacement as necessary of trees located along the City's thoroughfares, snow and ice removal and improvements to the town park on a recurring basis. These expenditures address the needs as identified by citizens and the city's contract engineer.

Notes to the Financial Statements

The notes include much useful information and data. Note 1 states the significant accounting policies used by the City. As stated in Note 1, the assessed value of property in Pewee Valley as of January 1, 2017 was \$177,350,100. The property tax rate for fiscal year 2018 was .1439 per \$100 assessed valuation. In 2017, the assessed value was \$170,880,100 and the tax rate was .1439 per \$100 assessed valuation. Note 2 provides information regarding cash and cash equivalents, and investments.

Supplementary Information

Budgetary comparisons of the General Fund and Special Revenue Fund are shown on pages 25-26. These schedules show the original budget as approved and this is the final budget as no amendments to the budget were made during the fiscal year. The statement

also shows a comparison of this final budget to "Actual". The actual is a modified accrual basis that reflects items received or paid for after the fiscal year end. The budget is also prepared on a modified accrual basis. Actual expenditures were under budget in every category except for an immaterial amount for Police. The Municipal Road Aid Fund and the Storm Water Fund also were not amended during the fiscal year.

Summary

The current financial statement reporting model is mandated by the Governmental Accounting Standards Board (GASB). The City of Pewee Valley implemented these changes in 2004.

Request for Information

This report is designed to provide a general overview of the City's finances and to show the City's accountability to its residents. If you have questions about this report or need additional financial information, please direct your request to the City Treasurer, City of Pewee Valley, P.O.Box 769, Pewee Valley, Kentucky, 40056.

CITY OF PEWEE VALLEY, KENTUCKY
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

ASSETS

Current Assets

| | | |
|---|----|-----------|
| Cash and cash equivalents | \$ | 1,007,323 |
| Property taxes & stormwater fees receivable | | 2,787 |
| Insurance premium taxes receivable | | 94,952 |
| Grant and other receivables | | 1,637 |
| Prepaid expenses | | 12,773 |
| Short term investments | | 250,148 |
| | | 250,148 |

Total Current Assets 1,369,620

Non-Current Assets

| | | |
|--|-----------|-----------|
| Cash and cash equivalents restricted | | 107,101 |
| Property taxes & stormwater fees receivable | | 8,752 |
| Municipal road aid receivable restricted | | 2,462 |
| Capital assets: | | |
| Land | 192,286 | |
| Capital assets, net of depreciation of \$1,216,456 | 1,058,474 | 1,250,760 |
| | | 1,250,760 |

Total Non-Current Assets 1,369,075

TOTAL ASSETS 2,738,695

LIABILITIES

Current Liabilities

| | | |
|--|--|--------|
| Accounts payable and payroll liabilities | | 28,936 |
| Capital lease obligation | | 30,651 |
| | | 30,651 |

Total Current Liabilities 59,587

Non-Current Liabilities

| | | |
|--------------------------|--|-------|
| Capital lease obligation | | 1,863 |
| | | 1,863 |

Total Non-Current Liabilities 1,863

TOTAL LIABILITIES 61,450

NET POSITION

| | | |
|---|--|-----------|
| Invested in capital assets, net of related debt | | 1,218,246 |
| Restricted for: | | |
| Roads | | 93,326 |
| Unrestricted | | 1,365,673 |
| | | 1,365,673 |

TOTAL NET POSITION \$ 2,677,245

See accompanying notes to the financial statements

CITY OF PEWEE VALLEY, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | | | PROGRAM REVENUES | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION |
|--|--------------------|----------------------------|---------------------|-------------------|--|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS | CAPITAL GRANTS | GOVERNMENTAL ACTIVITIES |
| Functions/Programs | | | | | |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General government | (\$140,897) | | | | (\$140,897) |
| Police | (91,993) | | 8,867 | | (83,126) |
| Waste management | (78,532) | | | | (78,532) |
| Public works | <u>(269,004)</u> | <u>27,436</u> | <u>37,880</u> | | <u>(203,688)</u> |
| Total Governmental Activities | <u>(\$580,426)</u> | <u>\$27,436</u> | <u>\$46,747</u> | <u>\$0</u> | <u>(\$506,243)</u> |
| General Revenues | | | | | |
| Taxes | | | | | |
| Property taxes levied for general purposes | | | | | 232,337 |
| Insurance premium taxes | | | | | 390,462 |
| Interest income | | | | | 3,571 |
| Franchise fees | | | | | 3,475 |
| Reimbursed expenses | | | | | - |
| Miscellaneous income | | | | | <u>14,750</u> |
| Total General Revenue | | | | | <u>644,595</u> |
| CHANGE IN NET POSITION | | | | | 138,352 |
| NET POSITION, beginning of year | | | | | <u>2,538,893</u> |
| NET POSITION, end of year | | | | | <u>\$2,677,245</u> |

