

City of West Buechel, Kentucky
Audit of Basic Financial Statements
Year Ended June 30, 2010

ANNUAL FINANCIAL REPORT

City of West Buchel

Year Ended June 30, 2010

Table of Contents

Page

Financial Section:

| | |
|---|-------|
| Independent Auditors' Report | 2 |
| Required Supplementary Information: Management's Discussion and Analysis..... | 3-7 |
| Basic Financial Statements..... | 8 |
| <u>Statement</u> | |
| 1 Government-wide Financial Statements: Statement of Net Assets..... | 9 |
| 2 Statement of Activities..... | 10 |
| 3 Fund Financial Statements: Balance Sheet – Governmental Funds..... | 11 |
| 4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds..... | 12-13 |
| Notes to Financial Statements..... | 14-24 |
| Required Supplementary Information:..... | 25 |
| <u>Exhibit</u> | |
| 1 Budgetary Comparison Schedule – General Fund and Budgetary Comparison Schedule – Road Aid Fund | 26-29 |
| 2 Notes to Required Supplementary Information | 30 |

STUEBLE SPEARS & FRANCKE PSC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2010, 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 generally accepted auditing standards and the standards applicable to the financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2011 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.

The management's discussion and analysis and budgetary comparison information, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Stueble Spears & Francke PSC

Stueble Spears & Francke PSC
March 14, 2011

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, 2010. 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 \$2,525,985 (net assets) for the fiscal year ended June 30, 2010.
- The largest sources of revenue for the City were property taxes, occupational taxes, gross receipts taxes, and net profit taxes. These four sources account for 87.7% of the City's total revenue. Total revenue of the City decreased by \$321,921 during this fiscal year. This was primarily the result of the city replacing its gross receipts tax with a net profits tax.
- The City's expenses of \$999,003 reflect an increase of \$16,053 over the previous year. The General Government and Public Safety departments had the largest increases in expenses during the year ending June 30, 2010.

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 basic services are reported here, including general 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 \$565,478 during this fiscal year, which was primarily the result of an increase in cash due to the city's current year revenues exceeding its current year expenditures. Liabilities increased by \$24,617, which was a result of increases in accounts payable and deferred net profit taxes.

THE CITY'S FUNDS

| Assets | 2010 | 2009 | Variance |
|----------------------------------|--------------|--------------|-------------|
| Current Assets | \$ 1,920,171 | \$ 1,445,213 | \$ 474,958 |
| Non-Depreciable Fixed Assets | 104,000 | 104,000 | - |
| Depreciable Capital Assets (Net) | 527,369 | 436,849 | 90,520 |
| Total Assets | \$ 2,551,540 | \$ 1,986,062 | \$ 565,478 |
| Liabilities | | | |
| Current Liabilities | 25,555 | 938 | (24,617) |
| Long-Term Liabilities | - | - | - |
| Total Liabilities | \$ 25,555 | \$ 938 | \$ (24,617) |
| Net Assets | | | |
| Invested in Fixed Assets | \$ 631,369 | \$ 540,849 | \$ 90,520 |
| Restricted | 69,865 | 118,217 | (48,352) |
| Unrestricted | 1,824,751 | 1,326,058 | 498,693 |
| Total Net Assets | \$ 2,525,985 | \$ 1,985,124 | \$ 540,861 |

Governmental Revenues

- The City's primary sources of revenue were property taxes, occupational taxes, gross receipts taxes, and net profit taxes. These four sources of revenues comprise 87.7% of the total revenue collected during the fiscal year ending June 30, 2010. Total revenues for the year ending June 30, 2010 decreased by \$433,896. This was primarily the result of the City replacing its gross receipts tax with a net profits tax during the fiscal year ending June 30, 2010.

