

CITY OF TAYLORSVILLE, KENTUCKY

June 30, 2018

AUDITED FINANCIAL STATEMENTS



MADDOX & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

City of Taylorsville, Kentucky
70 Taylorsville Road
Taylorsville, KY 40071

To the City Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Taylorsville, Kentucky (City) as of and for the year ended June 30, 2018, 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's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the City, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary schedules, and pension schedules, as listed in the table of contents, 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 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and the schedules of fund activity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of fund activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedules of fund activity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018, on our consideration of the City'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 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's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

January 4, 2019

City of Taylorsville
Management and Discussion Analysis
June 30, 2018

As financial management of the City of Taylorsville, Kentucky, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City of Taylorsville for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights:

- The assets of the City of Taylorsville exceeded liabilities at June 30, 2018, by \$20,046,554. This is a 1.04% decrease from last year's net assets of \$20,256,554. The decrease is mainly due to the implementation of GASB 68.
- At June 30, 2018, the governmental funds reported combined fund balances of \$1,246,553.

Overview of the Financial Statements:

This discussion and analysis are intended to serve as an introduction to the City of Taylorsville basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional supplementary information.

Government-wide financial statements:

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

- The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The Statement of Activities presents information showing how a government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period.
- Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The City of Taylorsville's governmental activities include police, contracted fire protection, streets, sanitation, and general government. The City of Taylorsville has one business-type activity, water and sewer service.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Taylorsville, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial legal requirements. All of the funds of the City of Taylorsville can be divided into two categories: governmental funds and proprietary funds.

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is useful in evaluating the City of Taylorsville's near-term financing requirements.
- Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.
- The City of Taylorsville maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Municipal Road Aid funds.
- The City of Taylorsville adopts an annual appropriated budget for all of the governmental funds. A budgetary comparison statement for these funds is included in the Audit Report.
- The basic governmental fund financial statements are included in this report.

Proprietary Fund:

Proprietary funds provide the same type of information as the government-wide financial statements' business-type activities, only in more detail. The City of Taylorsville maintains one proprietary fund to account for its water and sewer services.

- The basic proprietary fund financial statements are included in this report.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning funding progress for the City's employee pension obligation.

Government-wide Financial Analysis:

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City of Taylorsville's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Taylorsville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Taylorsville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The increase or decrease reported in the business-type activities cannot be used to make up a difference reported in governmental activities. The City generally can only use these net assets to finance the continuing operations of the water and sewer operations.

Following is a summary statement of net position:

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,439,247	\$ 5,457,648	\$ 6,896,895
Capital assets	994,957	21,918,476	22,913,433
Total assets	2,434,204	27,376,124	29,810,328
Deferred inflows	214,677	675,103	889,780
Current liabilities	189,183	835,366	1,024,549
Long Term liabilities	519,406	8,705,034	9,224,440
Total liabilities	708,589	9,540,400	10,248,989
Deferred outflows	154,923	199,370	354,293
Net position:			
Net investment in capital assets	944,957	15,133,441	16,078,398
Restricted	280,939	3,162,297	3,443,236
Unrestricted	509,473	15,719	525,192
Total net position	\$ 1,735,369	\$ 18,311,457	\$ 20,046,826

Revenues for the City are generated from three main sources. Occupational License Tax Revenue accounts for approximately 33% of Revenue before Contributions. Insurance Premium Revenue accounts for approximately 21% of Revenue before Contributions. Property Tax Revenue accounts for approximately 14% of Revenue before Contributions. In Total these three sources account for approximately 68% of Total Revenue before Contributions in the General Fund.

Financial Analysis of the Government's Funds:

As noted earlier, the City of Taylorsville uses fund accounting to ensure and demonstrate compliance with financial and legal requirements. The focus of the City of Taylorsville's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. *Unreserved fund* balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The City of Taylorsville's governmental funds reported combined ending fund balances of \$1,246,553 of which \$965,614 is unassigned.

The general fund is the primary operating fund of the City. During the year Revenues exceeded Expenditures in the general fund by \$143,426.

Expenses for the year on the FEMA Drainage Project were \$591,289.

The table below illustrates the breakdown of program costs as in compliance with GASB 34:
Expenditures by Program-Governmental Activities

<u>Functions/Programs</u>	<u>2018 Expenditures</u>	<u>2017 Expenditures</u>
Governmental activities:		
Fire	\$4,414	\$31,224
Street	112,764	104,848
Sanitation	81,734	77,797
General government	743,282	153,567
Police	567,064	470,567
Total governmental	<u>\$1,509,258</u>	<u>\$838,003</u>

The Municipal Road Aid Fund had expenditures of \$44,602 for the Fiscal Year Ended June 30, 2018.

The Municipal Road Aid Fund Balance at June 30 is \$82,048.

Financial Analysis of the Proprietary Funds:

The City of Taylorsville's only proprietary fund is the Water and Sewer Fund. This fund provides the same information found in the government-wide financial statements but in more detail. Unrestricted net assets of the Water and Sewer Fund were \$1,392,090 as of June 30, 2018.

Budgetary Highlights:

Differences between the original budget and actual expenditures for all governmental funds are included in this Report.

- Water revenue of \$3,750,530 was \$5,530 over budget for the Year.
- Meter Sets of \$246,100 were \$28,400 under Budget for the Year.
- Sewer Revenue of \$362,806 was \$10,806 over Budget for the Year
- The Reimbursement for the School Funded Sewer Project was \$12,756.
- Louisville Water Purchased of \$1,355,871 was \$30,871 over Budget for the Year.
- Meter Repair Costs of \$268,736 are \$48,736 over Budget due to converting to 520M new frequency mxu's.
- Sewer Net Income before Contributions of \$(169,412) was \$460 under Budget for the Year .
- Water Net Income before Contributions of \$(9,386) was \$1,662 over Budget for the Year .
- Total Net Income before Contributions of \$(178,798) was \$1,202 over Budget for the Year .
- Total Net Income after Contributions of \$(166,042) was \$13,958 over Budget for the Year .

Capital Asset Administration:

The City of Taylorsville's investment in capital assets includes land, buildings and improvements, equipment, water systems , sewer systems, streets ,lighting systems, traffic signals, and other infrastructure. This investment in capital assets as of June 30, 2018, was \$22,863,434 (net of accumulated depreciation). Major capital asset events during the year were:

- Additions of \$ 245,815 to the Water and Sewer fund and \$76,287 to the General fund for a total of \$322,102 in total capital assets.
- Deletions were \$51,768 in the Water and Sewer Fund and \$29,554 in the General Fund for a Total of \$81,322.
- Depreciation expense of \$63,640 was charged to governmental activities. \$892,204 was charged to the business-type activities.

	Governmental		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 75,416	\$ 75,416	\$ 371,118	\$ 371,118	\$ 446,534	\$ 446,534
Building and improvements	737,741	766,285	238,910	227,275	976,651	993,560
Equipment and vehicles	131,802	90,612	185,220	192,268	317,022	282,880
Water and sewer System			21,123,228	21,805,972	21,123,228	21,805,972
Net capital assets	<u>\$944,959</u>	<u>\$932,313</u>	<u>\$ 21,918,476</u>	<u>\$ 22,596,633</u>	<u>\$ 22,863,435</u>	<u>\$ 23,528,946</u>

Additional information on capital assets can be found in Note B in the Notes to Financial Statements.

