

CITY OF MULDRAUGH
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2011

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT.....	PAGE 4
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS.....	6
STATEMENT OF ACTIVITIES.....	7
GOVERNMENTAL FUND FINANCIAL STATEMENTS:	
BALANCE SHEET – GOVERNMENTAL FUNDS.....	8
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS.....	9
PROPRIETARY FUND FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	12
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS.....	13
STATEMENT OF CASH FLOWS.....	14
NOTES TO FINANCIAL STATEMENTS.....	15
REQUIRED SUPPLEMENTARY INFORMATION:	
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GENERAL FUND – BUDGET TO ACTUAL.....	29
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	32
SUPPLEMENTARY INFORMATION:	
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS).....	34
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS).....	35
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUSINESS-TYPE ACTIVITIES (PROPRIETARY FUNDS) – BUDGET TO ACTUAL.....	36

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS (SPECIAL
REVENUE FUNDS) – BUDGET TO ACTUAL.....38

1986 SERIES A REVENUE BOND.....40

1986 SERIES B REVENUE BOND.....41

LIST OF COUNCIL MEMBERS..... 42

AUDITORS' CERTIFICATION.....43

William A. Talley
Jon D. Chesser
Bob E. Wientjes

Kentucky Offices:
Louisville
Brandenburg
Bardstown

INDEPENDENT AUDITORS' REPORT

Mayor and Members of the City Council
City of Muldraugh
Muldraugh, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Muldraugh, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Muldraugh, Kentucky's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the City's June 30, 2010 statements and, in our report dated November 15, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Muldraugh, Kentucky, as of June 30, 2011, and changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2011 on our consideration of the City of Muldraugh's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The City of Muldraugh has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Budgetary comparison information on pages 29 through 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the budgetary comparison information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Muldraugh, Kentucky's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison for Proprietary and Nonmajor Governmental Funds, and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The budgetary comparison for Proprietary and Nonmajor Governmental Funds have not been subjected to 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.

Richardson, Pennington & Skinner, PSC.

Louisville, Kentucky
October 31, 2011

**CITY OF MULDRAUGH
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	INTERNAL BALANCES	TOTALS
ASSETS				
Current assets:				
Cash	\$ 53,365	\$ 49,782	\$ -0-	\$ 103,147
Receivables:				
Occupational taxes	9,657	-0-	-0-	9,657
Property taxes	1,173	-0-	-0-	1,173
KLEFPF	920	-0-	-0-	920
Insurance premium tax	23,304	-0-	-0-	23,304
Water	-0-	17,683	-0-	17,683
Sewer	-0-	26,118	-0-	26,118
Garbage	-0-	13,436	-0-	13,436
Surcharge	-0-	4,276	-0-	4,276
Infiltrate	-0-	5,042	-0-	5,042
Due from other funds	33,510	5,750	(39,260)	-0-
Restricted cash	48,736	74,489	-0-	123,225
Restricted certificate of deposits	-0-	35,248	-0-	35,248
Construction in process	-0-	921,487	-0-	921,487
Capital assets:				
Depreciable buildings, property, and equipment (net)	234,019	1,252,715	-0-	1,486,734
TOTAL ASSETS	\$ 404,684	\$ 2,406,026	\$ (39,260)	\$ 2,771,450
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 6,716	\$ 21,638	\$ -0-	\$ 28,354
Accrued expenses	2,874	1,126	-0-	4,000
Accrued wages	3,186	1,967	-0-	5,153
Deposits	-0-	29,250	-0-	29,250
Due to other funds	5,750	33,510	(39,260)	-0-
Compensated absences	2,571	5,231	-0-	7,802
Bonds/Note payables due within one year	26,601	19,573	-0-	46,174
Bonds/Note payables due in more than one year	2,101	189,915	-0-	192,016
TOTAL LIABILITIES	49,799	302,210	(39,260)	312,749
NET ASSETS				
Invested in capital assets, net of related debt	205,317	1,043,227	-0-	1,248,544
Unrestricted, reported in:				
Restricted for specific purpose	42,986	-0-	-0-	42,986
Undesignated	106,582	1,060,589	-0-	1,167,171
TOTAL LIABILITIES AND NET ASSETS	\$ 354,885	\$ 2,103,816	\$ -0-	\$ 2,458,701

The notes to the financial statements are an integral part of this statement.

