

**City of West Buechel, Kentucky**  
**Audit of Basic Financial Statements**  
**Year Ended June 30, 2013**

# ANNUAL FINANCIAL REPORT

## City of West Buechel

Year Ended June 30, 2013

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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, 2013, 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, 2013, 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 March 3, 2014 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  
March 4, 2014

## 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, 2013. 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 \$3,182,481 (net assets) for the fiscal year ended June 30, 2013.
- 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 87.9% of the City's total revenue. Total revenue of the City increased by \$196,540 during this fiscal year. This was primarily the result of increases within insurance premium tax revenue, operating grants and contributions, and insurance refunds.
- The City's expenses of \$1,201,577 reflect an increase of \$149,795 from the previous fiscal year. Public Safety had the largest department increase. The increase was primarily due to increased employment cost, including salaries and wages, payroll taxes, pension expense, and health insurance.

### 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 basic 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 \$603,798 during this fiscal year, which was primarily the result of an increase in net capital assets. Liabilities increased by \$225,966, which was a result of an increase in long-term liabilities associated with the note payable to Kentucky Bond Corporation that was issued to finance the purchase of the TEM building.

### THE CITY'S FUNDS

Assets	2013	2012	Variance
Current Assets	\$ 2,264,849	\$ 2,139,768	\$ 125,081
Non-Depreciable Fixed Assets	229,497	104,000	125,497
Depreciable Capital Assets (Net)	929,793	576,573	353,220
Total Assets	\$ 3,424,139	\$ 2,820,341	\$ 603,798
<b>Liabilities</b>			
Current Liabilities	\$ 7,908	\$ 15,692	\$ 7,784
Long-Term Liabilities	233,750	-	233,750
Total Liabilities	\$ 241,658	\$ 15,692	\$ 225,966
<b>Net Assets</b>			
Invested in Fixed Assets	\$ 1,159,290	\$ 680,573	\$ 478,717
Restricted	114,621	107,891	6,730
Unrestricted	1,908,570	2,016,185	(107,615)
Total Net Assets	\$ 3,182,481	\$ 2,804,649	\$ 377,832

### 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 87.9% of the total revenue collected during the fiscal year ending June 30, 2013. Total revenues for the year ending June 30, 2013 increased by \$196,540. This was primarily the result of increases in insurance premium taxes, operating grants and contributions, and insurance refunds.

	<u>2013</u>	<u>2012</u>	<u>Positive (Negative) Variance</u>
<b>Program Revenues:</b>			
Charges for Services	\$ 59,321	\$ 55,581	\$ 3,740
Operating Grants and Contributions	<u>73,577</u>	<u>33,558</u>	<u>40,019</u>
Total Program Revenues	132,898	89,139	43,759
<b>General Revenues:</b>			
Property Taxes	255,274	261,331	(6,057)
Occupational Taxes	795,219	770,585	24,634
Bank Franchise Taxes	12,755	11,136	1,619
Insurance Taxes	234,105	162,538	71,567
Net Profit Taxes	103,009	80,867	22,142
Intergovernmental Revenue	38	15	23
Interest Income	2,198	5,184	2,986
Insurance Refunds	36,855	-	36,855
Other Income	7,058	2,074	4,984
Total General Revenues	<u>1,446,111</u>	<u>1,293,730</u>	<u>152,781</u>
Total Revenues	\$ <u>1,579,409</u>	\$ <u>1,382,869</u>	\$ <u>196,540</u>

### Governmental Expenses

- Total Governmental expenses increased by \$149,795 compared to the prior year. Public Safety had the largest department increase. The increase was primarily due to increased employment cost, including salaries and wages, payroll taxes, pension expense, and health insurance.

	<u>2013</u>	<u>2012</u>	<u>Positive (Negative) Variance</u>
<b>Expenses</b>			
<b>Program Expenses:</b>			
General Government	\$ 500,173	\$ 475,951	\$ (24,222)
Public Safety	467,840	414,871	(52,969)
Public Works	125,466	79,632	(45,834)
Recreation	78,413	26,736	(51,677)
Capital Outlay	6,067	47,373	41,306
Streets and Roads	23,618	7,219	(16,399)
Total Expenses	<u>\$ 1,201,577</u>	<u>\$ 1,051,782</u>	<u>\$ (149,795)</u>

### Excess / Deficiency of Revenues over Expenses

This information represents the "bottom line" from a revenue-expense standpoint. Revenues exceeded expenses by \$377,832. The \$377,832 represents the increase in the city's net worth for the year ending June 30, 2013.

