

CITY OF JEFFERSONTOWN, KENTUCKY

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015



**CITY OF JEFFERSONTOWN, KENTUCKY**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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## Independent Auditor's Report

To the City Council  
City of Jeffersontown, 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 Jeffersontown, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

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

### **Opinions**

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 Jeffersontown, Kentucky, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As described in Note I to the financial statements, during this fiscal year, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 41 through 55 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jeffersontown, Kentucky's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2016, on our consideration of the City of Jeffersontown, 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 Jeffersontown, Kentucky's internal control over financial reporting on compliance.

*Stephens & Lawson, CPAs*

Louisville, Kentucky  
January 15, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Jeffersontown, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the year ended June 30, 2015. Please read it in conjunction with the City's financial statements, which begin on page 12.

### **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 12 and 13) 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 14. For governmental 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.

### **REPORTING THE CITY AS A WHOLE**

#### **The Statement of Net Position and the Statement of Activities**

Our analysis of the City as a whole begins on page 12. 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 this year's activities?" The statement of net position 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 basis 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 position and changes in them. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's health, or financial position. Over time, increases or decreases in the City's net position 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.

To aid in the understanding of the statement of activities some additional explanation is provided. Of particular interest is the format that is significantly different than a typical statement of revenues, expenses, and changes in fund balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions of the City's taxpayers. It also identifies how much of each function draws from the general revenues or if it is self-financing through fees and grants.

### **FINANCIAL HIGHLIGHTS**

- The City's assets exceeded its liabilities by \$27,139,940 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$37,029,486. This decrease is due to an overall increase in long-term liabilities of \$12,141,762 (due to the implementation of GASB 68), which was offset by increases in both current assets and non-depreciable assets. Total assets for the year increased by \$1,633,477.
- The three largest sources of general revenues for the City continued to be property taxes, insurance taxes, and occupational taxes. These revenue sources accounted for 83.07% of total revenues received by the City. The City's revenue of \$22,200,057 for this fiscal year is a decrease of \$1,379,731 as compared to the previous fiscal year.
- The City's expenditures of \$18,820,928 for this fiscal year are a decrease of \$590,856 as compared to the previous fiscal year.
- In accordance with current accounting standards, the City implemented GASB Statement No. 68 which requires the City to recognize its proportionate share of the unfunded pension liability in the County Employees Retirement System.

**CONDENSED FINANCIAL INFORMATION**

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

**Net Position**

The total assets of the City increased by \$1,633,477 in fiscal year 2015 as compared to fiscal year 2014. While the total liabilities of the City increased by \$12,141,762 during this same time period.

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Current Assets	\$ 11,366,272	\$ 10,868,856
Non-Depreciable Fixed Assets	5,724,829	4,325,320
Depreciable Fixed Assets, Net	33,587,769	33,851,217
Total Assets	<u>\$ 50,678,870</u>	<u>\$ 49,045,393</u>
 <b>Deferred Inflows of Resources</b>		
Deferred Amounts Related to Pensions	\$ 1,991,017	\$ -
 <b>Liabilities</b>		
Current Liabilities	\$ 2,799,812	\$ 3,129,354
Long-Term Liabilities	21,256,832	8,785,528
Total Liabilities	<u>\$ 24,056,644</u>	<u>\$ 11,914,882</u>
 <b>Deferred Inflows of Resources</b>		
License Fees Received in Advance	\$ 105,200	\$ 101,025
Deferred Amounts Related to Pensions	1,368,103	-
Total Deferred Inflows of Resources	<u>\$ 1,473,303</u>	<u>\$ 101,025</u>
 <b>Net Position</b>		
Net Investment in Capital Assets	\$ 32,901,370	\$ 30,260,620
Restricted	2,623,943	2,749,622
Unrestricted	(8,385,373)	4,019,244
Total Net Assets	<u>\$ 27,139,940</u>	<u>\$ 37,029,486</u>

Current assets exceed current liabilities by \$8,566,460 for a current ratio of approximately 4.06 to 1. This indicator clearly points out that the City has sufficient capacity to service its current debt. It is also important to note that total assets and deferred inflows of resources exceed total liabilities and deferred inflows of resources by \$27,139,940. This number represents the “net worth” of the City.

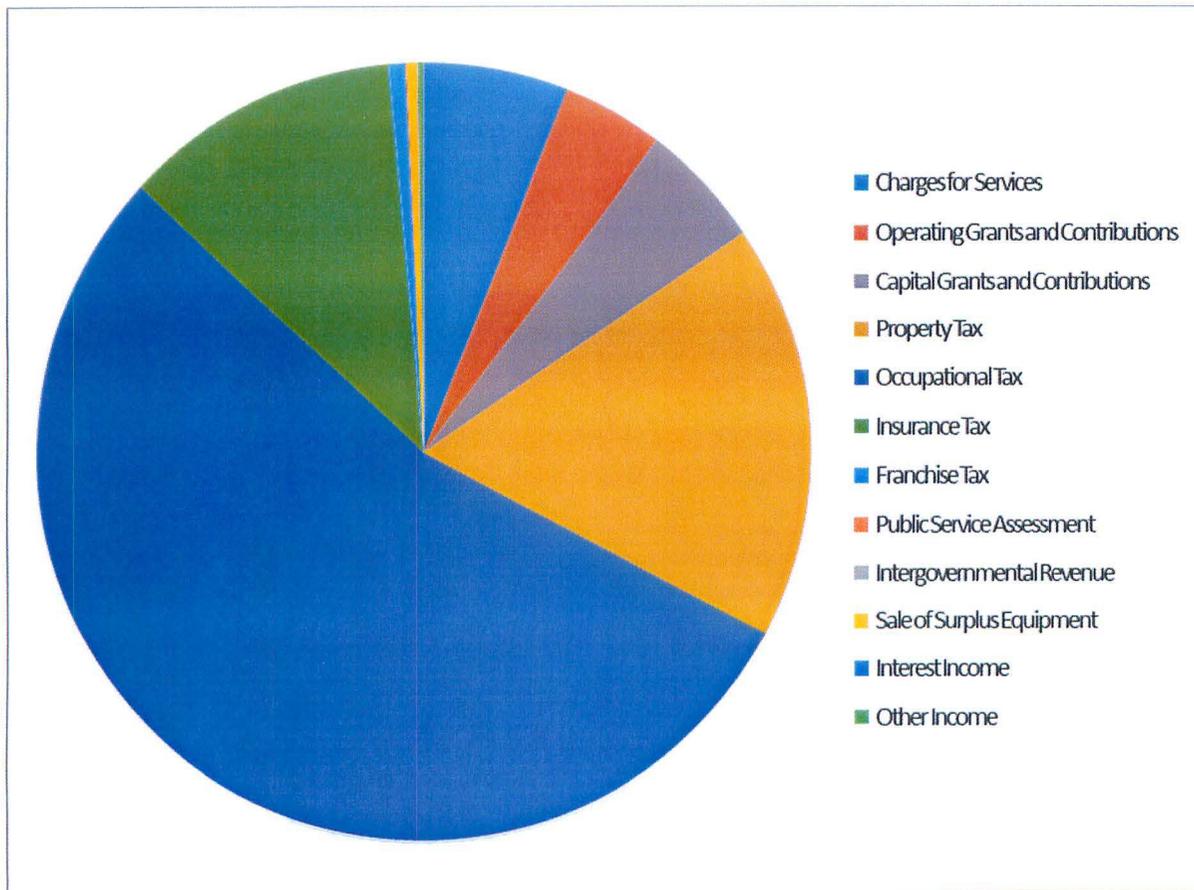
**Governmental Revenues**

The City’s primary sources of revenues in this fiscal year continued to be property and occupational taxes. These two sources comprise 71.49% and 63.64% of the total revenue collected in the fiscal years ending 2015 and 2014 respectively. Total revenues for the year ended June 30, 2015 were \$22,200,057 which is a decrease of \$1,379,731 over the previous fiscal year. This increase is due mainly to decreases in grant receipts. Revenues were reported as follows:

**Governmental Revenues – Continued**

	2015		2014	
	Amount	Percentage	Amount	Percentage
<b>Program Revenues</b>				
Charges for Services	\$ 1,340,249	6.04%	\$ 1,347,386	5.71%
Operating Grants and Contributions	950,703	4.28%	928,878	3.94%
Capital Grants and Contributions	1,146,363	5.16%	3,332,819	14.14%
Total program revenues	3,437,315	15.48%	5,609,083	23.79%
<b>General Revenues</b>				
Property Tax	3,837,105	17.28%	3,844,134	16.30%
Occupational Tax	12,035,587	54.21%	11,163,189	47.34%
Insurance Tax	2,569,442	11.57%	2,497,729	10.59%
Franchise Tax	152,776	0.69%	152,790	0.65%
Public Service Assessment	12,522	0.06%	13,783	0.06%
Intergovernmental Revenue	1,298	0.01%	1,131	0.00%
Sale of Surplus Equipment	99,305	0.45%	208,034	0.88%
Interest Income	9,941	0.04%	11,972	0.05%
Other Income	44,766	0.21%	77,943	0.34%
Total general revenues	18,762,742	84.52%	17,970,705	76.21%
Total Revenues	\$ 22,200,057	100.00%	\$ 23,579,788	100.00%

Revenues for the fiscal year ending June 30, 2015

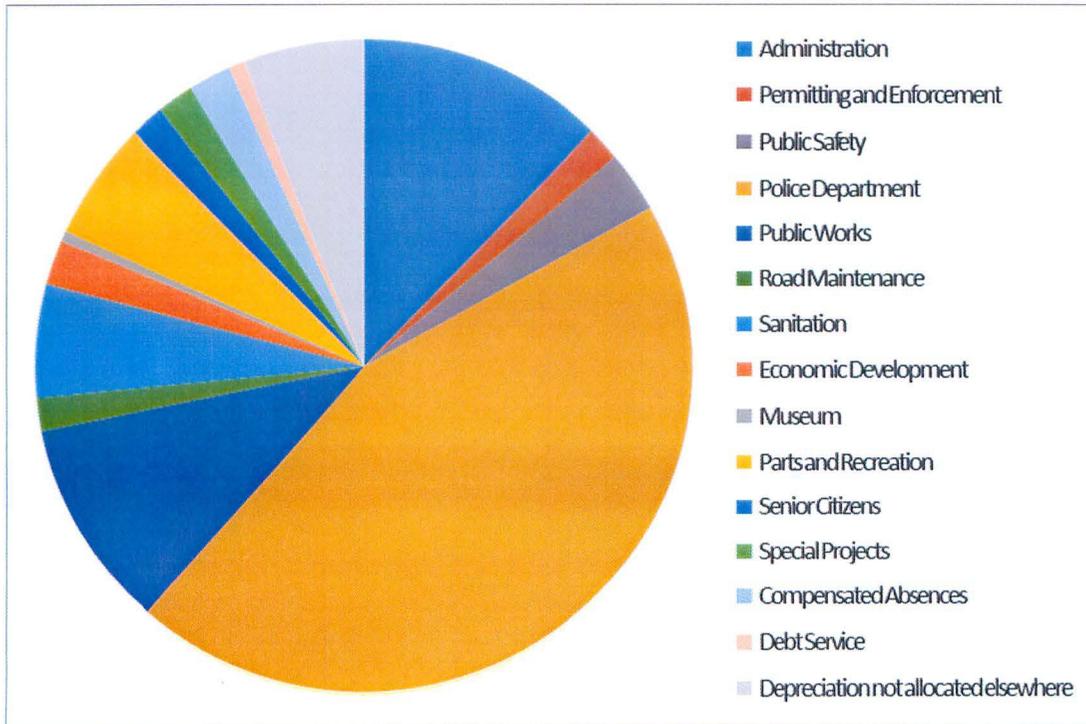


**Governmental Expenses**

Expenses for the year ended June 30, 2015 were \$18,820,928 which represents a decrease of \$590,856 over the previous fiscal year. Expenses decreased in part due to a decrease in spending in public works, the police department, and debt service. Expenses were reported as follows:

	2015		2014	
	Amount	Percentage	Amount	Percentage
Program Expenses:				
Administration	\$ 2,290,465	12.17%	\$ 2,220,284	11.44%
Permitting and Enforcement	316,913	1.68%	275,007	1.42%
Public Safety	567,794	3.02%	601,360	3.10%
Police Department	8,377,573	44.51%	8,492,047	43.75%
Public Works	1,983,429	10.54%	2,296,787	11.83%
Road Maintenance	303,310	1.61%	178,815	0.92%
Sanitation	1,055,505	5.61%	1,044,690	5.38%
Economic Development	423,024	2.25%	503,046	2.59%
Museum	99,861	0.53%	115,932	0.60%
Parks and Recreation	1,099,622	5.84%	987,969	5.09%
Senior Citizens	313,425	1.67%	314,164	1.62%
Special Projects	342,336	1.82%	574,708	2.96%
Compensated Absences	390,259	2.07%	342,283	1.76%
Debt Service	145,015	0.77%	336,470	1.73%
Depreciation not allocated elsewhere	1,112,397	5.91%	1,128,222	5.81%
<b>Total Expenses</b>	<b>\$ 18,820,928</b>	<b>100.00%</b>	<b>\$ 19,411,784</b>	<b>100.00%</b>

Expenses for the fiscal year ending June 30, 2015



**Excess of Revenues over Expenses**

	<u>2015</u>	<u>2014</u>
Total Revenues	\$ 22,200,057	\$ 23,579,788
Total Expenditures	<u>18,820,928</u>	<u>19,411,784</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 3,379,129</u>	<u>\$ 4,168,004</u>

**Change in Net Position**

For the year ended June 30, 2015 and 2014, net position changed as follows:

	<u>2015</u>	<u>2014</u>
Beginning Net Position	\$ 37,029,486	\$ 32,910,826
Restatement of Prior Year Balances	(13,074,247)	-
Prior Period Adjustments	(194,428)	(49,344)
Increase in Net Position	<u>3,379,129</u>	<u>4,168,004</u>
Ending Net Position	<u>\$ 27,139,940</u>	<u>\$ 37,029,486</u>

**Fixed Assets**

For the year ended June 30, 2015, the City had \$85,763,743 invested in fixed assets including recreation fields and parks, buildings and improvements, equipment, vehicles, and infrastructure. Of note this year is the inclusion of construction in progress which accounts for projects, such as the Taylorsville Road Streetscape, that was started but not completely finished by the end of this fiscal year. A schedule of the changes in fixed assets during this fiscal year is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Non-depreciable Assets:				
Land	\$ 1,124,197	\$ 118,502	\$ -	\$ 1,242,699
Construction in Progress	3,201,123	1,281,007	-	4,482,130
Total non-depreciable assets	<u>4,325,320</u>	<u>1,399,509</u>	<u>-</u>	<u>5,724,829</u>
Depreciable Assets:				
Buildings and Improvements	8,988,161	28,667	625	9,016,203
Machinery and Equipment	2,830,753	470,904	165,050	3,136,607
Vehicles	3,899,565	644,411	456,666	4,087,310
Land Improvements	1,557,523	-	10,142	1,547,381
Infrastructure	61,841,999	681,166	271,752	62,251,413
Total depreciable assets	<u>79,118,001</u>	<u>1,825,148</u>	<u>904,235</u>	<u>80,038,914</u>
Total fixed assets	83,443,321	3,224,657	904,235	85,763,743
Accumulated Depreciation:				
Buildings and Improvements	3,717,533	281,099	625	3,998,007
Machinery and Equipment	2,161,920	182,109	163,627	2,180,402
Vehicles	3,057,226	319,117	456,666	2,919,677
Land Improvements	742,262	100,738	10,142	832,858
Infrastructure	35,587,843	1,197,682	265,324	36,520,201
Total accumulated depreciation	<u>45,266,784</u>	<u>2,080,745</u>	<u>896,384</u>	<u>46,451,145</u>
Governmental activities fixed assets, net	<u>\$ 38,176,537</u>	<u>\$ 1,143,912</u>	<u>\$ 7,851</u>	<u>\$ 39,312,598</u>

**Fixed Assets - Continued**

This year's major additions include the following items:

16 Vehicles and Related Equipment	\$ 634,085
Excavator	31,285
Community Center A/V Upgrades	24,022
Wheel Loader	101,894
16 Body Cameras	84,000
Paving	523,290
Drainage Improvements	53,903
Sidewalks	65,700
Land on Watterson Trail	118,502
Total	<u>\$ 1,636,681</u>

**Debt**

For the year ended June 30, 2015, the City had \$22,483,426 in outstanding long-term obligations, of that amount \$1,226,594 is due within the coming fiscal year. A schedule of the changes in debt during this fiscal year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Notes Payable	\$ 2,015,685	\$ -	\$ 662,465	\$ 1,353,220	\$ 671,816
Capital Lease Obligation	5,277,806	-	219,798	5,058,008	221,809
Compensated Absences	2,638,111	337,601	311,962	2,663,750	332,969
Pension Obligation*	15,028,778	-	1,620,330	13,408,448	-
Total Governmental Activities	<u>\$ 24,960,380</u>	<u>\$ 337,601</u>	<u>\$2,814,555</u>	<u>\$ 22,483,426</u>	<u>\$1,226,594</u>

\* Beginning balances have been restated to include a pension obligation as required by GASB 68.

**Pensions**

As previously discussed, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These standards require governmental entities to recognize certain financial statements amounts related to pensions. In addition to these new financial statement items, there are also new note disclosure requirements (Note I) and tables to be included in management’s discussion and analysis. As this is a newly adopted standard and as the measurement date for the net pension liability is June 30, 2014, certain information is not available.

**Changes of Benefit Terms:** The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for members who participation date is on or after January 1, 2014.

**Pensions - Continued**

**Changes in Assumptions:** The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2006: The assumptions were updated as the result of an experience study for the five year period ending June 30, 2005.

2007: Amortization bases have been combined and will be amortized over a single 30 year closed period beginning June 30, 2007.

2009: The assumptions were updated as the result of an experience study for the three year period ending June 30, 2008.

2013: The amortization period of the unfunded accrued liability was reset to a closed 30 year period.

**Method and Assumptions used in Calculations of Actuarially Determined Contributions:** The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2014 and 2015, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75 percent, net of pension plan investment expense, including inflation

**Schedule of the City's Proportionate Share of the Net Pension Liability County Employees Retirement System:**

Year Ended June 30th	City's proportion of the net pension liability	City's proportionate share of the net pension liability (asset)	City's covered employee payroll	City's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
<b>Non-Hazardous:</b>					
2015	Not Available	Not Available	\$ 2,763,773	Not Available	Not Available
2014	0.114711%	\$ 3,721,663	\$ 2,668,057	139.49%	66.80%
2013	Not Available	\$ 4,211,141	\$ 2,617,862	160.86%	Not Available
2012-2006	Not Available	Not Available	Not Available	Not Available	Not Available
<b>Hazardous:</b>					
2015	Not Available	Not Available	\$ 4,386,994	Not Available	Not Available
2014	0.806006%	\$ 9,686,786	\$ 4,241,958	228.36%	63.46%
2013	Not Available	\$ 10,817,637	\$ 4,155,572	260.32%	Not Available
2012-2006	Not Available	Not Available	Not Available	Not Available	Not Available

**Pensions - Continued**

**Schedule of the City's Contributions County Employees Retirement System:**

<u>Year Ended June 30th</u>	<u>Contractually required contribution</u>	<u>Contribution relative to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>City's covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
<b>Non-Hazardous:</b>					
2015	\$ 488,371	\$ 488,371	\$ -	\$ 2,763,773	17.67%
2014	\$ 503,996	\$ 503,996	\$ -	\$ 2,668,057	18.89%
2013	\$ 527,652	\$ 527,652	\$ -	\$ 2,617,862	20.16%
2012-2006	Not Available	Not Available	Not Available	Not Available	Not Available
<b>Hazardous:</b>					
2015	\$ 1,505,178	\$ 1,505,178	\$ -	\$ 4,386,994	34.31%
2014	\$ 1,514,379	\$ 1,514,379	\$ -	\$ 4,241,958	35.70%
2013	\$ 1,562,495	\$ 1,562,495	\$ -	\$ 4,155,572	37.60%
2012-2006	Not Available	Not Available	Not Available	Not Available	Not Available

**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

Our analysis of the City's major funds begins on page 12. The fund financial statements provide detailed 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 this is available for spending in the next period. This fund is reported using the accounting method called the modified accrual basis of 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 to 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 position and statement of activities) and governmental fund in a reconciliation in separate statements after each of the fund financial statements.

**BUDGETARY HIGHLIGHTS**

**General Fund**

For the year ended June 30, 2015, general fund revenues of \$21,173,049 were \$1,007,117 more than the \$20,165,932 budgeted. Revenue sources with the most significant budget shortfalls included grant income and swim club fees and concessions. For the year ended June 30, 2015, general fund expenditures of \$20,163,631 were \$1,582,901 less than the \$21,746,532 budgeted. The City went over budget in the areas of compensated absences and the police department. Due to the nature and unpredictability of when compensated absences will be used, the City does not make a budget appropriation for this item causing any payments for compensated absences to result in a budget overage. The police department was over budget due to unbudgeted CID expenses.

**Road Fund**

For the year ended June 30, 2015, state road aid of \$629,422 was \$1,808 more than the \$627,614 budgeted. Expenditures in the road fund of \$629,952 were \$2,338 more than the \$627,614 budgeted.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Due to a higher budget projection for grant revenue in the upcoming fiscal year as compared to this fiscal year, budgeted revenue in the general fund for fiscal year 2016 increased by \$3,690,988 to \$23,856,896.

General fund budget expenditures were increased by \$4,370,467 to \$24,702,730 to reflect increased spending on grant projects.

The difference between budgeted revenue and expenditures for fiscal year 2016 was covered by a surplus brought forward from prior fiscal years.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our 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 10416 Watterson Trail, Jeffersontown, Kentucky 40299

Respectfully submitted,



Bill Dieruf  
Mayor



Bill Fox  
City Clerk/Treasurer

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Primary Government Governmental Activities
<b><u>ASSETS</u></b>	
Current Assets:	
Cash and Cash Equivalents	\$ 4,396,084
Investments	2,282,634
Receivables	4,687,554
Total Current Assets	11,366,272
Non-current Assets:	
Non-depreciable Fixed Assets	5,724,829
Depreciable Fixed Assets, Net	33,587,769
Total Non-current Assets	39,312,598
Total Assets	50,678,870
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Deferred Amounts Related to Pensions	1,991,017
Total Assets and Deferred Outflows of Resources	\$ 52,669,887
<b><u>LIABILITIES</u></b>	
Current Liabilities:	
Accounts Payable	\$ 649,633
Payroll Taxes and Withholdings Payable	447,838
Accrued Payroll	322,190
User Deposits	98,908
Property Deposit	10,000
Accrued Interest	44,649
Long-Term Obligations Due Within One Year	1,226,594
Total Current Liabilities	2,799,812
Long-Term Liabilities:	
Long-Term Obligations in Excess of One Year	21,256,832
Total Liabilities	24,056,644
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
License Fees Received in Advance	105,200
Deferred Amounts Related to Pensions	1,368,103
Total Deferred Inflows of Resources	1,473,303
<b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	32,901,370
Restricted	2,623,943
Unrestricted	(8,385,373)
Total Net Position	27,139,940
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 52,669,887

See the accompanying notes to the financial statements.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Net (Expense) Revenue</u>
<b>Primary Government:</b>					
Governmental Activities:					
Administration	\$ 2,290,465	\$ 391,126	\$ 31	\$ -	\$ (1,899,308)
Permitting and Enforcement	316,913	147,454	-	-	(169,459)
Public Safety	567,794	-	-	-	(567,794)
Police Department	8,377,573	355,230	303,974	1,800	(7,716,569)
Public Works	1,983,429	-	17,276	-	(1,966,153)
Road Maintenance	303,310	-	629,422	-	326,112
Sanitation	1,055,505	-	-	-	(1,055,505)
Economic Development	423,024	-	-	-	(423,024)
Museum	99,861	-	-	-	(99,861)
Parks and Recreation	1,099,622	346,672	-	-	(752,950)
Senior Citizens	313,425	99,767	-	-	(213,658)
Special Projects	342,336	-	-	1,144,563	802,227
Compensated Absences	390,259	-	-	-	(390,259)
Debt Service	145,015	-	-	-	(145,015)
Depreciation not allocated elsewhere	1,112,397	-	-	-	(1,112,397)
<b>Total Governmental Activities</b>	<u>18,820,928</u>	<u>1,340,249</u>	<u>950,703</u>	<u>1,146,363</u>	<u>(15,383,613)</u>
<b>Total Primary Government</b>	<u>\$ 18,820,928</u>	<u>\$ 1,340,249</u>	<u>\$ 950,703</u>	<u>\$ 1,146,363</u>	<u>\$ (15,383,613)</u>
<u>Primary Government</u>					
<u>Governmental Activities</u>					
<b>Changes in Net Assets:</b>					
Net Expense	<u>\$ (15,383,613)</u>				
<b>General Revenues:</b>					
Taxes:					
Property Taxes	\$ 3,837,105				
Occupational Tax	12,035,587				
Insurance Tax	2,569,442				
Franchise Tax	152,776				
Public Service Assessment	12,522				
Intergovernmental Revenue	1,298				
Interest Income	9,941				
Sale of Surplus Property	99,305				
Other Income	44,766				
Total General Revenues	<u>18,762,742</u>				
<b>Change in Net Position</b>	3,379,129				
<b>Net Position - July 1, 2014</b>	37,029,486				
Restatement of Prior Year Balances-Pension					
Adjustments (see Note P)	(13,074,247)				
Prior Period Adjustment	<u>(194,428)</u>				
<b>Net Position - June 30, 2015</b>	<u>\$ 27,139,940</u>				