CITY OF MULDRAUGH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES
PRIMARY GOVERNMENT:							
General government	\$ 387,507	\$ 64,929	\$ 26,713	\$ -0-	\$ (295,865)	\$ -0-	\$ (295,865)
Police	61,635	30,710	40,523	-0-	9,598	-0-	9,598
Parks/recreation	1,740	-0-	-0-	-0-	(1,740)	-0-	(1,740)
Fire department	20,364	8,350	16,188	-0-	4,174	-0-	4,174
Roads and sidewalks	3,790	-0-	-0-	29,567	25,777	-0-	25,777
Interest on long-term debt	2,422	-0-	-0-	-0-	(2,422)	-0-	(2,422)
Total Government Activities	477,458	103,989	83,424	29,567	(260,478)	-0-	(260,478)
BUSINESS-TYPE ACTIVITIES:							
Water and sewer	514,590	509,250	-0-	1,257,735	-0-	1,252,395	1,252,395
Total Business-Type Activities	514,590	509,250	-0-	1,257,735	-0-	1,252,395	1,252,395
TOTAL PRIMARY GOVERNMENT	\$ 992,048	\$ 613,239	\$ 83,424	\$ 1,287,302	(260,478)	1,252,395	991,917

GENERAL REVENUES:

Taxes:			
Property	41,183	-0-	41,183
Net profits	19,940	-0-	19,940
Insurance tax	99,304	-0-	99,304
Storm water fees	12,957	-0-	12,957
Interest	136	1,321	1,457
Franchise fees	33,746	-0-	33,746
Lease income - cellular	17,457	-0-	17,457
Sanitation	33,799	-0-	33,799
Others	3,453	-0-	3,453
Miscellaneous	8,136	46,856	54,992
Transfers	17,100	(17,100)	-0-
Total general revenues, special items and transfers	287,211	31,077	318,288
Change in net assets	26,733	1,283,472	1,310,205
Net assets - beginning	328,152	820,344	1,148,496
Net assets - ending	\$ 354,885	\$ 2,103,816	\$ 2,458,701

The notes to the financial statements are an integral part of this statement.

CITY OF MULDRAUGH
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

	GOVERNMENTAL FUND TYPES		TOTALS	
	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	2011	2010
ASSETS				
Cash	\$ 42,981	\$ 10,384	\$ 53,365	\$ 18,028
Restricted Cash and Cash Equivalents:				
Cash and cash equivalents	-0-	48,736	48,736	45,605
Receivables:				
Occupational taxes	9,657	-0-	9,657	11,455
Property taxes	1,173	-0-	1,173	1,267
KLEFPF	920	-0-	920	849
Insurance premium tax	23,304	-0-	23,304	22,678
Due from other funds	33,510	-0-	33,510	70,979
TOTAL ASSETS	\$ 111,545	\$ 59,120	\$ 170,665	\$ 170,861
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,716	\$ -0-	\$ 6,716	\$ 8,784
Accrued expenses	2,874	-0-	2,874	3,313
Accrued wages	3,186	-0-	3,186	4,272
Due to other funds	-0-	5,750	5,750	5,755
Total Liabilities	12,776	5,750	18,526	22,124
Fund Balance:				
Restricted for specific purpose	-0-	42,986	42,986	54,294
Unassigned	98,769	10,384	109,153	94,443
Total Fund Equity	98,769	53,370	152,139	148,737
TOTAL LIABILITIES AND FUND BALANCE	\$ 111,545	\$ 59,120	\$ 170,665	\$ 170,861

Total governmental fund equity (from above) \$ 152,139

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 234,019

Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	2,571	
Note Payable - SW Project	21,950	
Note Payable - Vehicle	6,752	
	<u>(31,273)</u>	

Net assets of governmental activities (See Pages 6 & 7) \$ 354,885

The notes to the financial statement are an integral part of this statement.

