

City of West Buechel, Kentucky
Audit of Basic Financial Statements
Year Ended June 30, 2012

ANNUAL FINANCIAL REPORT

City of West Buechel

Year Ended June 30, 2012

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of West Buechel, Kentucky

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of West Buechel, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of West Buechel, Kentucky's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our 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 the aggregate remaining fund information of the City of West Buechel, Kentucky, as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 26 through 30 be presented to supplement the basic financial statements. Such information, although not 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, economical, 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 regarding 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012 on our consideration of the City of West Buechel, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

Jonathan Michael Smith PLLC
JONATHAN MICHAEL SMITH PLLC
November 5, 2012

Management's Discussion and Analysis

Our discussion and analysis of the City of West Buechel's financial performance provides an overview of the City's financial activities for the year ended June 30, 2012. Please read it in conjunction with the City's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$2,804,649 (net assets) for the fiscal year ended June 30, 2012.
- The largest sources of revenue for the City were property taxes, occupational taxes, insurance premium taxes, and net profit taxes. These four sources account for 92.2% of the City's total revenue. Total revenue of the City increased by \$319,429 during this fiscal year. This was primarily the result of increases in occupational tax revenue and insurance premium tax revenue.
- The City's expenses of \$1,051,782 reflect a decrease of \$64,081 from the previous fiscal year. General Government had the largest department decrease. The decrease was due to refunds to tax paying entities resulting from the City's change from a gross receipts tax to a net profits tax. These refunds occurred during fiscal year 2011, but not during fiscal year ending June 30, 2012.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9-10) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending, if applicable. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 9. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's health, or financial position. Over time, increases and decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

Most of the City's services are reported here, including administration, police, street maintenance, and recreation. Property taxes and occupational taxes finance most of these activities.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 11. The fund financial statements provide detail information about the governmental fund - not the City as a whole. Most of the City's basic services are reported in the governmental fund, which focuses on how money flows into and out of the fund and the balance left over at year-end that is available for spending in the next period. This fund is reported using the accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The government fund statements provide a detailed short-term view of the City's general government operations and the basis services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental fund in reconciliation at the bottom of the fund financial statements.

FINANCIAL INFORMATION

The following condensed financial information has been derived from the government-wide financial statements.

The total assets of the City increased by \$338,457 during this fiscal year, which was primarily the result of an increase in cash and cash equivalents and net capital assets. Liabilities increased by \$7,370, which was a result of an increase deferred net profit taxes.

THE CITY'S FUNDS

Assets	2012	2011	Variance
Current Assets	\$ 2,139,768	\$ 1,887,953	\$ 251,815
Non-Depreciable Fixed Assets	104,000	104,000	-
Depreciable Capital Assets (Net)	576,573	489,931	86,642
Total Assets	\$ 2,820,341	\$ 2,481,884	\$ 338,457
Liabilities			
Current Liabilities	\$ 15,692	\$ 8,322	\$ 7,370
Long-Term Liabilities	-	-	-
Total Liabilities	\$ 15,692	\$ 8,322	\$ 7,370
Net Assets			
Invested in Fixed Assets	\$ 680,573	\$ 593,931	\$ 86,642
Restricted	107,891	81,857	26,034
Unrestricted	2,016,185	1,797,774	218,411
Total Net Assets	\$ 2,804,649	\$ 2,473,562	\$ 331,087

Governmental Revenues

- The City's primary sources of revenue were property taxes, occupational taxes, insurance taxes and net profit taxes. These four sources of revenues comprise 92.2% of the total revenue collected during the fiscal year ending June 30, 2012. Total revenues for the year ending June 30, 2012 increased by \$319,429. This was primarily the result of increases in occupational tax revenue and insurance premium taxes.