See the accompanying notes to the financial statements.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	GOVERNMENTAL FUND TYPES			Total Governmental Funds
	General Fund	Road Fund	Severance Fund	
<b>ASSETS</b>				
Cash	\$ 3,409,075	\$ 130,507	\$ 856,502	\$ 4,396,084
Investments	1,266,275	-	1,016,359	2,282,634
Receivables	4,637,824	49,730	-	4,687,554
Total Assets	<u>9,313,174</u>	<u>180,237</u>	<u>1,872,861</u>	<u>11,366,272</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	644,688	4,945	-	649,633
Payroll Taxes and Withholdings Payable	447,838	-	-	447,838
Accrued Payroll	322,190	-	-	322,190
Property Deposit	10,000	-	-	10,000
User Deposits	98,908	-	-	98,908
Total Liabilities	<u>1,523,624</u>	<u>4,945</u>	<u>-</u>	<u>1,528,569</u>
Deferred Inflows of Resources:				
License Fees Received in Advance	105,200	-	-	105,200
Unavailable Revenue	279,775	-	-	279,775
Total Deferred Inflows of Resources	<u>384,975</u>	<u>-</u>	<u>-</u>	<u>384,975</u>
Fund Balances:				
Restricted	551,647	175,292	-	726,939
Assigned	925,474	-	1,872,861	2,798,335
Unassigned	5,927,454	-	-	5,927,454
Total Fund Balances	<u>7,404,575</u>	<u>175,292</u>	<u>1,872,861</u>	<u>9,452,728</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,313,174</u>	<u>\$ 180,237</u>	<u>\$ 1,872,861</u>	<u>\$ 10,981,297</u>

See the accompanying notes to the financial statements.

**CITY OF JEFFERSONTOWN, KENTUCKY  
RECONCILIATION OF TOTAL FUND BALANCE, GOVERNMENTAL FUNDS  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2015**

**Reconciliation of Total Fund Balance, Governmental Funds to Net Position of Governmental Activities:**

Total Fund Balances, Governmental Funds		\$ 9,452,728
Amounts reported for governmental activities in the statement of net position are different because of the following:		
Certain property tax and code enforcement fine revenue are earned but not available and therefore are shown as unavailable revenue in the fund financial statements		279,775
Fixed assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation		39,312,598
Deferred outflows/inflows of resources related to pensions are not reported in the fund financial statements		
Deferred outflows of resources related to pensions	\$ 1,991,017	
Deferred inflows of resources related to pensions	<u>(1,368,103)</u>	622,914
Interest costs on long-term debt are reported as an expenditure in the fund financial statements at the time the payment is made; however, those costs are accrued at year end in the government-wide financial statements.		(44,649)
Long-term obligations are not due and payable in the current period and therefore are not reported in the fund financial statements.		<u>(22,483,426)</u>
Net Position of Governmental Activities		<u><u>\$ 27,139,940</u></u>

See the accompanying notes to the financial statements.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	GOVERNMENTAL FUND TYPES			Totals Governmental Funds
	General Fund	Road Fund	Severance Fund	
<b>REVENUE</b>				
Property Tax	\$ 3,913,069	\$ -	\$ -	\$ 3,913,069
Occupational Tax	12,035,587	-	-	12,035,587
Insurance Tax	2,569,442	-	-	2,569,442
Franchise Tax	152,776	-	-	152,776
Public Service Assessments	12,522	-	-	12,522
Intergovernmental	236,923	629,422	-	866,345
License and Permits	447,046	-	-	447,046
Charge for Service	848,154	-	-	848,154
Grants	1,216,988	-	-	1,216,988
Donations	31	-	-	31
Interest Income	1,666	30	8,245	9,941
Other Income	59,826	-	-	59,826
Total Revenue	21,494,030	629,452	8,245	22,131,727
<b>EXPENDITURES</b>				
General Government				
Administration	1,244,176	-	2	1,244,178
Permitting and Enforcement	320,691	-	-	320,691
Insurance	649,489	-	-	649,489
Revenue Department	323,784	-	-	323,784
Total General Government	2,538,140	-	2	2,538,142
Public Safety:				
Ambulance Service	42,370	-	-	42,370
Civil Service	1,795	-	-	1,795
Police Department	8,277,500	-	-	8,277,500
Street Lights	523,629	-	-	523,629
Total Public Safety	8,845,294	-	-	8,845,294
Public Works	1,864,090	-	-	1,864,090
Road Maintenance	-	303,309	-	303,309
Sanitation	1,055,505	-	-	1,055,505
Economic Development	414,959	-	-	414,959
Museum	101,175	-	-	101,175
Parks and Recreation	704,880	-	-	704,880
Senior Citizens	314,803	-	-	314,803
Special Projects	342,336	-	-	342,336
Compensated Absences	373,748	-	-	373,748
Debt Service	1,031,668	-	-	1,031,668
Capital Outlay	2,898,014	326,643	-	3,224,657
Total Expenditures	20,484,612	629,952	2	21,114,566
Excess of Revenues over Expenditures	1,009,418	(500)	8,243	1,017,161

See the accompanying notes to the financial statements.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - GOVERNMENTAL FUNDS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	GOVERNMENTAL FUND TYPES			Totals Governmental Funds
	General Fund	Road Fund	Severance Fund	
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Surplus Property	107,156	-	-	107,156
Transfer In	202,760	-	150,000	352,760
Transfer Out	(150,000)	-	(202,760)	(352,760)
Total Other Financing Sources (Uses)	159,916	-	(52,760)	107,156
Net Change in Fund Balances	1,169,334	(500)	(44,517)	1,124,317
Fund Balances Beginning of Year	6,257,560	175,912	1,917,378	8,350,850
Prior Period Adjustment	(22,319)	(120)	-	(22,439)
Fund Balances End of Year	<u>\$ 7,404,575</u>	<u>\$ 175,292</u>	<u>\$ 1,872,861</u>	<u>\$ 9,452,728</u>

See the accompanying notes to the financial statements.

**CITY OF JEFFERSONTOWN, KENTUCKY  
RECONCILIATION OF THE NET CHANGES IN FUND BALANCES - TOTAL  
GOVERNMENTAL FUNDS TO THE CHANGE IN NET POSITION OF  
GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

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

Net Change in Fund Balances - Total Governmental Funds		\$ 1,124,317
Amounts reported for governmental activities in the statement of activities are different because:		
Certain property taxes and code enforcement assessments will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenue and are not recorded as such in the fund financial statements. Unavailable tax revenues decreased by this amount this year		(30,974)
Since governmental activities report expenditures for capital assets in the statement of net assets, when the underlying asset is sold, its book value book value has to be removed and is netted against the proceeds shown in the statement of activities. Reduction in proceeds for book value of assets sold		(7,851)
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	\$ 3,224,657	
Depreciation expense	<u>(2,080,745)</u>	1,143,912
Repayment of principal on debt is an expenditure in the fund financials, but reduces the liability in the statement of net position. Repayment of principal on long-term obligations		882,263
Compensated absences are shown as a long-term obligation in the government-wide financial statements, but are not recognized as a liability in the fund financial statements, as such the change in the liability from year to year is recognized only in the statement of activities. Net increase in compensated absence balance		(25,639)
Pension expense in the fund financial statements are based on amounts paid into the retirement plan during the current fiscal year. Pension expense in the government-wide financial statements are based on the measurement date of the net pension liability which was June 30, 2014. Net decrease in pension expense		288,712
Interest costs associated with long-term debt obligations are accrued at year end in the government-wide financial statements, whereas that cost is not recognized in the fund financials until the amount comes due and payable. Accrued interest expense changed		<u>4,389</u>
Change in Net Position of Governmental Activities		<u><u>\$ 3,379,129</u></u>

See the accompanying notes to the financial statements.

**CITY OF JEFFERSONTOWN, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Financial Reporting Entity***

The City of Jeffersontown, Kentucky (the City) is a home-rule city with a population in excess of 20,000 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: police, sanitation, economic development, street maintenance, and recreation.

All significant activities and organizations on which the City of Jeffersontown, Kentucky exercises oversight responsibility have been included in the City's financial statements, for the year ended June 30, 2015. The following criteria regarding manifestation of oversight were considered by the City in its 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. This 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.

***Basic Financial Statements***

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All activities of the City are classified as governmental activities; the City has no business-type activities.

**Government-wide Financial Statements:**

These financial statements display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds.

In the statement of net position, the governmental activities columns is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The statement of activities reports both the gross and net cost of each of the City's functions (administration, police, civil service, public works, etc.). The functions are also supported by general government revenues (property taxes, insurance, taxes, occupational taxes and certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED**

*Basic Financial Statements - Continued*

Government-wide Financial Statements - continued:

grants. Program revenues must be directly associated with the function (administration, police, civil service, public works, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, insurance taxes, occupational taxes and certain intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs and all interfund activity is eliminated in the government-wide financial statements.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Fund Financial Statements:

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds, except that the primary operating fund of the City, the general fund, is always considered major. Those criteria for evaluation of all other funds are as follows:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The City does not present any funds as nonmajor in the financial statements.

The funds of the financial reporting entity are described below:

**Governmental Type Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these major governmental funds and fund types:

**General Fund** - The general fund is the City's primary operating fund. It is used to account for and report all financial resources except those legally or administratively required to be accounted for in another fund.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED**

***Basic Financial Statements - Continued***

Fund Financial Statements - Continued:

Governmental Type Funds - continued

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. The City utilized the following special revenue funds:

Road Fund – Used to account for state road funds that are allocated to the City by the State of Kentucky.

Severance Fund – Used to account for funds from both a 2008 debt issue to help the City meet the financial obligations it has to retiring employees and for funds set aside annually by the City for the same purpose.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

***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 position 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 position, 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.

**Basis of Accounting**

In the government-wide statement of net position and the 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 (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED**

*Measurement Focus and Basis of Accounting - Continued*

**Basis of Accounting - Continued**

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.

*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. Additionally, all investments of the primary government comply with the Kentucky Revised Statutes concerning the types of investments allowed.

*Inventories*

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

*Receivables*

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

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, insurance tax, occupational tax, and grants 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.

The City considers all receivables to be fully collectible, with the exception of code enforcement receivables described below.

The City has a code enforcement board that can assess fines against property owners who are found in violation of city ordinances. These fines are enforced by placing liens against the underlying real property. The City recognizes income from these fines in the year they are assessed. The City considers a portion of this income in the year assessed to be uncollectible and has established an allowance account to reflect this expectation.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED**

***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 only capitalize individual assets with a value of \$5,000 or greater. Fixed assets are not reported on the fund financial statements.

Prior to July 1, 2002, infrastructure assets were not capitalized. The City engaged the services of a local engineering firm to inventory and value the roads and bridges that comprise the City's infrastructure. Starting on July 1, 2002 the City is 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 position. Depreciation is provided over the assets' estimated useful life using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

Buildings	40 years
Improvements	20 years
Machinery and Equipment	5 to 15 years
Infrastructure	10 to 25 years

***Due to and Due From Other Funds***

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

***Deferred Inflow/Outflow of Resources***

**Deferred Outflows:**

The City reports decreases in net position/fund balances that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position / fund financials balance sheet – governmental funds. Deferred outflows of resources reported in the government-wide financial statements consisted solely of contributions made to Kentucky Retirement Systems between the measurement date of the net pension liabilities from those plans and the end of the City's fiscal year. No deferred outflows of resources affected the fund financial statements in the current fiscal year.

**Deferred Inflows:**

The City reports increases in net position/fund balances that related to future periods as deferred inflows of resources in a separate section of its government-wide statement of net position / fund financials balance sheet – governmental funds. Deferred inflows of resources reported in this year's government-wide financial statements include the following:

- a) The City requires business selling alcohol to obtain a license. This license runs for a period of 1 year starting on July 1<sup>st</sup>. In order to ensure there is no disruption in sales, many businesses pay this license fee in advance of the actual effective date of the license.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED**

*Deferred Inflow/Outflow of Resources - Continued*

Deferred Inflows - Continued:

- b) The difference between actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year.