CITY OF MULDRAUGH
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

	GOVERNMENTAL FUND TYPES		TOTALS	
	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	2011	2010
TOTAL REVENUES	\$ 440,692	\$ 46,399	\$ 487,091	\$ 459,064
TOTAL EXPENDITURES	432,366	68,423	500,789	488,495
Excess of Revenues Over (Under) Expenditures	8,326	(22,024)	(13,698)	(29,431)
Other Financing Sources (Uses):				
Loan proceeds	-0-	-0-	-0-	56,761
Total Other Financing Sources (Uses)	-0-	-0-	-0-	56,761
Income before operating transfers	8,326	(22,024)	(13,698)	27,330
Operating transfers in	6,000	27,100	33,100	3,300
Operating transfers out	(10,000)	(6,000)	(16,000)	(3,300)
Total Other Financing Sources And Uses	(4,000)	21,100	17,100	-0-
Net Change In Fund Balances	4,326	(924)	3,402	27,330
Beginning Fund Balance	94,443	54,294	148,737	121,407
Ending Fund Balance	<u>\$ 98,769</u>	<u>\$ 53,370</u>	<u>\$ 152,139</u>	<u>\$ 148,737</u>

Net change in fund balances-total governmental funds (from above) \$ 3,402

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital Outlay	\$ 26,027	
Depreciation Expense	<u>29,521</u>	
Difference		(3,494)

Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Principal payments is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Principal Payments	<u>27,780</u>	27,780
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Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year. (955)

Change in net assets of governmental activities (See Page 7) \$ 26,733

The notes to the financial statement are an integral part of this statement

CITY OF MULDRAGH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

	GOVERNMENTAL		TOTALS	
	FUND TYPES		2011	2010
	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS		
REVENUES:				
Property taxes	\$ 36,021	\$ -0-	\$ 36,021	\$ 35,667
Business licenses	25,259	-0-	25,259	31,407
Unloading licenses	1,550	-0-	1,550	1,225
Interest income	74	62	136	108
Occupational licenses	38,120	-0-	38,120	41,113
Police department revenue	30,710	-0-	30,710	24,595
Fire department revenue	8,350	-0-	8,350	390
Insurance reimbursement	-0-	-0-	-0-	844
Lease income - cellular	17,457	-0-	17,457	16,888
Franchise fees - utilities	28,815	-0-	28,815	25,378
Franchise fees - telecommunications	4,931	-0-	4,931	4,931
Sanitation	33,799	-0-	33,799	-0-
Storm Water Fees	-0-	12,957	12,957	14,104
Building and sign permits	2,781	-0-	2,781	676
Insurance tax	99,304	-0-	99,304	107,197
Auto licenses	5,162	-0-	5,162	4,426
Net and gross profits	19,940	-0-	19,940	11,835
Festival income	-0-	-0-	-0-	-0-
Donations and miscellaneous	2,823	5,313	8,136	4,938
Other revenue	672	-0-	672	818
INTERGOVERNMENTAL REVENUES:				
Coal and mineral grants	11,008	-0-	11,008	8,307
State highway grants	1,500	28,067	29,567	24,834
FEMA grant	-0-	-0-	-0-	33,400
Area development Grant	6,254	-0-	6,254	-0-
Police grants	29,386	-0-	29,386	30,857
House Bill 413	9,451	-0-	9,451	9,423
State police grants - KLEFPF	11,137	-0-	11,137	8,203
State grant - police	-0-	-0-	-0-	2,250
County fire grants	8,000	-0-	8,000	7,500
State fire grants	8,188	-0-	8,188	7,750
TOTAL REVENUES	<u>\$ 440,692</u>	<u>\$ 46,399</u>	<u>\$ 487,091</u>	<u>\$ 459,064</u>

The notes to the financial statement are an integral part of this statement.

CITY OF MULDRAUGH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

	GOVERNMENTAL FUND TYPES		TOTALS	
	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	2011	2010
EXPENDITURES:				
Current:				
General Government				
Salaries	\$ 178,697	\$ -0-	\$ 178,697	\$ 167,196
Payroll taxes	15,411	-0-	15,411	12,109
Health insurance	16,645	-0-	16,645	16,763
Retirement	27,340	-0-	27,340	24,118
Utilities	19,620	-0-	19,620	16,548
Insurance	36,276	4,342	40,618	43,440
Telephone	2,601	-0-	2,601	2,682
Professional fees	4,491	-0-	4,491	48,755
Advertising and legal	943	-0-	943	2,220
Repairs and maintenance	-0-	29,589	29,589	7,884
Tax collection expense	-0-	-0-	-0-	-0-
Park expense	152	-0-	152	632
Fuel	-0-	1,259	1,259	77
Mayor and city council expense	-0-	-0-	-0-	8
Festival expense	-0-	4,780	4,780	1,615
Supplies	1,882	120	2,002	9,461
Towing expense	9,752	-0-	9,752	8,557
Miscellaneous	17,078	6,083	23,161	19,818
Debt Service				
Principal	9,730	18,050	27,780	25,917
Interest	472	1,950	2,422	1,141
Public Safety				
Police department	48,683	-0-	48,683	34,782
Fire department	18,816	-0-	18,816	25,003
Total Current Expenditures	408,589	66,173	474,762	468,726
Capital Outlay	23,777	2,250	26,027	19,769
TOTAL EXPENDITURES	\$ 432,366	\$ 68,423	\$ 500,789	\$ 488,495