Debt Administration:

The City of Taylorsville had total outstanding bonded debt of \$6,785,034 at June 30, 2018. Following is a comparative statement of outstanding debt:

	Governmental		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special revenue bonds	-	-	6,785,034	6,997,043	6,785,034	6,997,043
Compensated absences	22,821	11,783	67,895	72,173	90,716	83,956
Total	<u>\$22,821</u>	<u>\$11,783</u>	<u>\$ 6,852,929</u>	<u>\$ 7,069,216</u>	<u>\$ 6,875,750</u>	<u>\$ 7,080,999</u>

During the year, \$212,009 of bonded debt was retired.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Comptroller
City of Taylorville, Kentucky
Post Office Box 279
Taylorsville, KY 40071

CITY OF TAYLORSVILLE, KENTUCKY
Water and Sewer Enterprise Fund
Water Production Report

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Gallons Purchased	598,233,000	577,121,000	552,812,000	562,416,230	524,682,000
Gallons Sold	<u>413,483,422</u>	<u>392,164,594</u>	<u>391,905,579</u>	<u>396,439,374</u>	<u>384,262,125</u>
Gallons to Account For	184,749,578	184,956,406	160,906,421	165,976,856	140,419,875
Gallons used by City	58,387,464	48,627,460	40,377,430	53,173,962	61,991,910
And Returns to Louisville					
Gallons Available For Sale	539,845,536	528,493,540	512,434,570	509,242,268	462,690,090
Gallons Sold	<u>413,483,422</u>	<u>392,164,594</u>	<u>391,905,579</u>	<u>396,439,374</u>	<u>384,262,125</u>
System Loss	126,362,114	136,328,946	120,528,991	112,802,894	78,427,965
% Loss to Gallons Purchased	21.12	23.62	21.80	20.06	14.95
% Loss to Gallons Available	23.41	25.80	23.52	22.15	16.95
<u>Number of Connections in Use</u>					
City	676	663	636	637	637
County	6,804	6,689	6,514	6,402	6,317
Total	7,480	7,352	7,150	7,039	6,954
<u>Water Connections by Account Classification</u>					
Apartments	53	48	48	51	46
Bulk	3	3	3	3	3
Commercial	125	128	124	123	121
Educations Inst.	15	14	14	15	15
Farmstead	50	50	51	51	52
Government	30	31	31	30	32
Industrial	3	3	3	3	1
Miscellaneous	37	40	36	32	35
Trailer Park	2	2	2	2	2
Residential	7,162	7,033	6,838	6,729	6,647
Total	7,480	7,352	7,150	7,039	6,954

City of Taylorsville, Kentucky
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents - unrestricted	\$ 737,889	\$ 1,050,505	\$ 1,788,394
Cash and cash equivalents - restricted	314,639	3,162,297	3,476,936
Receivables	382,788	979,231	1,362,019
Intergovernmental receivables	3,931	0	3,931
Inventories	0	265,615	265,615
Nondepreciable capital assets	75,416	371,118	446,534
Depreciable capital assets	869,541	21,547,358	22,416,899
Total assets	2,384,204	27,376,124	29,760,328
Deferred outflows of resources:			
Deferred outflows related to pensions	214,677	675,103	889,780
Total assets and deferred outflows of resources	2,598,881	28,051,227	30,650,108
Liabilities:			
Accounts payable	173,657	146,479	320,136
Accrued expenses	0	32,057	32,057
Accrued wages and benefits	15,526	52,667	68,193
Customer deposits	0	475,100	475,100
Interest payable	0	129,063	129,063
Net pension liability	496,586	1,852,104	2,348,690
Long-term liabilities:			
Due within one year	0	218,656	218,656
Due in more than one year	0	6,566,379	6,566,379
Compensated absences	22,820	67,895	90,715
Total liabilities	708,589	9,540,400	10,248,989
Deferred inflows of resources:			
Deferred inflows related to pensions	154,923	199,370	354,293
Total liabilities and deferred inflows of resources	863,512	9,739,770	10,603,282
Net position:			
Net investment in capital assets	944,957	15,133,441	16,078,398
Restricted	280,939	3,162,297	3,443,236
Unrestricted	509,473	15,719	525,192
Total net position	\$ 1,735,369	\$ 18,311,457	\$ 20,046,826

The accompanying notes are an integral part of these financial statements.

City of Taylorsville, Kentucky
Statement of Activities
Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:	Expenses						
General government	\$ 767,087			\$ 630,967	\$ (136,120)	\$ 0	\$ (136,120)
Public safety - police	527,340	35,290	30,218		(461,832)	0	(461,832)
Public safety - fire	4,414				(4,414)	0	(4,414)
Sanitation	81,734	83,170			1,436	0	1,436
Streets	114,699		15,391		(99,308)	0	(99,308)
Total governmental activities	1,495,274	118,460	45,609	630,967	(700,238)	0	(700,238)
Business-type activities:							
Water services	4,400,977	4,087,045				(313,932)	(313,932)
Sewer services	610,358	528,065				(82,293)	(82,293)
Total business-type activities	5,011,335	4,615,110	0	0	0	(396,225)	(396,225)
Total city	\$ 6,506,609	\$ 4,733,570	\$ 45,609	\$ 630,967	(700,238)	(396,225)	(1,096,463)
General revenues:							
Property tax					183,706		183,706
Licenses and permits					265,705		265,705
Occupational license tax					294,415		294,415
Franchise fees					73,290		73,290
ABC license fee					8,400		8,400
Interest					1,041	12,009	13,050
Other revenues					992	46,176	47,168
Sale of assets					1,001	0	1,001
Total general revenues					828,550	58,185	886,735
Change in net position					128,312	(338,040)	(209,728)
Net position - beginning					1,607,057	18,649,497	20,256,554
Net position - ending					\$ 1,735,369	\$ 18,311,457	\$ 20,046,826

The accompanying notes are an integral part of these financial statements.

City of Taylorsville, Kentucky
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Special Revenue	Total Governmental Funds
Assets:			
Cash and cash equivalents - unrestricted	\$ 737,889	\$ 0	\$ 737,889
Cash and cash equivalents - restricted	198,891	115,748	314,639
Taxes receivable	382,788	0	382,788
Intergovernmental receivable	3,931	0	3,931
Total assets	<u>\$ 1,323,499</u>	<u>\$ 115,748</u>	<u>\$ 1,439,247</u>
Liabilities:			
Accounts payable	\$ 139,957	\$ 33,700	\$ 173,657
Payroll related liabilities	15,525	0	15,525
Total liabilities	<u>155,482</u>	<u>33,700</u>	<u>189,182</u>
Deferred inflows of resources			
Unavailable revenue	<u>3,512</u>	<u>0</u>	<u>3,512</u>
Fund balances:			
Nonspendable	0	0	0
Restricted	198,891	82,048	280,939
Committed	0	0	0
Assigned	0	0	0
Unassigned	965,614	0	965,614
Total fund balances	<u>1,164,505</u>	<u>82,048</u>	<u>1,246,553</u>
Total liabilities and fund balances	<u>\$ 1,323,499</u>	<u>\$ 115,748</u>	<u>\$ 1,439,247</u>

The accompanying notes are an integral part of these financial statements.