	2013	2012	Positive (Negative) Variance
Total Revenues	\$ 1,579,409	\$ 1,382,869	\$ 196,540
Total Expenses	<u>1,201,577</u>	<u>1,051,782</u>	<u>(149,795)</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 377,832</u>	<u>\$ 331,087</u>	<u>\$ 46,745</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.

	2013	2012
Beginning Net Assets	\$ 2,804,649	\$ 2,473,562
Increase (Decrease) in Net Assets	<u>377,832</u>	<u>331,087</u>
Ending Net Assets	<u>\$ 3,182,481</u>	<u>\$ 2,804,649</u>

### Fixed Assets

	Balance July 1, 2012	Additions	Disposals	Balance June 30, 2013
<b>Governmental Activities:</b>				
Land	\$ 104,000	\$ 125,497-	\$ -	\$ 229,497
Total Non-Depreciable Assets	<u>104,000</u>	<u>125,497</u>	<u>-</u>	<u>229,497</u>
Buildings and Improvements	573,825	294,407	-	868,232
Equipment	64,275	26,084	-	90,359
Vehicles and Equipment	291,105	94,101	-	385,206
Infrastructure	<u>320,911</u>	<u>14,600</u>	<u>-</u>	<u>335,511</u>
Total Depreciable Assets	<u>1,250,116</u>	<u>429,192</u>	<u>-</u>	<u>1,679,308</u>
Total Fixed Assets at Cost	1,354,116	554,689	-	1,908,805
<b>Accumulated Depreciation:</b>				
Buildings and Improvements	388,238	23,304	-	411,542
Equipment	46,201	5,666	-	51,867
Vehicles and Equipment	168,814	30,113	-	198,927
Infrastructure	<u>70,290</u>	<u>16,889</u>	<u>-</u>	<u>87,179</u>
Total Accumulated Depreciation	<u>673,543</u>	<u>75,972</u>	<u>-</u>	<u>749,515</u>
Net capital assets	<u>\$ 680,573</u>	<u>\$ 478,717</u>	<u>\$ -</u>	<u>\$ 1,159,290</u>

Major fixed asset additions during the fiscal year ending June 30, 2013 included the TEM Building, the Walton property, 12 new police radios, 2 new police vehicles with equipment, computer equipment and software, and a used public works truck.

## **General Fund Budgetary Fund Highlights**

For the year ended June 30, 2013, general fund revenues of \$1,526,802 were \$321,721 more than the \$1,205,081 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 and coal and mineral income.

For the year ended June 30, 2013, general fund expenditures of \$1,684,589 were \$324,894 less than the \$2,009,483 budgeted, primarily as a result of positive budget variances within the police department, public works department, and general government.

## **Economic Budget and Next Year's Budget**

Due to positive variances for the city's general fund revenues for fiscal year ending June 30, 2013, the City has increased budgeted general fund revenues for fiscal year 2014 to \$1,365,700.

General fund expenditures were increased to \$2,046,100 to reflect expected increased spending within the public safety department.

## **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, 2013

Primary Government  
Governmental Activities

ASSETS

Current assets:	
Cash, and Cash Equivalents (\$114,621 restricted)	\$ 1,967,293
Investments	15,266
Receivables (\$2,899 restricted)	<u>282,290</u>
Total current assets	2,264,849
Noncurrent assets:	
Capital Assets (net)	<u>1,159,290</u>
Total Assets	<u>\$ 3,424,139</u>

LIABILITIES

Current liabilities:	
Accounts Payable	7,908
Deferred Net Profits Tax	<u>\$ -</u>
Total current liabilities	7,908
Noncurrent liabilities:	
Long Term Notes Payable	<u>233,750</u>
Total Liabilities	241,658

NET ASSETS

Invested in capital assets, net of related debt	1,159,290
Restricted for Roads	114,621
Unrestricted	<u>1,908,570</u>
Total Net Assets	<u>\$ 3,182,481</u>
Total Liabilities & Net Assets	<u>\$ 3,424,139</u>