The notes to the financial statement are an integral part of this statement.

CITY OF MULDRAUGH
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

	BUSINESS-TYPE ACTIVITIES— ENTERPRISE FUNDS								
	OPERATIONS AND MAINTENANCE FUND	REVENUE FUND	DEPRECIATION FUND	METER DEPOSIT FUND	SURCHARGE FUND	WATER/SEWER CONSTRUCTION FUND	BOND & INTEREST SINKING FUND	TOTALS 2011	TOTALS 2010
ASSETS									
Current Assets:									
Cash	\$ 5,742	\$ 5,175	\$ -0-	\$ -0-	\$ 38,865	\$ -0-	\$ -0-	\$ 49,782	\$ 32,181
Restricted cash	-	-	6,675	34,693	-	500	32,621	74,489	68,493
Certificate of Deposits, Restricted	-	-	-	-	-	-	35,248	35,248	34,210
Receivable:									
Water	-	17,683	-	-	-	-	-	17,683	16,886
Garbage	-	13,436	-	-	-	-	-	13,436	13,262
Sewer	-	26,118	-	-	-	-	-	26,118	24,819
Surcharge	-	4,276	-	-	-	-	-	4,276	4,172
Infiltrate	-	5,042	-	-	-	-	-	5,042	1,393
Due from other funds	5,750	-	-	-	-	-	-	5,750	5,750
Total current assets	<u>11,492</u>	<u>71,730</u>	<u>6,675</u>	<u>34,693</u>	<u>38,865</u>	<u>500</u>	<u>67,869</u>	<u>231,824</u>	<u>201,166</u>
Noncurrent Assets:									
Construction in process	-	-	-	-	-	921,487	-	921,487	116,691
Trucks	9,000	-	-	-	-	-	-	9,000	9,000
Improvements other than buildings	1,946,687	-	-	-	-	-	-	1,946,687	1,489,268
Machinery and equipment	171,537	-	-	-	-	-	-	171,537	165,111
Accumulated depreciation	(874,509)	-	-	-	-	-	-	(874,509)	(801,809)
Total noncurrent assets	<u>1,252,715</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>921,487</u>	<u>-0-</u>	<u>2,174,202</u>	<u>978,261</u>
TOTAL ASSETS	<u>\$ 1,264,207</u>	<u>\$ 71,730</u>	<u>\$ 6,675</u>	<u>\$ 34,693</u>	<u>\$ 38,865</u>	<u>\$ 921,987</u>	<u>\$ 67,869</u>	<u>\$ 2,406,026</u>	<u>\$ 1,179,427</u>
LIABILITIES									
Current Liabilities:									
Accounts payable	\$ 21,638	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 21,638	\$ 22,948
Accrued liabilities	3,093	-	-	-	-	-	-	3,093	3,213
Accrued vacation and sick leave	5,231	-	-	-	-	-	-	5,231	4,868
Deposits	-	-	-	29,250	-	-	-	29,250	29,550
Due to other funds	33,510	-	-	-	-	-	-	33,510	70,974
Total current liabilities	<u>63,472</u>	<u>0</u>	<u>0</u>	<u>29,250</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>92,722</u>	<u>131,553</u>
Noncurrent Liabilities:									
Notes payable	46,488	-	-	-	-	-	-	46,488	57,530
Bonds payable - RECD	163,000	-	-	-	-	-	-	163,000	170,000
Total noncurrent liabilities	<u>209,488</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>209,488</u>	<u>227,530</u>
Total Liabilities	<u>272,960</u>	<u>-0-</u>	<u>-0-</u>	<u>29,250</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>302,210</u>	<u>359,083</u>
NET ASSETS									
Unrestricted	<u>991,247</u>	<u>71,730</u>	<u>6,675</u>	<u>5,443</u>	<u>38,865</u>	<u>921,987</u>	<u>67,869</u>	<u>2,103,816</u>	<u>820,344</u>
TOTAL NET ASSETS	<u>\$ 991,247</u>	<u>\$ 71,730</u>	<u>\$ 6,675</u>	<u>\$ 5,443</u>	<u>\$ 38,865</u>	<u>\$ 921,987</u>	<u>\$ 67,869</u>	<u>\$ 2,103,816</u>	<u>\$ 820,344</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MULDRAGH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