City of Taylorsville, Kentucky
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

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

Total governmental fund balances	\$ 1,246,553
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	944,957
Some assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	3,511
Deferred outflows and inflow or resources related to pensions are applicable to future periods and, therefore not reported in the funds:	
Deferred outflows related to pensions	214,677
Deferred inflows related to pension	(154,923)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	
Net pension liability	(496,586)
Compensated absences	(22,820)
Net position of governmental activities	<u>\$ 1,735,369</u>

City of Taylorsville, Kentucky
Statement of Revenues, Expenditure, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	General Fund	Special Revenue	Total Governmental Funds
Revenues:			
Property tax	\$ 183,707	\$ 0	\$ 183,707
Licenses and permits	274,104	0	274,104
Occupational license tax	294,415	0	294,415
Intergovernmental	28,335	15,391	43,726
Franchise fees	73,290	0	73,290
Charges for services	83,170	0	83,170
School resource officer	35,200	0	35,200
Grant proceeds	630,967	0	630,967
Interest	928	112	1,040
Other	2,965	0	2,965
Total revenues	<u>1,607,081</u>	<u>15,503</u>	<u>1,622,584</u>
Expenditures:			
Current			
General government	743,282	0	743,282
Public safety -police	490,777	0	490,777
Public safety - fire	4,414	0	4,414
Sanitation	81,734	0	81,734
Streets	68,162	44,602	112,764
Capital outlay			
Public safety -police	76,287	0	76,287
Total expenditures	<u>1,464,656</u>	<u>44,602</u>	<u>1,509,258</u>
Net change in fund balances	142,425	(29,099)	113,326
Other financing sources (uses):			
Sale of assets	1,001	0	1,001
Total other financing sources (uses)	<u>1,001</u>	<u>0</u>	<u>1,001</u>
Net change in fund balances	143,426	(29,099)	114,327
Beginning fund balances	<u>1,021,079</u>	<u>111,147</u>	<u>1,132,226</u>
Ending fund balances	<u>\$ 1,164,505</u>	<u>\$ 82,048</u>	<u>\$ 1,246,553</u>

The accompanying notes are an integral part of these financial statements.

City of Taylorsville, Kentucky
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds	\$	114,327
Governmental funds report capital outlays as expenditures. However, for governmental activities those costs are reported in the statement of net position and allocated over their estimated useful lives and reported as depreciation expense in the statement of activities		
Capital outlay reported in governmental expenditures		76,287
Depreciation expense reported in the statement of activities		(63,641)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employer contributions, is reported as pension expense		
		12,377
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
		(11,038)
Change in net position of governmental activities	<u>\$</u>	<u>128,312</u>

The accompanying notes are an integral part of these financial statements.

City of Taylorsville, Kentucky
Statement of Net Position
Proprietary Fund
June 30, 2018

	Utility Fund
Assets:	
Current assets:	
Cash	\$ 4,212,802
Customer receivables	979,231
Inventories	265,615
Total current assets	<u>5,457,648</u>
Noncurrent assets:	
Nondepreciable capital assets	371,118
Depreciable capital assets	21,547,358
Total noncurrent assets	<u>21,918,476</u>
Total assets	<u>27,376,124</u>
Deferred outflows of resources:	
Deferred outflows related to pensions	675,103
Total assets and deferred outflows of resources	<u><u>\$ 28,051,227</u></u>
Liabilities:	
Accounts payable	\$ 146,479
Accrued expenses	32,057
Payroll and related expenses	52,667
Interest payable	129,063
Customer deposits	475,100
Compensated absences	67,895
Net pension liability	1,852,104
Long-term liabilities:	
Due within one year	218,656
Due in more than one year	6,566,379
Total liabilities	<u>9,540,400</u>
Deferred inflows of resources:	
Deferred inflows related to pensions	199,370
Total liabilities and deferred inflows of resources	<u>9,739,770</u>
Net position:	
Net investment in capital assets	15,133,441
Restricted for:	
Debt service	287,017
Water/sewer operation	2,875,280
Unrestricted	15,719
Total net position	<u>18,311,457</u>
Total liabilities and net position	<u><u>\$ 28,051,227</u></u>

The accompanying notes are an integral part of these financial statements.

City of Taylorsville, Kentucky
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2018

Operating revenues	
Water revenue	\$ 4,087,045
Sewer revenue	<u>528,065</u>
Total operating revenues	<u>4,615,110</u>
Operating expenses	
Water services	3,546,984
Sewer services	<u>305,821</u>
Total operating expenses	<u>3,852,805</u>
Operating income before depreciation	762,305
Depreciation	<u>892,204</u>
Operating income	<u>(129,899)</u>
Non-operating income (expense)	
Grant revenue	0
Interest income	12,009
Other revenue	46,175
Interest expense	<u>(266,325)</u>
Total non-operating income (expense)	<u>(208,141)</u>
Change in net position	(338,040)
Net position - beginning	<u>18,649,497</u>
Net position - ending	<u>\$ 18,311,457</u>

The accompanying notes are an integral part of these financial statements.

City of Taylorsville, Kentucky
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2018

Cash flows from operating activities	
Receipts from customers	\$ 3,984,332
Payments to suppliers and service proviers	(2,265,604)
Payments to employees for salaries and benefits	(1,318,887)
Payments to general governement	<u>(83,170)</u>
Net cash provided by operating activities	<u>316,671</u>
Cash flows from capital and related financing activities	
Acquistion of property	(214,048)
Principal payments on bonds	(212,008)
Interest payments on bonds	(269,337)
Cash received from grants	<u>-</u>
Net cash provided by operating activities	<u>(695,393)</u>
Cash flows from investing activities	
Other cash receipts	46,175
Cash received from interest income	<u>12,009</u>
Net cash (used) by financing activities	<u>58,184</u>
Net increase in cash and cash equivalents	(320,538)
Cash and cash equivalents, beginning of year	<u>4,533,340</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,212,802</u></u>

The accompanying notes are an integral part of these financial statements.

Note 1 - Summary of Significant Accounting Policies

These financial statements of the City of Taylorsville, Kentucky (City) were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP). The following summary of the more significant policies of the City is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Reporting Entity

The City was incorporated January 29, 1829. The City operates under a Mayor-Commission form of government consisting of the mayor and four city commission members. The City's major operations include fire and police protection, street maintenance, and general administrative services. In addition, the City operates a water and sewer system and provides solid waste collection.

The financial statements of the City include the funds for which the Mayor and Commission are financially accountable. Financial accountability, as defined by Section 2100 of the Government Account Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, was determined based on the City's ability to significantly influence operations, select the governing body, participate in fiscal management, and the scope of public service. The City has no component units or entities for which the government is considered to be financially accountable.

Basis of Accounting/Measurement Focus/Financial Statement Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental and business-type activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in two (2) categories: 1) charges for services, and 2) operating grants and contributions.

Certain eliminations have been made as prescribed as GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all GASB Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City Applies all applicable FASB Statements and Interpretations issued after November 30th, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major Governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in balances as presented in these statements to the net assets and changes in net assets presented in the Government-wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending of “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance revenue sources, which have been treated as susceptible to accrual by the City, are property tax, insurance premium tax, occupational tax, intergovernmental revenues and other taxes. (See Note D) Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Fund Balance Classification: The Governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Receivables as being Non-spendable.
- Restricted: This classifications includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors,

contributors, or laws of regulations of other governments, of (b) imposed by law through constitutional provisions or enabling legislation. The City has classified certain cash accounts as being restricted because their use is restricted by Kentucky Revised Statutes and/or a City Ordinance. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2018.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Mayor through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. No funds have been assigned as of June 30, 2018.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The City Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are reported as non-operating expenses.

