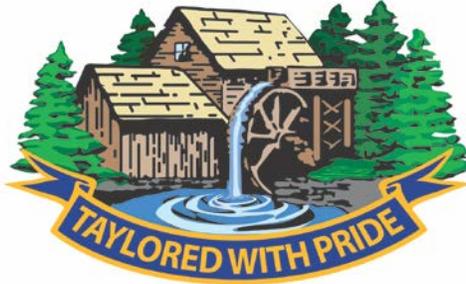


CITY OF TAYLOR MILL, KENTUCKY

June 30, 2014

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT INCLUDING SUPPLEMENTARY INFORMATION*

City of Taylor Mill



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Commission
City of Taylor Mill, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Taylor Mill, Kentucky, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Taylor Mill, Kentucky, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 23 through 25, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2015, on our consideration of the City of Taylor Mill, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Taylor Mill, Kentucky's internal control over financial reporting and compliance.

VonLehman & Company Inc.

**CITY OF TAYLOR MILL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

Our discussion and analysis of the City of Taylor Mill, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the City's basic financial statements that begin on page 7.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 7 and 8) provide information about the activities of the City as a whole and present a fair view of the City's finances. Fund financial statements start on page 9. For government activities these statements tell how these services were financed in the short term as well as what remains for future spending. 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.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2014 are as follows:

- The assets of the City exceeded its liabilities by \$8,018,977 (net position) at June 30, 2014. Of this amount, \$3,973,389 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$263,293.
- As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$4,195,126, an increase of \$50,574.
- As of June 30, 2014, unassigned fund balance for the general fund was \$664,611.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, police, fire, public works, parks and recreation. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 and 9 of this report.

**CITY OF TAYLOR MILL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All activities of the City are included in the governmental funds. The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each fund.

The basic governmental fund financial statements can be found on pages 9 through 12 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 22 of this report.

Government-Wide Financial Analysis

The perspective of the statement of net position is of the City as a whole. Table 1 provides a summary of the City's net position for 2014 compared to 2013.

**Table 1
Net Position**

	Governmental Activities	
	2014	2013
Assets		
Current and Other Assets	\$ 4,413,870	\$ 4,274,092
Capital Assets, Net	3,867,747	4,208,605
Total Assets	<u>8,281,617</u>	<u>8,482,697</u>
Liabilities		
Current and Other Liabilities	162,411	105,718
Long-Term Liabilities	100,229	94,709
Total Liabilities	<u>262,640</u>	<u>200,427</u>
Net Position		
Net Investment in Capital		
Assets	3,867,747	4,192,897
Restricted for Municipal Aid	177,841	130,050
Unrestricted	<u>3,973,389</u>	<u>3,959,323</u>
Total Net Position	<u>\$ 8,018,977</u>	<u>\$ 8,282,270</u>

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$8.0 million as of June 30, 2014.

A large portion of the City's net position reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending.

**CITY OF TAYLOR MILL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The City's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

An additional portion of the City's net position (2.2%) represents resources that are subject to restrictions on how they may be used.

Table 2 reflects the change in net position for fiscal years 2014 and 2013.

**Table 2
Change in Net Position**

	Governmental Activities Years Ended June 30,	
	<u>2014</u>	<u>2013</u>
Revenues		
General Revenues		
Property Taxes	\$ 1,716,871	\$ 1,647,012
Payroll Taxes	856,045	877,873
Insurance Taxes	581,190	565,364
Utility Tax	194,633	202,737
Other Licenses and Permits	350,058	434,765
Fines and Forfeitures	16,317	34,140
Interest	6,297	9,299
Miscellaneous	136,910	90,255
Gain on Disposal of Capital Assets	1,475	2,274
	<u>3,859,796</u>	<u>3,863,719</u>
Total General Revenues		
Program Revenues		
Charges for Service	431,780	444,745
Operating Grants and Contributions	175,705	203,006
Capital Grants and Contributions	163,581	198,229
	<u>771,066</u>	<u>845,980</u>
Total Program Revenues		
Total Revenues	<u>4,630,862</u>	<u>4,709,699</u>
Program Expenses		
General Government	893,032	901,815
Police	1,431,352	1,452,621
Fire	1,296,424	1,359,275
Public Works	402,064	354,065
Streets	587,533	574,848
Recreation	283,750	287,723
	<u>4,894,155</u>	<u>4,930,347</u>
Total Program Expenses		
Change in Net Position	<u>\$ (263,293)</u>	<u>\$ (220,648)</u>

**CITY OF TAYLOR MILL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of approximately \$4.6 million and expenditures of approximately \$4.6 million. While revenues decreased 1.7%, expenses decreased by 0.7%.