BUSINESS-TYPE ACTIVITIES—
ENTERPRISE FUNDS

	OPERATIONS AND MAINTENANCE FUND	REVENUE FUND	DEPRECIATION FUND	METER DEPOSIT FUND	SURCHARGE FUND	WATER/SEWER CONSTRUCTION FUND	BOND & INTEREST SINKING FUND	TOTALS 2011	TOTALS 2010
Operating Revenues:									
Water Service	\$ -0-	\$ 153,114	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 153,114	\$ 147,953
Sewer Service	-0-	188,370	-0-	-0-	-0-	-0-	-0-	188,370	183,244
Garbage Service	-0-	104,797	-0-	-0-	-0-	-0-	-0-	104,797	101,984
Sewer Surcharge	-0-	31,738	-0-	-0-	-0-	-0-	-0-	31,738	30,135
Infiltration income	-0-	31,231	-0-	-0-	-0-	-0-	-0-	31,231	29,599
Miscellaneous	-0-	44,406	-0-	2,450	-0-	-0-	-0-	46,856	37,185
Total Operating Revenues	-0-	553,656	-0-	2,450	-0-	-0-	-0-	556,106	530,100
Operating Expenses:									
Salaries	103,510	-0-	-0-	-0-	-0-	-0-	-0-	103,510	98,051
FICA Taxes	7,133	-0-	-0-	-0-	-0-	-0-	-0-	7,133	6,980
Group Insurance	8,139	-0-	-0-	-0-	-0-	-0-	-0-	8,139	7,206
Retirement	17,447	-0-	-0-	-0-	-0-	-0-	-0-	17,447	16,043
Advertising	1,279	-0-	-0-	-0-	-0-	-0-	-0-	1,279	1,559
Water Maintenance	10,838	-0-	-0-	-0-	-0-	-0-	-0-	10,838	20,252
Sewer Maintenance	16,256	-0-	-0-	-0-	-0-	-0-	-0-	16,256	17,865
Office Expense	3,778	1,957	-0-	-0-	-0-	1,011	-0-	6,746	5,527
Utilities	12,461	-0-	-0-	-0-	-0-	-0-	-0-	12,461	12,065
Insurance	5,973	-0-	-0-	-0-	-0-	-0-	-0-	5,973	6,961
Telephone/Pager	2,297	-0-	-0-	-0-	-0-	-0-	-0-	2,297	2,784
Utility Tax	14,029	-0-	-0-	-0-	-0-	-0-	-0-	14,029	13,670
Uniforms	501	-0-	-0-	-0-	-0-	-0-	-0-	501	-0-
Repairs and Replacement	5,180	-0-	-0-	-0-	-0-	-0-	-0-	5,180	7,019
Professional Fees	3,275	-0-	-0-	-0-	-0-	-0-	-0-	3,275	3,138
Depreciation	72,700	-0-	-0-	-0-	-0-	-0-	-0-	72,700	62,593
Miscellaneous	6,548	97	-0-	310	-0-	-0-	-0-	6,955	7,310
Gas and Fuel Expense	8,759	-0-	-0-	-0-	-0-	-0-	-0-	8,759	7,288
Sanitation	99,849	-0-	-0-	-0-	-0-	-0-	-0-	99,849	71,897
Water Purchased	99,290	-0-	-0-	-0-	-0-	-0-	-0-	99,290	113,040
Total Operating Expenses	499,242	2,054	-0-	310	-0-	1,011	-0-	502,617	481,248
Operating Income (Loss)	(499,242)	551,602	-0-	2,140	-0-	(1,011)	-0-	53,489	48,852
Non-Operating Revenues (Expenses):									
Kentucky State Grant	-0-	-0-	-0-	-0-	-0-	1,164,264	-0-	1,164,264	116,691
KIA Grant	-0-	-0-	-0-	-0-	-0-	93,471	-0-	93,471	-0-
Interest Income	42	95	15	-0-	58	-0-	1,111	1,321	668
Interest Expense	(11,973)	-0-	-0-	-0-	-0-	-0-	-0-	(11,973)	(11,864)
Total Non-operating Revenue (Expenses)	(11,931)	95	15	-0-	58	1,257,735	1,111	1,247,083	105,495
Income (Loss) Before Contributions And Transfers	(511,173)	551,697	15	2,140	58	1,256,724	1,111	1,300,572	154,347
Operating Transfers In	965,420	0	1,560	-0-	30,620	-0-	18,000	1,015,600	613,340
Operating Transfers Out	(17,100)	(548,180)	-0-	-0-	-0-	(451,920)	(15,500)	(1,032,700)	(613,340)
Change In Net Assets	437,147	3,517	1,575	2,140	30,678	804,804	3,611	1,283,472	154,347
Total Net Assets - Beginning	554,100	68,213	5,100	3,303	8,187	117,183	64,258	820,344	665,997
Total Net Assets - Ending	\$ 991,247	\$ 71,730	\$ 6,675	\$ 5,443	\$ 38,865	\$ 921,987	\$ 67,869	\$ 2,103,816	\$ 820,344

