

SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION

Basic Financial Statements,
Required Supplementary Information, And
Independent Auditor's Report

For The Year Ended June 30, 2014

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| Independent Auditor's Report |
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To the Board of Commissioners
Shelbyville Municipal Water and Sewer Commission
Shelbyville, KY

We have audited the accompanying financial statements of the business-type activities of Shelbyville Municipal Water and Sewer Commission, component unit of the City of Shelbyville, Kentucky, as of and for the year ended June 30, 2014, which collectively comprise the Shelbyville Water and Sewer Commission'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.

INDEPENDENT AUDITOR'S REPORT
Shelbyville Municipal Water and Sewer
(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Shelbyville Water and Sewer Commission as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 23 through 26 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The introductory section and accompanying supplementary financial information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and accompanying supplementary financial information as listed in the table of contents have not been subjected to the auditing procedures applied to the audit of the basic financial statements and, accordingly, we express no opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2015, on our consideration of the Shelbyville Municipal Water and Sewer Commission'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 Shelbyville Municipal Water and Sewer Commission's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC
January 23, 2015

SHELBYVILLE WATER AND SEWER

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION JUNE 30, 2014

| | |
|---|-----------------------------|
| Operating Revenues | |
| Water sales | \$ 2,721,564 |
| Sewer service | 2,661,215 |
| Other revenues | <u>163,676</u> |
| Total Operating Revenue | 5,546,455 |
| Operating Expenses | |
| Direct water expenses | 982,235 |
| Direct sewer expenses | 795,346 |
| Administrative expenses | 1,399,243 |
| Amortization-debt issue expense | 54,053 |
| Depreciation-water plant | 603,307 |
| Depreciation-sewer plant | 803,772 |
| Depreciation-office building | <u>51,941</u> |
| Total Operating Expenses | 4,689,897 |
| Operating Income | 856,558 |
| Non-Operating Revenues (Expenses) | |
| Interest income | 13,625 |
| Interest expense-long term debt | (479,946) |
| Debt administration fees | <u>(67,320)</u> |
| Total Non-Operating Revenues(Expenses) | (533,641) |
| Income Before Contributions and Transfers | 322,917 |
| Capital Contributions | 312,017 |
| Transfers out-City of Shelbyville | <u>(140,648)</u> |
| Change in Net Position | 494,286 |
| Net Position, July 1, 2013 | <u>25,415,475</u> |
| Net Position, June 30, 2014 | <u><u>\$ 25,909,761</u></u> |
| Debt Service Coverage | |
| Current year debt service coverage | 1.61 |
| Maximum year debt service coverage | 1.61 |

SHELBYVILLE WATER AND SEWER

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

SHELBYVILLE WATER AND SEWER
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2014

| | |
|--|----------------------------|
| <u>Cash Flows from Operating Activities</u> | |
| Receipts from customers | \$ 5,558,217 |
| Payments to suppliers | (1,893,795) |
| Payments to employees | (1,239,874) |
| Net cash provided by operating activities | <u>2,424,548</u> |
| <u>Cash Flows from Noncapital Financing Activities</u> | |
| Transfer to City | (140,648) |
| Net cash (used) by noncapital financing activities | <u>(140,648)</u> |
| <u>Cash Flows from Capital and Related Financing Activities</u> | |
| Capital contributions | 312,017 |
| Purchases of capital assets | (355,142) |
| Principal paid on long term debt | (1,008,658) |
| Interest paid on long term debt | (479,946) |
| Administrative fees paid on long term debt | (67,320) |
| Net cash (used) by capital and related financing activities | <u>(1,599,049)</u> |
| <u>Cash Flows from Investing Activities</u> | |
| Interest received | 13,625 |
| Purchase of investments | (608,091) |
| Net cash (used) by investing activities | <u>(594,466)</u> |
| Net Increase in Cash and Cash Equivalents | 90,385 |
| Cash and Cash Equivalents, Beginning of Year | <u>452,668</u> |
| Cash and Cash Equivalents, End of Year | <u><u>543,053</u></u> |
| <u>RECONCILIATION OF OPERATING INCOME TO NET CASH</u> | |
| <u>PROVIDED BY OPERATING ACTIVITIES</u> | |
| Operating income | 969,935 |
| Adjustment to reconcile operating income to net cash provided by operating activities | |
| Depreciation expense | 1,459,020 |
| Amortization expense | 54,053 |
| Net changes in assets and liabilities | |
| Accounts receivable | (3,313) |
| Prepaid expenses | (6,465) |
| Due from others | (3,836) |
| Inventory | (5,350) |
| Accounts payable | 63,218 |
| Customer deposits | 15,075 |
| Other accrued liabilities | (117,789) |
| Net cash provided by operating activities | <u><u>\$ 2,424,548</u></u> |

SHELBYVILLE WATER AND SEWER

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SHELBYVILLE WATER AND SEWER

SHELBYVILLE WATER AND SEWER

SHELBYVILLE WATER AND SEWER COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business activity

The Shelbyville Municipal Water and Sewer Commission (a component unit of the City of Shelbyville, KY) operates a combined water and sewer system which serves Shelbyville and the surrounding area. The original Commission established in 1955 was dissolved, reestablished, and restructured during 1993. During 2000 the Shelby County Fiscal Court conveyed all property and assets of Sanitation District No. 1 to the Commission and the Commission assumed the debts and obligations of Sanitation District No. 1 to form a newly constituted Commission. The new Commission consists of seven voting members. The Mayor of the City of Shelbyville shall be one voting member and serve as chairperson. Three other members are to be appointed by the Mayor, with approval of the City Council. One of the three members appointed by the Mayor shall be a member of the City Council. Three members are to be appointed by the Shelby County Judge Executive, with approval of the Fiscal Court. One of the three members appointed by the Judge Executive shall be a member of the Fiscal Court.