	<u>2012</u>	<u>2011</u>	Positive (Negative) Variance
Program Revenues:			
Charges for Services	\$ 55,581	\$ 37,429	\$ 18,152
Operating Grants and Contributions	<u>33,558</u>	<u>28,206</u>	<u>5,352</u>
Total Program Revenues	89,139	65,635	23,504
General Revenues:			
Property Taxes	261,331	277,553	(16,222)
Occupational Taxes	770,585	513,550	257,035
Bank Franchise Taxes	11,136	11,557	(421)
Insurance Taxes	162,538	80,632	81,906
Net Profit Taxes	80,867	108,437	(27,570)
Intergovernmental Revenue	15	51	(36)
Interest Income	5,184	5,010	174
Other Income	<u>2,074</u>	<u>1,015</u>	<u>1,059</u>
Total General Revenues	<u>1,293,730</u>	<u>997,805</u>	<u>295,925</u>
Total Revenues	\$ <u>1,382,869</u>	\$ <u>1,063,440</u>	\$ <u>319,429</u>

Governmental Expenses

- Total Governmental expenses decreased by \$64,081 compared to the prior year. General Government had the largest department decrease. The decrease was due to refunds to tax paying entities resulting from the City's change from a gross receipts tax to a net profits tax. These refunds occurred during fiscal year 2011, but not during fiscal year ending June 30, 2012.

	<u>2012</u>	<u>2011</u>	Positive (Negative) Variance
Expenses			
Program Expenses:			
General Government	\$ 475,951	\$ 542,826	\$ 66,875
Public Safety	414,871	436,590	21,719
Public Works	79,632	88,224	8,592
Recreation	26,736	31,259	4,523
Capital Outlay	47,373	6,480	(40,893)
Streets and Roads	<u>7,219</u>	<u>10,484</u>	<u>3,265</u>
Total Expenses	\$ <u>1,051,782</u>	\$ <u>1,115,863</u>	\$ <u>64,081</u>

Excess / Deficiency of Revenues over Expenses

This information represents the "bottom line" from a revenue-expense standpoint. Revenues exceeded expenses by \$331,087. The \$331,087 represents the increase in the city's net worth for the year ending June 30, 2012.

	<u>2012</u>	<u>2011</u>	Positive (Negative) Variance
Total Revenues	\$ 1,382,869	\$ 1,063,440	\$ 319,429
Total Expenses	<u>1,051,782</u>	<u>1,115,863</u>	<u>64,081</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 331,087</u>	<u>\$ (52,423)</u>	<u>\$ 383,510</u>

Change in Net Assets

Another way to view the financial condition of the City is Change in Net Assets. One is able to address the question; is the city as a whole better off than the prior year? The answer to this question is yes the city's financial condition has improved from the previous fiscal year.

	<u>2012</u>	<u>2011</u>
Beginning Net Assets	\$ 2,473,562	\$ 2,525,985
Increase (Decrease) in Net Assets	<u>331,087</u>	<u>(52,423)</u>
Ending Net Assets	<u>\$ 2,804,649</u>	<u>\$ 2,473,562</u>

Fixed Assets

	Balance <u>July 1, 2011</u>	Additions	Disposals	Balance <u>June 30, 2012</u>
Governmental Activities:				
Land	\$ 104,000	\$ -	\$ -	\$ 104,000
Total Non-Depreciable Assets	<u>104,000</u>	<u>-</u>	<u>-</u>	<u>104,000</u>
Buildings and Improvements	563,900	9,925	-	573,825
Equipment	51,001	13,274	-	64,275
Vehicles and Equipment	184,903	106,202	-	291,105
Infrastructure	<u>316,761</u>	<u>4,150</u>	<u>-</u>	<u>320,911</u>
Total Depreciable Assets	<u>1,116,565</u>	<u>133,551</u>	<u>-</u>	<u>1,250,116</u>
Total Fixed Assets at Cost	1,220,565	133,551	-	1,354,116
Accumulated Depreciation:				
Buildings and Improvements	367,602	20,636	-	388,238
Equipment	43,932	2,269	-	46,201
Vehicles and Equipment	159,639	9,175	-	168,814
Infrastructure	<u>55,461</u>	<u>14,829</u>	<u>-</u>	<u>70,290</u>
Total Accumulated Depreciation	<u>626,634</u>	<u>46,909</u>	<u>-</u>	<u>673,543</u>
Net capital assets	<u>\$ 593,931</u>	<u>\$ 86,642</u>	<u>\$ -</u>	<u>\$ 680,573</u>

Major fixed asset additions during the fiscal year ending June 30, 2012 included 4 new police vehicles, telephone and internet equipment, and street paving improvements.

General Fund Budgetary Fund Highlights

For the year ended June 30, 2012, general fund revenues of \$1,349,311 were \$322,593 more than the \$1,026,718 budgeted. This was primarily due to higher actual amounts of occupational and insurance premium taxes received than had been budgeted.