Component Units and Fiduciary Activities

There are no government component units incorporated in the basic government-wide financial statements. A component unit is a legally separate entity that is included in the primary government's financial reporting entity using the criteria of Government Standards Accounting Board Statement No. 14.

There are no fiduciary activities incorporated in the financial statements.

Budgetary Information, Compliance, and Accountability

Annual budgets are adopted on a basis consistent with Section 91 A.030 of Kentucky Revised Statutes (KRS) for the general, enterprise fund, and the special revenue fund. Budgets for all government activities and business-type activities and adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

On or before June 30th of each year, the Mayor must present the proposed budget to the City's Commission for review. The Commission holds public hearings and a final budget must be prepared and adopted no later than July 1st of the new fiscal year.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations can be made within a City department. The general government function of the General Fund is treated as a department for budgetary purposes and its budget is adopted as the object level. Transfers of appropriations between departments require the approval of the governing Commission. The legal level of budgetary control is the governing Commission. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

Budgeted amounts, as amended, in the financial statements are as adopted by ordinances of the City.

Encumbrance Accounting

Encumbrance accounting is a system under which purchase orders, contracts and other commitments for the expenditures of City monies are recorded as a reservation of budget. The City does not use the encumbrance system of accounting to record and track budgeted expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Investments

Kentucky Revised Statutes authorize the City to invest in obligations of the U.S Treasury, agencies, and instrumentalities; commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record; bankers' acceptances, repurchase agreements; and the state treasurer's investment pool.

Accounts Receivable

Amounts due from private individuals, business, organizations or other government entities which pertain to charges for services rendered by the City departments are reported as receivables.

Receivables are reviewed periodically to establish or update the provisions for uncollectible amounts. These provisions are estimated based on an analysis for the age of the various accounts. The City records the amount of earned but unbilled revenues for the Water and Sewer Utilities System enterprise funds.

Interfund Transactions

Interfund transactions are reflected as loans, services provided, and reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Charges for solid waste collection (garbage) are included in the monthly bills sent to customers of the Taylorsville Water Works and Sewer Department. The utility company remits the fees collected from the customers to the city of Taylorsville General Fund. During fiscal year ended June 30, 2018, \$83,170 was collected for solid waste collection and remitted to the Taylorsville General Fund.

Inventories

Inventories within the proprietary fund consists primarily of supplies valued at cost which approximates market. Cost is determined by the first-in, first-out method. The cost of inventories is recorded as an expense when consumed rather than when purchased.

Restricted Assets

The use of certain assets of general governmental funds and business-type proprietary funds is restricted by specific provisions of City ordinances, Kentucky Revised Statutes and bond resolutions. Assets so designated are identified as restricted assets in the balance sheet. When both restricted and unrestricted resources are available for use, the City’s policy is to use restricted resources first, then unrestricted resources as they are

needed. Restricted assets are classified as non-current if they are for the acquisition or construction of capital assets, for liquidation of long-term debt or other than current operations.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. In connection with implementation of GASB Statement No. 34, the City established a threshold of \$1,000 for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects as constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but charged to an expense account in the current year.

Impairment Loss

General Government Activities and Business-type Activities revenues do not include impairment losses due to the elimination of equipment (net of accumulated depreciation) that was no longer of service for City use.

Infrastructure

The City has elected to use the modified approach in accounting for its street network (pavement, drainage, sidewalks, and curbs). The modified approach allows governments to report as expenses in lieu of depreciation, infrastructure expenditures which maintain the asset but do not add to or improve the asset. Additions and improvements to the street network are capitalized. The City uses a pavement rating system to rate street condition and quantifies the results of maintenance efforts.

The condition of street pavement is rated using the Asphalt Institute's *Asphalt Pavement Rating Form*, which bases ratings on a weighted average of thirteen defects found in pavements. The form uses a measurement scale that is based on a condition index rating from zero for failed pavement to 100 for pavement in perfect condition. The condition index is used to classify roads and streets in seven categories: very good (94-100), good (76-93), fair (64-75), poor (41-63), very poor (0-40). It is the City's policy to maintain at least 80% of its street system in good or better condition. The last time the City rated the condition of City Streets was for reporting the financial statements for June 30, 2010 and the year then ended.

Operating and Non-Operating Revenues and Expenses

The business-type proprietary fund financial statements distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses are those that result from operating revenues are charges for water and wastewater treatment services of the City's utility system. Operating expenses include the cost of sales and services, administration costs and depreciation expenses.

Non-operating revenues and expenses are all those that do not meet the criteria described previously, and include interest and tax revenues, and debt service expenses.

Compensated Absences

It is the policy of the City to permit City employees to accumulate a limited amount of earned but unused leave benefits which will be paid to City employees upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned. The valuation of accrued leave benefits calculated in accordance with GASB Statement No. 16, *Accounting for compensated absences*. The liability is typically liquidated with resources of the same fund that has paid the applicable employee's regular salaries and fringe benefits.

Net Position - Reserves and Designations

At June 30, 2018, net position of the primary government consisted of the following:

	Governemental Activities	Business-Type Activities
Net investment in capital assets	\$ 944,957	\$ 15,133,441
Restricted for:		
Debt service	0	287,017
Water/sewer operation	0	2,875,280
Streets and roads	82,049	0
FEMA drainage project	198,890	0
Unrestricted	509,473	15,719
Total net position	<u>\$ 1,735,369</u>	<u>\$ 18,311,457</u>

None of the net position is restricted by enabling legislation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Taxes Receivable, Property Tax Calendar and Provision for Uncollectable Real Property Taxes

Property tax (real property) rolls are prepared by the Spencer County Property Tax Assessors offices on property assessed as of the preceding January 1. The assessments are determined in accordance with Kentucky Revised Statutes. The due date collection for all taxes exclusive of vehicle taxes are as follows:

Description	Date per KRS 134.015
Due date for payment	Upon receipt
2% Discount	To November 30
Face value payment period	To December 31
Past due date, 10% penalty	January 1
Interest charges	1.0% per month effective January 1

Vehicle taxes are collected by the County Clerk of Spencer County. Vehicle taxes are due in the birth month of the licensee.

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Note 2 - Deposits and Investments

The City maintains the following governmental activity cash accounts:

	<u>Non-restricted</u>	<u>Restricted</u>
General fund checking	\$ 737,889	\$
FEMA drainage project		198,891
Municipal aid checking		115,748
	<u>\$ 737,889</u>	<u>\$ 314,639</u>

The City maintains the following business-type activity cash accounts:

	<u>Non-restricted</u>	<u>Restricted</u>
Water and sewer money market	\$ 367,524	\$
Operation and maintenance checking	681,996	
Elementary school project		84
Revenue checking		4,476
Simpson Creek waterline checking		0
Escrow checking		437,600
Water and sewer extension checking		14,896
Bond and interest checking		287,017
Taylorsville Lake syster system checking		83
Depreciation money market		2,379,640
Customer rebate checking		823
Meter set and supplemental checking		37,500
Phase V water system checking		83
Kings Church Road checking		95
	<u>1,049,520</u>	<u>3,162,297</u>
Cash on hand	485	
Petty cash	500	
	<u>\$ 1,050,505</u>	<u>\$ 3,162,297</u>

The city reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three (3) months or less to be cash equivalents.