See accompanying notes to the financial statements

CITY OF PEWEE VALLEY, KENTUCKY
 BALANCE SHEET --GOVERNMENTAL FUNDS AND
 RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITON
 FOR THE YEAR ENDED JUNE 30,2018

| | GENERAL | NON-MAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|-----------------------------|------------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$1,007,323 | 107,101 | \$1,114,424 |
| Insurance premium taxes receivable | 94,952 | | 94,952 |
| Municipal road receivable | | 2,462 | 2,462 |
| Grant and other receivables | 1,637 | | 1,637 |
| Prepaid expenses | 12,773 | | 12,773 |
| Short-term investments | 250,148 | | 250,148 |
| Due from General Fund | | 41,786 | 41,786 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$1,366,833</u> | <u>151,349</u> | <u>\$1,518,182</u> |
| LIABILITIES AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts payable and payroll liabilities | 28,936 | | 28,936 |
| Due to Special Revenue Fund | 41,786 | | 41,786 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | 70,722 | - | 70,722 |
| FUND BALANCES | | | |
| Unassigned | 1,283,338 | | 1,283,338 |
| Nonspendable | 12,773 | | 12,773 |
| Restricted | | 151,349 | 151,349 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Balances | <u>1,296,111</u> | <u>151,349</u> | <u>1,447,460</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$1,366,833</u> | <u>\$151,349</u> | <u>\$1,518,182</u> |
| TOTAL GOVERNMENTAL FUND BALANCE | | | 1,447,460 |

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

| | |
|---|---------------------------|
| Capital assets and loan cost, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the funds | 1,250,760 |
| Long-term debt, including capital leases that are not due and payable in the current period and therefore are not reported in the funds statements | (32,514) |
| Accounts receivable that do not provide current financial resources are not reported in the funds statements: Property taxes & stormwater fee receivable | <u>11,539</u> |
| NET POSITION | <u>\$2,677,245</u> |

See the accompanying notes to the financial statements

CITY OF PEWEE VALLEY, KENTUCKY STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| REVENUES | GENERAL | NON-MAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|---------------------|------------------------------------|--------------------------------|
| Property taxes, including interest and penalty | \$ 227,418 | \$ | \$ 227,418 |
| Insurance premium taxes | 390,462 | | 390,462 |
| Franchise fees | 3,475 | | 3,475 |
| Storm water fees | | 27,436 | 27,436 |
| Interest income | 3,475 | 96 | 3,571 |
| Municipal road aid revenue | | 28,907 | 28,907 |
| Grants and miscellaneous income | <u>32,589</u> | | <u>32,589</u> |
| Total Revenue | 657,419 | 56,439 | 713,858 |
| | | | |
| EXPENDITURES | | | |
| General government | 136,675 | | 136,675 |
| Police | 85,763 | | 85,763 |
| Waste Management | 78,532 | | 78,532 |
| Public Works | 211,406 | 25,200 | 236,606 |
| Water Quality management | | 12,537 | 12,537 |
| Debt Service | <u>49,997</u> | | <u>49,997</u> |
| Total Expenditures | 562,373 | 37,737 | 600,110 |
| | | | |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | 95,046 | 18,702 | 113,748 |
| | | | |
| OTHER FINANCING SOURCES | <u>-</u> | <u>-</u> | <u>-</u> |
| | | | |
| NET CHANGE IN FUND BALANCE | 95,046 | 18,702 | 113,748 |
| | | | |
| FUND BALANCE, Beginning of the year | <u>1,201,065</u> | <u>132,647</u> | <u>1,333,712</u> |
| | | | |
| FUND BALANCE, End of the year | <u>\$ 1,296,111</u> | <u>\$ 151,349</u> | <u>\$ 1,447,460</u> |

See accompanying notes to the financial statements

CITY OF PEWEE VALLEY, KENTUCKY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

Net change of fund balance-total governmental funds \$ 113,748

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation and amortization expense

This is the amount by which depreciation exceeded net capital outlays in the current period (27,423)

Governmental funds report long-term debt borrowings as revenues and long-term debt payments as expenditures. However, the results of these transactions are reflected as changes in debt on the statement of net assets and not on the statement of activities.