The City has two types of deferred inflows of resources which are reported in the fund financial statements and they are as follows:

- a) The City requires business selling alcohol to obtain a license. This license runs for a period of 1 year starting on July 1<sup>st</sup>. In order to ensure there is no disruption in sales, many businesses pay this license fee in advance of the actual effective date of the license.
- b) Certain governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the fiscal year) under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly deferred property taxes and code enforcement fines are reported in the fund financials balance sheet – governmental funds as unavailable revenue.

*Accounts Payable*

Accounts payable consist of trade payable to vendors who provide goods and services to the City.

*Compensated Absences*

City policies regarding vacation and sick time permit employees to accumulate earned but unused time. Amounts earned each year and available for carryover depend on hire date and length of service. The City is currently reporting the accumulation of resources for this future obligation in the severance fund.

*Long-term Debt*

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide financial statements. Long-term debt consists primarily of bond/debt agreement obligations, capital lease obligations, and accrued compensated absences.

Long-term debt of governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payments of principal and interest are reported as debt service expenditures.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED**

*Equity Classifications*

Government-Wide Statements

The City reports the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources as net position. Net position is divided into three categories defined as follows:

- a. Net Investment in Capital Assets – Consists of the historical cost of capital assets including restricted capital assets, less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows or resources less deferred inflows of resources related to those assets.
- b. Restricted net position – Consist of assets that are restricted by the City’s creditors (for examples though debt covenants), by state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), by other contributors, or by enabling legislation.
- c. Unrestricted net position – Balance of net position not meeting the requirements of the other two categories.

Fund Financial Statements

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

- a. Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. 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.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action by the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by the City Council.
- d. 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 by City Council.
- e. Unassigned – All amounts not included in other spendable classification.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City Council considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided for otherwise.

*Property Tax Revenue*

The City assesses property taxes at the rate of .1478 per \$100 of assessed property value on January 1<sup>st</sup> of each calendar year and taxes are due and payable by December 31<sup>st</sup> of the same year. Bills are mailed on or before the 1<sup>st</sup> of October and any bills paid prior to October 31<sup>st</sup> are allowed a 2% discount. Bills paid between November 1<sup>st</sup> and December 31<sup>st</sup> are not allowed a discount or subject to a penalty. All bills paid after December 31<sup>st</sup> are charged a 6% penalty plus interest at the rate of 6% per annum until paid. The City has no formal date for filing liens.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED**

***Occupational License Tax***

The City imposes a tax of 1% percent of wages on persons who work within the City of Jeffersontown 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 total wages and tax withholdings.

***Insurance Premium Tax***

The City imposes a tax of 5 percent on certain insurance policies in effect within the boundaries of the City. Such amounts are collected by the insurance company and remitted to the City on a quarterly basis.

***Business License***

The City imposes an annual license fee of \$75.00 on all persons, firms or organizations engaged in any trade or business profession operating in the City for profit or gain.

***Expenditures/Expenses***

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, governmental 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 position are available.

***Interfund Transfers***

The permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers and shown as transfers in/out on the fund financials statements. In the government-wide financials all interfund transfers between governmental funds have been eliminated.

***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.

**NOTE B - 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 typically invests surplus cash at local banks in the form of certificates of deposit, savings accounts, and money market accounts. Presently, the City's investments consist solely of certificates of deposits held with local financial institutions.

*Custodial Credit Risk* – this is the risk that in the event of the failure of a counterparty (e.g., a bank) the City will not be able to recover the full value of its deposits or investments. It is the City's policy to minimize this risk by limiting investments to the safest types of securities, pre-qualifying the financial institutions, broker/dealers, and

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED**

advisors and diversifying the investment portfolio so that potential losses will be minimized. The City had exposure at June 30, 2015 to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,251
Uninsured but collateral held by pledging bank	4,115,672
Uninsured but collateral held by pledging bank's trust department not in City's name	-
	\$ 4,117,923

*Concentration of Credit Risk* – this 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 and spreading City funds between multiple financial institutions.

*Interest Rate Risk* – this is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates. The City has attempted to address this risk by diversifying the maturity dates to minimize the risk of loss should interest rates rise.

The City is party to a repurchase agreement with a local financial institution. Under this agreement, excess funds of the City are used to purchase obligations of the United States Governments; these obligations are subsequently repurchased from the City for their original cost plus interest. The financial institution handles all of the activity under this agreement for the City and the City has access to all funds obligated under this agreement at any time. Statutes require that repurchase agreements be collateralized at 102% of the market value of the obligations acquired under the repurchase agreement. The City had \$2,722,624 of its funds under this agreement at June 30, 2015.

**NOTE C – RECEIVABLES**

Receivables at June 30, 2015 consisted of the following:

Receivable Type	Statement of Net Position	Balance Sheet - Governmental Funds	
	Governmental Activities	General Fund	Road Fund
Property Tax	\$ 195,757	\$ 195,757	\$ -
Occupational Tax	2,932,000	2,932,000	-
Base Court Revenue	7,576	7,576	-
Insurance Tax	626,191	626,191	-
Code Enforcement Fines	374,231	374,231	-
Allowance for Uncollectible Fines	(264,515)	(264,515)	-
KLEFPF (Police Incentive)	17,085	17,085	-
Grants Receivable	733,633	733,633	-
Miscellaneous Receivable	15,866	15,866	-
Municipal Road Aid	49,730	-	49,730
Total Receivables	\$ 4,687,554	\$ 4,637,824	\$ 49,730

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE D – FIXED ASSETS**

Fixed asset activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Non-depreciable Assets:				
Land	\$ 1,124,197	\$ 118,502	\$ -	\$ 1,242,699
Construction in Progress	3,201,123	1,281,007	-	4,482,130
Total non-depreciable assets	<u>4,325,320</u>	<u>1,399,509</u>	<u>-</u>	<u>5,724,829</u>
Depreciable Assets:				
Buildings and Improvements	8,988,161	28,667	625	9,016,203
Machinery and Equipment	2,830,753	470,904	165,050	3,136,607
Vehicles	3,899,565	644,411	456,666	4,087,310
Land Improvements	1,557,523	-	10,142	1,547,381
Infrastructure	<u>61,841,999</u>	<u>681,166</u>	<u>271,752</u>	<u>62,251,413</u>
Total depreciable assets	<u>79,118,001</u>	<u>1,825,148</u>	<u>904,235</u>	<u>80,038,914</u>
Total fixed assets	83,443,321	3,224,657	904,235	85,763,743
Accumulated Depreciation:				
Buildings and Improvements	3,717,533	281,099	625	3,998,007
Machinery and Equipment	2,161,920	182,109	163,627	2,180,402
Vehicles	3,057,226	319,117	456,666	2,919,677
Land Improvements	742,262	100,738	10,142	832,858
Infrastructure	<u>35,587,843</u>	<u>1,197,682</u>	<u>265,324</u>	<u>36,520,201</u>
Total accumulated depreciation	<u>45,266,784</u>	<u>2,080,745</u>	<u>896,384</u>	<u>46,451,145</u>
Governmental activities fixed assets, net	<u>\$38,176,537</u>	<u>\$ 1,143,912</u>	<u>\$ 7,851</u>	<u>\$39,312,598</u>

Of the amounts shown in the table above, the City is holding land in the amount of \$118,502 and a vehicle in the amount of \$20,798 for sale.

Depreciation expense of \$2,080,745 was allocated to the various functions on the statement of activities as follows:

<u>Governmental Activities</u>	
Administration	\$ 87,151
Police	338,922
Public Works	135,569
Economic Development	9,683
Parks and Recreation	397,023
Infrastructure	1,112,397
Total	<u>\$ 2,080,745</u>

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE E – LONG-TERM OBLIGATIONS**

A summary of long-term liabilities and the corresponding activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Notes Payable	\$ 2,015,685	\$ -	\$ 662,465	\$ 1,353,220	\$ 671,816
Capital Lease Obligation	5,277,806	-	219,798	5,058,008	221,809
Compensated Absences	2,638,111	337,601	311,962	2,663,750	332,969
Pension Obligation*	15,028,778	-	1,620,330	13,408,448	-
Total Governmental Activities	<u>\$ 24,960,380</u>	<u>\$ 337,601</u>	<u>\$2,814,555</u>	<u>\$ 22,483,426</u>	<u>\$1,226,594</u>

\* Beginning balances have been restated to include a pension obligation as required by GASB 68.

**Notes Payable:**

General Obligation Unfunded Liability Refunding Note, Series 2013

In November 2013, the City entered into an agreement with Republic Bank & Trust Company to borrow \$2,694,814 to retire the 2008 Severance Issue which was originally issued in the amount of \$2,805,000 and used to create an escrow account from which to extinguish amounts owed to City employees for unused vacation and sick time. This refunding note bears interest at a rate of 1.40% and requires annual payments of principal and interest, in the amount of \$691,076, starting on March 1, 2014, with the final payment due on March 1, 2017. The balance owed at June 30, 2015 under this agreement is \$1,353,220.

The annual debt service requirement to maturity for this agreement is as follows:

Fiscal Year Ending	Notes Payable	
	Principal	Interest
2016	\$ 671,816	\$ 19,261
2017	681,404	9,672
Totals	<u>\$ 1,353,220</u>	<u>\$ 28,933</u>

**Capital Lease Obligations:**

Refunding Lease Agreement

In November 2013, the City entered into an 8 year lease agreement with Republic Bank & Trust Company in the amount of \$5,470,759. The proceeds of this lease agreement were used to retire the 2000 KLC Funding Trust Agreement, which was originally issued for \$6,625,000, and to legally defease the 2005 Series A Bonds, which were originally issued for \$5,730,000. The proceeds from these old agreements were used to refinance old debt agreements and for new capital projects within the City. The refunding lease bears interest at a rate of 2.260% and requires annual payments of \$302,817 for the first four years due on March 1<sup>st</sup> of each year, followed by annual payments of \$993,688 for the remaining four years also due on March 1<sup>st</sup> of each year. Payments started on March 1, 2014 and the final payment is due on March 1, 2022. Total future minimum payments due under this agreement are \$5,574,083 at June 30, 2015.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE E – LONG-TERM OBLIGATIONS - CONTINUED**

Street Sweeper Lease

In May 2011, the City entered into a 5 year lease agreement for the acquisition of a street sweeper in the amount of \$174,900. The lease requires monthly payments of principal and interest (imputed at 3.5303%) in the amount of \$3,184.09 starting on June 1, 2011 and ending on May 1, 2016. Total future minimum payments due under this agreement are \$35,026 at June 30, 2015.

The annual debt service requirements to maturity for these two lease agreements are as follows:

Fiscal Year Ending	Capital Lease Obligations	
	Principal	Interest
2016	\$ 221,809	\$ 116,035
2017	192,002	110,816
2018	887,273	106,417
2019	907,604	86,086
2020	928,221	65,468
2021-2022	1,921,099	66,279
Totals (1)	\$ 5,058,008	\$ 551,101

(1) For the capital lease shown above, the total of principal and interest components equals the required minimum payments for the periods shown, and total principal equals the net present value of these leases.

The total cost of the asset acquired under the street sweeper lease, and shown as fixed assets in Note D is \$174,900. Accumulated depreciation for this asset was \$102,026 at June 30, 2015.

Interest incurred under the bonded debt, note payable, and capital lease obligations, and shown as an expense at June 30, 2015 is \$145,015 in the government wide financial statements and \$149,405 in the fund financials.

**Compensated Absences:**

Compensated absences represent the amounts due to employees of the City for unused vacation and sick time. The City calculates this amount in accordance with current accounting standards. Due to the nature of this obligation and the unpredictability of when an employee's service with the City may end, the City estimates the current obligation for this liability at 10% of the estimated amount owed as of June 30<sup>th</sup>. Actual amounts paid out may differ from this estimate in any given year, but the City feels any such difference would not be material to the financial statements.

**Pension Obligation:**

As further discussed in Note I, the City is now required to report a liability for pension obligations.