Revenue sources with budget shortfalls included bank franchise taxes, net profit taxes, and coal and mineral income.

For the year ended June 30, 2012, general fund expenditures of \$1,134,274 were \$385,826 less than the \$1,520,100 budgeted, primarily as a result of positive budget variances within the police department and capital outlay expenditure accounts.

As a result of the City's general fund revenues being greater than general fund expenditures, the City had a general fund surplus of \$215,037 for the year ending June 30, 2012.

Economic Budget and Next Year's Budget

Due to expected increases for occupational and insurance premium tax revenues, the City has increased budgeted general fund revenues for fiscal year 2013 to \$1,205,081.

General fund expenditures were increased to \$2,009,483 to reflect anticipated increased spending within the police department and for capital outlay.

Contacting the City's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City Clerk's Office at 3705 Bashford Avenue, West Buechel, Kentucky 40218.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

Government-wide financial statements

Fund financial statements:

-Governmental funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF WEST BUECHEL, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2012

		Primary Government Governmental Activities
ASSETS		
Current assets:		
Cash, and Cash Equivalents (\$107,891 restricted)	\$	1,837,243
Investments		15,200
Receivables (\$1,896 restricted)		287,325
Total current assets		2,139,768
Noncurrent assets:		
Capital Assets (net)		680,573
Total Assets	\$	2,820,341
LIABILITIES		
Current liabilities:		
Accounts Payable		4,938
Deferred Net Profits Tax	\$	10,754
Total Liabilities		15,692
NET ASSETS		
Invested in capital assets, net of related debt		680,573
Restricted for Roads		107,891
Unrestricted		2,016,185
Total Net Assets	\$	2,804,649
Total Liabilities & Net Assets	\$	2,820,341

See the accompanying notes to the financial statements

CITY OF WEST BUECHEL, KENTUCKY
STATEMENT OF ACTIVITIES
JUNE 30, 2012

	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	\$ 475,951	55,581	\$ -	\$ (420,370)
Public Safety	414,871	-	-	(414,871)
Public Works	79,632	-	-	(79,632)
Recreation	26,736	-	-	(26,736)
Capital Outlay	47,373	-	-	(47,373)
Streets and Roads	7,219	-	33,558	26,339
	<u>1,051,782</u>	<u>55,581</u>	<u>33,558</u>	<u>(962,643)</u>
Total Government	\$ 1,051,782	\$ 55,581	\$ 33,558	\$ (962,643)

General revenues:

Taxes:	
Property Taxes	261,331
Occupational Taxes	770,585
Net Profit Taxes	80,867
Insurance Taxes	162,538
Bank Franchise Taxes	11,136
Intergovernmental	15
Interest Income	5,184
Other Revenues	2,074
Total General Revenues	<u>1,293,730</u>
Change in Net Assets	<u>331,087</u>
Net Assets - Beginning	<u>2,473,562</u>
Net Assets - Ending	<u>\$ 2,804,649</u>

See the accompanying notes to the financial statements

**CITY OF WEST BUECHEL, KENTUCKY
COMBINED BALANCE SHEET- ALL FUND TYPES
JUNE 30, 2012**

	General Fund	Road Fund	Total Government Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,729,352	\$ 107,891	\$ 1,837,243
Investments	15,200	-	15,200
Receivables	285,429	1,896	287,325
Due From Other Funds	-	34,448	34,448
Total Assets	\$ 2,029,981	\$ 144,235	2,174,216
LIABILITIES			
Accounts Payable	\$ 4,938	\$ -	\$ 4,938
Deferred Net Profits Tax	10,754	-	10,754
Due to Other Funds	34,448	-	34,448
Total Liabilities	\$ 50,140	\$ -	\$ 50,140
FUND BALANCE			
Reserved Fund Balances	\$ -	\$ 144,235	\$ 144,235
Unreserved Fund Balances	1,979,841	-	1,979,841
Total fund balance	1,979,841	144,235	2,124,076
Total Liabilities and Fund Balance	\$ 2,029,981	\$ 144,235	\$ 2,174,216

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds, net of accumulated depreciation
\$673,543