Concentrations of Credit Risk

The City has reduced its concentration of credit risk by depositing City funds in several federally insured financial institutions. As of June 30, 2018, City funds were deposited in three (3) area financial institutions; Citizens Union Bank 51%, Commonwealth Bank and Trust 42%, and The Peoples Bank 7%.

Credit Risk

At June 30, 2018, the carrying value of the City of Taylorsville's deposits was \$5,406,900. The Federal Deposit Insurance Corporation (FDIC) insures the first \$250,000 of the total of deposits in financial institutions. Total deposited funds in excess of the \$250,000 insured by FDIC are covered by securities pledged for the City by Citizens Union Bank, Commonwealth Bank and Trust Company, and The Peoples Bank.

<u>Financial Institution</u>	<u>Deposits</u>	<u>FDIC Insured</u>	<u>Securities Market Value</u>	<u>Surplus</u>
Citizens Union Bank	\$ 2,780,610	\$ 250,000	\$ 3,033,623	\$ 503,013
Commonwealth Bank	\$ 2,258,765	\$ 250,000	\$ 2,908,719	\$ 899,954
The Peoples Bank	\$ 367,524	\$ 250,000	\$ 168,177	\$ 50,653

Custodial Credit Risk

Kentucky Revised Statutes (KRS) authorizes municipalities to invest in obligations of the United States of America and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge security obligations of the United States of America government or its agencies.

The Ordinances authorizing the Waterworks and Sewer System revenue bonds require that the City of Taylorsville establish a sinking fund and a depreciation reserve fund.

The sinking fund is funded in an amount not less than the maximum annual requirements for the payment of principal and interest on all revenue bonds. The sinking fund has a balance of \$287,017 as of June 30, 2018 and is considered fully funded.

The depreciation reserve fund is to be funded monthly from the revenue fund until fully funded at \$481,600. The balance in the depreciation reserve as of June 30, 2018 is \$2,379,640 and is considered fully funded.

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

Governmental Activities:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets :				
Land	\$ 75,416	\$ 0	\$ 0	\$ 75,416
Buildings and improvements	1,091,263	0	0	1,091,263
Vehicles	437,254	72,181	29,554	479,881
Equipment	109,160	4,106	0	113,266
Total capital assets	<u>1,713,093</u>	<u>76,287</u>	<u>29,554</u>	<u>1,759,826</u>
Less accumulated depreciation for:				
Buildings	324,978	28,544		353,522
Vehicles	353,360	32,222	29,554	356,028
Equipment	102,442	2,875		105,317
Total accumulated depreciation	<u>780,780</u>	<u>63,641</u>	<u>29,554</u>	<u>814,867</u>
Governmental activities capital assets, net	<u>\$ 932,313</u>	<u>\$ 12,646</u>	<u>\$ 0</u>	<u>\$ 944,959</u>

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CITY OF TAYLORSVILLE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Business-type activities:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets:				
Land	\$ 371,118	\$ 0	\$ 0	\$ 371,118
Buildings and improvements	639,330	27,998	0	667,328
Machinery and equipment	435,026	8,254	0	443,280
Vehicles, water	653,558	28,349	(20,000)	661,907
Vehicles, sewer	53,896	0	0	53,896
Louisville line project	3,849,395	0	0	3,849,395
Phase I water distribution system	2,575,753	0	0	2,575,753
Phase II water distribution system	4,158,606	0	0	4,158,606
Phase III water distribution system	3,336,509	0	0	3,336,509
Phase IV water distribution system	576,194	0	0	576,194
Water system	9,716,400	109,565	0	9,825,965
Sewer system	5,171,134	71,649	(31,768)	5,211,015
Waste water upgrade	3,901,744	0	0	3,901,744
Total capital assets being depreciated	<u>35,438,663</u>	<u>245,815</u>	<u>(51,768)</u>	<u>35,632,710</u>
Less accumulated depreciation for:				
Buildings and improvements	412,055	16,363		428,418
Machinery and equipment	414,505	6,297		420,802
Vehicles, water	481,811	37,354	(20,000)	499,165
Vehicles, sewer	53,896			53,896
Louisville line project	2,001,322	95,610		2,096,932
Phase I water distribution system	869,317	64,394		933,711
Phase II water distribution system	1,056,957	103,966		1,160,923
Phase III water distribution system	670,255	83,413		753,668
Phase IV water distribution system	98,025	14,404		112,429
Water system	3,567,633	239,240		3,806,873
Sewer system	2,682,768	133,620		2,816,388
Waster water upgrade	533,486	97,543		631,029
Total accumulated depreciation	<u>12,842,030</u>	<u>892,204</u>	<u>(20,000)</u>	<u>13,714,234</u>
Business-type activities capital assets, net	<u>\$ 22,596,633</u>	<u>\$ (646,389)</u>	<u>\$ (31,768)</u>	<u>\$ 21,918,476</u>

During the fiscal year ending June 30, 2018 depreciation expense was charged to the funds as follows:

Governmental activities:

General government	\$ 23,804
Public safety - police	37,902
Streets	1,934
	<u>\$ 63,640</u>

Business-type activities:

Water	\$ 661,040
Sewer	231,164
	<u>\$ 892,204</u>

Depreciation is computed using the straight-line method. The estimated service life of each class of capital asset is based upon guidelines established by the Internal Revenue Service. Donated capital assets are recorded at estimated fair value at the date of donation.

Note 4 – Receivables

As of June 30, 2018, the receivables due the City consist of the following:

	Governmental Activities	Business-Type Activities
Property taxes	\$ 2,855	\$
Franchise fees	3,497	
Insurance tax	42,612	
Occupational tax	24,375	
Motor vehicle tax	724	
FEMA	308,725	
Customer accounts		259,721
Receivership		719,510
Receivables	<u>\$ 382,788</u>	<u>\$ 979,231</u>
 KLEFPF	 \$ 3,931	 \$
Intergovernmental receivables	<u>\$ 3,931</u>	<u>\$ 0</u>

The City uses the specific charge-off method to recognize bad debt expense.