General Fund Budgeting Highlights

The City's budget is prepared according to City Charter and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The general fund beginning fund balance for the beginning of the fiscal year was \$1,344,102.

For the general fund, actual revenues, in the amount of approximately \$4.5 million were slightly higher than budgeted revenues of approximately \$4.4 million.

Expenditures were budgeted at approximately \$4.6 million while actual expenditures were approximately \$4.1 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the City had approximately \$3.9 million net investment in capital assets, all in governmental activities.

Table 3 reflects fiscal year 2014 balances compared to fiscal year 2013.

**Table 3
Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2014	2013
Land	\$ 924,751	\$ 872,751
Construction in Progress	195,690	195,690
Buildings and Improvements	598,395	624,016
Infrastructure	1,562,946	1,928,187
Equipment	408,018	434,327
Vehicles	177,947	153,634
	\$ 3,867,747	\$ 4,208,605

Outstanding Debt

At June 30, 2014, the City had an obligation for unpaid sick time to employees totaling \$100,229.

**CITY OF TAYLOR MILL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Economic Factors and Next Year's Budget

The City of Taylor Mill is pleased to report that construction of Phase 1 and Phase 2 of the KY 16 Reconstruction Project are both underway and progressing towards completion in the summer of 2015. This project is anticipated to change the flow of traffic significantly within the community. The commencement of the reconstruction project was also the impetus for the creation of a plan for Downtown Taylor Mill, aka the Districts of Taylor Mill.

The Districts of Taylor Mill is a synergistic mix of downtown retail, commercial, and office development opportunities. These designated downtown development areas offer the City the ability to manage commercial growth opportunities resulting from the construction of the new highway and thus ensuring the continued stability of our residential environment. In response to this opportunity, the Holland Restaurant Group constructed a 35,000 square foot retail/office facility that will be home to Larosa's Pizzeria, Skyline Chili, and Graeter's Ice Cream and Bakery Shop slated to open in the winter of 2014. The facility owned and operated by Gary Holland and Ron Rosen will also have additional rental spaces available for lease and house the Holland Restaurant Group's Corporate Headquarters, which is relocating from Florence, KY. The project is estimated to be at \$10 million dollars and is being constructed in the DTM 3 Zone.

The City worked previously with the Kentucky Transportation Cabinet on the KY16 Reconstruction Project to have a turn lane constructed at the intersection of Honey Drive and Old Taylor Mill Road, along with underground utilities in the area, and conduit for pedestrian street lighting along a portion of the corridor within our business district. In addition to traditional streetscape fixtures (trash cans, benches, signage, lighting, etc) that remain forthcoming, the City of Taylor Mill installed decorative mast arm traffic signal posts and decorative pedestrian crosswalk equipment at the intersection of Pride Parkway and existing KY16. In the near future we will also be installing this same type of signal posts and crosswalk equipment at the intersection of the newly constructed Holland Drive, existing KY 16 and Old Taylor Mill Road, and undergoing the installation of additional underground utilities as part of our streetscape efforts along the front of the Holland/Rosen Property located on existing KY 16 and along Walnut Drive.

Previously, the City also completed construction of decorative landscaped center lanes along a portion of existing KY 16, and did some work near the instate ramps to improve the areas aesthetically. This project will help establish continuity between the new KY 16 and the remaining KY 16 that is not impacted by the reconstruction efforts.

The City remains committed to designing and building a new municipal center that would replace our existing dilapidated facilities. However, this project has been put on hold indefinitely until the City realizes some further commercial growth within the Districts of Taylor Mill zones. The City will continue to grow the funds set aside and earmarked for this endeavor until such a time as the project moves forward.