See the accompanying notes to the financial statements

CITY OF WEST BUECHEL, KENTUCKY  
STATEMENT OF ACTIVITIES  
JUNE 30, 2013

	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>PRIMARY GOVERNMENT:</b>				
<b>Governmental Activities:</b>				
General Government	\$ 500,173	59,321	\$ -	\$ (440,852)
Public Safety	467,840	-	20,970	(446,870)
Public Works	125,466	-	-	(125,466)
Recreation	78,413	-	-	(78,413)
Capital Outlay	6,067	-	-	(6,067)
Streets and Roads	23,618	-	52,607	28,989
	1,201,577	59,321	73,577	(1,068,679)
<b>Total Government</b>	<b>1,201,577</b>	<b>59,321</b>	<b>73,577</b>	<b>(1,068,679)</b>
<b>Total Primary Government</b>	<b>\$ 1,201,577</b>	<b>\$ 59,321</b>	<b>\$ 73,577</b>	<b>\$ (1,068,679)</b>
<b>General revenues:</b>				
<b>Taxes:</b>				
Property Taxes				255,274
Occupational Taxes				795,219
Net Profit Taxes				103,009
Insurance Taxes				234,105
Bank Franchise Taxes				12,755
Intergovernmental				38
Interest Income				2,198
Insurance Refunds				36,855
Other Revenues				7,058
<b>Total General Revenues</b>				<b>1,446,511</b>
<b>Change in Net Assets</b>				<b>377,832</b>
<b>Net Assets - Beginning</b>				<b>2,804,649</b>
<b>Net Assets - Ending</b>				<b>\$ 3,182,481</b>

See the accompanying notes to the financial statements

CITY OF WEST BUECHEL, KENTUCKY  
 COMBINED BALANCE SHEET- ALL FUND TYPES  
 JUNE 30, 2013

	General Fund	Road Fund	Total Government Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,852,672	\$ 114,621	\$ 1,967,293
Investments	15,266	-	15,266
Receivables	279,391	2,899	282,290
Due From Other Funds	-	57,367	57,367
<b>Total Assets</b>	<b>\$ 2,147,329</b>	<b>\$ 174,887</b>	<b>2,322,216</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 7,908	\$ -	\$ 7,908
Deferred Net Profits Tax	-	-	-
Due to Other Funds	57,367	-	57,367
<b>Total Liabilities</b>	<b>\$ 65,275</b>	<b>\$ -</b>	<b>\$ 65,275</b>
<b>FUND BALANCE</b>			
Reserved Fund Balances	\$ -	\$ 174,887	\$ 174,887
Unreserved Fund Balances	2,082,054	-	2,082,054
<b>Total fund balance</b>	<b>2,082,054</b>	<b>174,887</b>	<b>2,256,941</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 2,147,329</b>	<b>\$ 174,887</b>	<b>\$ 2,322,216</b>

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	1,159,290
Long-Term Debt is not a financial resource and therefore is not reported in the funds	(233,750)
<b>Net Assets of Governmental Activities</b>	<b>\$ 3,182,481</b>

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, 2013

	General Fund	Road Maintenance Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes:			
Property Taxes	\$ 255,274	\$ -	\$ 255,274
Bank Franchise Taxes	12,755	-	12,755
Occupational Taxes	795,219	-	795,219
Net Profit Taxes	103,009	-	103,009
Insurance Taxes	234,105	-	234,105
Licenses and Permits	36,219	-	36,219
Intergovernmental Revenue	21,008	52,607	73,615
Charges for Services	23,102	-	23,102
Interest	2,198	-	2,198
Insurance Refunds	36,855	-	36,855
Other Income	7,058	-	7,058
Total Revenues	\$ 1,526,802	\$ 52,607	\$ 1,579,409
<b>EXPENDITURES</b>			
General Government	\$ 502,683	\$ -	\$ 502,683
Public Safety	553,581	-	553,581
Public Works	117,270	-	117,270
Recreation	76,284	-	76,284
Capital Outlay	434,771	-	434,771
Streets and Roads	-	21,955	21,955
Total Expenditures	\$ 1,684,589	\$ 21,955	\$ 1,706,544
Net Change in Fund Balance Prior To Other Financing Sources (Uses)	(157,787)	30,652	(127,135)
Other Financing Sources (Uses)	260,000	-	260,000
Net Change in Fund Balance After Other Financing Sources (Uses)	102,213	30,652	132,865
Fund balances-beginning	1,979,841	144,235	2,124,076
Fund balances-ending	\$ 2,082,054	\$ 174,887	\$ 2,256,941