Accrual basis

Customer meters are read and billed monthly at which time the receivable is recorded and revenue is recognized. No provision has been provided for doubtful accounts due to the amount determined to be uncollectible.

Financial statement presentation

The financial statements of the Commission are prepared in accordance with generally accepted accounting principles (GAAP). The Commission's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Commission's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Operating revenue and expenses

Operating revenue and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

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

Budget

The Chairman shall submit an annual budget to the Commission at the May monthly meeting. The budget shall provide for any request by the Commission for surplus funds deposited in the name of the City. The annual budget shall be approved no later than June 30 of each year. Surplus funds in excess of the amount required to be maintained under the provision of the lease agreements between Kentucky Municipal Finance Corporation and the City of Shelbyville shall be deposited in the name of the City as provided in the lease agreements and may be transferred to the general fund of the City as provided in the lease agreements.

Inventory

The inventory is priced at cost on the first-in, first-out basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade accounts receivable

Trade accounts receivable are reported at the amount management expects to collect from outstanding balances. Management considers all accounts receivable as collectible at year end.

Amortization

The debt issue expense is amortized by the debt outstanding method over the term of the issue.

Utility assets

All property and equipment is recorded at cost. Interest and loan fees incurred on funds borrowed for construction is capitalized during the construction period.

Depreciation

The Commission uses the straight-line method for property, plant and equipment based on the following estimated useful life by major class of depreciable assets:

| <u>Class</u> | <u>Life</u> |
|---------------------------|-------------|
| Building and improvements | 20-50 years |
| Machinery and equipment | 5-10 years |
| Water and sewer systems | 50 years |
| Infrastructures | 20-50 years |

Customer deposits

Interest is accrued at the rate of 6% but not paid until service is discontinued.

New customers

New service connection fees are recorded as an addition to the equity of the water and sewer system. The cost of installation of the new service is recorded as an addition to water or sewer plant in service and is subject to depreciation.

Debt service coverage

The debt service coverage is computed by dividing operating income before depreciation and interest on long term debt by the maximum annual principle and interest coming due on all system debt outstanding in any year (including base rentals.) The fixed rate lease purchase agreements require debt service coverage of 1.20.

Accumulated vacation and sick leave

Vacation is earned at rates varying between 1 to 15 days per year depending on the length of service. Vacations must be taken during the year earned. Sick leave accrues at the rate of 1 day per month and shall accumulate to a maximum of 126 days. Unused sick days are not payable upon retirement or termination. The only benefit available for unused sick leave is limited to retirement credit by the CERS at a maximum of six months credit for 116-126 sick days accumulated at retirement. Any amount of accrued sick leave above 126 days will not be credited for retirement.

Retirement system

The Commission participates in the County Employees Retirement System. All eligible regular full-time employees are authorized and directed to participate in the system.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash equivalents

For the purpose of the statement of cash flows the Commission considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Transfers

Pursuant to an Inter-local Cooperation Agreement dated January 31, 2000 between the City of Shelbyville, the Shelbyville Municipal Water and Sewer Commission, and the County of Shelby, the City of Shelbyville shall receive no more than 7% of the annual gross water and sewer revenues of the Commission, and any amounts transferred to the City of Shelbyville shall represent surplus funds of the Commission.

NOTE 2 - CASH INVESTMENTS

The Commission maintains numerous operating and restricted cash and cash investment accounts at various depository banks.

State statute limits investments of public funds generally to obligations of the United States and certain of its agency and instrumentality, certificates of deposits or other interest-bearing accounts of FDIC insured banks or savings and loan institutions.

At June 30, 2014, the carrying amount of the Commission's cash investments were \$6,515,391 and the various bank balances were \$6,620,524. All cash investments were treasury certificates or were covered by collateral in the form of pledged treasury certificates. All of the bank balances were covered by the \$250,000 federal depository insurance or pledged treasury certificates.

NOTE 3 - RESTRICTED FUNDS AND INVESTMENTS

Following is a schedule of the restricted funds and investments.

| | Debt Service Fund | Debt Service Reserve Fund | Depreciation Fund | Construction Fund | Surplus Fund |
|---------|----------------------|------------------------------|----------------------|----------------------|-----------------|
| Cash | \$498,258 | - | \$2,296,628 | \$2,248,107 | \$180,294 |
| Gov Sec | - | \$749,052 | - | - | - |
| Total | \$498,258 | \$749,052 | \$2,296,628 | \$2,248,107 | \$180,294 |

The series 1998A, 2002A, and 2008 fixed rate lease purchase agreements dated June 1, 1998, October 10, 2002, and June 30, 2008 respectively require that the Commission establish various funds and accounts and make various monthly transfers. The Commission is in compliance with these requirements; except for their debt service fund is under-funded by \$138,841.