Note 5 - Long Term Debt

Changes in the City's long-term liabilities for the year ended June 30, 2018 are as follows:

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018	Amounts Due Within One Year
Business-type activities:					
Revenue bonds					
Kentucky Infrastructure Authority					
F02-03	\$ 431,043	\$ 0	\$ (64,509)	\$ 366,534	\$ 65,156
Rural Development Agency					
Series 1994 A 92-07	443,000	0	(18,000)	425,000	18,000
Series 1998 91-10	1,407,000	0	(39,000)	1,368,000	41,000
Series 2001 92-12	553,000	0	(13,000)	540,000	14,000
Series 2004 91-13	1,432,000	0	(29,000)	1,403,000	30,500
Series 2008 County	1,235,000	0	(19,500)	1,215,500	20,500
Series 2008 City	183,000	0	(3,000)	180,000	3,000
Series 2011 A	800,000	0	(16,000)	784,000	16,500
Series 2011 B	513,000	0	(10,000)	503,000	10,000
	<u>\$ 6,997,043</u>	<u>\$ 0</u>	<u>\$ (212,009)</u>	<u>\$ 6,785,034</u>	<u>\$ 218,656</u>

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Business - Type Activities

\$1,241,766 Series 2003 Phase I Water Distribution System Bonds due to Kentucky Infrastructure Authority, semi-annual installments approximate \$35,000 and are due December 1, 2023, interest rate is fixed at 1.000%.	\$ 366,534
\$666,000 Series A 1994 Waterworks and Sewer System Revenue Bonds due to United States Department of Agriculture, Rural Development, annual installments range from \$7,000 to \$37,000 throughout the term of the bond, and are due January 1, mature January 1, 2034, interest rate is fixed at 4.500%.	425,000
\$1,844,000 Series 1998 Waterworks and Sewer System Revenue Bonds due to United States Department of Agriculture, Rural Development, annual installments range from \$19,000 to \$95,000 throughout the term of the bond, and are due January 1, mature January 1, 2039, interest rate is fixed at 4.500%.	1,368,000
\$690,000 Series 2001 Sewer Rehabilitation Bonds due to United States Department of Agriculture, Rural Development, annual installments range from \$7,000 to \$36,000 throughout the term of the bond, and are due January 1, mature January 1, 2041, interest rate is fixed at 4.500%.	540,000
\$1,692,000 Series 2004 phase II Water Distribution System Bonds Due to United States Department of Agriculture, Rural Development, annual installments range from \$16,500 to \$93,500 throughout the term of the bond, and are due January 1, mature January 1, 2043, interest rate is fixed at 4.500%.	1,403,000
\$1,350,000 Series 2008 Phase III Water Distribution System Bonds (in county project)(Formerly Kentucky Rural Water Financing Corporation interim financing), due to United States Department of Agriculture, Rural Development, annual installments range from \$14,500 to \$71,500 throughout the term of bond, and are due beginning January 1, mature January 1, 2048, interest rate is 4.375%.	1,215,500
\$200,000 Series 2008 Phase III Water Distribution System Bonds (in city project)(Formerly Kentucky Rural Water Financing Corporation interim financing), due to United States Department of Agriculture, Rural Development, annual installments range from \$2,000 to \$12,000 throughout the term of the bond, and are due January 1, mature January 1, 2048, interest rate is 4.375%.	180,000
\$860,000 Series 2011 Revenue Bond Series A 92-19, due to United States Department of Agriculture, Rural Development, mature January 1, 2051, interest rate is 2.250% semi annual payments due January 1 and July 1, secured by revenue.	784,000
\$550,000 Series 2011 Revenue Bond Series A 92-21, due to United States Department of Agriculture, Rural Development, mature January 1, 2051, interest rate is 2.250%, semi annual payments due January 1 and July 1, secured by revenue.	503,000
	<u>\$ 6,785,034</u>

Depreciation Fund- All of the United States Department of Agriculture and Rural Development bonds loan requirements are in compliance.

Required Depreciation Reserve Fund Balance, June 30, 2018	\$ 481,600
Depreciation Reserve Account Balance	\$2,379,640

In addition to the above from the Revenue Fund, there shall also be deposited in the Depreciation Fund, as received, the proceeds of all property damage insurance (except public liability) maintained in connection with System, and the cash proceeds of any surplus, worn out or obsolescent properties of the System, if the same is sold on order of the City. Any fees that may be levied and collected by the City for the privilege of connecting to the System (excluding initial deposits received in aid of the project, if any) shall be paid, as received, into the Depreciation Fund.

The Depreciation Fund shall be available and may be withdrawn and used by the City, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals or replacements, not included in the Annual Budget of Current Expenses, and the cost of constructing additions and improvements to the System which will either enhance its revenue-producing capacity or provide a high degree of service. This Fund shall also be available for transfer to the Bond and Interest Sinking Fund in order to avoid a default in connection with any bonds payable from the Sinking Fund.

Operation and Maintenance Fund- This Fund receives on a monthly basis, the remaining balance in the Revenue Fund after the above transfer has been made. This Fund is used to pay operating expenses. Any funds remaining after meeting these expenses in excess of two (2) months operating expense reserve shall be transferred into the Depreciation Fund.

Note 6 - Risk Management

The City of Taylorsville is exposed to various risk of loss to torts: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, natural disasters. In order to minimize its loss due to these various risks, the City has insurance with the Kentucky League of Cities Insurance Services for general liability insurance, property insurance and commercial risk insurance for all risk of loss such as worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three (3) years.

General Liability Coverage, L5539-011140

General liability	\$ 2,000,000	per occurrence
Public officials liability	\$ 2,000,000	per occurrence
Law enforcement liability	\$ 2,000,000	per occurrence
Automobile liability	\$ 2,000,000	per occurrence
Automobile physical damage	Actual	per occurrence

Property Coverage, P5539-011090

Building and personal property	\$ 7,337,676	per occurrence
Scheduled equipment	\$ 247,639	per occurrence
Flood	\$ 5,000,000	per occurrence
Flood zones B, C, X only	\$ 50,000,000	per occurrence
Earth movement	\$ 7,585,315	per occurrence

Workers' Compensation Coverage, W5539-011080

Per occurrence	\$ 247,639	
Bodily injury by accident	\$ 4,000,000	each employee
Bodily injury by disease	\$ 4,000,000	each employee

Note 7 - Related Parties Transactions

In a governmental entity, related parties include members of the governing body (city commissioners, etc.). Board members, administrative officials (mayor, city clerk, etc.), immediate family members of the preceding individuals, and affiliated governmental units that are not included in the financial statements as part of the reporting entity such as water sewer systems. There are no related party transactions to be disclosed.

Note 8 - Economic Dependency

The City is not economically dependent on one or more major taxpayers or suppliers.

Note 9 - Pending Litigation

The City of Taylorsville is a defendant in various lawsuits in the normal course of business. According to legal counsel, the outcome of the lawsuits is not determinable.

Note 10 – Retirement Plans

The City's eligible employees are covered by the County Employees Retirement System.

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions—Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability that was associated with the City were as follows:

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

City's proportionate share of the CERS net pension liability

Hazardous	\$ 496,586
Non-hazardous	<u>1,852,104</u>
Total	<u><u>\$ 2,348,690</u></u>

The City's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the City's proportion was 0.022196% for hazardous and 0.031642% for non-hazardous.

For the year ended June 30, 2018, the City recognized pension expense of \$34,448 and \$331,422 for Hazardous and Non-hazardous, respectively. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,511	\$ 47,014
Changes in assumptions	440,821	0
Net difference between projected and actual earnings on pension plan investments	179,456	152,009
Changes in proportion and differences between City contributions and proportionate share of contributions	43,282	155,270
City contributions subsequent to the measurement date	<u>205,710</u>	<u>0</u>
	<u><u>\$ 889,780</u></u>	<u><u>\$ 354,293</u></u>

\$205,710 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	117,490
2020	149,961
2021	91,328
2022	(29,002)
2023	-

Actuarial assumptions—The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS
Inflation	3.25%
Projected salary increases	4.00%
Investment rate of return, net of investment expense & inflation	6.25%

For CERS, the mortality table used for active member is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retiree members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disable members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. 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. 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.