**CITY OF JEFFERSOTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE F – NET POSITION / FUND BALANCES**

At June 30, 2015, net position in the government-wide financial statements was composed of the following:

<b>Net Investment in Capital Assets:</b>	
Fixed Assets, Net	\$ 39,312,598
Less:	
Capital Lease Obligations	(5,058,008)
Notes Payable Obligations	<u>(1,353,220)</u>
Net Investment in Capital Assets	32,901,370
 <b>Restricted:</b>	
Capital Outlay	199,869
Police Department	351,778
Roads	175,292
Senior Citizens	24,143
Severance Pay	<u>1,872,861</u>
Restricted Net Position	2,623,943
 <b>Unrestricted</b>	 <u>(8,385,373)</u>
 <b>Total Net Position</b>	 <u><u>\$ 27,139,940</u></u>

At June 30, 2015, fund balances as shown in the fund financial statements was composed of the following:

Classification	General Fund	Road Fund	Severance Fund
Restricted:			
By enabling legislation for police	\$ 351,778	\$ -	\$ -
By enabling legislation for roads	-	175,292	-
By debt agreement for capital outlay	199,869	-	-
Assigned:			
By budgetary allocation for severance payouts	-	-	1,872,861
By passage of next year's budget	925,474	-	-
Unassigned	<u>5,927,454</u>	-	-
Total Fund Balances	<u><u>\$7,404,575</u></u>	<u><u>\$ 175,292</u></u>	<u><u>\$ 1,872,861</u></u>

**NOTE G - INTERGOVERNMENTAL REVENUE**

Under the provisions of state law, the Commonwealth of Kentucky reimbursed the City for police training and other miscellaneous operating costs during the year ended June 30, 2015 that are recorded in the General Fund.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE H – OPERATING LEASES**

The City has entered into two agreements to lease municipal property owned by the City. The details of those agreements are as follows:

Louisville Free Public Library

Starting on July 1, 2012, the City entered into an agreement to lease a building to the Louisville/Jefferson County Metro Government on behalf of The Louisville Free Public Library for operation of a public library facility within the City. The initial term of the lease was for one year expiring on June 30, 2013. The tenant has 4 one year options to renew the lease starting on July 1, 2013 and ending on June 30, 2017. The lease requires the tenant to notify the City 60 days in advance of the expiration of the term of the lease if they do not plan to exercise the annual renewal option. The tenant did opt to renew the lease through June 30, 2016. The lease requires an annual rental payment of \$1 in advance of the lease term along with an annual \$12,000 maintenance fee also due in advance of the lease term. The maintenance fee is paid in consideration of the City assuming “major” maintenance obligations on the building.

County Clerk’s Office

Starting on July 1, 2015, the City entered into an agreement to lease a building to the Louisville/Jefferson County Metro Government for the operation of a branch of the Jefferson County Clerk’s Office within the City. The initial term of the lease is for one year expiring on June 30, 2016. The tenant has 9 one year options to renew the lease starting on July 1, 2016 and ending on June 30, 2025. The lease requires the tenant to notify the City 60 days in advance of the expiration of the term of the lease if they do not plan to exercise the annual renewal option. The lease requires monthly payments of \$1,621.08 for the first year as well as for the first four renewal periods. Payments in renewal periods five through nine will be \$1,852.67.

Future minimum payments to be received under these agreements for fiscal years ending June 30<sup>th</sup> are as follows:

2016	\$ 31,454
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The City has entered into several leases for office equipment used a various facilities throughout the City. These leases have cancellation provisions and are subject to annual appropriations. For the year ended June 30, 2015 expenditures under these agreements totaled \$7,296.

Future minimum payments to be made under these agreements for fiscal years ending June 30<sup>th</sup> are as follows:

2016	\$ 7,296
2017	\$ 7,026
2018	\$ 2,758

**NOTE I – EMPLOYEE RETIREMENT SYSTEM**

The City has elected to participate in the County Employee Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan, except for persons hired on or after September 1, 2008 who are required to contribute 6 percent. The City’s contribution rate for nonhazardous employees was 17.67 percent.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is 65, with a minimum of 60 months service credit.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan, except for persons hired on or after September 1, 2008 who are required to contribute 9 percent. Out of the 9 percent contribution, 1 percent will go to the Kentucky Retirement Systems insurance fund and the remaining 8 percent to the member's account. The City's contribution rate for hazardous employees was 34.31 percent.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. Aspects of benefits for hazardous employees who begin participation on or after September 1, 2008 includes retirement after 25 years of service or the member is age 60, with a minimum of 60 months service credit.

The City's payments to the plan are as follows:

Fiscal Year Ending June 30th	Required Contributions		Total	Percent Contributed
	Employees	City		
2013	\$ 465,918	\$ 2,090,147	\$ 2,556,065	100%
2014	\$ 468,519	\$ 2,018,375	\$ 2,486,894	100%
2015	\$ 481,963	\$ 1,993,548	\$ 2,475,511	100%

CERS also provides post-retirement health care coverage. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>	<u>% Paid by Member through Payroll Deduction</u>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, nonhazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse received ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjust annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

As a result of Senate Bill 2, a new subdivision of CERS was added – They Hybrid Cash Balance Plan (Tier 3) – for members who began participation on or after January 1, 2014. Employees covered under this plan have all of their payroll deduction contributions and a portion of the employer's contribution credited toward a "cash

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

balance” account which has a guaranteed minimum return on investment (currently 4%). Retirement benefits under this portion of the plan vary based upon the investment performance of the underlying “cash balance.” Covered employees are credited with their applicable period payroll reductions (5 percent and 8 percent for nonhazardous and hazardous duty employees respectively). The credited portion of the employer’s contribution rate was 4 percent and 7.5 percent for nonhazardous and hazardous duty employees respectively. A participant vests after 60 service months and may withdraw any amounts accumulated under this subdivision of the plan upon separation from service subject to all applicable IRS guidelines. Non vested members may withdraw amounts resulting from the employee portion of the contributions only.

Prior to July 1, 2009, cost-of-living adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgement, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

As previously discussed, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Among other items, these standards require the City to recognize a net pension liability in the government wide financial statements for the first time.

At June 30, 2015 the City recognized a liability of \$13,408,448 (\$3,721,663 nonhazardous and \$9,686,785 hazardous) for its proportionate share of the CERS net pension liability. The net pension liability was measured as of June 30, 2014, as allowed by standards, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s contributions to the pension plan (\$497,120 non-hazardous and \$1,457,411 hazardous) relative to the total contributions of all participants in the respective nonhazardous and hazardous retirement plans. At June 30, 2014 the City’s share of the net pension liability was .114711% for nonhazardous and .806006% for hazardous employees. The City does not expect any changes in its proportion for the current year.

In addition to the recognition of a net pension liability, these new standards also require additional disclosures about the plan and the calculation of the net pension liability. Those disclosures are as follows:

**Actuarial Assumptions**

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experiences Study	July 1, 2005 – June 30, 2008
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

**Actuarial Assumptions - Continued**

Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75 percent, net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Table set forward 5 years is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class (see chart below). These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocations and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	30.00%	8.45%
International equity	22.00%	8.85%
Emerging market equity	5.00%	10.50%
Private equity	7.00%	11.25%
Real estate	5.00%	7.00%
Core US fixed income	10.00%	5.25%
High yield US fixed income	5.00%	7.25%
Non-US fixed income	5.00%	5.50%
Commodities	5.00%	7.75%
TIPS	5.00%	5.00%
Cash	1.00%	3.25%
	<u>100.00%</u>	

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

The following table presents the City's net pension liability, calculated using the discount rate of 7.75%, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) and 1 percentage point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Non-Hazardous	\$ 4,897,452	\$ 3,721,662	\$ 2,682,815
Hazardous	\$ 12,671,849	\$ 9,686,785	\$ 7,152,215

**Deferred Inflows/Outflows of Resources**

At June 30, 2015, the City recognized pension expense of \$423,070 (non-hazardous) and \$1,279,234 (hazardous) in the government wide financial statements. The City also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous		Hazardous	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between projected and actual earnings on plan investments	\$ -	\$ 415,428	\$ -	\$ 952,675
City's contributions to the plan subsequent to the measurement date	487,981	-	1,503,036	-
Totals	\$ 487,981	\$ 415,428	\$ 1,503,036	\$ 952,675

The schedule above includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include the differences between expected and actual earnings on investments as well as contributions made after the measurement date. If the amounts serve to reduce pension expense they are labeled deferred inflows. If they will increase pension expense they are labeled deferred outflows.

The amounts reported in the table as deferred outflows of resources related to plan contributions made subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

**Deferred Inflows/Outflows of Resources - Continued**

As previously discussed, the net pension liability as of June 30, 2015 is based on the June 30, 2014 actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience, or changes in assumptions subject to amortization. Deferred outflows of resources and deferred inflows of resources related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. The deferred items will be recognized in pension expense as follows:

	Non-Hazardous	Hazardous
Year 1	(103,857)	(238,169)
Year 2	(103,857)	(238,169)
Year 3	(103,857)	(238,169)
Year 4	(103,857)	(238,168)
Year 5	-	-
Thereafter	-	-
Total	(415,428)	(952,675)

**Pension Payable/Expense**

At June 30, 2015 the City owed Kentucky Retirement Systems \$217,316 for both non-hazardous and hazardous pension withholdings and the City's required matching contribution for the month of June. This payment was made in July 2015.

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.

**NOTE J – DEFERRED COMPENSATION**

The City allows all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employee's Deferred Compensation Authority is authorized under KRS 18A.230 and 148A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensations Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensations Authority at 110 Sea Hero Road, Suite 101, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE K – INTERFUND TRANSFERS**

The following interfund transfers took place during this fiscal year:

Fund Transferred From	Fund Transferred To			Purpose
	General Fund	Road Fund	Severance Fund	
General Fund	\$ -	\$ -	\$ 150,000	Budgetary transfer
Severance Fund	202,760		-	Compensated absence payments
	<u>\$ 202,760</u>	<u>\$ -</u>	<u>\$ 150,000</u>	

**NOTE L – 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 repayment of the bonds. Thus the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2015, there were six series of industrial revenue bonds outstanding as well as one educational and recreational revenue bond. The City does receive statements showing debt service payments on these bonds; however, the City has no process in place to track the outstanding balance.

**NOTE M - LITIGATION**

The City is involved in various legal proceedings incidental to the normal course of business. City management is of the opinion, based upon the advice 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.

**NOTE N - 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 coverage 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 three fiscal years.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE O – PRIOR PERIOD ADJUSTMENTS**

The following prior period adjustments were made to the books of the City:

Reason	Statement of Net Position	Balance Sheet - Governmental Funds		
	Governmental Activities	General Fund	Road Fund	Severance Fund
Overstatement of prior year receivables	\$ (220,228)	\$ (48,415)	\$ -	\$ -
Over(under) statement of prior year payables	-	296	(120)	-
Overstatement of street cut bond escrow	25,800	25,800	-	-
	<u>\$ (194,428)</u>	<u>\$ (22,319)</u>	<u>\$ (120)</u>	<u>\$ -</u>

**NOTE P – IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The City prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a listing of standards implemented during this fiscal year and schedule for implementation in the future.

***Pronouncements Scheduled to be Adopted in this Fiscal Year:***

***GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An amendment of GASB Statement No. 68***

The provisions of these statements are effective for fiscal years beginning after June 15, 2014 with earlier adoption encouraged. The impact of these statements on the City has been discussed in Note I. These standards necessitated retroactive prior period adjustment to the City’s financial statements in the amount of \$13,074,247 to record the opening pension liability and to adjust pension expense in the government wide financial statements to coincide with the measurement period ending June 30, 2014. Restatement of prior year amounts impacted by these standards is not possible as amounts are derived from actuarial valuations performed for Kentucky Retirement System and they only provided numbers for the year of implementation.

***GASB Statement No. 69, Government Combinations and Disposals of Government Operations***

The provisions of this statement are effective for fiscal years beginning after December 13, 2013 with earlier adoption encouraged. This standard provides accounting and reporting guidance for certain types of combinations and disposals of government operations. The provisions will be applied on a prospective basis to any applicable combinations or disposals of the City.

***Pronouncements Scheduled to be Adopted in Future Fiscal Years:***

***GASB Statement No. 72, Fair Value Measurement and Application***

The provisions of this statement are effective for fiscal years beginning after June 15, 2015 with earlier adoption encouraged. This standard provides guidance for determining fair value measurement for financial reporting purposes as well as providing guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is still determining the impact, if any, this statement will have on the financial statements.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE P – IMPLEMENTATION OF GASB PRONOUNCEMENTS**

*Pronouncements Scheduled to be Adopted in Future Fiscal Years - Continued:*

***GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments of Certain Provisions of GASB Statements 67 & 68***

The provisions of this statement are effective for fiscal years beginning after June 15, 2015 with earlier adoption encouraged. This standard is intended to improve the usefulness of information provided about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The City is still determining the impact, if any, this statement will have on the financial statements.

***GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans***

The provisions of this statement are effective for fiscal years beginning after June 15, 2016 with earlier adoption encouraged. This standard is intended to improve the usefulness of information provided about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental plans for making decisions and assessing accountability. The City is still determining the impact, if any, this statement will have on the financial statements.

***GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***

The provisions of this statement are effective for fiscal years beginning after June 15, 2017 with earlier adoption encouraged. This standard is intended to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions as well as improving information provided by state and local governmental employers about financial support for such benefits that is provided by other entities. The City is still determining the impact, if any, this statement will have on the financial statements.

***GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments***

The provisions of this statement are effective for fiscal years beginning after June 15, 2015 with earlier adoption encouraged. This standard is intended to improve financial reporting by various means. The City is still determining the impact, if any, this statement will have on the financial statements.

***GASB Statement No. 77, Tax Abatement Disclosures***

The provisions of this statement are effective for fiscal years beginning after December 15, 2015 with earlier adoption encouraged. This standard is meant to assist users of the City's financial statement in determining any limitations on its revenue raising capacity resulting from programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the City or its citizens. The City is still determining the impact, if any, this statement will have on the financial statements.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND**  
**JUNE 30, 2015**

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<b><u>REVENUES</u></b>					
Taxes:					
Property Tax	\$ 3,787,530	\$ -	\$ 3,787,530	\$ 3,913,069	\$ 125,539
Occupational Tax	11,033,400	-	11,033,400	12,035,587	1,002,187
Insurance Premium Tax	2,535,720	-	2,535,720	2,569,442	33,722
Franchise Fees	156,846	-	156,846	152,776	(4,070)
Public Service Assessments	10,000	-	10,000	12,522	2,522
Intergovernmental:					
Base Court Revenue	50,000	-	50,000	31,562	(18,438)
Coal and Mineral Tax	1,200	-	1,200	1,298	98
License and Permits:					
Alcoholic Beverage Licenses	110,000	-	110,000	120,502	10,502
Building Permits	41,800	-	41,800	35,784	(6,016)
Business Licenses	165,000	-	165,000	187,330	22,330
Electrical Permits	38,000	-	38,000	44,759	6,759
Fire Protection Permits	-	-	-	1,060	1,060
Heating Permits	35,750	-	35,750	51,556	15,806
Sign Permits	6,000	-	6,000	6,055	55
Charge for Services:					
Plan Review Fees	2,000	-	2,000	6,210	4,210
Conditional Use Fees	-	-	-	2,031	2,031
Fines and Penalties	5,000	-	5,000	9,630	4,630
CID Account Income	-	-	-	355,170	355,170
Lease Income - County Clerk's Office	13,900	-	13,900	16,674	2,774
Lease Income - Library	12,001	-	12,001	12,001	-
Rental Income - Community Center	85,000	-	85,000	111,260	26,260
Plainview Swim Club	184,000	-	184,000	153,820	(30,180)
Plainview Pool Concessions	42,900	-	42,900	30,983	(11,917)
Plainview Tennis Income	3,500	-	3,500	3,441	(59)
Tway House Rental	6,000	-	6,000	12,206	6,206
Bluebird Gym Rental	2,000	-	2,000	3,178	1,178
Bluebird Gym Concessions	12,000	-	12,000	12,860	860
Sports League Income	21,800	-	21,800	12,924	(8,876)
Veterans Park Pavilion Rental	4,000	-	4,000	6,000	2,000
Senior Citizens Income	-	-	-	(17,152)	(17,152)
Donations	-	-	-	31	31
Interest Checking Accounts and CD's	5,000	-	5,000	1,666	(3,334)
Grant Income	1,750,585	-	1,750,585	1,216,988	(533,597)
Miscellaneous	45,000	-	45,000	59,826	14,826
<b>Total General Fund Revenues</b>	<b>20,165,932</b>	<b>-</b>	<b>20,165,932</b>	<b>21,173,049</b>	<b>1,007,117</b>
Prior Year Fund Balance:					
Appropriated for Current Year Budget	4,287,776	639,707	4,927,483	-	(4,927,483)
<b>Total Revenues and Prior</b>	<b>4,287,776</b>	<b>639,707</b>	<b>4,927,483</b>	<b>-</b>	<b>(4,927,483)</b>
<b>Year Fund Balance</b>	<b>24,453,708</b>	<b>639,707</b>	<b>25,093,415</b>	<b>21,173,049</b>	<b>(3,920,366)</b>

See the accompanying notes to the required supplementary information on budgetary reporting.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -**  
**GENERAL FUND - CONTINUED**  
**JUNE 30, 2015**

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<b><u>EXPENDITURES</u></b>					
Administration					
Payroll - Mayor and Council	164,008	-	164,008	162,032	1,976
Payroll - City Hall Staff	441,745	-	441,745	434,049	7,696
Health Insurance	184,514	-	184,514	174,283	10,231
Short Term Disability & Life Insurance	3,627	-	3,627	3,674	(47)
Dental Insurance	12,175	-	12,175	12,015	160
Retirement - Mayor and Council	28,980	-	28,980	26,543	2,437
Retirement - City Hall Staff	78,057	-	78,057	76,787	1,270
FICA - Mayor and Council	11,919	-	11,919	10,953	966
FICA - City Hall Staff	32,104	-	32,104	34,780	(2,676)
Administrative Expenses	3,600	-	3,600	2,408	1,192
Legal Fees and Expenses	15,300	13,500	28,800	45,940	(17,140)
Accounting Fees and Expenses	53,800	-	53,800	53,737	63
Dues and Subscriptions	14,480	-	14,480	17,016	(2,536)
Office Supplies	10,020	-	10,020	10,488	(468)
Postage	3,600	-	3,600	4,503	(903)
Equipment Rental and Leases	6,000	-	6,000	6,223	(223)
Travel - Mayor and Council	3,000	-	3,000	1,077	1,923
Travel - City Hall Staff	2,400	-	2,400	2,916	(516)
Meetings/Seminars-Mayor and Council	3,000	-	3,000	6,332	(3,332)
Meetings/Seminars - City Hall Staff	3,000	-	3,000	3,489	(489)
Training Expense & Supplies - City Hall	1,020	-	1,020	53	967
Building Repair & Maintenance-City Hall	24,300	-	24,300	23,647	653
Building Repair & Maintenance-Library	18,000	-	18,000	10,585	7,415
Gas and Electric - City Hall	15,000	-	15,000	12,705	2,295
Water - City Hall	870	-	870	1,066	(196)
Telephone - City Hall	12,432	-	12,432	10,020	2,412
Mobile Phones - City Hall	2,772	-	2,772	2,485	287
New Equipment	10,020	-	10,020	1,161	8,859
Gasoline	7,806	-	7,806	5,191	2,615
Equipment Repair and Maintenance	1,020	-	1,020	-	1,020
Software Maintenance and Support	49,190	-	49,190	41,435	7,755
Computer Hardware	27,200	-	27,200	9,185	18,015
Employee Appreciation	500	-	500	1,855	(1,355)
Miscellaneous - City Hall	9,600	-	9,600	3,622	5,978
Miscellaneous - Council	55,726	-	55,726	28,386	27,340
Miscellaneous	-	-	-	1,062	(1,062)
Newsletter	10,000	-	10,000	8,441	1,559
Website Development & Maintenance	11,825	-	11,825	13,597	(1,772)
Total Administration	<u>1,332,610</u>	<u>13,500</u>	<u>1,346,110</u>	<u>1,263,741</u>	<u>82,369</u>

See the accompanying notes to the required supplementary information on budgetary reporting.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -**  
**GENERAL FUND - CONTINUED**  
**JUNE 30, 2015**

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<b><u>EXPENDITURES - Continued</u></b>					
Permitting and Enforcement Department					
Payroll	222,376	-	222,376	211,811	10,565
Health Insurance	42,264	-	42,264	42,922	(658)
Short Term Disability & Life Insurance	1,334	-	1,334	1,343	(9)
Dental Insurance	2,775	-	2,775	2,775	-
Retirement	36,091	-	36,091	34,910	1,181
FICA	16,230	-	16,230	15,429	801
Uniforms	1,600	-	1,600	924	676
Dues and Subscriptions	1,200	-	1,200	1,519	(319)
Office Supplies	1,200	-	1,200	1,451	(251)
Postage	400	-	400	504	(104)
Meetings & Seminars	1,700	-	1,700	755	945
Mobile Phones	3,276	-	3,276	1,764	1,512
New Equipment	1,500	-	1,500	177	1,323
Gasoline	7,659	-	7,659	4,015	3,644
Software Maintenance & Support	2,000	-	2,000	-	2,000
Miscellaneous	250	-	250	392	(142)
Total Permitting and Enforcement Department	341,855	-	341,855	320,691	21,164
Insurance					
Workers Compensation	222,669	93,000	315,669	314,046	1,623
Commercial Liability	198,742	22,000	220,742	216,837	3,905
Property and Casualty	63,527	4,000	67,527	65,580	1,947
Unemployment Insurance Fund	-	6,000	6,000	5,764	236
Claims	10,000	40,000	50,000	47,262	2,738
Total Insurance	494,938	165,000	659,938	649,489	10,449
Revenue Department					
Payroll	190,533	-	190,533	170,326	20,207
Contract Labor - Revenue Dept.	15,000	-	15,000	-	15,000
Health Insurance	44,223	-	44,223	25,600	18,623
Short Term Disability & Life Insurance	1,278	-	1,278	870	408
Dental Insurance	2,398	-	2,398	1,074	1,324
Retirement	33,667	-	33,667	27,606	6,061
FICA	13,847	-	13,847	12,477	1,370
PVA/Mass Appraisal	51,000	-	51,000	51,787	(787)
Tax Forms	7,450	-	7,450	5,276	2,174
Office Supplies	1,300	-	1,300	1,832	(532)
Postage	13,260	-	13,260	11,806	1,454

See the accompanying notes to the required supplementary information on budgetary reporting.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -**  
**GENERAL FUND - CONTINUED**  
**JUNE 30, 2015**

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<b><u>EXPENDITURES - Continued</u></b>					
Revenue Department					
Travel	1,500	-	1,500	345	1,155
Meetings & Seminars	2,000	-	2,000	247	1,753
Software Maintenance & Support	13,000	-	13,000	12,693	307
Miscellaneous	1,400	-	1,400	1,845	(445)
Total Revenue Department	<u>391,856</u>	<u>-</u>	<u>391,856</u>	<u>323,784</u>	<u>68,072</u>
Public Safety					
Street Lights	498,780	30,000	528,780	523,629	5,151
Ambulance Service	72,000	-	72,000	42,370	29,630
Total Public Safety	<u>570,780</u>	<u>30,000</u>	<u>600,780</u>	<u>565,999</u>	<u>34,781</u>
Civil Service					
Testing and Analysis	9,000	-	9,000	1,610	7,390
Miscellaneous	1,200	-	1,200	185	1,015
Total Civil Service	<u>10,200</u>	<u>-</u>	<u>10,200</u>	<u>1,795</u>	<u>8,405</u>
Police Department					
Payroll - Officers	3,863,681	-	3,863,681	3,923,450	(59,769)
KLEFPF	155,000	-	155,000	154,961	39
Education Incentive	54,000	-	54,000	54,991	(991)
Court Appearance	72,000	-	72,000	53,940	18,060
KLEFPF Contra Account	(155,000)	-	(155,000)	(204,063)	49,063
Payroll - Dispatchers	353,649	-	353,649	363,967	(10,318)
Payroll - Staff	306,533	-	306,533	311,040	(4,507)
Health Insurance	665,748	-	665,748	635,703	30,045
Short Term Disability and Life Insurance	19,979	-	19,979	19,891	88
Dental Insurance	50,803	-	50,803	50,373	430
Retirement - Officers	1,438,810	-	1,438,810	1,455,585	(16,775)
Retirement - Dispatchers	48,976	-	48,976	46,391	2,585
Retirement - Staff	52,134	-	52,134	52,856	(722)
FICA - Officers	300,826	-	300,826	296,272	4,554
FICA - Dispatchers	26,423	-	26,423	26,428	(5)
FICA - Staff	22,659	-	22,659	22,532	127
Uniforms - Officers	59,989	-	59,989	59,812	177
Uniforms - Dispatchers	7,726	-	7,726	-	7,726
Uniform Replacement	20,025	-	20,025	16,019	4,006
Dues and Subscriptions	11,722	-	11,722	9,625	2,097
Office Supplies	21,000	-	21,000	11,685	9,315

See the accompanying notes to the required supplementary information on budgetary reporting.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -**  
**GENERAL FUND - CONTINUED**  
**JUNE 30, 2015**