NOTE 4 – UTILITY PLANT

The water system acquired from the Kentucky Water Service Company and all subsequent additions are recorded at cost. The sewer system is not recorded at cost. The actual cost to the Commission was the payment of outstanding Sewerage System Revenue Bonds in the amount of \$9,000. An appraisal made at the time of acquisition showed the system to have a net sound value of \$200,000. Consequently, entries were made in the Commission's records recording this amount as an asset. Subsequent additions have been recorded at cost. April 1, 2000 the Sanitation District's assets were transferred to the Commission with a net book value of \$2,403,525.

Following is a schedule of the utility plant:

| | |
|-----------------------------|----------------|
| <u>Water plant</u> | |
| Source of supply land | \$5,000 |
| Power and pumping land | 21,500 |
| Source of supply structures | 4,582,737 |
| Pumping structures | 417,840 |
| Standpipes | 3,402,148 |
| Purification system | 2,955,522 |
| Dam and line | 300,409 |
| Miscellaneous structures | 35,546 |
| Pumping equipment | 2,391,065 |
| Distribution mains | 5,859,782 |
| Services and meters | 2,674,779 |
| Hydrants | <u>346,885</u> |
| Total water plant | \$22,997,451 |

| | |
|-------------------------------|--------------|
| <u>Sewer plant</u> | |
| Land | \$124,126 |
| Structures | 9,389,283 |
| Distribution lines | 12,304,101 |
| Manholes | 863,852 |
| Disposal plant equipment | 6,804,228 |
| Office furniture and fixtures | <u>7,568</u> |
| Total sewer plant | \$29,404,843 |

| | |
|-----------------------------------|----------------|
| <u>Administrative and general</u> | |
| Land and building | \$714,813 |
| Office furniture and fixtures | 321,193 |
| Transportation equipment | 484,839 |
| Shop equipment | <u>193,856</u> |
| Total administrative and general | \$1,714,701 |

| | |
|---------------------------------|---------------|
| <u>Construction in Progress</u> | |
| Water plant | \$269,906 |
| Sewer plant | <u>47,643</u> |
| Total construction in progress | \$317,549 |

NOTE 4 – UTILITY PLANT (CONTINUED)

The construction in progress water plant includes the following projects:

| | |
|--|------------------|
| 1) Interstate 64 regional pipeline study | |
| Engineering | \$159,795 |
| Other | 46,166 |
| Total | <u>\$205,961</u> |
| This contract is in the design phase and has not been awarded. | |
| 2) Downtown water storage tank alternatives | |
| Other | \$30,369 |
| 3) Water plant filter improvements study and filter investigation | |
| Engineering | \$17,425 |
| Other | 501 |
| Total | <u>\$17,926</u> |
| 4) Possible relocation of water line at Mt. Eden Road (DOT) | |
| Engineering | \$770 |
| Other | 111 |
| Total | <u>\$881</u> |
| 5) Water line extension from Clear Creek Park to Spring Oaks (to improve hydraulics) | |
| Engineering | \$1,080 |
| 6) Water treatment plant rehab | |
| Engineering | \$770 |
| Other | 111 |
| Total | <u>\$881</u> |

The construction in progress sewer plant includes the following projects:

| | |
|--|-----------------|
| 1) KY 55 force main | |
| Engineering | \$4,341 |
| This contract is in design phase and has incurred only engineering cost. | |
| 2) Possible relocation of sewer line at Mt. Eden Road (DOT) | |
| Engineering | \$770 |
| 3) Sanitary replacement near Bradshaw Street | |
| Engineering | \$27,440 |
| Other | 6,863 |
| Total | <u>\$34,303</u> |

NOTE 4 – UTILITY PLANT (CONTINUED)

| | |
|---|----------------|
| 4) Sanitary sewer extension and provision of sanitary sewer service to Diageo | |
| Engineering | \$2,970 |
| Other | 1,130 |
| Total | <u>\$4,100</u> |
| 5) Benson Road Sewer Gravity Sewer Line | |
| Engineering | \$3,065 |
| Other | 1,065 |
| Total | <u>\$4,130</u> |

Capital assets activity for the year ended June 30, 2014:

| | Balance July 1, 2013 | Additions | Deductions | Balance June 30, 2014 |
|---|---------------------------------|--------------------|--------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | 189,838 | - | - | 189,838 |
| Water rights | 165,652 | - | - | 165,652 |
| Construction work in progress | 346,035 | 144,833 | (173,315) | 317,553 |
| Total capital assets, not being depreciated | 701,525 | 144,833 | (173,315) | 673,043 |
| Capital assets, being depreciated: | | | | |
| Water Plant | 22,670,660 | 269,053 | - | 22,939,713 |
| Sewer Plant | 29,280,716 | 88,557 | - | 29,369,273 |
| Administrative and shop buildings | 640,925 | 3,438 | - | 644,363 |
| Machinery and equipment | 977,309 | 22,580 | - | 999,889 |
| Total capital assets being depreciated: | 53,569,610 | 383,628 | - | 53,953,238 |
| Less accumulated depreciation: | | | | |
| Water Plant | 10,654,805 | 603,307 | - | 10,654,805 |
| Sewer Plant | 10,665,900 | 803,772 | - | 10,665,900 |
| Administrative and shop buildings | 351,289 | 12,056 | - | 351,289 |
| Machinery and equipment | 730,457 | 39,885 | - | 730,457 |
| Total accumulated depreciation | 22,402,451 | 1,459,020 | - | 23,861,471 |
| Total capital assets being depreciated, net | 31,167,159 | (1,075,392) | - | 30,091,767 |
| Business-type activities capital assets, net | \$31,868,684 | \$(930,559) | \$(173,315) | \$30,764,810 |