Discount rate—For CERS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the City, calculated using the discount rates selected by each pension system, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (I calculated the amounts in this schedule:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
Hazardous	\$ 391,058	\$ 496,586	\$ 624,367
Non-hazardous	2,335,903	1,852,104	1,447,409
City's proportionate share			
of net pension liability	<u>\$ 2,726,961</u>	<u>\$ 2,348,690</u>	<u>\$ 2,071,776</u>

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of CERS.

Note 11- Date of Management's Review

Subsequent events were evaluated through October 18, 2018 which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment or disclosure in the financial statements.

City of Taylorsville, Kentucky
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property taxes	\$ 171,000	\$ 171,000	\$ 183,906	\$ 12,906
Licenses and permits	224,000	224,000	251,086	27,086
Occupational license tax	325,000	325,000	328,229	3,229
Intergovernmental and HB 413	26,000	26,000	20,749	(5,251)
Franchise fees	70,000	70,000	72,751	2,751
Charges for services	87,000	87,000	83,170	(3,830)
School resource officer	35,200	35,200	35,200	0
HB 413 court costs	8,000	8,000	5,216	(2,784)
FEMA drainage project	800,000	900,000	630,967	(269,033)
Other revenue	13,300	13,300	4,894	(8,406)
Total revenues	1,759,500	1,859,500	1,616,168	(243,332)
Expenditures				
General government	166,986	175,000	151,993	23,007
Public safety - police	590,747	650,000	578,101	71,899
Public safety - fire	8,000	8,000	4,414	3,586
Public works - streets	106,767	106,768	68,162	38,606
Public works - sanitation	87,000	87,000	81,734	5,266
FEMA Drainage Project	800,000	900,000	591,289	308,711
Total expenditures	1,759,500	1,926,768	1,475,693	451,075
Net change in fund balance	0	(67,268)	140,475	207,743
Fund balance - beginning	724,167	929,583	929,583	0
Fund balance - ending	\$ 724,167	\$ 862,315	\$ 1,070,058	\$ 207,743

City of Taylorsville, Kentucky
Municipal Road Aid Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Intergovernmental revenues	\$ 15,000	\$ 15,000	\$ 15,391	\$ 391
Other revenue	<u>100</u>	<u>100</u>	<u>112</u>	<u>12</u>
Total revenues	<u>15,100</u>	<u>15,100</u>	<u>15,503</u>	<u>403</u>
Expenditures				
Streets	<u>35,000</u>	<u>60,000</u>	<u>44,602</u>	<u>15,398</u>
Total expenditures	<u>35,000</u>	<u>60,000</u>	<u>44,602</u>	<u>15,398</u>
Net change in fund balance	(19,900)	(44,900)	(29,099)	15,801
Fund balance - beginning	<u>104,233</u>	<u>111,147</u>	<u>111,147</u>	<u>0</u>
Fund balance - ending	<u>\$ 84,333</u>	<u>\$ 66,247</u>	<u>\$ 82,048</u>	<u>\$ 15,801</u>

City of Taylorsville, Kentucky
Water and Sewer Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Charges for services	\$ 4,712,500	\$ 4,712,500	\$ 4,615,110	\$ (97,390)
Project revenue	2,495,000	2,495,000	0	(2,495,000)
Other revenue	0	0	58,184	58,184
Total revenues	<u>7,207,500</u>	<u>7,207,500</u>	<u>4,673,294</u>	<u>(2,534,206)</u>
Expenditures				
Operating	4,892,500	5,250,000	4,839,337	410,663
Project expense	<u>2,495,000</u>	<u>2,495,000</u>	<u>0</u>	<u>2,495,000</u>
Total expenditures	<u>7,387,500</u>	<u>7,745,000</u>	<u>4,839,337</u>	<u>2,905,663</u>
Net change in fund balance	(180,000)	(537,500)	(166,043)	371,457
Fund balance - beginning	<u>20,005,635</u>	<u>19,853,870</u>	<u>19,853,870</u>	<u>0</u>
Fund balance - ending	<u>\$ 19,825,635</u>	<u>\$ 19,316,370</u>	<u>\$ 19,687,827</u>	<u>\$ 371,457</u>

Note A- Budgetary Basis of Accounting

While the City reports financial position, results of operations, and changes in fund balance in accordance with generally accepted accounting principles (GAAP) accepted in the United States the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The statement of revenues, expenditures, and changes in fund balances - budget (non-GAAP budgetary basis) and actual is presented to provide a meaningful comparison of actual results with the budget.

Note B- Reconciling Net Change in Fund Balance Budgetary Basis to GAAP Basis

Net change in fund balance	General Fund	Municipal Road Aid Fund	Water and Sewer Fund
GAAP Basis	\$ 143,426	\$ (29,099)	\$ (338,040)
Net adjustment for revenue accruals	8,086	0	0
Net adjustment for expenditure accruals	(11,037)	0	171,997
Budgetary basis	<u>\$ 140,475</u>	<u>\$ (29,099)</u>	<u>\$ (166,043)</u>

Note C- Information about Infrastructure Assets Reported Using the Modified Approach

AS allowed by GASB Statement No. 34, *Basic Financial statements- and Management's Discussion and Analysis- for State and Local Governments*, the City has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the "modified approach," infrastructure assets are not depreciated and maintenance and preservation costs are not expensed. The City capitalized costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach.

In order to use the modified approach, the City is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets and the condition level established and disclose by the City.
- Document that the infrastructure assets are being preserved approximately at or above the condition level established by the City.

A government that uses the modified approach has to document that it has performed a complete condition assessment of the assets at least every three years. The City completed a condition assessment of the assets and reported the results of the assessment in the financial statements of June 30, 2010 and for the year then ended. That assessment is reported in these financial statements as of June 30, 2017 and for the year then ended.

Roads

The City applies the modified approach to the thirty-three (33) streets and roads that are owned by the City and maintained by the City's Streets Department. The goal of the City in conjunction with adopting the modified approach is the develop and provide a cost effective pavement maintenance and rehabilitation program that preserves the City's investment in its road network and enhances public transportation and safety.

Measurement Safety

The condition of road pavement is measured using the City Pavement Measurement System. This system uses a measurement scale that considers the condition of the highways and roads as denoted by a Pavement Condition Index (PCI), ranging from 0 to 100. The PCI is used to classify roads into categories.

Category	PCI Rating Range	Description
Very Good	94 – 100	New or nearly new pavement which provides a very smooth ride and is mainly free of distress (no maintenance work needed).
Good	76 – 93	Pavement which provides an adequate ride and exhibits few, if any, visible signs of distress (minor maintenance may be needed).
Fair	64 – 75	Surface defects such as cracking, rutting, and raveling are affecting the ride (major maintenance is likely needed).
Poor	41 – 63	These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough (structural improvements in addition to major maintenance are likely needed).
Very Poor	0 – 40	Pavement in this category is severely deteriorate and the ride quality is unacceptable (complete road reconstruction is likely needed).

Established Condition Level

It is the City's policy to maintain at least 80% of its roads at or above the "good" condition level, and no more than 10% at a "very poor" condition. Condition assessments are performed by geographic City within the City on approximately one-third of the roads each year, achieving a complete condition assessment at least every three years.

Assessed Conditions

During the past five (5) years ended June 30, the City budgeted and spent the amounts to maintain the streets, roads and sidewalks of the City.