This is the amount by which principal payments exceeded borrowings on the long-term debt during the current period. 47,108

Government funds report revenue that provide current financial resources. This is the amount in receivables that do not provide current financial resources:

Property taxes & stormwater fees 4919

Change in net position reflected on statement of activities \$ 138,352

See accompanying notes to the financial statements

CITY OF PEWEE VALLEY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Pewee Valley, Kentucky have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Financial Reporting Entity

The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: streets, sanitation, public improvements, police protection and general administrative services. The City is a home rule Class City as defined by Kentucky Statute.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities reflect financial information of the City as a whole. These statements include the primary government and its component units if applicable. Government-wide statements distinguish between governmental and business – type activities. Currently, the City does not engage in any business-type activities nor have any reportable component units.

The governmental -wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

These financial statements follow the provisions of GASB Statement "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."

Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Currently the city does not engage in any business-type activities.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure.

Invested in capital assets, net of related debt- This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and are reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. If there is significant unspent proceeds at year-end, the

CITY OF PEWEE VALLEY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

portion of debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. The portion of the debt included in the same net position component as unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position-This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The City's policy is to use restricted assets first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The Statement of Net Position and Statement of Net Activities reflect information of the City as a whole. These statements include the primary government and its component units if applicable. Governmental-wide statements distinguish between governmental and business-type activities. Currently, the City does not engage in any business-type, inter-governmental revenues, and non-exchange revenue type activities.

The statement of activities presents direct expenses, which are clearly identifiable with a specific function or segment. Program revenues include 1), grants from the State of Kentucky for public safety/police protection 2), Kentucky Municipal Aid grants for public safety/road improvements, repairs and maintenance. Taxes and other revenue items are reported as general revenues.

Long-term debt is reflected on the statement of net assets and principal payments on long-term debt are reported as reductions of long-term debt.

Fund Financial Statements

The City uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions relating to certain governmental functions or activities. A fund is a separate entity with a self-balancing set of accounts. Funds of the City's general activities including the collection of legally restricted monies, administrative expense and the acquisition or construction of capital assets.

CITY OF PEWEE VALLEY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

The government reports the following funds of the financial reporting entity: The general fund is the government's primary operating fund, and is considered the City's only major governmental fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund. The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The City accounts for Kentucky municipal road aid, the local government economic assistance (LGEA) receipts and stormwater receipts in the special revenue funds group. The municipal road aid is restricted to road construction, repairs and maintenance, and the stormwater fund is restricted for stormwater quality management.

Measurement Focus and Basis of Accounting

The government -wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred; regardless of the timing of related cash flows. Revenues are recognized in the year for which they are due. This method differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds. Expenses are classified by function.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business – type activities of the City and for each governmental program. Program revenues include charges paid by the recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The City's program revenue for the year included stormwater fee charges for services and operating grants including police grants and municipal aid road grants. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenue and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis to accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when they are measurable and available. Measurable means the amount can be determined.

CITY OF PEWEE VALLEY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

Available means collectible within the period or soon enough thereafter to pay current liabilities. The City considers property taxes as available if they are collected within sixty days after year-end. A ninety-day period is used for revenue recognition for all other governmental fund revenues. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for capital asset acquisitions and general obligation debt and interest which are reported as expenditures in the year due.

Budgetary Accounting

The budget information reflected in the financial statements is the annual budget adopted by the City in accordance with the provisions of Kentucky law. It is presented to the Council in the form of an ordinance and may be amended by subsequent ordinance or by municipal order.

Budgetary Comparison Schedules

As required by generally accepted governmental accounting principles, the budget comparison schedules have been prepared in the same form as the legally adopted budget; therefore its form varies somewhat from the Statement of Revenues, Expenditures and Changes in Fund Balances on page 11. The City prepares its annual budget on the modified accrual basis of accounting which is consistent with the amounts reflected in the funds financial statements. During the year, the City made no amendments to any budgets.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as money market accounts. For purposes of these financial statements the City considers as cash equivalents all highly liquid investments with maturities of three months or less when purchased and readily convertible to cash.