NOTE 5 - UNAMORTIZED DEBT ISSUE EXPENSE

The 1998A, 2002A, and 2004C debt issuance cost and unamortized expenses of the 1991 issue, that the 1998A and 2002A retired, are being amortized over the lives of the lease agreements. On April 1, 2000 the Sanitation District's assets and liabilities were merged with the Commission. This resulted in additional unamortized debt issue expense that is being amortized over a 20-year period. On July 14, 2000 new revenue bonds were issued. The new issuance cost is also being amortized over a 20-year period. On June 30, 2008 the refinancing of 1998A debt resulted in additional unamortized debt that is being amortized over a 10-year period.

NOTE 6 - FIXED RATE LEASE OBLIGATION

On June 1, 1998 the City of Shelbyville entered into a fixed rate lease purchase agreement with the Kentucky Municipal Finance Corporation as lessor. Under the agreement, revenue bonds of \$9,540,000 were sold at par. \$3,607,880 of these funds were used to purchase US government securities. Those securities are deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on a portion of the 1991 lease purchase agreement. As a result the fixed rate lease portion held in escrow is considered deceased and the liability has been removed from the statement of net assets.

The bonds sold under the 1998 lease agreement will be retired over a period of twenty (20) years with interest rates from 4.0% to 5.15%. The annual base period rentals, including interest, under the agreement range from \$680,515 to \$1,025,213. These bonds were paid in full with the new (2008) lease agreement. On June 30, 2008 the City of Shelbyville entered into a fixed rate lease purchase agreement with the Kentucky Municipal Finance Corporation for the refunding of prior 1998 lease. Under the agreement, revenue bonds of \$7,230,000 were sold at par. The bonds sold under the new 2008 lease agreement will be retired over a period of ten (10) years with interest rates from 2.75% to 4.0%. The annual base period rentals including interest, under the agreement range from \$655,241 to \$998,400.

On July 14, 2000 the City of Shelbyville entered into a fixed rate lease purchase agreement with the Kentucky League of Cities Funding Trust as lessor. Under the agreement, revenue bonds of \$715,000 were sold at par. Proceeds were used for water and sewer line extension and expansion.

The bonds sold under the lease agreement will be retired over a period of twenty (20) years with variable interest rates. The assumed rate of interest for base rental payments is 4.18%. After notice from the lessor, the Commission will either receive a credit against base rental payable on July 15, of each fiscal year in an amount equal to the excess, if any, of the aggregate of the interest components of base rentals paid by the Commission during the preceding fiscal year (at the assumed interest rate) over the Commission's proportionate share of all interest paid on variable rate bonds or the Commission will immediately pay as additional rentals, an amount equal to the excess, if any, of the Commission's proportionate share of all interest paid or to be paid on variable rate bonds over the aggregate of the interest components of base rentals then required to be paid by the Commission (at the assumed interest rate). Prior to May 1 of each fiscal year during the lease term, the lessor will inform the Commission of the amount of additional rentals that are estimated to be payable during the next ensuing fiscal year. The annual base period rentals, including interest and fiduciary fees, under the agreement range from \$40,729 to \$68,591.

NOTE 6 - FIXED RATE LEASE OBLIGATION (CONTINUED)

On September 9, 2004 the City of Shelbyville entered into a variable rate lease agreement with the Kentucky League of Cities Funding Trust as lessor. Under the agreement revenue bonds of \$8,500,000 were sold at par. Proceeds were used for water treatment plant improvements and wastewater treatment plant expansion and improvements.

The bonds sold under the lease agreement will be retired over twenty-four (24) years with variable interest rates. The assumed rate of interest for base rental payments is 3.75%. After notice from the lessor, the Commission will pay additional rentals within fifteen (15) days. Any lease rental payment not paid within ten (10) days of the date due shall bear interest thereon up to a maximum rate of fifteen percent per annum. The Lessee will receive credit against the base rental payable on September 20th of each fiscal year in an amount equal to the excess, if any, of the aggregate of the interest components of base rentals paid by the Lessee during the preceding fiscal year (at such assumed rate) over the Lessee's proportionate share of all interest paid on variable rate bonds, and after notice from the Lessor, the Lessee will immediately pay as additional rentals, an amount equal to the excess, if any, of the Lessee's proportionate share of all interest paid or to be paid on variable rate bonds over the aggregate of the interest components of base rental then required to be paid by the Lessee (at the then assumed rate). Prior to May 1st of each fiscal year during the lease term, the Lessor will inform the Lessee of the amount of additional rentals that are estimated to be payable during the next ensuing fiscal year.