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, 2013

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	\$	132,865
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Amounts reported for governmental activities in the Statement of Activities are different because:

Note proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. :		(260,000)
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Payment of Notes Payable- Principal		26,250
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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		554,689
Depreciation expense		<u>(75,972)</u>

Change in Net Assets of Governmental Activities	\$	<u>377,832</u>
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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, 2013

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, 2013. 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, 2013

**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, 2013

**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, 2013

**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, 2013

**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, 2013

**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, 2013

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, 2013, 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, 2013, is as follows:

<u>Receivable Type</u>	<u>Statement of Net Assets Governmental Activities</u>	<u>Balance Sheet- Governmental Funds</u>
Occupational Taxes	\$ 207,049	\$ 207,049
Property Taxes	1,322	1,322
Insurance Taxes	68,518	68,518
Net Profit Taxes	2,502	2,502
Intergovernmental	2,899	2,899
Total Receivables	\$ 282,290	\$ 282,290

CITY OF WEST BUECHEL, KENTUCKY  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

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

3.B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Governmental Activities:</b>				
Land	\$ 104,000	\$ 125,497	\$ -	\$ 229,497
Total Non-Depreciable Assets	<u>104,000</u>	<u>125,497</u>	<u>-</u>	<u>229,497</u>
Buildings and Improvements	573,825	294,407	-	868,232
Equipment	64,275	26,084	-	90,359
Vehicles and Equipment	291,105	94,101	-	385,206
Infrastructure	<u>320,911</u>	<u>14,600</u>	<u>-</u>	<u>335,511</u>
Total Depreciable Assets	<u>1,250,116</u>	<u>429,192</u>	<u>-</u>	<u>1,679,308</u>
 Total Fixed Assets at Cost	 1,354,116	 554,689	 -	 1,908,805
<b>Accumulated Depreciation:</b>				
Buildings and Improvements	388,238	23,304	-	411,542
Equipment	46,201	5,666	-	51,867
Vehicles and Equipment	168,814	30,113	-	198,927
Infrastructure	<u>70,290</u>	<u>16,889</u>	<u>-</u>	<u>87,179</u>
Total Accumulated Depreciation	<u>673,543</u>	<u>75,972</u>	<u>-</u>	<u>749,515</u>
 Net capital assets	 <u>\$ 680,573</u>	 <u>\$ 478,717</u>	 <u>\$ -</u>	 <u>\$ 1,159,290</u>

Depreciation expense of 75,972 was allocated to the various functions on the statement of activities as follows:

<u>Governmental Activities</u>	
General Government	\$ 24,179
Public Safety	25,205
Public Works	8,196
Recreation	2,129
Streets and Roads	<u>16,263</u>
 Total Depreciation Expense	 <u>\$ 75,972</u>

CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

**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, 2013, 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, 2013, 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 \$67,896 for the ending June 30, 2013.

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, 2013 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, 2013

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 March 4, 2014, 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, 2013, have not been evaluated by the City.

## 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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
<b>Revenues (Inflows)</b>				
Taxes:				
Property Taxes	\$ 229,212	\$ 229,212	\$ 255,274	\$ 26,062
Bank Franchise Taxes	21,000	21,000	12,755	(8,245)
Net Profits Tax	75,000	75,000	103,009	28,009
Occupational Taxes	735,302	735,302	795,219	59,917
Insurance Taxes	129,182	129,182	234,105	104,923
License and Permits				
Sign Permit Fee	-	-	14,944	14,944
Business License	3,615	3,615	11,875	8,260
Vendor Loading and Unloading	1,655	1,655	9,400	7,745
Intergovernmental				
Grant Revenues	-	-	20,970	20,970
Coal and Mineral Income	100	100	38	(62)
Charges for Services				
Fines and Citations	8,000	8,000	23,102	15,102
Other				
Insurance Refunds	-	-	36,855	36,855
Miscellaneous Income	-	-	7,058	7,058
Interest Income	2,015	2,015	2,198	183
<b>Total General Fund Revenues</b>	<b>1,205,081</b>	<b>\$ 1,205,081</b>	<b>\$ 1,526,802</b>	<b>\$ 321,721</b>
Beginning Fund Balance (Non-GAAP Budgetary Basis)	1,600,000	1,600,000	1,979,841	379,841
<b>Total Available for Appropriation</b>	<b>\$ 2,805,081</b>	<b>\$ 2,805,081</b>	<b>\$ 3,506,643</b>	<b>\$ 701,562</b>