Generally, the City's investing activities are managed under the custody of the City Treasurer. Investing is performed in accordance with investing policies complying with state statutes and the City Charter. City funds may be invested in: (1) obligation of the United States and its agencies and instrumentalities, (2) obligations of any corporation of the United States government, (3) certificates of deposit in institutions insured by the Federal Deposit Insurance Corporation (FDIC) and (4) bonds or certificates of indebtedness of the Commonwealth of Kentucky.

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, certificate of deposit, money market savings accounts, repurchase agreement, passbooks and other available bank investment provided that such financial institutions are insured by an agency of the U.S. Government. Investment in excess of the insured amount must be secured with approved securities pledged by the financial institution.

CITY OF PEWEE VALLEY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

As of June 30, 2018, \$107,101 was restricted for road construction and related repairs and maintenance.

Short-Term Investments

Short term investments at June 30, 2018 consist of a certificates of deposit amounting to \$250,148 earning interest at 1.49% per annum.

Property Taxes and Stormwater Fees

Property taxes are levied as of October 1, on assessed value listed as of the proceeding January 1 for all real and personal property located in the City. The tax assessed for the year ended June 30, 2018 to finance general fund operations was based on \$.1439 per \$100 assed valuation for real and personal property. The total assessed value of the tax roll on January 1, 2017 upon which the levy for 2018 fiscal year was based, was \$177,350,100 resulting in gross taxes of 255,973. A discount of 10% was allowed on property taxes if paid by October 31; the gross tax (or face value) is due if paid by December 1; and a 7% penalty is assessed if paid after December 1 with 1% per month interest after December 1. A lien may be placed on the property if the balance is not paid within six months. Property tax discounts allowed during the year totaled \$23,335.

The statement of net position reflects property taxes receivable for amounts billed during the year ended June 30, 2018 and prior, for which tax liens have been placed on the properties.

The balance sheet – governmental funds reflected properties taxes and stormwater fees receivable for accounts collected within sixty days after year end in accordance with the modified accrual basis of accounting. \$2,787 of the delinquent tax bills and stormwater fees at June 30, 2018 were collected during the ensuing sixty day period.

Insurance Premium Taxes

Insurance premium taxes are assessed at a tax rate of 10%. The tax is assessed on first year life insurance premiums and on non-life premiums except for health insurance policies issued to individuals and state employees.

Prepaid Expenses

Prepaid expenses represent payments to vendors that benefit future reporting periods. Prepaid expenses are reported in government-wide and fund financial statements.

CITY OF PEWEE VALLEY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

Due from General Fund

Certain revenues are temporarily deposited into the General Fund bank account on behalf of the Municipal Road Aid Fund and the Storm Water Fund and are expected to be reimbursed within the following fiscal period.

Capital Assets

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long – lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the government fund statements and capitalized (recorded and accounted for) in the government-wide statements of net assets.

Effective for the year ended June 30, 2004, the City implemented GASB Statement No. 34. One of the requirements of GASB 34 is to capitalize and depreciate infrastructure expenditures and other capital assets. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost.

Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The City's policy is to record as capital assets those expenditures amounting to \$750 and over with useful lives of three years or more.

In accordance with GASB Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries, City's management evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of capital assets has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. No impairment losses were identified or recognized for the year ended June 30, 2018.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net assets.

The estimated useful lives of various classes of capital assets are as follows:

| | |
|--|-------------|
| Buildings | 40 years |
| Building improvements | 10 years |
| Furniture, machinery and equipment | 5-7 years |
| Road, sidewalk and bridge improvements | 12-15 years |

CITY OF PEWEE VALLEY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

Net Position and Fund Balance

Net position on the statement of net position is the difference between assets and liabilities. Net position is restricted when constraints are placed on net assets use either externally imposed by creditors, grantors or contributors or regulations of governments, or imposed by law.

The City's policy is to use restricted assets according to budgeted amounts.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes for the governmental fund financial statements.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable, such as fund balance amounts associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.
4. Assigned fund balance classification is intended to be used by the government for specific purpose but not meeting the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Expenditures/Expenses

In the government - wide financial statements, expenses are classified by function.