The annual base period rentals, including interest and fiduciary fees, under the agreement range from \$17,372 to \$97,637.

| | |
|---|----------------|
| Outstanding revenue bonds under the lease agreements as of July 1, 2013 | \$12,550,000 |
| Less bonds retired during the fiscal year | <u>865,000</u> |
| Bonds outstanding June 30, 2014 | 11,685,000 |
| Less current bonds outstanding | <u>890,000</u> |
| Long term bonds outstanding | \$11,685,000 |

Future maturities of long term debt:

| Year Ending | Principal | Interest | Amount |
|--------------------|----------------------------|---------------------------|----------------------------|
| 2015 | 890,000 | 443,837 | 1,333,837 |
| 2016 | 925,000 | 410,921 | 1,335,921 |
| 2017 | 965,000 | 375,029 | 1,340,029 |
| 2018 | 1,020,000 | 336,690 | 1,356,690 |
| 2019-2023 | 3,531,256 | 1,212,626 | 4,742,882 |
| 2024-2028 | <u>4,353,744</u> | <u>391,131</u> | <u>4,744,875</u> |
| Totals | <u>\$11,685,000</u> | <u>\$3,170,234</u> | <u>\$14,855,342</u> |

NOTE 7 - NOTES PAYABLE - KY INFRASTRUCTURE AUTHORITY

On March 7, 2000 the Commission assumed the remaining unpaid portion of the debt as part of the Commission's assumption of the obligation to provide sewer service to the territory of the Sanitation District. The unpaid portion at March 7, 2000 was \$1,799,494. The KIA loan consists of two separate loans. Fund A original loan was \$1,402,737 at 2.6% with semi-annual principal and interest payments due on June 1 and December 1. Fund C original loan was \$774,511 at 4.5% to 6.375% with payments due January 1 and July 1. June 18, 2004 the Kentucky Infrastructure Authority restructured the Fund C Program. The Commission will now make monthly loan payments instead of semi-annual payments. The interest rates on the restructured loan are 2.25% to 5.290% with payments due the first day of every month.

| | |
|---------------------------------------|----------------|
| Outstanding note as of July 1 , 2013 | \$143,658 |
| Principal paid during the fiscal year | <u>143,658</u> |
| Outstanding note as of June 30, 2014 | 143,658 |
| Less: current note outstanding | <u>-</u> |
| Long term note outstanding | \$ - |

NOTE 8 – LONG-TERM LIABILITIES

Changes during fiscal year 2014 and balances as of June 30, 2014 of the Commission were as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due within One Year |
|--------------------------|----------------------|-----------|--------------------|---------------------|-----------------------------------|
| Fixed Rate | | | | | |
| Lease Obligation: | | | | | |
| KLC 2000 | \$360,0 | - | \$40,000 | \$320,000 | \$40,000 |
| KLC 2004-A | 7,775,000 | - | - | 7,750,000 | - |
| Series 2008 Rev | 4,440,000 | - | 825,000 | 3,615,000 | 825,000 |
| | <u>12,550,000</u> | - | <u>865,000</u> | <u>11,658,000</u> | <u>865,000</u> |
| N/P-KIA: | | | | | |
| KIA Loan A94-05 | 88,658 | - | 88,658 | - | - |
| KIA Loan C94-01 | 55,000 | - | 55,000 | - | - |
| | <u>143,658</u> | - | <u>143,658</u> | - | - |
| Total | <u>\$12,693,658</u> | - | <u>\$1,008,658</u> | <u>\$11,658,000</u> | <u>\$865,000</u> |

NOTE 9 - PENSION PLAN

The Commission provides pension benefits for regular full-time employees with at least 100 hours of work per month. These benefits are provided under the County Employee Retirement System of the state of Kentucky. Regular full-time employees are required to participate. The plan is included in the Annual Report of the Kentucky Retirement Systems. A copy may be obtained from Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or <http://kyret.ky.gov>.

NOTE 9 - PENSION PLAN (CONTINUED)

Plan description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous duty positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least twelve months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than twelve months prior to the effective date of the COLA, the increase shall be reduced on a pro-rate basis for each month the recipient has not been receiving benefits in the twelve months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands. On July 1, 2012 the COLA was not granted.

Contributions - For the year ended June 30, 2014, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2014, participating employers contributed 18.89% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2014 was 18.89% of creditable compensation. Administrative costs of Kentucky Retirement Systems are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created under 26 USC Section 401(h) in the Pension Fund. Interest is paid each June 30 on member's accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

The Commission and covered employees made the required contributions for the fiscal year amounting to \$250,368 on covered payroll of \$1,152,099. \$252,517 and \$243,910 were contributed for June 30, 2013 and 2012 respectively.

NOTE 10- EMPLOYEE HEALTH BENEFIT PLAN

Effective July 1, 2006 the City of Shelbyville implemented an employee health and welfare benefit plan, providing medical benefits utilizing a preferred provider network, and prescription drug benefits. A copy of the plan documents and insurance contracts, if any, are on file at the plan administrator's office and may be read by any covered person at any reasonable time.

The plan is fully funded by the employer. Funds for payment of claims considered under the plan are forwarded to accounts from which claims are to be paid. The City of Shelbyville maintains this fund and is the administrator, fiduciary and legal agent. Medical Benefits Administrators, Inc, 1975 Tamarack Road, P O Box 1099, Newark, Ohio 43058-1099 is the benefit manager.

The plan is funded by contributions made by the employer and employees who are participating under the plan. Participation contributions are currently required for both participant and dependent coverage. The Commission through the City of Shelbyville has purchased excess stop-loss insurance for medical expenses that exceed \$55,000 per covered individual for fiscal year June 30, 2014.