| | 2010 | 2009 | Variance |
|------------------------------------|--------------|--------------|--------------|
| Program Revenues: | | | |
| Charges for Services | \$ 41,861 | \$ 86,244 | \$ (44,383) |
| Operating Grants and Contributions | 24,974 | 23,631 | 1,343 |
| Total Program Revenues: | 66,835 | 109,875 | (43,040) |
| General Revenues: | | | |
| Property Taxes | 342,254 | 339,862 | 2,392 |
| Occupational Taxes | 562,799 | 513,935 | 48,864 |
| Bank Franchise Taxes | 10,099 | 10,446 | (347) |
| Gross Receipt Taxes | 82,257 | 75,646 | 6,611 |
| Net Profit Taxes | 278,156 | 890,253 | (612,097) |
| Intergovernmental Revenue | 166,485 | - | 166,485 |
| Interest Income | 91 | 176 | (85) |
| Other Income | 2,867 | 530 | 2,337 |
| Rental | 1,723 | 3,490 | (1,767) |
| Insurance Proceeds | 4,100 | 2,100 | 2,000 |
| Penalties and Interest | 22,198 | 26,016 | (3,818) |
| Total General Revenues | 1,473,029 | 1,863,885 | (390,856) |
| Total Revenues | \$ 1,539,864 | \$ 1,973,760 | \$ (433,896) |

Total Governmental expenses increased by \$16,053 compared to the prior year. The largest program expense increases related to the General Government and Public Safety departments.

| | 2010 | 2009 | Variance |
|--------------------|------------|------------|-------------|
| Expenses | | | |
| Program Expenses: | | | |
| General Government | \$ 399,621 | \$ 354,952 | \$ (44,669) |
| Public Safety | 498,931 | 483,794 | (15,137) |
| Public Works | 80,947 | 85,427 | 4,480 |
| Recreation | 6,591 | 15,566 | 8,975 |
| Debt Service | - | 1,712 | 1,712 |
| Capital Outlay | 5,960 | 6,756 | 796 |
| Streets and Roads | 6,953 | 34,743 | 27,790 |
| Total Expenses | \$ 999,003 | \$ 982,950 | \$ (16,053) |

Excess / Deficiency of Revenues over Expenses

This information represents the "bottom line" from a revenue-expense standpoint. Revenues exceeded expenses by \$540,861. The \$540,861 represents the increase in the city's net worth for the year ending June 30, 2010.

| | 2010 | 2009 | Variance (Negative) Positive |
|---------------------------------|--------------|--------------|------------------------------------|
| Total Revenues | \$ 1,539,864 | \$ 1,973,760 | (433,896) |
| Total Expenses | 999,003 | 982,950 | (16,053) |
| Excess (Deficiency) of Revenues | | | |
| Over Expenses | \$ 540,861 | \$ 990,810 | \$(449,949) |

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 is in better financial condition than this time last year. Ending net assets increased by \$540,861.

| | 2010 | 2009 |
|-----------------------------------|--------------|--------------|
| Beginning Net Assets | \$ 1,985,124 | \$ 994,314 |
| Increase (Decrease) in Net Assets | 540,861 | 990,810 |
| Ending Net Assets | \$ 2,525,985 | \$ 1,985,124 |

Fixed Assets

| | Balance July 1, 2009 | Additions | Disposals | Balance June 30, 2010 |
|--------------------------------|-------------------------|-----------|-----------|--------------------------|
| Land | \$ 104,000 | - | - | \$ 104,000 |
| Total Non-Depreciable Assets | 104,000 | - | - | 104,000 |
| Buildings and Improvements | 539,544 | 24,356 | - | 563,900 |
| Equipment | 44,801 | - | - | 44,801 |
| Vehicles | 152,304 | 32,599 | - | 184,903 |
| Infrastructure | 245,576 | 71,185 | - | 316,761 |
| Total Depreciable Assets | 982,225 | 128,140 | - | 1,110,365 |
| Total Fixed Assets at Cost | 1,086,225 | 128,140 | - | 1,214,365 |
| Accumulated Depreciation: | | | | |
| Buildings and Improvements | 327,409 | 19,639 | - | 347,048 |
| Equipment | 43,375 | 201 | - | 43,576 |
| Vehicles | 144,114 | 7,367 | - | 151,481 |
| Infrastructure | 30,478 | 10,413 | - | 40,891 |
| Total Accumulated Depreciation | 545,376 | 37,620 | - | 582,996 |
| Net capital assets | \$ 540,849 | \$ 90,520 | \$ - | \$ 631,369 |

Governmental Activities:

This year's major fixed asset additions included the following items: Maintenance truck, street improvements, and city hall improvements.

General Fund Budgetary Fund Highlights

For the year ended June 30, 2010, general fund revenues of \$1,520,442 were \$128,952 more than the \$1,391,490 budgeted. This was primarily the result of the City receiving gross receipts tax revenues from businesses that owed gross receipts taxes prior to the city eliminating this tax and replacing it with a net profits tax in fiscal year June 30, 2010. Revenue sources with budget shortfalls included bank franchise taxes, net profit taxes, occupational taxes, business license revenue, building permit revenues, vendor loading and unloading revenues, coal and mineral revenue and office space rent.