<u>Ended June 30</u>	<u>Budget</u>	<u>Expenditure</u>
2014	14,016	18,729
2015	104,210	49,281
2016	33,615	26,969
2017	32,183	44,332
2018	50,033	16,101

City of Taylorsville, Kentucky
Schedule of General Fund Activity
Year Ended June 30, 2018

	General Government	Fire Department	Police Department	Street Department	Sanitation Department	Total
ABC license fee	\$ 8,400	\$	\$	\$	\$	\$ 8,400
Automobile tax - county	12,794					12,794
Automobile tax - intercounty	3,079					3,079
Bank shares tax	22,223					22,223
Business license	33,813					33,813
Discount on taxes	(2,188)					(2,188)
FEMA drainage project	443,467					443,467
FEMA drainage DLG grant	187,500					187,500
Fines, forfeitures, and penalties	943					943
Franchise fees	72,751					72,751
HB 413 court costs	5,216					5,216
Insurance premium tax	205,282					205,282
Interest income	928					928
Intergovernmental revenue			20,749			20,749
Miscellaneous revenue	992					992
Occupational license tax	328,126					328,126
Penalties and interest - BL	3,592					3,592
Penalties and interest - OLT	103					103
Police overtime reimbursement			1,882			1,882
Police siezed revenue						0
Police warrants reimbursement			90			90
Property tax	142,567					142,567
Returned checks						0
Sale of assets	1,001					1,001
Sanitation					83,170	83,170
School resource officer program			35,200			35,200
Telecommunications tax	4,488					4,488
Total revenues	1,475,077	0	57,921	0	83,170	1,616,168

City of Taylorsville, Kentucky
Schedule of General Fund Activity (continued)
Year Ended June 30, 2018

	General Government	Fire Department	Police Department	Street Department	Sanitation Department	Total
Bank charges	\$ 229	\$	\$ 202	\$	\$	\$ 431
Building maintenance			1,183			1,183
Capital outlay			76,286			76,286
Contract services	1,380	4,414	3,070			8,864
Dues and donations	100					100
Engineering services	8,953					8,953
FEMA drainage project	591,289					591,289
FICA	2,627		18,158			20,785
Floodwall recertification	12,500					12,500
Insurance	956		32,166	836		33,958
Legal and audit fees	10,127		8,413			18,540
Life insurance			20			20
Main street manager	7,000					7,000
Main street committee	5,000					5,000
Medical allowance	27,437					27,437
Medical insurance			34,073			34,073
Medicare	614		4,247			4,861
Miscellaneous	100		352			452
Multipurpose CAA	5,000					5,000
Office supplies	864		7,625			8,489
Postage			62			62
Publication and printing	2,391		181	312		2,884
Repairs and maintenance	5,282		9,455	16,117		30,854
Retirement			46,825			46,825
Salaries	42,380		296,953			339,333
Salaries, overtime			6,947			6,947
Sanitation					81,734	81,734
Seminars and travel	3,668		1,110			4,778
State unemployment insurance			2,052			2,052
Supplies			1,041	722		1,763
Tax preparation	4,811					4,811
Taxes and licenses	212		70			282
Tourism committee	5,000					5,000
Training expense			225			225
Uniforms			2,990			2,990
Utilities	5,362		6,077	50,175		61,614
Vehicle expense			5,155			5,155
Vehicle fuel			13,163			13,163
Total expenditures	743,282	4,414	578,101	68,162	81,734	1,475,693
Change in fund balance	\$ 731,795	\$ (4,414)	\$ (520,180)	\$ (68,162)	\$ 1,436	\$ 140,475

The accompanying notes are an integral part of these financial statements.

City of Taylorsville, Kentucky
Schedule of Municipal Road Aid Fund Activity
Year Ended June 30, 2018

	Municipal Street Activities
Intergovernmental revenue	\$ 15,391
Interest income	112
Total revenue	15,503
 Expenditures	 44,602
Change in fund balance	\$ (29,099)

City of Taylorsville, Kentucky
Schedule of Water and Sewer Fund Activity
Year Ended June 30, 2018

	Water Service	Sewer Service	Total
Activation fees	\$ 17,940	\$	\$ 17,940
Impact fee		57,000	57,000
Interest income	12,009		12,009
Lease income	30,033		30,033
Meter sets	246,100		246,100
Miscellaneous revenue	15,656		15,656
Penalties	69,949		69,949
Redeposits	4,033		4,033
Return check revenue	2,675		2,675
Returned check fees	(7,675)		(7,675)
Sale of assets	600		600
School funded sewer		12,756	12,756
Sewer impact - Premier		500	500
Sewer revenue		362,806	362,806
Surcharge Phase I	50,245		50,245
Surcharge Phase II	38,376		38,376
Surcharge Phase III	6,383		6,383
Turn on and service trips	21,580		21,580
Vendors compensation	486		486
Water refunds and allowances	(18,687)		(18,687)
Water revenue	<u>3,750,529</u>		<u>3,750,529</u>
Total revenues	<u>4,240,232</u>	<u>433,062</u>	<u>4,673,294</u>

City of Taylorsville, Kentucky
Schedule of Water and Sewer Fund Activity (continued)
Year Ended June 30, 2018

	Water Service	Sewer Service	Total
Advertising	\$ 1,625	\$ 350	\$ 1,975
Bad debts	8,624		8,624
Bank charges	3,299		3,299
Consulting	44	44	88
Contract labor	7,540		7,540
Cost of goods sold	68,763	323	69,086
Depreciation	661,040	231,164	892,204
Dues and subscriptions	2,573		2,573
Education and seminars	1,677	1,910	3,587
FICA	47,574	6,267	53,841
Freight	2,450	293	2,743
Inspection and lab fees	15,887	18,576	34,463
Insurance	74,278	14,512	88,790
Interest expense	192,952	73,372	266,324
Legal and audit fees	18,020	1,091	19,111
Licenses and permits	567		567
Life insurance	99	9	108
Louisville water purchased	1,355,871		1,355,871
Maintenance and repairs	117,157	9,154	126,311
Medical insurance	222,438	24,988	247,426
Medicare	11,126	1,465	12,591
Meter repair	268,736		268,736
Office supplies	22,728	192	22,920
Postage	29,387		29,387
Retirement	139,996	19,429	159,425
Salaries	744,502	99,575	844,077
Salaries, overtime	18,454	1,584	20,038
State unemployment	5,599	743	6,342
Supplies	20,964	6,118	27,082
Transfer to dispatch	9,600		9,600
Travel	683	37	720
Truck expenses		3,571	3,571
Uniforms	10,729	2,077	12,806
Utilities	127,330	67,027	194,357
Vehicle expenses	16,188		16,188
Vehicle fuel	21,116	5,840	26,956
Total expenses	<u>4,249,616</u>	<u>589,711</u>	<u>4,839,327</u>
Change in fund balance	<u>\$ (9,384)</u>	<u>\$ (156,649)</u>	<u>\$ (166,033)</u>



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

City of Taylorsville, Kentucky
70 Taylorsville Road
Taylorsville, KY 40071

To the City Commission

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, the business-type activities, and each major fund of the City of Taylorsville, Kentucky (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 18, 2018.

Internal Control over Financial Reporting

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

Maddox & Associates CPAs, Inc.

Fort Thomas, KY
January 4, 2019