NOTE 11- FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the City in estimating its fair value disclosures for financial instruments:

- Operating Cash: The carrying amounts reported in the statements of net assets approximate fair values because of the short maturities of those instruments.
- Restricted Assets: The carrying amounts reported in the statement of net assets approximate fair values because of the short maturities of those instruments.

The estimated fair values of the City's financial instruments are as follows:

| | <u>Carrying Amount</u> | <u>Fair Value</u> |
|---------------------------|------------------------|-------------------|
| Financial Assets: | | |
| Operating cash | \$ 543,053 | \$ 543,053 |
| Debt service fund | 498,258 | 498,258 |
| Debt service reserve fund | 749,052 | 749,052 |
| Depreciation fund | 2,296,628 | 2,296,628 |
| Special construction fund | 2,248,107 | 2,248,107 |
| Surplus fund | 180,294 | 180,294 |

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the City’s fair value hierarchy for the financial assets measured at fair value on a recurring basis:

| June 30, 2014 | <u>Fair Value Measurements at Reporting Date Using:</u> | |
|--------------------------|---|---|
| | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> |
| Money Market Investments | \$749,052 | \$749,052 |

NOTE 12– SUBSEQUENT EVENT POLICY

The Commission has evaluated subsequent events for the period from June 30, 2014 to January 23, 2015, (the date which the financial statements were available to be issued) for items requiring recognition or disclosure in the financial statements. There were no events occurring during the evaluation period that require disclosure, and there were no events that require recognition in the financial statements.

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Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
Facsimile (502) 499-9132

Board of Commissioners
Shelbyville Municipal Water and Sewer Commission
Shelbyville, KY

| |
|---|
| 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 |
|---|

We have audited the basic financial statements of the business activities of the Shelbyville Water and Sewer Commission, Component Unit of the City of Shelbyville, Kentucky, as of and for the year ended June 30, 2014, which collectively comprise the Shelbyville Water and Sewer Commission's basic financial statements and have issued our report thereon dated November 21, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Shelbyville Water and Sewer Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Shelbyville Water and Sewer Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 significant deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shelbyville Water and Sewer Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Respectively Submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC
January 23, 2015

**SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

FINDINGS:

2014-01

The Commission is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

The Commission lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, does not have the internal control procedures required to take responsibility for the financial statements in conformity with generally accepted accounting principles.

Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements or review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

Response:

This is an ongoing finding. Management has determined that it is the most cost effective to continue to engage the auditor to draft the financial statements and related notes.

2014-02

The Commission is required to have internal controls in place that enable it to apply generally accepted accounting principles to its transactions. Specifically, this includes interfund transactions, payments-on-behalf of the Commission, accounting for water billing and year-end accrual transactions.

The Commission executes basic and routine transactions throughout the year; however, the Commission does not apply generally accepted accounting principles to certain non-routine transactions recorded during the year and in making its year-end accruals. Management relied on the auditor's year-end adjustments to bring the Commission's accounting records into compliance with generally accepted accounting principles. Management reviewed, approved and accepted responsibility for the adjusting journal entries prior to the issuance of the financial statements.

We recommend management review the costs and benefits involved to retain a consultant with the required expertise to advise the Commission during the year concerning non-routine transactions and to assist the Commission with its year-end close so that the Commission's accounting records will be in compliance with generally accepted accounting principles.

Response:

This is an ongoing finding. Management has determined that it is the most cost effective to continue to rely on the auditor's adjustments to bring the Commission's accounting records into compliance with generally accepted accounting principles.

REQUIRED SUPPLEMENTARY INFORMATION

SHELBYVILLE WATER AND SEWER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ACTUAL COMPARED TO BUDGET
FOR FISCAL YEAR ENDED JUNE 30, 2014

| | <u>BUDGET</u> | | <u>ACTUAL</u> | <u>VARIANCE - OVER (UNDER)</u> |
|---|----------------------|----------------------|----------------------|------------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| OPERATING REVENUES | | | | |
| Water sales | | \$ 2,734,559 | \$ 2,721,564 | \$ (12,995) |
| Sewer service | | 2,649,764 | 2,661,215 | 11,451 |
| Other revenues | | 143,200 | 163,676 | 20,476 |
| TOTAL OPERATING REVENUE | - | 5,527,523 | 5,546,455 | 18,932 |
| OPERATING EXPENSES | | | | |
| Direct water expenses | | \$1,064,195 | \$982,235 | (\$81,960) |
| Direct sewer expenses | | 826,100 | 795,346 | (30,754) |
| Administrative expenses | | 1,292,680 | 1,399,243 | 106,563 |
| Amortization-debt issue exp | | 81,646 | 54,053 | (27,593) |
| Depreciation-water plant | | 600,177 | 603,307 | 3,130 |
| Depreciation-sewer plant | | 800,363 | 803,772 | 3,409 |
| Depreciation-office building | | 59,460 | 51,941 | (7,519) |
| TOTAL OPERATING EXPENSES | - | 4,724,621 | 4,689,897 | (34,724) |
| OPERATING INCOME | - | 802,902 | 856,558 | 53,656 |
| NON OPERATING REVENUES (EXPENSES) | | | | |
| Interest income | | \$13,500 | \$13,625 | \$125 |
| Interest exp-long term debt | | (505,252) | (479,946) | 25,306 |
| Debt administration fees | | (68,000) | (67,320) | 680 |
| Total Non Operating Revenue (Expenses) | - | (559,752) | (533,641) | 26,111 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | | | | |
| | - | 243,150 | 322,917 | 79,767 |
| Capital contributions | | | 312,017 | 312,017 |
| Transfers out - City of Shelbyville | | (165,000) | (140,648) | 24,352 |
| Change in Net Position | - | 78,150 | 494,286 | 416,136 |
| Net Position, July 1, 2013 | <u>25,415,475</u> | 25,415,475 | <u>25,415,475</u> | |
| Net Position, June 30, 2014 | <u>\$ 25,415,475</u> | <u>\$ 25,493,625</u> | <u>\$ 25,909,761</u> | <u>\$ 416,136</u> |