For the year ended June 30, 2010, general fund expenditures of \$1,017,121 were \$355,479 less than the \$1,372,600 budgeted, primarily as a result positive budget variances within the general government and debt service departments.

Economic Budget and Next Year's Budget

Due to a lower budget projection for net profit tax revenue, the general fund budgeted revenues for fiscal year 2011 was decreased to \$1,051,550. General fund expenditures were increased to \$1,632,600 to reflect increased spending for capital improvements.

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 Buichel, 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, 2010

| | |
|--|-------------------------|
| | Primary Government |
| | Governmental Activities |
| <hr/> | |
| | ASSETS |
| Current assets: | |
| Cash, and Cash Equivalents (\$63,436 restricted) | \$ 1,736,014 |
| Investments (\$4,190 restricted) | 4,190 |
| Receivables (\$2,332 restricted) | 175,788 |
| Prepaid Expenses | 4,179 |
| Total current assets | <u>1,920,171</u> |
| Noncurrent assets: | |
| Capital Assets (net) | 631,369 |
| Total Assets | <u>\$ 2,551,540</u> |
| <hr/> | |
| | LIABILITIES |
| Current liabilities: | |
| Accounts Payable | \$ 14,755 |
| Deferred Net Profit Taxes | 10,800 |
| Total Liabilities | <u>25,555</u> |
| <hr/> | |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 631,369 |
| Restricted for Roads | 56,076 |
| Restricted Police Seizures | 13,789 |
| Unrestricted | <u>1,824,751</u> |
| Total Net Assets | <u>\$ 2,525,985</u> |
| <hr/> | |
| Total Liabilities & Net Assets | <u>\$ 2,551,540</u> |

CITY OF WEST BUECHEL, KENTUCKY
 COMBINED BALANCE SHEET - ALL FUND TYPES
 JUNE 30, 2010

| | General Fund | Road Fund | Governmental Funds | Other Governmental Funds | Total Government Funds |
|---|--------------|-----------|--------------------|--------------------------|------------------------|
| ASSETS | | | | | |
| Cash | \$ 1,672,628 | \$ 53,744 | \$ 9,642 | \$ - | \$ 1,736,014 |
| Investments | - | - | 4,190 | - | 4,190 |
| Receivables | 173,456 | 2,332 | - | - | 175,788 |
| Prepaid Expense | 4,179 | - | - | - | 4,179 |
| Due From Other Funds | - | 34,202 | - | - | 34,202 |
| Total Assets | \$ 1,850,263 | \$ 90,278 | \$ 13,832 | \$ - | \$ 1,954,373 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 14,755 | \$ - | \$ - | \$ - | \$ 14,755 |
| Deferred Net Profit Tax | 10,800 | - | - | - | 10,800 |
| Deferred Revenue | 14,276 | - | - | - | 14,276 |
| Due to Other Funds | 32,061 | - | 2,141 | - | 34,202 |
| Total Liabilities | \$ 71,892 | \$ - | \$ 2,141 | \$ - | \$ 74,033 |
| FUND BALANCE | | | | | |
| Reserved Fund Balances | \$ - | \$ 90,278 | \$ 11,691 | \$ - | \$ 101,969 |
| Unreserved Fund Balances | 1,778,371 | 90,278 | 11,691 | - | 1,778,371 |
| Total fund balance | 1,778,371 | 90,278 | 11,691 | - | 1,880,340 |
| Total Liabilities and Fund Balance | \$ 1,850,263 | \$ 90,278 | \$ 13,832 | \$ - | \$ 1,954,373 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | | | | |
| Property tax revenues are earned but not available and therefore are shown as deferred income in the fund financial statements | | | | 14,276 | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$273,522. | | | | 631,369 | |
| Net Assets of Governmental Activities | | | | \$ 2,525,985 | |