Other issues that continue to impact the budget during future fiscal years are: the need to implement anticipated increases to employer contribution requirements of the City Employee Retirement System (CERS); the continued replacement of capital equipment in the Police and Fire/EMS Departments in accordance with the depreciation schedule, as well as, ongoing and planned maintenance and improvements to Pride Park. We also are endeavoring to continue construction of sidewalk along existing KY 16 in an effort to link residents adjacent to this corridor to shopping and recreational activities, and recently received a grant to further our efforts in this area.

**CITY OF TAYLOR MILL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The City also is continuing to work with Human Nature, Inc to implement components of a master plan for Pride Park and Park Place that was previously adopted. As part of this process we have removed the amphitheater and are working with Lawrence Construction and KYTC to accept 45,000 cubic yards of dirt from the KY 16 project that will be utilized to fill in the valley the amphitheater originally set in. The City anticipates that by raising this area up and leveling it out it will create more useable space that can better accommodate the construction of a new amphitheater and reflecting pond. These modifications to the park make it more ADA accessible and better connects it to other areas in the park that are more heavily utilized.

The City of Taylor Mill works diligently to limit the amount of debt we incur, and as a result, is working towards addressing the needs of the community by planning for all projects, events, and future needs in a manner that continues to protect the assets and interests of the City of Taylor Mill and the residents of the community.

Contacting the City's Financial Management

This financial report is designed to provide the citizens, taxpayers, investors, and creditors of the City with a general overview of the City's finances and to reflect the City's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to the City Administrator's office, City of Taylor Mill, 5225 Taylor Mill Road, Taylor Mill, Kentucky 41015.

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 1,410,095
Short Term Investments	1,769,423
Accounts Receivable - Current Portion	658,930
Accrued Interest Receivable	422
	<u>3,838,870</u>
Total Current Assets	<u>3,838,870</u>
Noncurrent Assets	
Accounts Receivable - Long-Term Portion	575,000
Capital Assets	
Land	924,751
Construction in Progress	195,690
Buildings and Improvements	1,317,489
Infrastructure	6,820,422
Equipment	2,180,281
Vehicles	1,566,392
Less Accumulated Depreciation	(9,137,278)
	<u>3,867,747</u>
Total Capital Assets	<u>3,867,747</u>
Total Noncurrent Assets	<u>4,442,747</u>
Total Assets	<u>8,281,617</u>
Liabilities	
Current Liabilities	
Accounts Payable	108,121
Accrued Liabilities	54,290
	<u>162,411</u>
Total Current Liabilities	<u>162,411</u>
Noncurrent Liabilities	
Compensated Absences	100,229
	<u>262,640</u>
Total Liabilities	<u>262,640</u>
Net Position	
Net Investment in Capital Assets	3,867,747
Restricted for Municipal Aid	177,841
Unrestricted	3,973,389
	<u>8,018,977</u>
Total Net Position	\$ 8,018,977

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities
Primary Government					
Governmental Activities					
General Government	\$ 893,032	\$ 275,576	\$ -	\$ -	\$ (617,456)
Police	1,431,352	-	166,514	-	(1,264,838)
Fire	1,296,424	120,021	9,191	10,766	(1,156,446)
Public Works	402,064	-	-	-	(402,064)
Streets	587,533	-	-	152,815	(434,718)
Recreation	283,750	36,183	-	-	(247,567)
Total Primary Government	\$ 4,894,155	\$ 431,780	\$ 175,705	\$ 163,581	(4,123,089)
General Revenues					
Property Taxes					1,716,871
Payroll Taxes					856,045
Insurance Tax					581,190
Utility Tax					194,633
Other Licenses and Permits					350,058
Fines and Forfeitures					16,317
Interest					6,297
Miscellaneous					136,910
Gain on Sale of Capital Assets					1,475
Total General Revenues					3,859,796
Change in Net Position					(263,293)
Net Position as of July 1, 2013					8,282,270
Net Position as of June 30, 2014					\$ 8,018,977

See accompanying notes.