SHELBYVILLE WATER AND SEWER

SHELBYVILLE WATER AND SEWER

SHELBYVILLE WATER AND SEWER COMISSION

**STATEMENT OF OPERATING REVENUES
ACTUAL COMPARED TO BUDGET
FOR FISCAL YEAR ENDED JUNE 30, 2014**

| | BUDGET | | ACTUAL | VARIANCE OVER (UNDER) |
|----------------------------------|-------------------|-------------------|-------------------|--------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| WATER SALES | | | | |
| Industrial sales | \$ 266,267 | \$ 266,267 | \$ 264,721 | \$ (1,546) |
| Residential sales | 1,943,008 | 1,943,008 | 1,908,655 | (34,353) |
| Commercial sales | 261,059 | 261,059 | 271,752 | 10,693 |
| Sales to West Shelby Water Dist | 118,625 | 118,625 | 129,574 | 10,949 |
| Sales to North Shelby Water Dist | 23,320 | 23,320 | 21,096 | (2,224) |
| Sales to East US60 Water | 5,000 | 5,000 | 0 | (5,000) |
| Private fire protection | 73,860 | 73,860 | 74,436 | 576 |
| Public fire protection | 5,419 | 5,419 | 5,418 | (1) |
| Other water sales | 38,000 | 38,000 | 45,912 | 7,912 |
| TOTAL WATER SALES | 2,734,558 | 2,734,558 | 2,721,564 | (12,994) |
| SEWER SERVICE | | | | |
| Industrial service | 368,471 | 368,471 | 364,799 | (3,672) |
| Residential service | 899,785 | 899,785 | 890,237 | (9,548) |
| Commercial service | 172,122 | 172,122 | 186,410 | 14,288 |
| Sanitation district industrial | 10,211 | 10,211 | 12,545 | 2,334 |
| Sanitation district residential | 907,963 | 907,963 | 903,010 | (4,953) |
| Sanitation district commercial | 195,678 | 195,678 | 194,831 | (847) |
| Sanitation district public auth | 65,535 | 65,535 | 75,539 | 10,004 |
| Sewer pretreatment program | 16,000 | 16,000 | 21,173 | 5,173 |
| Other sewer service | 14,000 | 14,000 | 12,672 | (1,328) |
| TOTAL SEWER SERVICE | 2,649,765 | 2,649,765 | 2,661,216 | 11,451 |
| Other Revenues | | | | |
| Water meter turn ons | 43,000 | 43,000 | 38,825 | (4,175) |
| Miscellaneous income | 31,000 | 31,000 | 52,575 | 21,575 |
| Handling late fee | 51,000 | 51,000 | 54,126 | 3,126 |
| Rental income | 18,200 | 18,200 | 18,150 | (50) |
| Total other Revenues | \$ 143,200 | \$ 143,200 | \$ 163,676 | \$ 20,476 |