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, 2010

| | General Fund | Maintenance Road Fund | Other Governmental Funds | Total Governmental Funds |
|----------------------------|--------------|-----------------------|--------------------------|--------------------------|
| REVENUES | | | | |
| Taxes: | | | | |
| Property Taxes | \$ 347,845 | \$ - | \$ - | \$ 347,845 |
| Bank Franchise Taxes | 10,099 | - | - | 10,099 |
| Occupational Taxes | 562,799 | - | - | 562,799 |
| Gross Receipts Taxes | 278,156 | - | - | 278,156 |
| Net Profit Taxes | 166,485 | - | - | 166,485 |
| Insurance Taxes | 82,257 | - | - | 82,257 |
| Licenses and Permits | 40,691 | - | - | 40,691 |
| Intergovernmental Revenue | 91 | 24,974 | - | 25,065 |
| Insurance Proceeds | 22,198 | - | - | 22,198 |
| Charges for Services | 5,270 | - | - | 5,270 |
| Interest | 2,828 | 39 | - | 2,867 |
| Other Income | 1,723 | - | - | 1,723 |
| Total Revenues | \$ 1,520,442 | \$ 25,013 | \$ - | \$ 1,545,455 |
| EXPENDITURES | | | | |
| General Government | \$ 408,181 | \$ - | \$ - | \$ 408,181 |
| Public Safety | 478,296 | - | 53 | 478,349 |
| Public Works | 112,967 | - | - | 112,967 |
| Recreation | 2,537 | - | - | 2,537 |
| Capital Outlay | 15,140 | - | - | 15,140 |
| Streets and Roads | - | 72,349 | - | 72,349 |
| Total Expenditures | \$ 1,017,121 | \$ 72,349 | \$ 53 | \$ 1,089,523 |
| Net Change in Fund Balance | 503,321 | (47,336) | (53) | 455,932 |
| Fund balances-beginning | 1,275,050 | 137,614 | 11,744 | 1,424,408 |
| Fund balances-ending | \$ 1,778,371 | \$ 90,278 | \$ 11,691 | \$ 1,880,340 |

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, 2010

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 \$ 455,932

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

Some property taxes will not be collected for several months after the City's fiscal year
 ends, they are not considered "available" revenues and are deferred in the fund financial
 statements. Deferred tax revenues decreased by this amount this year

(5,591)

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
 Depreciation expense

128,140

(37,620)

\$ 540,861

Change in Net Assets of Governmental Activities

CITY OF WEST BUEGHEL, KENTUCKY
 NOTES TO BASIC FINANCIAL STATEMENTS
 INDEX

| | | | |
|---------|--|---|---------|
| NOTE 1. | A. B. C. D. E. | Financial Reporting Entity Basis of Presentation Measurement Focus and Basis of Accounting Assets, Liabilities, and Equity Revenues, Expenditures, and Expenses | NOTE 2. |
| | A. | Deposits and Investments | NOTE 3. |
| | A. B. | Accounts Receivable Capital Assets | NOTE 4. |
| | A. B. C. D. E. F. G. | Employee Retirement System Intergovernmental Revenue Litigation Risk Management Conduit Debt Obligations Police Department Stewardship | NOTE 5. |
| | | OTHER NOTES | |
| | | SUBSEQUENT EVENTS | |

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, gross receipts 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, 2010. 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.

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.

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.

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 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.

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 Statements

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 (.28 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, 2010

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Occupational License

The City assesses an occupational tax of 1% 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.

Gross Receipts Taxes and Net Profit Taxes

The City had imposed a tax of 1% of gross receipts for business operating within the City with a minimum fee of \$100 and a maximum fee of \$50,000. In fiscal year end June 30, 2010, the City eliminated its gross receipts tax and replaced it with a net profits tax. 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 BUCHEL, KENTUCKY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

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, 2010, 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, 2010, is as follows:

| | | | | | |
|-------------------------|----|---------|---------|----|--------------------|
| | | | | | |
| | \$ | 175,788 | 175,788 | \$ | Receivable Type |
| | | 2,332 | 2,332 | | Occupational Taxes |
| | | 23,424 | 23,424 | | Property Taxes |
| | | 15,070 | 15,070 | | Insurance Taxes |
| | | 134,962 | 134,962 | | Intergovernmental |
| | \$ | 134,962 | 134,962 | \$ | Total Receivables |
| Statement of Net Assets | | | | | |
| Governmental Activities | | | | | |
| Governmental Funds | | | | | |
| Balance Sheet- | | | | | |
| | \$ | 134,962 | 134,962 | \$ | |
| | | 23,424 | 23,424 | | |
| | | 2,332 | 2,332 | | |
| | \$ | 175,788 | 175,788 | \$ | |