680,573

Net Assets of Governmental Activities

\$ 2,804,649

See the accompanying notes to the financial statements

CITY OF WEST BUECHEL, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL
 GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Road Maintenance Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Property Taxes	\$ 261,331	\$ -	\$ 261,331
Bank Franchise Taxes	11,136	-	11,136
Occupational Taxes	770,585	-	770,585
Net Profit Taxes	80,867	-	80,867
Insurance Taxes	162,538	-	162,538
Licenses and Permits	40,060	-	40,060
Intergovernmental Revenue	15	33,558	33,573
Charges for Services	15,521	-	15,521
Interest	5,184	-	5,184
Other Income	2,074	-	2,074
Total Revenues	\$ 1,349,311	\$ 33,558	\$ 1,382,869
 EXPENDITURES			
General Government	\$ 467,768	\$ -	\$ 467,768
Public Safety	389,140	-	389,140
Public Works	78,911	-	78,911
Recreation	21,681	-	21,681
Capital Outlay	176,774	-	176,774
Streets and Roads	-	4,150	4,150
Total Expenditures	\$ 1,134,274	\$ 4,150	\$ 1,138,424
 Net Change in Fund Balance	 215,037	 29,408	 244,445
 Fund balances-beginning	 <u>1,764,804</u>	 <u>114,827</u>	 <u>1,879,631</u>
Fund balances-ending	\$ 1,979,841	\$ 144,235	\$ 2,124,076

See the accompanying notes to the financial statements

CITY OF WEST BUECHEL, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL
 GOVERNMENTAL FUND TYPES (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2012

Reconciliation of the net changes in fund balances - total governmental funds to the change in net assets of governmental activities:

Net Change in Fund Balances - Total Governmental Funds	\$	244,445
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized		133,551
Depreciation expense		(46,909)
		331,087
Change in Net Assets of Governmental Activities	\$	331,087

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS
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CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. FINANCIAL REPORTING ENTITY

The City of West Buechel, Kentucky (the City) is a fifth class city located in Jefferson County, Kentucky. It operates under an elected mayor-council form of government. The City provides the following services authorized by its charter: Public Safety, Public Works, Recreation, and Community Development. Primary revenue sources are property taxes, occupational taxes, net profit taxes, business license fees, insurance taxes, bank franchise taxes, and municipal road aid. Those revenues susceptible to accrual are property taxes, occupational taxes, insurance taxes, net profit taxes, and intergovernmental revenues.

All significant activities and organizations on which the City of West Buechel, Kentucky exercises oversight responsibility have been included in the City's financial statements, for the year ended June 30, 2012. The following criteria regarding manifestation of oversight were considered by the City in evaluation of City organizations and activities:

Financial interdependency- The City is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the City.

Election of the government authority- The locally elected City Council is exclusively responsible for all public decisions and accountable for the decisions it makes.

Ability to significantly influence operations- The City Council has the statutory authority under the provisions of the Revised Statutes to significantly influence operations. The authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

Accountability of fiscal matters- The responsibility and accountability over all funds is vested in the City management.

After consideration of the above criteria, no additional entities are deemed to be component units of the City.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

1.B. BASIS OF PRESENTATION (CONTINUED)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

The funds of the financial reporting entity are described below:

Governmental fund types used by the primary government are as follows:

General Fund - The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Municipal road aid funds are accounted for in this fund.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

Encumbrances

The city does not employ encumbrance accounting; under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to preserve that portion of the applicable appropriation.

Budgets and Budgetary Process

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets and Budget amendments for all funds are adopted on a basis consistent with the modified accrual basis of accounting, which is the basis used in the fund financial statements.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Cash Equivalents

The City considers all cash in bank and highly liquid investments with a maturity of ninety days or less to be cash and cash equivalents.

Investments

Investments of the primary government are valued at fair market value. All investments of the City comply with the Kentucky Revised Statutes concerning the types of investments allowed.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include occupational taxes, insurance taxes, and property taxes.

In the fund financial statements, material receivables in governmental funds include revenue accruals, such as property taxes, occupational taxes, insurance taxes, and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions, collectible but not available are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

All receivables are considered fully collectible; therefore, an allowance for doubtful accounts is not necessary.

Fixed Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. For financial reporting purposes, the City has decided to capitalize individual assets with a value of \$5,000 or greater. Fixed assets are not reported on the fund financial statements.