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<b><u>EXPENDITURES - Continued</u></b>					
Police Department (Continued)					
Postage	2,100	-	2,100	1,203	897
Travel	21,500	-	21,500	16,776	4,724
Meetings and Seminars	4,400	-	4,400	3,970	430
Training	52,315	-	52,315	41,400	10,915
Building Repair & Maintenance	14,140	-	14,140	13,982	158
J-town Explorers Expense	-	-	-	83	(83)
Gas & Electric	35,400	-	35,400	28,773	6,627
Telephone & Internet	13,872	-	13,872	10,704	3,168
Water	2,370	-	2,370	3,066	(696)
Mobile Phones	38,000	-	38,000	36,397	1,603
New Vehicles	146,000	-	146,000	187,955	(41,955)
New Equipment	57,134	-	57,134	56,818	316
Gasoline	222,819	-	222,819	157,445	65,374
Equipment Repair & Maintenance	36,400	-	36,400	24,398	12,002
Maintenance Contracts	13,392	-	13,392	10,733	2,659
Software Maintenance & Support	40,000	-	40,000	37,845	2,155
Radio Maintenance	17,855	-	17,855	17,526	329
Physicals	7,533	-	7,533	11,317	(3,784)
Crime Prevention	2,950	-	2,950	2,858	92
Photography and Film	250	-	250	-	250
CID	12,500	-	12,500	1,923	10,577
Miscellaneous	10,750	-	10,750	6,163	4,587
Canine Unit	7,000	-	7,000	4,908	2,092
Subtotal	<u>8,155,363</u>	<u>-</u>	<u>8,155,363</u>	<u>8,037,701</u>	<u>117,662</u>
Police CID Account Expense	-	-	-	499,152	(499,152)
Total Police Department	<u>8,155,363</u>	<u>-</u>	<u>8,155,363</u>	<u>8,536,853</u>	<u>(381,490)</u>
Public Works					
Payroll	1,033,772	-	1,033,772	882,499	151,273
Contract Labor	30,000	-	30,000	2,120	27,880
Health Insurance	281,361	-	281,361	225,878	55,483
Short term Disability and Life Insurance	7,101	-	7,101	5,843	1,258
Dental Insurance	20,531	-	20,531	16,357	4,174
Retirement	179,614	-	179,614	151,092	28,522
FICA	75,196	-	75,196	63,495	11,701
Uniforms	13,000	-	13,000	12,391	609
Dues and Subscriptions	500	-	500	962	(462)
Office Supplies	2,000	-	2,000	2,103	(103)
Equipment Rental and Leases	5,000	-	5,000	524	4,476

See the accompanying notes to the required supplementary information on budgetary reporting.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -**  
**GENERAL FUND - CONTINUED**  
**JUNE 30, 2015**

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<b><u>EXPENDITURES - Continued</u></b>					
Public Works					
Travel	1,400	-	1,400	1,269	131
Meetings and Seminars	1,500	-	1,500	719	781
Training	5,000	-	5,000	406	4,594
Landfill Charges	5,200	-	5,200	3,785	1,415
Building Repair and Maintenance	9,960	-	9,960	9,182	778
Drainage	400,000	-	400,000	145,238	254,762
Gas and Electric	10,140	-	10,140	8,542	1,598
Paving and Striping	100,000	100,000	200,000	187,204	12,796
Water	2,070	-	2,070	2,683	(613)
Telephone and Internet	2,940	-	2,940	3,096	(156)
Mobile Phones	5,196	-	5,196	4,590	606
Existing Vehicle Leases	38,209	-	38,209	38,209	-
New Equipment	304,620	262,000	566,620	511,117	55,503
Gasoline	87,270	-	87,270	64,697	22,573
Oil	5,200	-	5,200	6,092	(892)
Vehicle Maintenance	109,800	-	109,800	126,340	(16,540)
Equipment Repair and Maintenance	30,500	-	30,500	39,326	(8,826)
Shop Supplies	10,000	-	10,000	18,445	(8,445)
Roadside Maintenance/Beautification	25,000	-	25,000	16,517	8,483
MS4 Program	53,000	-	53,000	379	52,621
Physicals	3,000	-	3,000	2,221	779
Miscellaneous	4,600	-	4,600	5,732	(1,132)
Total Public Works	<u>2,862,680</u>	<u>362,000</u>	<u>3,224,680</u>	<u>2,559,053</u>	<u>665,627</u>
Sanitation					
Sanitation Contract Expense	1,042,680	11,100	1,053,780	1,052,088	1,692
Dumpster Fees	8,100	3,900	12,000	3,417	8,583
Total Sanitation	<u>1,050,780</u>	<u>15,000</u>	<u>1,065,780</u>	<u>1,055,505</u>	<u>10,275</u>
Economic Development					
Payroll	84,921	-	84,921	85,252	(331)
Health Insurance	15,306	-	15,306	15,000	306
Short Term Disability and Life Insurance	334	-	334	334	-
Dental Insurance	1,157	-	1,157	1,158	(1)
Retirement	15,006	-	15,006	15,021	(15)
FICA	6,172	-	6,172	6,196	(24)
Advertising	75,000	-	75,000	57,279	17,721
Dues and Subscriptions	5,600	-	5,600	4,710	890
Office Supplies	500	-	500	233	267

See the accompanying notes to the required supplementary information on budgetary reporting.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -**  
**GENERAL FUND - CONTINUED**  
**JUNE 30, 2015**

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<b>EXPENDITURES - Continued</b>					
Economic Development					
Travel	1,900	-	1,900	806	1,094
Meetings and Seminars	1,900	-	1,900	1,177	723
Mobile Phones	612	-	612	587	25
New Equipment	1,000	-	1,000	-	1,000
Miscellaneous	300	-	300	33	267
GLI Partnership	50,000	-	50,000	15,000	35,000
Façade Renovation Program	3,000	-	3,000	-	3,000
Industrial/Commerce Park Improvement	150,000	-	150,000	148,429	1,571
Economic Develop Authority Fund	200,000	-	200,000	205,980	(5,980)
Total Economic Development	612,708	-	612,708	557,195	55,513
Museum					
Payroll	78,554	-	78,554	69,029	9,525
Health Insurance	13,030	-	13,030	13,473	(443)
Short Term Disability and Life Insurance	569	-	569	558	11
Dental Insurance	576	-	576	862	(286)
Retirement	13,881	-	13,881	12,158	1,723
FICA	5,709	-	5,709	1,056	4,653
Office Supplies	400	-	400	308	92
Postage	100	-	100	102	(2)
Building Repair and Maintenance	360	-	360	360	-
Telephone and Internet	588	-	588	545	43
Security	360	-	360	360	-
Copier	638	-	638	658	(20)
Photography and Film	1,500	-	1,500	-	1,500
Miscellaneous	800	-	800	1,706	(906)
Total Museum	117,065	-	117,065	101,175	15,890
Parks and Recreation					
Payroll	117,814	-	117,814	118,656	(842)
Payroll - Pool Part-time	29,265	(6,039)	23,226	18,664	4,562
Payroll - Bluebird Gym Part-time	-	6,036	6,036	6,298	(262)
Health Insurance	36,250	-	36,250	27,831	8,419
Short Term Disability and Life Insurance	895	-	895	839	56
Dental Insurance	2,603	-	2,603	1,878	725
Retirement	20,815	3	20,818	20,814	4
FICA	8,562	-	8,562	8,297	265
FICA - Pool Part-time	2,212	(664)	1,548	1,401	147
FICA - Bluebird Gym	-	664	664	482	182

See the accompanying notes to the required supplementary information on budgetary reporting.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -**  
**GENERAL FUND - CONTINUED**  
**JUNE 30, 2015**

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<b><u>EXPENDITURES - Continued</u></b>					
Parks and Recreation					
Uniforms	800	-	800	588	212
Office Supplies	1,200	-	1,200	1,708	(508)
Postage	-	-	-	21	(21)
Adult Sport League	21,800	-	21,800	9,774	12,026
Gas and Electric - Skyview	14,640	-	14,640	16,887	(2,247)
Gas and Electric - Football Field	8,000	-	8,000	6,032	1,968
Gas and Electric - Gym	23,760	-	23,760	20,327	3,433
Gas and Electric - Veterans Park	3,684	-	3,684	3,001	683
Gas and Electric - Plainview	19,440	-	19,440	20,314	(874)
Gas and Electric - Community Center	28,860	-	28,860	27,955	905
Gas and Electric - Ruckriegel Field	2,760	-	2,760	2,865	(105)
Water - Skyview	21,879	-	21,879	30,663	(8,784)
Water - Football Field	5,000	-	5,000	8,520	(3,520)
Water - Gym	1,734	-	1,734	1,978	(244)
Water - Plainview	7,050	-	7,050	11,888	(4,838)
Water - Community Center	5,040	-	5,040	8,204	(3,164)
Telephone - Gym	1,716	-	1,716	1,578	138
Telephone - Plainview	2,352	1,700	4,052	5,311	(1,259)
Telephone - Community Center	2,412	-	2,412	2,226	186
Mobile Phones	1,992	-	1,992	2,702	(710)
New Equipment	14,000	-	14,000	7,078	6,922
Gasoline	7,398	-	7,398	5,777	1,621
Pool Maintenance Contact	117,200	-	117,200	117,384	(184)
Pool/Tennis Miscellaneous	37,500	-	37,500	43,766	(6,266)
Concessions - Pool	17,160	-	17,160	22,556	(5,396)
Maintenance - Plainview	5,000	5,000	10,000	13,107	(3,107)
Maintenance - Miscellaneous	6,300	6,300	12,600	8,109	4,491
Maintenance - Skyview	17,800	13,300	31,100	24,770	6,330
Maintenance - Veterans Park	10,000	10,000	20,000	13,130	6,870
Maintenance - Bluebird Gym	10,000	10,000	20,000	15,535	4,465
Maintenance - Football Field	2,000	5,000	7,000	6,059	941
Maintenance - Community Center	10,700	10,700	21,400	26,515	(5,115)
Concessions - Bluebird Gym	4,688	-	4,688	12,978	(8,290)
Community Center Miscellaneous	8,500	-	8,500	5,614	2,886
Total Parks and Recreation	<u>660,781</u>	<u>62,000</u>	<u>722,781</u>	<u>710,080</u>	<u>12,701</u>

See the accompanying notes to the required supplementary information on budgetary reporting.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -**  
**GENERAL FUND - CONTINUED**  
**JUNE 30, 2015**

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<b><u>EXPENDITURES - Continued</u></b>					
Senior Citizens					
Payroll	98,078	-	98,078	99,408	(1,330)
Health Insurance	30,613	-	30,613	30,335	278
Short Term Disability and Life Insurance	610	-	610	610	-
Dental Insurance	2,315	-	2,315	2,315	-
Retirement	12,757	-	12,757	12,706	51
FICA	7,227	-	7,227	7,174	53
Office Supplies	1,800	-	1,800	1,534	266
Building Repair and Maintenance	18,500	-	18,500	19,735	(1,235)
Gas and Electric	19,584	-	19,584	15,535	4,049
Telephone and Internet	2,904	-	2,904	3,832	(928)
New Equipment	2,000	-	2,000	-	2,000
Gasoline	1,078	-	1,078	1,359	(281)
Miscellaneous	500	-	500	33	467
Copier	3,600	-	3,600	2,431	1,169
Equipment Repair and Maintenance	2,000	-	2,000	878	1,122
Total Senior Citizens	<u>203,566</u>	<u>-</u>	<u>203,566</u>	<u>197,885</u>	<u>5,681</u>
Special Projects					
Community Outreach	77,000	-	77,000	73,726	3,274
Farmers Market	4,000	-	4,000	6,112	(2,112)
Other Special Projects	2,000	-	2,000	75	1,925
Mayor's Special Projects	10,000	-	10,000	5,692	4,308
Easter Celebration	4,000	-	4,000	3,514	486
Volunteer Recognition	2,500	-	2,500	3,478	(978)
Light Up Jeffersontown	6,000	-	6,000	5,394	606
Summer Fest	10,000	-	10,000	10,142	(142)
Gaslight Festival	7,000	-	7,000	9,909	(2,909)
Pumpkin Fest	4,500	-	4,500	4,459	41
Founder's Day	3,000	-	3,000	4,533	(1,533)
Memorial/Veteran's Day Observation	1,000	-	1,000	684	316
Grant Related Expense	2,255,121	220,000	2,475,121	1,282,288	1,192,833
Improvement Projects	450,000	232,100	682,100	552,799	129,301
Gasoline (Reserve)	11,735	-	11,735	(9,626)	21,361
Total Special Projects	<u>2,847,856</u>	<u>452,100</u>	<u>3,299,956</u>	<u>1,953,179</u>	<u>1,346,777</u>
Debt Service					
Debt Service Expense	993,894	-	993,894	993,459	435
Total Debt Service	<u>993,894</u>	<u>-</u>	<u>993,894</u>	<u>993,459</u>	<u>435</u>