**CITY OF TAYLOR MILL, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

	General Fund					Total General Fund	Municipal Road Aid Fund	Capital Improve- ment Fund	Total Govern- mental Fund
	General	Recreation	Emergency	Community Events	Senior Services				
Assets									
Cash and Cash Equivalents	\$ (1,524,628)	\$ 433,591	\$ 586,850	\$ 65,803	\$ 12,355	\$ (426,029)	\$ 119,648	\$ 1,716,476	\$ 1,410,095
Short Term Investments	1,769,423	-	-	-	-	1,769,423	-	-	1,769,423
Receivables									
Property Taxes	43,802	-	-	-	-	43,802	-	-	43,802
Waste Assessments	12,531	-	-	-	-	12,531	-	-	12,531
Accounts	396,060	-	-	-	-	396,060	-	750,000	1,146,060
Other	179,604	(161,785)	-	-	-	17,819	13,718	-	31,537
Accrued Interest Receivable	422	-	-	-	-	422	-	-	422
Total Assets	\$ 877,214	\$ 271,806	\$ 586,850	\$ 65,803	\$ 12,355	\$ 1,814,028	\$ 133,366	\$ 2,466,476	\$ 4,413,870
Liabilities and Fund Balances									
Liabilities									
Accounts Payable	\$ 102,958	\$ 3,459	\$ -	\$ 870	\$ 450	\$ 107,737	\$ 383	\$ 1	\$ 108,121
Accrued Liabilities	53,312	978	-	-	-	54,290	-	-	54,290
Unearned Revenue	56,333	-	-	-	-	56,333	-	-	56,333
Total Liabilities	212,603	4,437	-	870	450	218,360	383	1	218,744
Fund Balances									
Restricted									
Municipal Aid	-	-	-	-	-	-	132,983	-	132,983
Committed									
Emergency	-	-	586,850	-	-	586,850	-	-	586,850
Capital Improvement	-	-	-	-	-	-	-	2,466,475	2,466,475
Assigned									
Recreation	-	267,369	-	-	-	267,369	-	-	267,369
Community Events	-	-	-	64,933	-	64,933	-	-	64,933
Senior Services	-	-	-	-	11,905	11,905	-	-	11,905
Unassigned									
General	664,611	-	-	-	-	664,611	-	-	664,611
Total Fund Balances	664,611	267,369	586,850	64,933	11,905	1,595,668	132,983	2,466,475	4,195,126
Total Liabilities and Fund Balances	\$ 877,214	\$ 271,806	\$ 586,850	\$ 65,803	\$ 12,355	\$ 1,814,028	\$ 133,366	\$ 2,466,476	\$ 4,413,870

See accompanying notes.

**CITY OF TAYLOR MILL, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014**

Total Fund Balance - Governmental Funds \$ 4,195,126

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds.

Cost of Capital Assets	\$	13,005,025	
Accumulated Depreciation		<u>9,137,278</u>	
			3,867,747

Other long-term assets are not available to pay for current-period expenditures and therefore are unearned in the governmental funds.

56,333

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Compensated Absences			<u>(100,229)</u>
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Net Position of Governmental Activities in the Statement of Net Position