Prior to June 30, 2003, governmental funds' infrastructure assets were not required to be capitalized by the City nor were these assets capitalized by the City. Starting on July 1, 2003 the City was required to keep a record of all infrastructure assets placed in service from that date forward.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Improvements	20 years
Furniture and Fixtures	5 to 15 years
Machinery and Equipment	5 -15 years
Vehicles	5 to 10 years
Infrastructure	10 to 25 years

Inventories

Disbursements for inventory items are considered expenditures at the time of the purchase.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Due To and Due From Other Funds

Interfund receivables and payables are recorded by all funds in the period in which the transactions are executed on the fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Equity Classifications

Government-Wide Financials

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Accounts Payable

Accounts payable consist of trades payable to vendors who provide goods and services to the city.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

The City assesses property taxes in July of each calendar year (.20 per \$100 of assessed value) based upon an assessment date of January 1st. Bills are mailed on October 1st payable by January 2nd of the next calendar year. Bills paid on or before November 1st are allowed a 2% discount; bills paid after that date, but before January 2nd are not allowed a discount nor are subject to a penalty. All bills not paid after January 2nd, but before June 30th of the following year are charged a 5% penalty plus 8% interest per annum. Bills paid after July 1st are charged an additional 10% penalty above what was previously described and accrue interest charges until paid.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Occupational License

The City assesses an occupational tax of 1.5% of wages on persons who work within the City of West Buechel in any business, profession, trade or occupation. Such amounts are to be withheld from the employee's wages and remitted quarterly with a completed payroll tax return detailing wages and tax withholdings. The maximum liability for an individual under this ordinance is \$50,000.

Net Profit Taxes

The City imposes a tax on the net profits of any business operating within the City in any capacity in the amount of 1 percent with a minimum fee of \$200.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, government fund expenditures are classified by character: current, debt service and capital outlay. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Compensated Absences

The City has made no accrual for compensated absences due to the difficulty in making such a calculation.

Estimates

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

CITY OF WEST BUECHEL, KENTUCKY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

NOTE 2.A. DEPOSITS AND INVESTMENTS

Under Kentucky Revised Statutes, the City is allowed to invest in obligations of the U. S. Treasury and U. S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

The City invests surplus cash in local deposit and savings accounts. This investment class subjects the City to custodial credit risk. This risk is considered immaterial, and as such, the City does not have an investment policy to deal with such risk.

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2012, all of the City's deposits were covered by FDIC insurance.

The City's investments/certificates of deposit are also subject to risks such as interest rate risk and concentration of credit risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City has attempted to address this risk by diversifying the investments and the maturity dates to minimize the risk of loss. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City has addressed this risk by purchasing investments that are secured by FDIC insurance.

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. ACCOUNTS RECEIVABLE

Receivable detail at June 30, 2012, is as follows:

<u>Receivable Type</u>	<u>Statement of Net Assets Governmental Activities</u>	<u>Balance Sheet- Governmental Funds</u>
Occupational Taxes	\$ 198,329	\$ 198,329
Property Taxes	51,302	51,302
Insurance Taxes	29,945	29,945
Net Profit Taxes	5,853	5,853
Intergovernmental	1,896	1,896
Total Receivables	<u>\$ 287,325</u>	<u>\$ 287,325</u>

CITY OF WEST BUECHEL, KENTUCKY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3.B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental Activities:				
Land	\$ 104,000	\$ -	\$ -	\$ 104,000
Total Non-Depreciable Assets	<u>104,000</u>	<u>-</u>	<u>-</u>	<u>104,000</u>
Buildings and Improvements	563,900	9,925	-	573,825
Equipment	51,001	13,274	-	64,275
Vehicles and Equipment	184,903	106,202	-	291,105
Infrastructure	316,761	4,150	-	320,911
Total Depreciable Assets	<u>1,116,565</u>	<u>133,551</u>	<u>-</u>	<u>1,250,116</u>
 Total Fixed Assets at Cost	 1,220,565	 133,551	 -	 1,354,116
Accumulated Depreciation:				
Buildings and Improvements	367,602	20,636	-	388,238
Equipment	43,932	2,269	-	46,201
Vehicles and Equipment	159,639	9,175	-	168,814
Infrastructure	55,461	14,829	-	70,290
Total Accumulated Depreciation	<u>626,634</u>	<u>46,909</u>	<u>-</u>	<u>673,543</u>
 Net capital assets	 \$ 593,931	 \$ 86,642	 \$ -	 \$ 680,573