CITY OF WEST BUECHEL, KENTUCKY  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 NON-GAAP BUDGETARY BASIS  
 YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
General Government:				
Payroll- Mayor	\$ 14,400	\$ 14,400	\$ 14,400	\$ -
Payroll- Council	25,200	25,200	25,200	-
Payroll- Administrative	133,250	133,250	118,543	14,707
Legal Services	15,000	15,000	16,540	(1,540)
Accounting	10,000	10,000	8,940	1,060
Office Supplies	6,000	6,000	9,427	(3,427)
Postage and Printing	7,000	7,000	4,437	2,563
Insurance	105,000	105,000	74,506	30,494
Legal Ads	3,000	3,000	2,617	383
Education Expense	8,000	8,000	5,801	2,199
Office Utilities	35,000	35,000	29,274	5,726
Telephone	8,000	8,000	4,166	3,834
Dues	3,000	3,000	2,011	989
Janitorial	6,000	6,000	4,157	1,843
Health and Dental Insurance	130,000	130,000	70,891	59,109
Travel Mayor and Council	7,000	7,000	6,723	277
Travel Administration	5,000	5,000	2,432	2,568
Retirement	37,933	37,933	34,203	3,730
Miscellaneous	-	-	655	(655)
Pest Control	500	500	238	262
Small Equipment	4,000	4,000	550	3,450
Maintenance and Repairs	8,000	8,000	10,396	(2,396)
Bank Charges and Fees	9,000	9,000	2,376	6,624
Payroll Processing Fees	7,000	7,000	4,273	2,727
Property Valuation Fees	7,200	7,200	6,643	557
Lease Equipment	2,500	2,500	1,232	1,268
Office Software	3,000	3,000	7,740	(4,740)
Debt Service Payments	-	-	32,873	(32,873)
Website	2,000	2,000	1,439	561
Total General Government	<u>601,983</u>	<u>\$ 601,983</u>	<u>502,683</u>	<u>99,300</u>

CITY OF WEST BUECHEL, KENTUCKY  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 NON-GAAP BUDGETARY BASIS  
 YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Safety				
Payroll	538,000	538,000	319,020	218,980
Supplies	4,000	4,000	2,942	1,058
Dues & Subscriptions	2,000	2,000	-	2,000
Health Insurance	47,000	47,000	36,188	10,812
Police- CERS	26,300	26,300	33,693	(7,393)
Police Uniforms	7,000	7,000	2,450	4,550
Police Equipment	3,000	3,000	37,948	(34,948)
Police Vehicles and Equipment	-	-	75,535	(75,535)
Police Training	2,000	2,000	-	2,000
Police Gasoline	40,000	40,000	36,034	3,967
Repairs and Maintenance	10,000	10,000	9,771	229
Bank Charges	1,000	1,000	-	1,000
Police Investigation	200	200	-	200
Discretionary	1,000	1,000	-	1,000
	<u>681,500</u>	<u>681,500</u>	<u>553,581</u>	<u>127,919</u>
Total Public Safety	681,500	681,500	553,581	127,919