\$ 8,018,977

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General Fund					Total General Fund	Municipal Road Aid Fund	Capital Improve- ment Fund	Total Govern- mental Fund
	General	Recreation	Emergency	Community Events	Senior Services				
Revenues									
Taxes	\$ 2,561,311	\$ -	\$ -	\$ -	\$ -	\$ 2,561,311	\$ -	\$ -	\$ 2,561,311
Licenses and Permits	1,125,881	-	-	-	-	1,125,881	-	-	1,125,881
Intergovernmental	182,368	-	-	-	-	182,368	152,815	-	335,183
Charges for Services	390,399	36,532	-	-	-	426,931	-	-	426,931
Fines and Forfeitures	16,317	-	-	-	-	16,317	-	-	16,317
Interest	6,223	-	-	-	-	6,223	74	-	6,297
Miscellaneous	85,847	184	-	42,567	6,003	134,601	-	-	134,601
Total Revenues	4,368,346	36,716	-	42,567	6,003	4,453,632	152,889	-	4,606,521
Expenditures									
Current									
General Government	908,795	-	-	-	-	908,795	-	26,548	935,343
Police	1,295,947	-	-	-	-	1,295,947	-	-	1,295,947
Fire	1,233,292	-	-	-	-	1,233,292	-	-	1,233,292
Public Works	361,614	-	-	-	-	361,614	-	74,081	435,695
Streets	-	-	-	-	-	-	91,060	-	91,060
Recreation	-	159,025	-	77,675	4,768	241,468	-	-	241,468
Capital Outlay	40,501	1,308	-	-	-	41,809	58,896	222,437	323,142
Total Expenditures	3,840,149	160,333	-	77,675	4,768	4,082,925	149,956	323,066	4,555,947
Excess (Deficit) of Revenues Over Expenditures	528,197	(123,617)	-	(35,108)	1,235	370,707	2,933	(323,066)	50,574
Other Financing (Uses) Sources									
Transfers In	-	-	-	-	-	-	-	119,141	119,141
Transfers Out	(119,141)	-	-	-	-	(119,141)	-	-	(119,141)
Total Other Financing (Uses) Sources	(119,141)	-	-	-	-	(119,141)	-	119,141	-
Net Change in Fund Balances	409,056	(123,617)	-	(35,108)	1,235	251,566	2,933	(203,925)	50,574
Fund Balance as of July 1, 2013	255,555	390,986	586,850	100,041	10,670	1,344,102	130,050	2,670,400	4,144,552
Fund Balance as of June 30, 2014	\$ 664,611	\$ 267,369	\$ 586,850	\$ 64,933	\$ 11,905	\$ 1,595,668	\$ 132,983	\$ 2,466,475	\$ 4,195,126

See accompanying notes.

**CITY OF TAYLOR MILL, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

Change in Fund Balances - Total Governmental Funds \$ 50,574

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlay in the period.

Depreciation Expense	\$	(653,777)	
Capital Outlays		<u>313,933</u>	
			(339,844)

Repayment of capital lease principal is an expenditure in the governmental

funds, but the repayment reduces long-term liabilities in the statement of net assets. 15,708

Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the net book value of the asset sold. (1,014)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned. 16,803

In the statement of activities, compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The additional expense reported in the statement of activities is a result of the change in long-term accumulated sick leave. (5,520)

Change in Net Position - Governmental Activities \$ (263,293)

See accompanying notes.

**CITY OF TAYLOR MILL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - ACCOUNTING POLICIES

Kentucky Revised Statutes and Ordinances of the City Commission of the City of Taylor Mill, Kentucky (the "City") designate the purpose, function and restrictions of the various funds. The financial statements included herein consist of the General (General, Recreation, Emergency, Community Event and Senior Services), Municipal Aid, and Capital Improvement Funds.

The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Taylor Mill, Kentucky.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

The City of Taylor Mill, Kentucky is a Charter City, in which citizens elect the mayor at large and four commissioners whom together form the City Commission. The accompanying financial statements present the City's primary government. Component units are those over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The City has no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements.

Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The City has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balance, which reports on the changes in net total position.

The City has the following funds:

Governmental Fund Types

- (A) The General Fund is the main operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the City and is comprised of the General, Recreation, Emergency, Community Events and Senior Services components.
- (B) The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Municipal Road Aid Fund is a major special revenue fund of the City.
- (C) The Capital Project Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for capital projects. The Capital Improvement Fund is a major capital project fund of the City.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

General capital assets are assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five hundred dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for general capital assets:

Description	Governmental Activities Estimated Lives
Buildings	40 Years
Building Improvements	10 – 20 Years
Public Domain Infrastructure	25 – 40 Years
Vehicles	5 – 10 Years
Equipment	3 – 5 Years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Non-Spendable – Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be used only for specific purposes determined by a formal action by City Commission ordinance or resolution.
- Assigned – Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Commission.
- Unassigned – All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, designated fund balances, revenues and expenditures. Actual results could differ from those estimates.