Depreciation expense of 46,909 was allocated to the various functions on the statement of activities as follows:

<u>Governmental Activities</u>	
General Government	\$ 8,183
Public Safety	25,731
Public Works	721
Recreation	5,055
Streets and Roads	<u>7,219</u>
 Total Depreciation Expense	 \$ <u>46,909</u>

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 4 - OTHER NOTES

4.A. EMPLOYEE RETIREMENT SYSTEM

The City has elected to participate in the County Employee Retirement System pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple employer retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. The plan provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions - For the year ended June 30, 2012, plan members were required to contribute 5% of wages of non-hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. 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 proceeding 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 basis adopted by the Board. For the year ended June 30, 2012, participating employers contributed 18.96% of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The City's contributions to this plan were \$52,700 for the ending June 30, 2012.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

4.B. INTERGOVERNMENTAL REVENUE

Under the provisions of state law, the Commonwealth of Kentucky reimbursed the City for miscellaneous operating costs during the year ended June 30, 2012 that are recorded as operating grants and contribution in the government-wide financial statements and as intergovernmental revenue in the road fund in the fund financial statements.

4.C. LITIGATION

The City is involved in various legal proceedings incidental to the normal course of business. City management is of the opinion, based upon advise of general counsel, that although the outcome of such litigation cannot be forecast with certainty, final disposition should not have a material effect on the financial position of the City.

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 4 - OTHER NOTES

4.D. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance for each of the above risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past four fiscal years.

4.E. CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public's interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

Neither the City, the State of Kentucky, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

In September 2004, the City Council approved a bond not to exceed \$7,000,000 for Derby Fabricating, LLC for the acquisition, rehabilitation, and equipping of a manufacturing facility located within City limits.

Currently, the City does not have any procedures in place to track the outstanding balance on these bonds.

NOTE 5 - MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

The City has evaluated and considered the need to recognize or disclose subsequent events through November 5, 2012, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ending June 30, 2012, have not been evaluated by the City.

On July 31, 2012, the City entered into a general obligation lease to purchase a building to serve as the City's Economic Development Commission and Maintenance Garage. The principal amount of the lease is \$260,000 and requires monthly payments of both principal and interest. This lease matures on January 1, 2027.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

-Budgetary Comparison Schedules- General Fund and Road Aid Fund

CITY OF WEST BUECHEL, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 NON-GAAP BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Revenues (Inflows)				
Taxes:				
Property Taxes	\$ 245,630	\$ 245,630	\$ 261,331	\$ 15,701
Bank Franchise Taxes	11,557	11,557	11,136	(421)
Net Profits Tax	136,000	136,000	80,867	(55,133)
Occupational Taxes	563,750	563,750	770,585	206,835
Insurance Taxes	60,025	60,025	162,538	102,513
License and Permits				
Sign Permit Fee	-	-	23,870	23,870
Business License	4,500	4,500	9,160	4,660
Vendor Loading and Unloading	1,125	1,125	7,030	5,905
Intergovernmental				
Coal and Mineral Income	100	100	15	(85)
Charges for Services				
Fines and Citations	215	215	15,521	15,306
Other				
Miscellaneous Income	-	-	2,074	2,074
Interest Income	3,816	3,816	5,184	1,368
Total General Fund Revenues	1,026,718	\$ 1,026,718	\$ 1,349,311	\$ 322,593
Beginning Fund Balance (Non-GAAP Budgetary Basis)	1,537,358	1,537,358	1,764,804	227,446
Total Available for Appropriation	\$ 2,564,076	\$ 2,564,076	\$ 3,114,115	\$ 550,039