CITY OF WEST BUECHEL, KENTUCKY  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 NON-GAAP BUDGETARY BASIS  
 YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Public Works				
Payroll	72,000	72,000	64,114	7,886
Uniforms	3,000	3,000	-	3,000
Equipment	6,000	6,000	-	6,000
Fuel	15,000	15,000	5,466	9,534
Repairs and Maintenance	5,000	5,000	5,580	(580)
Supplies	-	-	2,942	(2,942)
Snow Removal	5,000	5,000	-	5,000
Drainage	100,000	100,000	-	100,000
Solid Waste	30,000	30,000	39,168	(9,168)
Total Public Works	<u>236,000</u>	<u>236,000</u>	<u>117,270</u>	<u>118,730</u>
Recreation				
Payroll-Community Center	70,000	70,000	46,304	23,696
Community Activities	70,000	70,000	29,980	40,020
Total Recreation	<u>140,000</u>	<u>140,000</u>	<u>76,284</u>	<u>63,716</u>
Capital Outlay				
Capital Improvements and Expenditures	300,000	300,000	433,015	(133,015)
Contract Labor	50,000	50,000	1,756	48,244
Total Capital Outlay	<u>350,000</u>	<u>350,000</u>	<u>434,771</u>	<u>(84,771)</u>
Total General Fund Expenditures	<u>2,009,483</u>	<u>2,009,483</u>	<u>1,684,589</u>	<u>324,894</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (804,402)	\$ (804,402)	\$ (157,787)	\$ 646,615
Other Financing Sources (Uses)				
Principal Proceeds from Debt Issuance	-	-	260,000	260,000
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(804,402)	(804,402)	102,213	906,615
Fund Balance, Beginning (Non-GAAP Budgetary Basis)	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,979,841</u>	<u>379,841</u>
Fund Balance, Ending (Non-GAAP Budgetary Basis)	<u>\$ 795,598</u>	<u>\$ 795,598</u>	<u>\$ 2,082,054</u>	<u>\$ 1,286,456</u>
Adjustments to Generally Accepted Accounting Principles NONE				
Fund Balance, ending (GAAP Basis)			<u>2,082,054</u>	

CITY OF WEST BUECHEL, KENTUCKY  
 BUDGETARY COMPARISON SCHEDULE  
 ROAD AID FUND  
 NON-GAAP BUDGETARY BASIS  
 YEAR ENDED JUNE 30, 2013

	<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:	\$ 106,015	\$ 106,015	\$ 144,235	\$ 38,220
Revenues				
Intergovernmental Revenue	26,400	26,400	52,607	26,207
Total Road Maintenance Revenues	<u>26,400</u>	<u>26,400</u>	<u>52,607</u>	<u>26,207</u>
Total Available for Appropriation	<u>\$ 132,415</u>	<u>\$ 132,415</u>	<u>\$ 196,842</u>	<u>\$ 64,427</u>
Charges to Appropriations (Outflows):				
Municipal Road Aid				
Snow Removal and Repairs	26,400	26,400	21,955	4,445
Total Municipal Aid Expenses	<u>26,400</u>	<u>26,400</u>	<u>21,955</u>	<u>4,445</u>
Excess of Revenues Over Expenditures	-	-	30,652	30,652
Fund Balance, Beginning (Non-GAAP Budgetary Basis)	<u>106,015</u>	<u>106,015</u>	<u>144,235</u>	<u>38,220</u>
Fund Balance, Ending (Non-GAAP Budgetary Basis)	<u>\$ 106,015</u>	<u>\$ 106,015</u>	<u>\$ 174,887</u>	<u>\$ 68,872</u>

CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2013

**NOTE 1 - BUDGET VARIANCES**

**General Fund**

For the year ended June 30, 2013, general fund revenues of \$1,526,802 were \$321,721 more than the \$1,205,081 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 and coal and mineral income.

For the year ended June 30, 2013, general fund expenditures of \$1,684,589 were \$324,894 less than the \$2,009,483 budgeted, primarily as a result of positive budget variances within the police department, public works department, and general government.

**Road Aid Fund**

For the year ended June 30, 2013, road aid revenues of \$52,607 were \$26,207 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, 2013, road aid expenditures of \$21,955 were \$4,445 less than the \$26,400 budgeted. This was primarily the result of positive variances within the City's snow removal and street repair accounts.





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**Accountant's Report**  
**Local Government Economic Assistance Program**  
**City of West Buechel, Kentucky**  
**For the Fiscal Year Ended June 30, 2013**

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  
March 4, 2014



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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, 2013, which collectively comprise the City of West Buechel, Kentucky's basic financial statements and have issued our report thereon dated March 4, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.