Cash and Cash Equivalents

The City considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick pay benefits. There is a liability for unpaid accumulated sick leave since the City does have a policy to pay specified amounts when employees separate from service with the City. All sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Accounting Pronouncements

Effective for fiscal years beginning after June 15, 2014, accounting pronouncements will require governmental entities to revise recognition, measurement and disclosure requirements for employer pension plans. The City will be responsible for reporting on the balance sheet its proportionate share of the pension system's unfunded liability and will also be required to include in its financial statements an increase in disclosure and required supplementary information related to the pension plan.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) In accordance with City ordinance, by May 31, the Mayor submits to the City Commission, a proposed operating budget on the modified accrual basis of accounting for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- b) A public meeting is conducted to obtain citizen comment.
- c) By July 1, the budget is legally enacted through passage of an ordinance.
- d) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the Commission explaining any variance from the approved budget.
- e) Appropriations continue in effect until a new budget is adopted.
- f) The Commission may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Commission.

NOTE 4 - DEPOSITS AND INVESTMENTS

It is the policy of the City to invest public funds in a manner that will provide the highest investment return with the maximum security of principal, while meeting the daily cash flow demands of the City and conforming to all state statutes and City regulations governing the investments of public funds.

The City is authorized to invest in:

- a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that, delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
- b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
- c) Obligations of any corporation of the United States government.
- d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by the Kentucky Revised Statutes.

Deposits

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2014, the City's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the City's behalf and the FDIC insurance.

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Investments

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no custodial credit risk at June 30, 2014.

Credit risk - investments. The City's investments are subject to minimal credit risk because they are invested in Federal Agency securities which are generally considered free of default risk due to the perceived stability of the U.S. Government.

At June 30, 2014, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificate of Deposit	\$ 1,235,733	March 15, 2015
Certificate of Deposit	<u>533,690</u>	August 6, 2014
	<u>\$ 1,769,423</u>	

NOTE 5 - SALE OF UTILITY SYSTEM

The City entered into an agreement dated November 10, 2003 for the sale of the utility system to the Northern Kentucky Water District. The system officially transferred on March 31, 2004. Based on the terms of the agreement, the Northern Kentucky Water District will pay the City the sum of \$3,000,000 according to an installment plan set out in the agreement. The City received \$125,000 at the closing, and the remaining balance of the agreement as of June 30, 2014 is \$750,000. This receivable is reflected in the capital improvement fund. The following schedule shows the remaining payments for the purchase.

<u>Years Ending June 30,</u>	
2015	\$ 175,000
2016	175,000
2017	175,000
2018	175,000
2019	<u>50,000</u>
	<u>\$ 750,000</u>

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 872,751	\$ 52,000	\$ -	\$ 924,751
Construction in Progress	<u>195,690</u>	<u>-</u>	<u>-</u>	<u>195,690</u>
Total Capital Assets Not Being Depreciated	<u>1,068,441</u>	<u>52,000</u>	<u>-</u>	<u>1,120,441</u>
Depreciable Capital Assets				
Buildings and Improvements	1,317,489	-	-	1,317,489
Infrastructure	6,790,462	51,442	21,482	6,820,422
Equipment	2,271,995	119,230	210,944	2,180,281
Vehicles	<u>1,568,607</u>	<u>91,261</u>	<u>93,476</u>	<u>1,566,392</u>
Total Depreciable Capital Assets	<u>11,948,553</u>	<u>261,933</u>	<u>325,902</u>	<u>11,884,584</u>
Total Capital Assets at Historical Cost	<u>13,016,994</u>	<u>313,933</u>	<u>325,902</u>	<u>13,005,025</u>
Less Accumulated Depreciation				
Buildings and Improvements	693,473	25,621	-	719,094
Infrastructure	4,862,275	416,683	21,482	5,257,476
Equipment	1,837,668	144,525	209,930	1,772,263
Vehicles	<u>1,414,973</u>	<u>66,948</u>	<u>93,476</u>	<u>1,388,445</u>
Total Accumulated Depreciation	<u>8,808,389</u>	<u>653,777</u>	<u>324,888</u>	<u>9,137,278</u>
Depreciable Capital Assets, Net	<u>3,140,164</u>	<u>(391,844)</u>	<u>1,014</u>	<u>2,747,306</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 4,208,605</u>	<u>\$ (339,844)</u>	<u>\$ 1,014</u>	<u>\$ 3,867,747</u>

Depreciation was charged to functions as follows for the year ended June 30, 2014:

General Government	\$ 4,776
Police	89,773
Fire	66,322
Public Works	35,204
Streets	416,683
Recreation	<u>41,019</u>
Total	<u>\$ 653,777</u>

NOTE 7 - LONG-TERM DEBT

Compensated Absences

The following is a summary of the City's long-term debt transactions for the year ended June 30, 2014.