CITY OF WEST BUECHEL, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 NON-GAAP BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Charges to Appropriations (Outflows):				
General Government:				
Payroll- Mayor	\$ 14,400	\$ 14,400	\$ 14,400	\$ -
Payroll- Council	25,200	25,200	25,200	-
Payroll- Administrative	128,000	128,000	118,725	9,275
Legal Services	15,000	15,000	12,000	3,000
Accounting	12,000	12,000	5,200	6,800
Office Supplies	4,000	4,000	5,643	(1,643)
Postage and Printing	8,000	8,000	3,578	4,422
Insurance	65,000	65,000	67,098	(2,098)
Legal Ads	4,000	4,000	5,570	(1,570)
Education Expense	10,000	10,000	3,243	6,757
Office Utilities	35,000	35,000	24,483	10,517
Telephone	8,000	8,000	7,854	146
Dues	500	500	2,241	(1,741)
Janitorial	6,000	6,000	3,560	2,440
Health and Dental Insurance	75,000	75,000	75,741	(741)
Travel Mayor and Council	7,000	7,000	6,296	704
Travel Administration	5,000	5,000	1,530	3,470
Retirement	55,000	55,000	52,700	2,300
Miscellaneous	-	-	790	(790)
Pest Control	500	500	494	6
Small Equipment	4,000	4,000	-	4,000
Maintenance and Repairs	8,000	8,000	9,265	(1,265)
Bank Charges and Fees	10,000	10,000	7,032	2,968
Payroll Processing Fees	7,000	7,000	4,900	2,100
Property Valuation Fees	7,000	7,000	6,627	373
Lease Equipment	2,000	2,000	652	1,348
Office Software	3,000	3,000	85	2,915
Website	2,000	2,000	2,861	(861)
Total General Government	<u>520,600</u>	<u>\$ 520,600</u>	<u>467,768</u>	<u>52,832</u>
Public Safety				
Police Department/Security Services	500,000	500,000	389,140	110,860
Total Public Safety	<u>500,000</u>	<u>500,000</u>	<u>389,140</u>	<u>110,860</u>

CITY OF WEST BUECHEL, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 NON-GAAP BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Public Works				
Payroll	50,000	50,000	38,149	11,851
Uniforms	1,000	1,000	197	803
Equipment	5,500	5,500	370	5,130
Fuel	10,000	10,000	6,152	3,848
Repairs and Maintenance	3,000	3,000	389	2,611
Supplies	-	-	1,556	(1,556)
Snow Removal	5,000	5,000	-	5,000
Solid Waste	30,000	30,000	32,098	(2,098)
Total Public Works	<u>104,500</u>	<u>104,500</u>	<u>78,911</u>	<u>25,589</u>
Recreation				
Payroll- Community Center	25,000	25,000	13,317	11,683
Community Activities	20,000	20,000	8,364	11,636
Total Recreation	<u>45,000</u>	<u>45,000</u>	<u>21,681</u>	<u>23,319</u>
Capital Outlay				
Capital Improvements and Expenditures	300,000	300,000	161,234	138,766
Contract Labor	50,000	50,000	15,540	34,460
Total Capital Outlay	<u>350,000</u>	<u>350,000</u>	<u>176,774</u>	<u>173,226</u>
Total General Fund Expenditures	<u>1,520,100</u>	<u>1,520,100</u>	<u>1,134,274</u>	<u>385,826</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (493,382)	\$ (493,382)	\$ 215,037	\$ 708,419
Other Financing Sources (Uses)				
Sale of Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(493,382)	(493,382)	215,037	708,419
Fund Balance, Beginning (Non-GAAP Budgetary Basis)	<u>1,537,358</u>	<u>1,537,358</u>	<u>1,764,804</u>	<u>227,446</u>
Fund Balance, Ending (Non-GAAP Budgetary Basis)	<u>\$ 1,043,976</u>	<u>\$ 1,043,976</u>	<u>\$ 1,979,841</u>	<u>\$ 935,865</u>
Adjustments to Generally Accepted Accounting Principles				
NONE				
Fund Balance, ending (GAAP Basis)			<u>1,979,841</u>	

CITY OF WEST BUECHEL, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 ROAD AID FUND
 NON-GAAP BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance:	\$ 81,583	\$ 81,583	\$ 114,827	\$ 33,244
Revenues				
Intergovernmental Revenue	26,400	26,400	33,558	7,158
Total Road Maintenance Revenues	<u>26,400</u>	<u>26,400</u>	<u>33,558</u>	<u>7,158</u>
Total Available for Appropriation	<u>\$ 107,983</u>	<u>\$ 107,983</u>	<u>\$ 148,385</u>	<u>\$ 40,402</u>
Charges to Appropriations (Outflows):				
Municipal Road Aid				
Street Repairs	21,400	21,400	4,150	17,250
Snow Removal	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Municipal Aid Expenses	26,400	26,400	4,150	22,250
Excess of Revenues Over Expenditures	-	-	29,408	29,408
Fund Balance, Beginning (Non-GAAP Budgetary Basis)	<u>81,583</u>	<u>81,583</u>	<u>114,827</u>	<u>33,244</u>
Fund Balance, Ending (Non-GAAP Budgetary Basis)	<u>\$ 81,583</u>	<u>\$ 81,583</u>	<u>\$ 144,235</u>	<u>\$ 62,652</u>