In the fund financial statements, governmental funds are classified by character and function. In the fund financial statements governmental funds report expenditures of financial resources.

The City's policy for spending restricted resources is to allocate disbursements to restricted funds to the extent such disbursements were budgeted to be paid from restricted fund.

CITY OF PEWEE VALLEY, KENTUCKY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

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

Compensated Absences

The city provides paid time off benefits to its police officer. This liability for June 30, 2018 was \$9,700 and was recorded on the City's financial statements.

Fair Value of Financial Investments

The carrying amount of cash and cash equivalents, receivables, short term investments and payables approximates their fair market values as of June 30, 2018.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires City's management to make estimates and assumptions that affect the reported amounts of assets and liabilities; and disclosure of contingent assets and liabilities at the date of financial statement; and the reported amounts of receipts and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments are recorded at costs (which approximates market value) and consists of the following:

| | <u>Governmental Fund Types</u> | | |
|---|--------------------------------|--------------------|---------------------|
| | General | Special Revenue | Total |
| <u>Cash and Cash Equivalents</u> | | | |
| General Fund Checking | \$ 1,007,323 | \$ - | \$ 1,007,323 |
| Municipal Road Aid Money Market | | 93,326 | 93,326 |
| LGEAF (Mineral Severance Tax) Money Market | | 13,775 | 13,775 |
| Total | <u>\$ 1,007,323</u> | <u>\$ 107,101</u> | <u>\$ 1,114,424</u> |
| <u>Short-term Investments</u> | | | |
| Certificate of Deposit, 1.49% annual yeield | <u>\$ 250,760</u> | <u>\$ -</u> | <u>\$ 250,760</u> |

At June 30, 2018, the City's deposit balances in excess of FDIC coverage limitations were collateralized with securities pledged by the bank in the City's name, as required by Kentucky law and City policy.

CITY OF PEWEE VALLEY, KENTUCKY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

Capital assets for the year ended June 30, 2018 consist of the following:

| | Balance 6/30/17 | Additions | Disposals/ Adjustments | Balance 6/30/18 |
|--------------------------------|---------------------|----------------|---------------------------|---------------------|
| Governmental activities: | | | | |
| Building | \$ 110,000 | \$ | \$ | \$ 110,000 |
| Firehouse | 90,000 | | | 90,000 |
| Land and improvements | 192,286 | | | 192,286 |
| Building improvements | 40,974 | | | 40,974 |
| Furniture and fixtures | 12,786 | | | 12,786 |
| Motor vehicles and accessories | 56,408 | | | 56,408 |
| Machinery and equipment | 29,592 | | | 29,592 |
| Road Improvements | 1,085,435 | 99,574 | | 1,185,009 |
| Sidewalk improvements | 230,940 | | | 230,940 |
| Park gazebo and columns | 37,420 | | | 37,420 |
| Railroad crossing gates | 449,149 | | | 449,149 |
| Bridge improvements | 32,652 | | | 32,652 |
| Totals | <u>2,367,642</u> | <u>99,574</u> | - | <u>2,467,216</u> |
| Accumulated depreciation | <u>1,089,459</u> | <u>126,997</u> | - | <u>1,216,456</u> |
| Total Capital Assets, net | <u>\$ 1,278,183</u> | | | <u>\$ 1,250,760</u> |

The costs and accumulated depreciation for each capital asset category at June 30, 2018 is as follows:

| | Cost | Accumulated Depreciation | Net |
|--------------------------------|------------------|-----------------------------|------------------|
| Governmental activities: | | | |
| Building | \$ 110,000 | \$ 110,000 | \$ - |
| Firehouse | 90,000 | 37,688 | 52,312 |
| Land and improvements | 192,286 | - | 192,286 |
| Building improvements | 40,974 | 40,974 | - |
| Furniture and fixtures | 12,786 | 12,509 | 277 |
| Motor vehicles and accessories | 56,408 | 43,700 | 12,708 |
| Machinery and equipment | 29,592 | 24,317 | 5,275 |
| Road Improvements | 1,185,009 | 658,745 | 526,264 |
| Sidewalk improvements | 230,940 | 123,102 | 107,838 |
| Park gazebo and columns | 37,420 | 12,886 | 24,534 |
| Railroad crossing gates | 449,149 | 123,143 | 326,006 |
| Bridge improvements | 32,652 | 29,392 | 3,260 |
| Totals | <u>2,467,216</u> | <u>1,216,456</u> | <u>1,250,760</u> |