	June 30, 2013	Additions	Retired	June 30, 2014
Compensated Absences	\$ <u>94,709</u>	\$ <u>5,520</u>	\$ <u>-</u>	\$ <u>100,229</u>

Capital Lease Obligation

The following is a summary of the City's capital lease obligation for the year ended June 30, 2014.

	2014
Debt Outstanding, Beginning of Year	\$ 15,708
Additions of New Debt	-
Repayments	<u>(15,708)</u>
Debt Outstanding, End of Year	\$ <u>-</u>

The City leased certain equipment under a non-cancelable capital lease obligation at zero percent interest.

Net book value of leased equipment included within capital assets, was as follows:

Cost	\$ 157,080
Less Accumulated Depreciation	<u>157,080</u>
Net Book Value	\$ <u>-</u>

NOTE 8 - EMPLOYEE'S RETIREMENT SYSTEM

County Employees Retirement System (CERS)

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-Living Adjustments (COLA) are provided at the discretion of the state legislature.

NOTE 8 - EMPLOYEE'S RETIREMENT SYSTEM (Continued)

Non-Hazardous Contributions - For the year ended June 30, 2014, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last 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 bases adopted by the Board. For the year ended June 30, 2014, participating employers contributed 18.89% of each employee's creditable compensation. Administrative costs of Kentucky Retirement System (KRS) are financed through employer contributions and investment earnings.

Hazardous Contributions - For the year ended June 30, 2014, plan members were required to contribute 8% of their annual creditable compensation. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2014, participating employers contributed 35.70% of each employee's creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

The required contribution and the actual percentage contributed for the City the current and previous two years are as follows:

<u>Year</u>	<u>Contribution</u>	<u>Contributed</u>
2014	\$ 529,988	100%
2013	\$ 569,170	100%
2012	\$ 543,782	100%

Deferred Compensation Plan

The City also participates in a 401(k) plan administered by the Kentucky Employees Deferred Compensation Authority. All payments to the Authority are payroll withheld. The City does not contribute to the plan for any employee.

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2014 will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE 10 - CLAIMS AND JUDGEMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property	\$ 1,657,400	\$ 1,689,550	\$ 1,692,384	\$ 2,834
Bank Deposit	11,750	12,875	12,882	7
Payroll	850,000	850,000	856,045	6,045
Licenses and Permits	1,101,475	1,101,570	1,125,881	24,311
Intergovernmental	170,265	189,250	182,368	(6,882)
Charges for Services	444,750	439,625	426,931	(12,694)
Fines and Forfeitures	12,250	17,925	16,317	(1,608)
Interest	8,825	5,575	6,223	648
Miscellaneous	254,385	120,350	134,601	14,251
Total Revenues	<u>4,511,100</u>	<u>4,426,720</u>	<u>4,453,632</u>	<u>26,912</u>
Expenditures				
Current				
General Government	985,900	1,000,919	908,795	92,124
Police	1,433,322	1,467,272	1,295,947	171,325
Fire	1,308,859	1,362,109	1,233,292	128,817
Public Works	381,492	405,542	361,614	43,928
Recreation	304,905	318,470	241,468	77,002
Capital Outlay	108,500	14,750	41,809	(27,059)
Total Expenditures	<u>4,522,978</u>	<u>4,569,062</u>	<u>4,082,925</u>	<u>486,137</u>
(Deficit) Excess of Revenues Over Expenditures	<u>(11,878)</u>	<u>(142,342)</u>	<u>370,707</u>	<u>513,049</u>
Other Financing Sources (Uses)				
Operating Transfers Out	<u>(49,984)</u>	<u>(173,190)</u>	<u>(119,141)</u>	<u>54,049</u>
Net Change in Fund Balances	(61,862)	(315,532)	251,566	567,098
Fund Balance July 1, 2013	<u>1,344,102</u>	<u>1,344,102</u>	<u>1,344,102</u>	<u>-</u>
Fund Balance June 30, 2014	<u>\$ 1,282,240</u>	<u>\$ 1,028,570</u>	<u>\$ 1,595,668</u>	<u>\$ 567,098</u>