CITY OF WEST BUECHEL, KENTUCKY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

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

3. B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

| | Balance July 1, 2009 | Additions | Disposals | Balance June 30, 2010 |
|---------------------------------|-------------------------|-----------|-----------|--------------------------|
| Governmental Activities: | | | | |
| Land | \$ 104,000 | - | - | \$ 104,000 |
| Total Non-Depreciable Assets | 104,000 | - | - | 104,000 |
| Buildings and Improvements | 539,544 | 24,356 | - | 563,900 |
| Equipment | 44,801 | - | - | 44,801 |
| Vehicles | 152,304 | 32,599 | - | 184,903 |
| Infrastructure | 245,576 | 71,185 | - | 316,761 |
| Total Depreciable Assets | 982,225 | 128,140 | - | 1,110,365 |
| Total Fixed Assets at Cost | 1,086,225 | 128,140 | - | 1,214,365 |
| Accumulated Depreciation: | | | | |
| Buildings and Improvements | 327,409 | 19,639 | - | 347,048 |
| Equipment | 43,375 | 201 | - | 43,576 |
| Vehicles | 144,114 | 7,367 | - | 151,481 |
| Infrastructure | 30,478 | 10,413 | - | 40,891 |
| Total Accumulated Depreciation | 545,376 | 37,620 | - | 582,996 |
| Net capital assets | \$ 540,849 | \$ 90,520 | \$ - | \$ 631,369 |

Depreciation expense of \$37,620 was allocated to the various functions on the statement of activities as follows:

| | | |
|----------------------------|----|--------|
| Governmental Activities | \$ | 6,563 |
| General Government | | 20,635 |
| Public Safety | | 579 |
| Public Works | | 4,054 |
| Recreation | | 5,789 |
| Streets and Roads | | |
| Total Depreciation Expense | \$ | 37,620 |

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. Nonhazardous covered employees are required to contribute 5% of their salary to the plan. The City's contribution rate for nonhazardous employees was 16.16%.

Benefits fully vest on reaching five years of service or nonhazardous duty employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. The City's contributions to this plan were \$30,931 for the ending June 30, 2010.

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, 2010 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.

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.

NOTE 4 - OTHER NOTES (CONTINUED)

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.

4.F. POLICE DEPARTMENT

During the fiscal year ending June 30, 2007, the City decided to disband its police department due to budgetary constraints. The City entered into a contract with United Protection & Security Services, Inc. to provide policing and security services within the City for a per hour rate that is dependent upon the qualifications of the individual providing the service. The contract requires a 30-day notice to terminate the agreement by either party and the contract expired on June 20, 2009. This entity became Metro Security Services, Inc. during the fiscal year ending June 30, 2010. This agreement was renewed by both parties, under similar terms, through June 30, 2010.

4.G. STEWARDSHIP

Expenditures exceeded budget in the following department

| | |
|---------------|--------------------------|
| Public Safety | Over Budget by \$20,296. |
|---------------|--------------------------|

NOTE 5- SUBSEQUENT EVENTS

On February 1, 2011, the City voted to reinstate the police department and discontinue the outsourcing of police protection services that had previously been provided by Metro Security Services, Inc.

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 BUCHEL, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 NON-GAAP BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2010

| Revenues (Inflows) Taxes: | Budgeted Amounts | | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|------------|------------|-------------------|---|
| | Original | Final | | | |
| Property Taxes | \$ 290,000 | \$ 290,000 | \$ 347,845 | \$ 57,845 | |
| Bank Franchise Taxes | 20,000 | 20,000 | 10,099 | (9,901) | |
| Gross Receipts Taxes | - | - | 278,156 | 278,156 | |
| Net Profits Tax | 320,000 | 320,000 | 166,485 | (153,515) | |
| Occupational Taxes | 660,000 | 660,000 | 562,799 | (97,201) | |
| Insurance Taxes | 38,000 | 38,000 | 82,257 | 44,257 | |
| License and Permits | - | - | 11,113 | 11,113 | |
| Sign Permit Fee | 44,000 | 44,000 | 21,450 | (22,550) | |
| Business License | 870 | 870 | 1,115 | 245 | |
| Liquor and Beer License | 1,000 | 1,000 | 5 | (995) | |
| Vendor Loading and Unloading | 10,000 | 10,000 | 7,008 | (2,992) | |
| Intergovernmental | 120 | 120 | 91 | (29) | |
| Coal and Mineral Income | - | - | - | - | |
| Charges for Services | 1,000 | 1,000 | 1,170 | 170 | |
| Fines and Citations | 6,000 | 6,000 | 4,100 | (1,900) | |
| Other | - | - | 1,723 | 1,723 | |
| Miscellaneous Income | 500 | 500 | 2,828 | 2,328 | |
| Insurance Proceeds | - | - | - | - | |
| Interest Income | 1,391,490 | 1,391,490 | 1,520,442 | 128,952 | |
| Total General Fund Revenues | 1,417,130 | 1,417,130 | 1,275,050 | (142,080) | |
| Beginning Fund Balance (Non-GAAP Budgetary Basis) | 2,808,620 | 2,808,620 | 2,795,492 | (13,128) | |
| Total Available for Appropriation | 2,808,620 | 2,808,620 | 2,795,492 | (13,128) | |