CITY OF PEWEE VALLEY, KENTUCKY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3- CAPITAL ASSETS AND DEPRECIATION

(Continued)

Depreciation was charged to function on the Statement of Activities as follows:

| | |
|--------------------|-------------------|
| General government | \$ 4,221 |
| Police | 6,230 |
| Public Works | <u>116,546</u> |
| Total | <u>\$ 126,997</u> |

NOTE 4- RISK MANAGEMENT

The City is subject to normal insurance risks as other cities its size. The City carries general liability, worker's compensation and errors and omissions coverage. The City has not had any significant reduction in coverage in the past year.

NOTE 5 - CAPITAL LEASE OBLIGATION

Railroad Crossing Gate Project

On March 29, 2012 the City entered into a general obligation lease agreement with Kentucky Bond Corporation (the Lessor), the proceeds of which were used to finance a portion of the City's railroad crossing gate project with a total original estimated cost of \$555,000. The original principal amount of the lease obligation was \$255,000. The lease agreement requires monthly payments of approximately \$3,600 over a 80 month period including interest at a fixed rate of 2.8% and loan fees beginning May 1, 2012 and ending January 1, 2019. These payments are payable to the bank of New York Mellon Trust Company N.A. which is the trustee. The lease agreement requires the City to grant to the lessor a security interest in any right title and interest of the City in the portions of the project that constitutes personal property until the lease obligation is paid. This lease is pursuant to a program administered by the Fund Trust and funded with the proceeds of the Kentucky Bond Corporation Financing Program Revenue Bonds 2012 Series A and 2012 Series B issued by the Kentucky Bond Corporation. The lease was issued pursuant to an ordinance adopted by the Council of the City of Pewee Valley on February 1, 2012.

| | Balance 06/30/17 | Borrowings | Principal Payments | Balance 06/30/18 |
|--------------------------------|---------------------|------------|-----------------------|---------------------|
| Railroad crossing gate project | 63,333 | -0- | 40,000 | 23,333 |

CITY OF PEWEE VALLEY, KENTUCKY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

NOTE 5 - CAPITAL LEASE OBLIGATION

(Continued)

The required future minimum payments of the lease obligation at June 30, 2018 are as follows:

| | Principal | <u>Interest and fees</u> | Total |
|----------------------|------------------|--------------------------|------------------|
| Year-ending June 30: | | | |
| 2019 | <u>23,333</u> | <u>1,020</u> | <u>24,353</u> |
| Totals | <u>\$ 23,333</u> | <u>\$ 1,020</u> | <u>\$ 24,353</u> |

The City paid interest and fees of \$2,508 on the above capital lease obligation during the year ended June 30, 2018. The interest and fees were allocated by function in the Statement of Activities as follows:

| | |
|--------------|-----------------|
| Public Works | <u>\$ 2,508</u> |
|--------------|-----------------|

NOTE 6 - RAILROAD CROSSING EXPENSES AND GRANT

On June 10, 2012, the Kentucky Transportation Cabinet Department of Highways awarded the City a \$219,000 grant to be used to install railroad crossing gates at two City locations (Central Avenue and Muirs Lane). The funds were received by the City in late October, 2012.

The City Contracted with CSX Corporation (CSX) for engineering and installation of railroad crossing gates at the three intersections with a total estimated project cost of \$768,475. These estimated project costs are advanced to CSX when work is begun and the City is due reimbursement cost at completion of the projects when actual cost is measureable. At June 30, 2018, the City had spent the following net of reimbursed cost:

| | All work had been completed | | | Total |
|--------------------------------|-----------------------------|------------------|-------------------|------------------|
| | Central Avenue | Muirs Lane | Wooldridge Avenue | |
| Costs advanced to CSX | \$319,637 | \$217,154 | \$231,698 | \$768,489 |
| Cost reimbursed by CSX to City | <u>(133,871)</u> | <u>(95,469)</u> | <u>(90,000)</u> | <u>(319,340)</u> |
| Net Costs | <u>\$185,766</u> | <u>\$121,685</u> | <u>\$141,698</u> | <u>\$449,149</u> |

CITY OF PEWEE VALLEY, KENTUCKY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