See the accompanying notes to the required supplementary information on budgetary reporting.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -**  
**GENERAL FUND - CONTINUED**  
**JUNE 30, 2015**

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<b><u>EXPENDITURES - Continued</u></b>					
Compensated Absences					
Compensated Absences	-	-	-	373,748	(373,748)
Total Compensated Absences	-	-	-	373,748	(373,748)
Total Expenditures	20,646,932	1,099,600	21,746,532	20,163,631	1,582,901
Excess of Revenue over Expenditures	3,806,776	(459,893)	3,346,883	1,009,418	(2,337,465)
OTHER FINANCING SOURCES (USES)					
Sale of Surplus Property	-	-	-	107,156	107,156
Transfer In	-	-	-	202,760	202,760
Transfer Out	(150,000)	-	(150,000)	(150,000)	-
Total Other Financing Sources (Uses)	(150,000)	-	(150,000)	159,916	309,916
Net Change in Fund Balances	3,656,776	(459,893)	3,196,883	1,169,334	(2,027,549)
Fund Balance, beginning	-	-	-	6,257,560	6,257,560
Prior Period Adjustment	-	-	-	(22,319)	(22,319)
Fund Balance, ending	<u>\$ 3,656,776</u>	<u>\$ (459,893)</u>	<u>\$ 3,196,883</u>	<u>\$ 7,404,575</u>	<u>\$ 4,207,692</u>

See the accompanying notes to the required supplementary information on budgetary reporting.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET TO ACTUAL - ROAD FUND**  
**JUNE 30, 2015**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Total Actual</u>	<u>Variance</u>
<b><u>REVENUES</u></b>					
Road Aid					
Intergovernmental Revenue	\$ 627,614	\$ -	\$ 627,614	\$ 629,422	\$ 1,808
Interest Income	-	-	-	30	30
Total Revenues before Prior Year Fund Balance	<u>627,614</u>	<u>-</u>	<u>627,614</u>	<u>629,452</u>	<u>1,838</u>
Prior Year Fund Balance:					
Appropriated for Current Year Budget	-	-	-	-	-
Total Revenues and Prior Year Fund Balance	<u>627,614</u>	<u>-</u>	<u>627,614</u>	<u>629,452</u>	<u>1,838</u>
<b><u>EXPENDITURES</u></b>					
Road Aid					
Road Maintenance	36,648	-	36,648	16,018	20,630
Sidewalks	84,000	-	84,000	179,726	(95,726)
Paving & Striping	333,266	-	333,266	262,314	70,952
Streetlight Maintenance	9,000	-	9,000	3,334	5,666
Road Salt & Sand	164,700	-	164,700	168,560	(3,860)
Total Road Aid	<u>627,614</u>	<u>-</u>	<u>627,614</u>	<u>629,952</u>	<u>(2,338)</u>
Excess of Revenue over Expenditures	-	-	-	(500)	(500)
Fund Balance, beginning	-	-	-	175,912	175,912
Prior Period Adjustment	-	-	-	(120)	(120)
Fund Balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,292</u>	<u>\$ 175,412</u>

See the accompanying notes to the required supplementary information on budgetary reporting.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET TO ACTUAL - SEVERANCE FUND**  
**JUNE 30, 2015**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Total Actual</u>	<u>Variance</u>
<b><u>REVENUES</u></b>					
Interest Income	\$ -	\$ -	\$ -	\$ 8,245	\$ 8,245
Total Revenues before Prior Year Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,245</u>	<u>8,245</u>
Prior Year Fund Balance:					
Appropriated for Current Year Budget	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Prior Year Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,245</u>	<u>8,245</u>
<b><u>EXPENDITURES</u></b>					
General Government					
Administration	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>(2)</u>
Total General Government	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>(2)</u>
Excess of Revenue over Expenditures	-	-	-	8,243	8,243
<b>OTHER FINANCING SOURCE AND (USES)</b>					
Transfer In	-	-	-	150,000	150,000
Transfer Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(202,760)</u>	<u>(202,760)</u>
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,760)</u>	<u>(52,760)</u>
Net Change in Fund Balances	-	-	-	(44,517)	(44,517)
Fund Balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,917,378</u>	<u>1,917,378</u>
Fund Balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,872,861</u>	<u>\$ 1,872,861</u>

See the accompanying notes to the required supplementary information on budgetary reporting.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION ON**  
**BUDGETARY REPORTING**  
**JUNE 30, 2015**

***Budgets and the 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 accounting principles generally accepted in the United States of America.

***Encumbrances***

As previously disclosed, 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.

***Reconciliations***

**Revenue and Expenditures**

For budgetary purposes, the City nets certain revenue and expenditure items within the same department; however, for financial reporting purposes, these amounts are shown as separate revenue and expenditure amounts in the fund financial statements. Differences between the budgetary reporting of revenue and expenditures as reported in the required supplementary information differs from the fund financials statements in the following areas:

Total general fund revenue per the statement of revenues, expenditures, and changes in fund balance - governmental funds:	\$ 21,494,030
Reconciling items:	
KLEFPF (Police Incentive Pay) is netted against the payroll expenditure in the budgetary comparison schedule	(204,063)
Costs associated with meals sold at the senior citizens center are netted against the revenue in the budgetary comparison schedule	<u>(116,918)</u>
Total general fund revenue per the statement of revenues, expenditures and changed in fund balance - budget to actual - general fund	<u><u>\$ 21,173,049</u></u>

These same items account for the difference in expenditures between these two statements as well.

**Capital Outlay and Debt Service**

Certain expenditures are required to be reported as capital outlay or debt service on the fund financial statements regardless of the department or function within general government that acquires the capital item or services the debt. For budgetary purposes however, the City budgets for those expenditures on specific lines of the department or function from which payment will be made. Differences between the budgetary basis as reported in the required supplementary information differs from the fund financials in the following areas:

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION ON**  
**BUDGETARY REPORTING - CONTINUED**  
**JUNE 30, 2015**

**Reconciliations - Continued**

**Capital Outlay and Debt Service – continued**

<u>Budgetary Fund/Department/Line Item</u>	<u>Reported As Capital Outlay in the Fund Financials</u>	<u>Reported As Debt Service in the Fund Financials</u>
<b>General Fund:</b>		
Administration		
Miscellaneous City Council	\$ 19,565	\$ -
Parks and Recreation		
New Equipment	5,200	-
Police Department		
New Vehicles	183,015	-
Equipment Repair and Maintenance	9,271	-
Police CID Account Expense	259,039	-
Radio Maintenance	12,091	-
Public Works		
Drainage	53,903	-
Paving and Striping	120,111	-
Existing Vehicle and Equipment Leases	-	38,209
New Equipment	482,740	-
Economic Development		
Commerce Park Improvements	142,236	-
Special Projects		
Bluegrass Parkway Shared Use Trail	97,241	-
Bluegrass Commerce Park	24,010	-
Improvement Projects	329,595	-
Recreation Trails - Historic Taylorsville Rd	634	-
Taylorsville Road Streetscape	1,040,512	-
Splash Park	38,273	-
Good Samaritan Bike Trail	8,367	-
Watterson Trail Streetscape	45,950	-
Watterson Trail Shared Use Trail	26,261	-
Debt Service		
Debt Service Expense	-	993,459
	<u>\$ 2,898,014</u>	<u>\$ 1,031,668</u>

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION ON**  
**BUDGETARY REPORTING - CONTINUED**  
**JUNE 30, 2015**

**Reconciliations - Continued**

Capital Outlay and Debt Service – continued

<u>Budgetary Fund/Department/Line Item</u>	<u>Reported As Capital Outlay in the Fund Financials</u>	<u>Reported As Debt Service in the Fund Financials</u>
<b>Road Fund:</b>		
Road Maintenance and Repair		
Paving/Striping Repairs and Maintenance	\$ 326,643	\$ -
Totals Road Fund	<u>\$ 326,643</u>	<u>\$ -</u>

**Unbudgeted Items**

Due to the nature and unpredictability of certain revenue and expenditures amounts, the City does not include them in the annual budget. Those items are as follows:

Revenues:

Police CID Account Income	\$ 355,170
Senior Citizens Income	\$ (17,152)
Donations	\$ 31

Expenditures:

Police CID Account Expense	\$ 499,152
Compensated Absences	\$ 373,748

***Stewardship***

Expenditures exceeded budget in the following departments within the general fund:

<u>Department</u>	<u>Amount Over Budget</u>
Police Department	\$381,490
Compensated Absences	\$373,748

The road fund was over budget by \$2,338.

**CITY OF JEFFERSONTOWN, KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
- pass through program from:			
Commonwealth of Kentucky Transportation Cabinet -			
Highway Planning and Construction	20.205	P02-625-1000004215	\$ 1,040,512
Highway Planning and Construction	20.205	P02-628-0700013788	26,261
Highway Planning and Construction	20.205	P02-6281400000832	24,010
Highway Planning and Construction	20.205	P02-625-1300003076	45,950
Highway Planning and Construction	20.205	Not Available	22,090
Highway Planning and Construction	20.205	Not Available	2,103
Commonwealth of Kentucky Transportation Cabinet -			
State and Community Highway Safety	20.600	AL-14-16	23,526
Commonwealth of Kentucky, Office of the Governor, Department for Local Government -			
National Recreation Trails Program	20.219	RTP-450-11	<u>8,367</u>
<b>Total U.S. Department of Transportation</b>			<b>1,192,819</b>
<b>U.S. DEPARTMENT OF JUSTICE - direct program:</b>			
Bullet Proof Vest Partnership Program	16.607		<u>1,800</u>
<b>TOTALS</b>			<b><u><u>\$ 1,194,619</u></u></b>

timeframe

See the accompanying notes to the schedule of expenditures of federal awards.

**CITY OF JEFFERSONTOWN, KENTUCKY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Jeffersontown, Kentucky under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Jeffersontown, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Jeffersontown, Kentucky

**NOTE B – SUMMARY OF SIGNIFICANT POLICIES**

1. Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Pass-through entity identifying numbers are presented where available.

**INDEPENDENT AUDITOR'S 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***



Independent Auditor's 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 Jeffersontown, 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 Jeffersontown, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Jeffersontown, Kentucky's basic financial statements, and have issued our report thereon dated January 15, 2016.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Jeffersontown, 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 City of Jeffersontown, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Jeffersontown, 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 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. 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.

#### **Compliance and Other Matters**

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

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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.

*Stephens & Lawson CPAs*

Louisville, Kentucky  
January 15, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report on Compliance for Each Major Program and on  
Internal Control Over Compliance Required by OMB Circular A-133

To the Mayor and City Council  
City of Jeffersontown, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited the City of Jeffersontown, Kentucky's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Jeffersontown, Kentucky's major federal programs for the year ended June 30, 2015. City of Jeffersontown, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Jeffersontown, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jeffersontown, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Jeffersontown, Kentucky's compliance.

**Opinion on Each Major Federal Program**

In our opinion, City of Jeffersontown, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control over Compliance**

Management of City of Jeffersontown, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we have considered the City of Jeffersontown, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures

that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Jeffersontown, Kentucky's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Stephens & Lawson CPAs*

Louisville, Kentucky  
January 15, 2016

**CITY OF JEFFERSONTOWN, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**SUMMARY OF AUDIT RESULTS**

- The auditor's report expresses an unmodified opinion on the financial statements of the City of Jeffersontown, Kentucky which were prepared in accordance with GAAP.
- No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's 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*. Nor are any material weaknesses reported.
- No instances of noncompliance material to the financial statements of the City of Jeffersontown, Kentucky, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- No significant deficiencies in internal control over major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133. Nor are any material weaknesses reported.
- The auditor's report on compliance for the major federal award programs for the City of Jeffersontown, Kentucky expresses an unmodified opinion on all major federal programs.
- Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
- The programs tested as major programs were:
  - U.S. Department of Transportation, Commonwealth of Kentucky Transportation Cabinet, Highway Planning and Construction (CFDA #20.205)
- The threshold for distinguishing Type A and B programs was \$300,000.
- City of Jeffersontown, Kentucky was not determined to be a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM**

None

**CITY OF JEFFERSONTOWN, KENTUCKY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

There were no findings reported in the prior year audit.