CITY OF WEST BUECHEL, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 NON-GAAP BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2010

| Charges to Appropriations (Outflows): | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------|------------|----------------|--|
| | Original | Final | | |
| General Government: | | | | |
| Payroll- Mayor | \$ 14,400 | \$ 14,400 | \$ 14,400 | \$ - |
| Payroll- Council | 25,200 | 25,200 | 25,200 | - |
| Payroll- Administrative | 120,000 | 120,000 | 119,113 | 887 |
| Payroll Taxes | - | - | 12,141 | (12,141) |
| Legal Services | 15,000 | 15,000 | 18,502 | (3,502) |
| Accounting | 12,000 | 12,000 | 5,525 | 6,475 |
| Refunds and Overpayments | - | - | 13,774 | (13,774) |
| Office Supplies | 3,000 | 3,000 | 4,436 | (1,436) |
| Postage | 3,000 | 3,000 | 2,116 | 884 |
| Printing | - | - | 1,443 | - |
| Insurance | 65,000 | 65,000 | 42,305 | 22,695 |
| Legal Ads | 4,000 | 4,000 | 2,038 | 1,962 |
| Education Expense | 5,000 | 5,000 | 1,199 | 3,801 |
| Office Utilities | 35,000 | 35,000 | 15,404 | 19,596 |
| Telephone | 8,000 | 8,000 | 6,436 | 1,564 |
| Dues | 500 | 500 | 1,753 | (1,253) |
| Janitorial | 5,000 | 5,000 | 1,100 | 3,900 |
| Health and Dental Insurance | 55,000 | 55,000 | 45,400 | 9,600 |
| Travel Mayor and Council | 15,000 | 15,000 | 2,825 | 12,175 |
| Travel Administration | 5,000 | 5,000 | 1,880 | 3,120 |
| Retirement | 75,000 | 75,000 | 30,931 | 44,069 |
| Miscellaneous | 1,000 | 1,000 | 105 | 895 |
| Pest Control | 500 | 500 | 467 | 33 |
| Small Equipment | 2,000 | 2,000 | 740 | 1,260 |
| Maintenance and Repairs | 8,000 | 8,000 | 20,972 | (12,972) |
| Bank Charges and Fees | 10,000 | 10,000 | 3,728 | 6,272 |
| Payroll Processing Fees | 7,000 | 7,000 | 4,756 | 2,244 |
| Property Valuation Fees | 7,000 | 7,000 | 7,095 | (95) |
| Lease Equipment | 6,000 | 6,000 | 993 | 5,007 |
| Code Enforcement Board | 4,000 | 4,000 | - | 4,000 |
| Office Software | - | - | 1,085 | (1,085) |
| Internet Expense | - | - | 319 | (319) |
| Total General Government | \$ 510,600 | \$ 510,600 | 408,181 | 103,862 |
| Public Safety | | | | |
| Patrol/Security Services | 458,000 | 458,000 | 478,296 | (20,296) |
| Total Public Safety | 458,000 | 458,000 | 478,296 | (20,296) |