NOTE 7 – VEHICLE LOAN

On September 9, 2015, the City entered a business loan agreement for the purchase of a police vehicle. The original amount of the loan was \$28,240.00. The City is making monthly payments of \$624.05 over 48 months with an effective interest rate of 2.9179%.

| | Balance 6/30/2017 | Principal Payments | Balance 6/30/2018 |
|----------------|----------------------|-----------------------|----------------------|
| Police Vehicle | <u>\$ 16,289</u> | <u>\$ 7,108</u> | <u>\$ 9,181</u> |

The required future minimum payments of the loan at June 30, 2018 are as follows:

| Year ending June 30: | Principal | Interest and Fees | Total |
|----------------------|-----------------|-------------------|-----------------|
| 2019 | 7,318 | 171 | 7,489 |
| 2020 | <u>1,863</u> | <u>9</u> | <u>1,872</u> |
| Totals | <u>\$ 9,181</u> | <u>\$ 180</u> | <u>\$ 9,361</u> |

The City paid interest and fees of \$381 on the above loan during the year ended June 30, 2018. The interest and fees were allocated by function in the Statement of Activities as follows:

| | |
|--------|-------|
| Police | \$381 |
|--------|-------|

NOTE 8 - COMMITMENTS

The City has the following contractual commitments at June 30, 2018.

- An extended two-year renewal contract with its waste management contractor for the period July 2018 to June 2020 requiring monthly payments of \$6,346 plus any new homes. The current rate is \$6,300.
- The City has contractual commitment for police protection at June 30, 2018.

NOTE 9 – SUBSEQUENT EVENTS

City management has valuated subsequent events through October 26, 2018 which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

CITY OF PEWEE VALLEY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2018

GENERAL FUND

| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE) |
|-----------------------------------|----------------------------|-------------------------|---------------------|--|
| FUND BALANCE BEGINNING | \$ 1,080,000 | \$1,080,000 | \$ 1,201,065 | \$ 121,065 |
| REVENUES | | | | |
| Property taxes | 215,000 | 215,000 | 227,418 | 12,418 |
| Insurance premium taxes | 285,000 | 285,000 | 390,462 | 105,462 |
| Franchise fees | 2,000 | 2,000 | 3,475 | 1,475 |
| Grants and miscellaneous revenues | 29,000 | 29,000 | 26,528 | (2,472) |
| Miscellaneous income | 10,000 | 10,000 | 6,061 | (3,939) |
| Interest income | 2,000 | 2,000 | 3,475 | 1,475 |
| | <u>543,000</u> | <u>543,000</u> | <u>657,419</u> | <u>114,419</u> |
| Total Revenues | | | | |
| Total Revenues and Resources | 1,623,000 | 1,623,000 | 1,858,484 | 235,484 |
| Expenditures | | | | |
| Administrative | 66,000 | 66,000 | 53,852 | 12,148 |
| ABC Administration | 2,000 | 2,000 | - | 2,000 |
| Communications | 16,000 | 16,000 | 13,710 | 2,290 |
| Contingency | 50,000 | 50,000 | 49,696 | 304 |
| Environmental improvements | 48,000 | 48,000 | 40,740 | 7,260 |
| Festivities | 16,000 | 16,000 | 14,360 | 1,640 |
| Insurance | 20,300 | 20,300 | 18,790 | 1,510 |
| Road and drainage | 100,000 | 100,000 | 99,277 | 723 |
| Central Park improvement | 20,000 | 20,000 | 17,340 | 2,660 |
| Town Hall | 33,000 | 33,000 | 26,268 | 6,732 |
| Waste Management | 80,000 | 80,000 | 78,532 | 1,468 |
| Police | 93,000 | 93,000 | 93,252 | (252) |
| Sidewalks | 10,000 | 10,000 | 868 | 9,132 |
| Public Safety | 15,000 | 15,000 | 13,180 | 1,820 |
| Debt Service | 49,960 | 49,960 | 42,508 | 7,452 |
| | <u>619,260</u> | <u>619,260</u> | <u>562,373</u> | <u>56,887</u> |
| Total Expenditures | | | | |
| FUND BALANCE ENDING | <u>\$ 1,003,740</u> | <u>\$ 1,003,740</u> | <u>\$ 1,296,111</u> | <u>\$ 292,371</u> |