SHELBYVILLE WATER AND SEWER COMISSION

SHELBYVILLE WATER AND SEWER COMISSION

SHELBYVILLE WATER AND SEWER COMMISSION

**STATEMENT OF OPERATING EXPENSES
ACTUAL COMPARED TO BUDGET
FOR FISCAL YEAR ENDED JUNE 30, 2014**

| | <u>BUDGET</u> | | |
|--------------------------------------|-------------------|-------------------|-------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> |
| DIRECT WATER EXPENSES | | | |
| General, supervision and engineering | \$ 11,000 | \$ 11,000 | \$ 11,143 |
| Source of supply and pumping labor | 179,000 | 179,000 | 172,986 |
| Laboratory expense | 48,000 | 48,000 | 49,826 |
| Operating supplies | 203,000 | 203,000 | 173,044 |
| Maintenance-structures | 47,000 | 47,000 | 50,176 |
| Maintenance-pumping and filtering | 47,500 | 47,500 | 51,129 |
| Power | 148,000 | 148,000 | 147,557 |
| Maintenance-water mains | 59,800 | 59,800 | 56,631 |
| Maintenance-services and meters | 96,195 | 96,195 | 77,850 |
| Maintenance-hydrants | 8,700 | 8,700 | 7,589 |
| Meter readings | 73,000 | 73,000 | 74,876 |
| Vacation, holiday, sick pay | 65,000 | 65,000 | 60,836 |
| Sludge removal | 10,000 | 10,000 | 3,749 |
| Misc Labor | 68,000 | 68,000 | 44,844 |
| TOTAL DIRECT WATER EXPENSES | 1,064,195 | 1,064,195 | 982,236 |
| DIRECT SEWER EXPENSES | | | |
| Vacation, holiday, sick pay | 26,000 | 26,000 | 28,834 |
| General, supervision and engineering | 600 | 600 | |
| Laboratory expense | 14,000 | 14,000 | 10,771 |
| Sewer plant labor | 107,000 | 107,000 | 107,108 |
| Operating supplies | 122,000 | 122,000 | 137,468 |
| Maintenance-structures | 20,600 | 20,600 | 20,977 |
| Maintenance-disposal plant equip | 54,000 | 54,000 | 52,030 |
| Labor - Comm Pump Station | 16,000 | 16,000 | 14,058 |
| Power | 120,000 | 120,000 | 129,405 |
| Power-Joint pump station | 34,000 | 34,000 | 39,816 |
| Maintenance-sewer mains | 25,600 | 25,600 | 21,862 |
| Maintenance-sewer manholes | 7,200 | 7,200 | 1,284 |
| Pretreatment outside lab exp | 17,000 | 17,000 | 15,107 |
| Chronic tox testing | 16,000 | 16,000 | 7,528 |
| Pretreatment sampl. Labor/equip | 18,500 | 18,500 | 16,110 |
| Matl's comm pump station | 16,000 | 16,000 | 9,786 |
| Maintenance-pump stations | 22,200 | 22,200 | 14,608 |
| Labor sludge removal | 20,000 | 20,000 | 19,056 |
| Landfill | 122,000 | 122,000 | 108,818 |
| Legal pretreatment | 600 | 600 | - |
| Maintenance-flow monitors | 3,000 | 3,000 | 2,780 |
| Maintenance-SD pump station | 20,400 | 20,400 | 16,584 |
| Maintenance-SD Mains | 3,600 | 3,600 | 354 |
| Power-SD pump station | 19,800 | 19,800 | 21,003 |
| TOTAL DIRECT SEWER EXPENSES | \$ 826,100 | \$ 826,100 | \$ 795,347 |

SHELBYVILLE WATER AND SEWER COMMISSION

**STATEMENT OF OPERATING EXPENSES
ACTUAL COMPARED TO BUDGET(continued)
FOR FISCAL YEAR ENDED JUNE 30, 2014**

| | BUDGET | | <u>ACTUAL</u> |
|--------------------------------------|---------------------|---------------------|---------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | |
| ADMINISTRATIVE EXPENSES | | | |
| Holiday, vacation, sick pay | \$ 24,000 | \$ 24,000 | \$ 16,913 |
| Office salaries | 93,700 | 93,700 | 97,753 |
| Office supplies and expenses | 72,000 | 72,000 | 69,022 |
| Uncollectible revenue | 3,600 | 3,600 | 1,153 |
| Management salary | 150,000 | 150,000 | 135,826 |
| Legal and accounting | 48,000 | 48,000 | 53,529 |
| Commission member fees | 31,500 | 31,500 | 29,250 |
| Insurance | 119,000 | 119,000 | 129,431 |
| Employee insurance | 265,000 | 265,000 | 339,681 |
| Employee retirement | 188,000 | 188,000 | 197,017 |
| Miscellaneous expenses | 76,000 | 76,000 | 69,247 |
| Labor safety training | 3,600 | 3,600 | 1,518 |
| Maintenance-general properties | 5,600 | 5,600 | 10,894 |
| Maintenance-safety equipment | 7,200 | 7,200 | 14,148 |
| Truck and equipment expenses | 86,000 | 86,000 | 119,300 |
| Distribution shop supplies | 11,000 | 11,000 | 9,690 |
| Cash short & over | 600 | 600 | (569) |
| Management training | 4,800 | 4,800 | 11,825 |
| Office utilities | 7,800 | 7,800 | 6,177 |
| Office janitorial | 7,200 | 7,200 | 6,000 |
| Office cleaning supplies | 480 | 480 | - |
| Office maintenance | 3,600 | 3,600 | 4,405 |
| Payroll taxes | 84,000 | 84,000 | 77,032 |
| TOTAL ADMINISTRATIVE EXPENSES | \$ 1,292,680 | \$ 1,292,680 | \$ 1,399,242 |

SHELBYVILLE WATER AND SEWER COMMISSION

SHELBYVILLE WATER AND SEWER COMMISSION

VARIANCE
OVER (UNDER)

\$ 143
(6,014)
1,826
(29,956)
3,176
3,629
(443)
(3,169)
(18,345)
(1,111)
1,876
(4,164)
(6,251)
(23,156)
(81,959)

\$2,834

(600)
(3,229)
108
15,468
377
(1,970)
(1,942)
9,405
5,816
(3,738)
(5,916)
(1,893)
(8,472)
(2,390)
(6,214)
(7,592)
(944)
(13,182)
(600)
(220)
(3,816)
(3,246)
1,203
\$ (30,753)

SHELBYVILLE WATER AND SEWER COMMISSION

VARIANCE
OVER (UNDER)

| | |
|-------|----------|
| \$ | (7,087) |
| | 4,053 |
| | (2,978) |
| | (2,447) |
| | (14,174) |
| | 5,529 |
| | (2,250) |
| | 10,431 |
| | 74,681 |
| | 9,017 |
| | (6,753) |
| | (2,082) |
| | 5,294 |
| | 6,948 |
| | 33,300 |
| | (1,310) |
| | (1,169) |
| | 7,025 |
| | (1,623) |
| | (1,200) |
| | (480) |
| | 805 |
| | (6,968) |
| <hr/> | |
| \$ | 106,562 |

SHELBYVILLE WATER AND SEWER COMMISSION