CITY OF WEST BUECHEL, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012

NOTE 1 - BUDGET VARIANCES

General Fund

For the year ended June 30, 2012, general fund revenues of \$1,349,311 were \$322,593 more than the \$1,026,718 budgeted. This was primarily due to higher actual amounts of occupational and insurance premium taxes received than had been budgeted.

Revenue sources with budget shortfalls included bank franchise taxes, net profit taxes, and coal and mineral income.

For the year ended June 30, 2012, general fund expenditures of \$1,134,274 were \$385,826 less than the \$1,520,100 budgeted, primarily as a result of positive budget variances within the police department and capital outlay expenditure accounts.

As a result of the City's general fund revenues being greater than general fund expenditures, the City had a general fund surplus of \$215,037 for the fiscal year ending June 30, 2012.

Road Aid Fund

For the year ended June 30, 2012, road aid revenues of \$33,558 were \$7,158 greater than the \$26,400 budgeted. This was a result of the City receiving more intergovernmental revenue from the State of Kentucky than they had anticipated when preparing the fiscal year end June 30, 2012 budget.

For the year ended June 30, 2012, road aid expenditures of \$4,150 were \$22,250 less than the \$26,400 budgeted. This was primarily the result of positive variances within the City's snow removal and street repair accounts.

As a result of the City's road aid fund revenues being greater than road aid expenditures, the City had a road aid fund surplus of \$29,408 for the year ending June 30, 2012.



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**Accountant's Report
Local Government Economic Assistance Program
City of West Buechel, Kentucky
For the Fiscal Year Ended June 30, 2012**

To the Mayor and City Council
City of West Buechel, Kentucky

Kentucky Revised Statutes (KRS) 42.455 defines the priority expenditures for funds received from the Local Government Economic Assistance Program (LGEAP). LGEAP is a system of grants to local governments to improve the environment for new industry and improve the quality of life for the residents.

Grants obtained under this program shall be used for priority expenditures. One hundred percent (100%) of all monies in the fund shall be spent on priority categories limited to those described in section KRS 42,455 (2). In no event shall grants obtained under this program be used for expenses related to the administration of government.

The City has established a separate bank account for handling the receipt and disbursement of LGEAP funds. The funds are received and disbursed in accordance with KRS 42.45.

This report is intended solely for the City of West Buechel, Kentucky, management and others within the administration of the City, and the Kentucky Governor's Office for Local Development (GOLD) and is not intended and should not be used by anyone other than these specified parties.

Jonathan Michael Smith PLLC
JONATHAN MICHAEL SMITH PLLC
November 5, 2012



Jonathan Michael Smith

PLLC

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

To the Mayor and City Council
City of West Buechel, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Buechel, Kentucky as of and for the year ended June 30, 2012, which collectively comprise the City of West Buechel, Kentucky's basic financial statements and have issued our report thereon dated November 5, 2012. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Buechel, Kentucky'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 City of West Buechel, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of West Buechel, Kentucky'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 significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of West Buechel, Kentucky's internal control. As discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

- Inadequate segregation of duties due to a limited number of city personnel.



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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Buechel, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of West Buechel, Kentucky's response to the findings identified in our audit is described on the following page. We did not audit the City of West Buechel, Kentucky's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Jonathan Michael Smith PLLC
JONATHAN MICHAEL SMITH PLLC
Henryville, IN
November 5, 2012

**City of West Buechel, Kentucky
Response to Audit Findings**

Audit Finding- Inadequate segregation of duties

City Response- We agree with this comment and recognize its importance in our internal control over financial reporting. However, based upon available resources, we are not able to have a proper segregation of duties. We will continue to monitor the city's financial activities on a monthly basis and ask questions as we see fit.

City of West Buechel, Kentucky
November 5, 2012