CITY OF PEWEE VALLEY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018

MUNICIPAL ROAD AID FUND

| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u> |
|---------------------------|----------------------------|-------------------------|-----------------|---|
| REVENUES | | | | |
| Municipal road aid | \$ 25,000 | \$ 25,000 | \$ 28,907 | \$ 3,907 |
| Interest income | <u>200</u> | <u>200</u> | <u>96</u> | <u>(104)</u> |
| Total Revenues | <u>25,200</u> | <u>25,200</u> | <u>29,003</u> | <u>3,803</u> |
| Expenditures | | | | |
| Road and drainage | 25,200 | 25,200 | 25,200 | - |
| Total Expenditures | <u>25,200</u> | <u>25,200</u> | <u>25,200</u> | <u>-</u> |
| REVENUE OVER EXPENDITURES | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,803</u> | <u>\$ 3,803</u> |

STORM WATER FUND

| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u> |
|---------------------------|----------------------------|-------------------------|------------------|---|
| REVENUES | | | | |
| Storm water fees | <u>25,300</u> | <u>25,300</u> | <u>27,436</u> | <u>2,136</u> |
| Total Revenues | <u>25,300</u> | <u>25,300</u> | <u>27,436</u> | <u>2,136</u> |
| Expenditures | | | | |
| Water Quality Management | 25,300 | 25,300 | 12,537 | 12,763 |
| Total Expenditures | <u>25,300</u> | <u>23,000</u> | <u>12,537</u> | <u>12,763</u> |
| REVENUE OVER EXPENDITURES | <u>\$ -</u> | <u>\$ 2,300</u> | <u>\$ 14,899</u> | <u>\$ 14,899</u> |

CITY OF PEWEE VALLEY, KENTUCKY
 COMBINING BALANCES SHEET-NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2018

| | MUNICIPAL ROAD AID | STORM WATER FUND | TOTAL NON-MAJOR GOVERNMENTAL FUNDS |
|--|-----------------------|------------------------|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 107,101 | \$ | \$ 107,101 |
| Municipal road aid receivable | 2,462 | | 2,462 |
| Due from General Fund | | 66,706 | 66,706 |
| TOTAL ASSETS | \$ 109,563 | \$ 66,706 | \$ 176,269 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Due to the General Fund | \$ 24,920 | \$ | \$ 24,920 |
| TOTAL LIABILITES | 24,920 | - | 24,920 |
| FUND BALANCES | | | |
| Restricted | 84,643 | 66,706 | 151,349 |
| Total Fund Balances | | | |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 109,563 | \$ 66,706 | \$ 176,269 |

CITY OF PEWEE VALLEY, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

| | MUNICIPAL ROAD AID | STORM WATER FUND | TOTAL NON-MAJOR GOVERNMENTAL FUNDS |
|--|-----------------------|------------------------|---|
| REVENUES | | | |
| Municipal road aid revenue | \$ 28,907 | | \$ 28,907 |
| Stormwater fees | | 27,436 | 27,436 |
| Interest income | <u>96</u> | | <u>96</u> |
| Total Revenue | 29,003 | 27,436 | 56,439 |
| EXPENDITURES | | | |
| Road and drainage | 25,200 | | 25,200 |
| Water quality management | | <u>12,537</u> | <u>12,537</u> |
| Total Expenditures | 25,200 | 12,537 | 37,737 |
| EXCESS OF REVENUE OVER EXPENDITURES | <u>3,803</u> | <u>14,899</u> | <u>18,702</u> |
| FUND BALANCE, Beginning of year | 80,840 | 51,807 | 132,647 |
| Fund Balance, End of year | <u>\$ 84,643</u> | <u>66,706</u> | <u>\$ 151,349</u> |

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

The Honorable Mayor and
Council of the City of
Pewee Valley, Kentucky

I 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 statement of the governmental activities, each major fund and aggregate fund information of the City of Pewee Valley, Kentucky as of and for the year June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Pewee Valley, Kentucky's basic financial statements and have issued my report thereon dated October 17, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Pewee Valley, Kentucky's internal control over financial reporting (internal control); to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements; but not for the purpose of expressing an opinion on the effectiveness of City of Pewee Valley, Kentucky'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 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 City of Pewee Valley, Kentucky's financial statements are free from material misstatement, I performed test 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results to that testing; and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richard F. Paulmann, CPA, LLC.



Pewee Valley, KY
October 17, 2018