CITY OF WEST BUECHEL, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 NON-GAAP BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2010

| Variance with Final Budget | Budgeted Amounts | | Actual Amounts | |
|--|------------------|--------------|----------------|------------|
| | Original | Final | Actual | (Negative) |
| 5,519 | 48,000 | 48,000 | 42,481 | |
| (3,250) | - | - | 3,250 | |
| 2,000 | 2,000 | 2,000 | - | |
| 1,000 | 1,000 | 1,000 | - | |
| (4,599) | 28,000 | 28,000 | 32,599 | |
| 285 | 3,000 | 3,000 | 2,715 | |
| (909) | 3,000 | 3,000 | 3,909 | |
| 4,390 | 5,000 | 5,000 | 610 | |
| 3,069 | 30,000 | 30,000 | 26,931 | |
| (472) | - | - | 472 | |
| 7,033 | 120,000 | 120,000 | 112,967 | |
| 12,463 | 15,000 | 15,000 | 2,537 | |
| 12,463 | 15,000 | 15,000 | 2,537 | |
| - | 210,000 | 210,000 | - | |
| 210,000 | 210,000 | 210,000 | - | |
| 680 | 1,000 | 1,000 | 320 | |
| 2,186 | 3,000 | 3,000 | 814 | |
| 55,000 | 55,000 | 55,000 | - | |
| (14,006) | - | - | 14,006 | |
| 43,860 | 59,000 | 59,000 | 15,140 | |
| 355,479 | 1,372,600 | 1,372,600 | 1,017,121 | |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 18,890 | \$ 18,890 | \$ 503,321 | |
| Other Financing Sources (Uses) | - | - | - | |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | 18,890 | 18,890 | 503,321 | |
| Fund Balance, Beginning (Non-GAAP Budgetary Basis) | 1,417,130 | 1,417,130 | 1,275,050 | |
| Fund Balance, Ending (Non-GAAP Budgetary Basis) | \$ 1,436,020 | \$ 1,436,020 | \$ 1,778,371 | |
| Adjustments to Generally Accepted Accounting Principles | | | | |
| NONE | | | | |
| Fund Balance, ending (GAAP Basis) | | | | 1,778,371 |

CITY OF WEST BUECHEL, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 ROAD AID FUND
 NON-GAAP BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2010

| Variance with Final Budget | Budgeted Amounts | | Actual Amounts | Positive (Negative) |
|--|------------------|------------|-------------------|------------------------|
| | Original | Final | | |
| | \$ 101,891 | \$ 101,891 | \$ 137,614 | \$ 35,723 |
| Beginning budgetary fund balance: | | | | |
| Revenues | | | | |
| Intergovernmental Revenue | 20,000 | 20,000 | 24,974 | 4,974 |
| Interest Income | 200 | 200 | 39 | (161) |
| Total Road Maintenance Revenues | 20,200 | 20,200 | 25,013 | 4,813 |
| Total Available for Appropriation | \$ 122,091 | \$ 122,091 | \$ 162,627 | \$ 40,536 |
| Charges to Appropriations (Outflows): | | | | |
| Municipal Road Aid | 70,000 | 70,000 | 71,185 | (1,185) |
| Street Repairs | 15,000 | 15,000 | 1,164 | 13,836 |
| Snow Removal | 85,000 | 85,000 | 72,349 | 12,651 |
| Total Municipal Aid Expenses | 150,000 | 150,000 | 144,698 | 5,302 |
| Excess of Revenues Over Expenditures | (64,800) | (64,800) | (47,336) | 17,464 |
| Fund Balance, Beginning (Non-GAAP Budgetary Basis) | 101,891 | 101,891 | 137,614 | 35,723 |
| Fund Balance, Ending (Non-GAAP Budgetary Basis) | \$ 37,091 | \$ 37,091 | \$ 90,278 | \$ 53,187 |

CITY OF WEST BUCHEL, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010

NOTE 1 - BUDGET VARIANCES

General Fund

For the year ended June 30, 2010, general fund revenues of \$1,520,442 were \$128,952 greater than the \$1,391,490 budgeted. This was primarily the result of the city receiving gross receipts tax revenues from businesses that owed gross receipts taxes prior to the city eliminating this tax and replacing it with a net profits tax in fiscal year June 30, 2010.

For the year ended June 30, 2010, general fund expenditures of \$1,017,121 were \$355,479 less than the \$1,372,600 budgeted, primarily as a result of positive variances within the general government and debt service departments.

Road Aid Fund

For the year ended June 30, 2010, road aid revenues of \$25,013 were \$4,813 greater than the \$20,000 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, 2010 budget.

For the year ended June 30, 2010, road aid expenditures of \$72,349 were \$12,651 less than the \$85,000 budgeted. This was primarily the result of a positive variance within the City's snow removal account.