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
MUNICIPAL AID FUND
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget (Unfavorable) Favorable</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 154,550	\$ 154,800	\$ 152,815	\$ (1,985)
Interest	<u>50</u>	<u>50</u>	<u>74</u>	<u>24</u>
Total Revenues	<u>154,600</u>	<u>154,850</u>	<u>152,889</u>	<u>(1,961)</u>
Expenditures				
Current				
Streets	60,000	94,700	91,060	3,640
Capital Outlay	<u>225,000</u>	<u>125,000</u>	<u>58,896</u>	<u>66,104</u>
Total Expenditures	<u>285,000</u>	<u>219,700</u>	<u>149,956</u>	<u>69,744</u>
(Deficit) Excess of Revenues Over Expenditures	(130,400)	(64,850)	2,933	67,783
Fund Balance July 1, 2013	<u>130,050</u>	<u>130,050</u>	<u>130,050</u>	<u>-</u>
Fund Balance June 30, 2014	<u><u>\$ (350)</u></u>	<u><u>\$ 65,200</u></u>	<u><u>\$ 132,983</u></u>	<u><u>\$ 67,783</u></u>

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
CAPITAL IMPROVEMENT FUND
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>(Unfavorable)</u>
				<u>Favorable</u>
Revenues				
Miscellaneous	\$ 175,000	\$ 175,000	\$ -	\$ (175,000)
Expenditures				
Current				
General	35,708	37,708	26,548	11,160
Public Works	1,015,000	1,042,000	74,081	967,919
Capital Outlay	<u>1,850,500</u>	<u>1,800,500</u>	<u>222,437</u>	<u>1,578,063</u>
Total Expenditures	<u>2,901,208</u>	<u>2,880,208</u>	<u>323,066</u>	<u>2,557,142</u>
Deficit of Revenues Over Expenditures	(2,726,208)	(2,705,208)	(323,066)	2,382,142
Other Financing Sources				
Transfers In	<u>119,141</u>	<u>250,205</u>	<u>119,141</u>	<u>(131,064)</u>
Net Change in Fund Balance	(2,607,067)	(2,455,003)	(203,925)	2,251,078
Fund Balance July 1, 2013	<u>2,670,400</u>	<u>2,670,400</u>	<u>2,670,400</u>	<u>-</u>
Fund Balance June 30, 2014	<u>\$ 63,333</u>	<u>\$ 215,397</u>	<u>\$ 2,466,475</u>	<u>\$ 2,251,078</u>

OTHER SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' 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**

Honorable Mayor
Members of City Commission
City of Taylor Mill, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Taylor Mill, Kentucky as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Taylor Mill, Kentucky's basic financial statements, and have issued our report thereon dated February 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Taylor Mill, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Taylor Mill, Kentucky's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and there, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

Finding 2014-1

Although the small size of the City's office staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. One of the most critical areas of separation (but not the only one) is cash, where we noted that one person handles incoming checks, prepares the deposit slip, posts receipts to customer accounts, and handles all correspondence with current and delinquent tax payers. The result is the danger that intentional or unintentional errors could be made and not detected. We recommend that another individual opens the mail, prepares a prelist of the cash received, and prepares the deposit slip. The changing of these simple steps would not require the addition of any new employees or add significant time to either employee's time.

Management's Response

The City agrees with the above finding and will implement precautionary procedures whenever possible to increase segregation of duties.

Compliance and Other Matters

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

City of Taylor Mill, Kentucky's Response to Findings

The City of Taylor Mill, Kentucky's response to the finding identified in our audit is described above. The City of Taylor Mill, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance on the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VonLehman & Company Inc.