The notes to the financial statement are an integral part of this statement.

CITY OF MULDRAGH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

	BUSINESS-TYPE ACTIVITIES-- ENTERPRISE FUNDS							2011	2010
	OPERATIONS AND MAINTENANCE FUND	REVENUE FUND	DEPRECIATION FUND	METER DEPOSIT FUND	SURCHARGE FUND	WATER/SEWER CONSTRUCTION FUND	BOND & INTEREST SINKING FUND		
Cash flows from operating activities:									
Cash received from customers	\$ -0-	\$ 547,633	\$ -0-	\$ 2,150	\$ -0-	\$ -0-	\$ -0-	\$ 549,783	\$ 542,360
Cash payments to suppliers for goods and services	(324,099)	(2,054)	-0-	(310)	-0-	(1,011)	-0-	(327,474)	(321,467)
Cash payments to employees for services	(140,974)	-0-	-0-	-0-	-0-	-0-	-0-	(140,974)	(113,264)
Net cash provided (used) by operating activities	(465,073)	545,579	-0-	1,840	-0-	(1,011)	-0-	81,335	107,629
Cash flows from non-capital financing activities:									
Operating transfers - in from other funds	965,420	-0-	1,560	-0-	30,620	-0-	18,000	1,015,600	613,340
Operating transfers - out to other funds	(17,100)	(548,180)	-0-	-0-	-0-	(451,920)	(15,500)	(1,032,700)	(613,340)
Net cash provided (used) by noncapital financing activities	948,320	(548,180)	1,560	-0-	30,620	(451,920)	2,500	(17,100)	-0-
Cash flows from capital and related financing activities:									
Acquisition and construction of capital assets	(463,845)	-0-	-0-	-0-	-0-	(804,796)	-0-	(1,268,641)	(165,830)
Principal paid on notes	(18,042)	-0-	-0-	-0-	-0-	-0-	-0-	(18,042)	(17,451)
State grant proceeds	-0-	-0-	-0-	-0-	-0-	1,257,735	-0-	1,257,735	116,691
Interest paid on notes	(11,973)	-0-	-0-	-0-	-0-	-0-	-0-	(11,973)	(11,864)
Net cash provided (used) by capital and related financing activities	(493,860)	-0-	-0-	-0-	-0-	452,939	-0-	(40,921)	(78,454)
Cash flows from investing activities:									
Interest and Dividends on Investments	42	95	15	-0-	58	-0-	1,111	1,321	668
Net cash provided by investing activities	42	95	15	-0-	58	-0-	1,111	1,321	668
Net increase (decrease) in cash and cash equivalents	(10,571)	(2,506)	1,575	1,840	30,678	8	3,611	24,635	29,843
Cash and cash equivalents at beginning of year	16,313	7,681	5,100	32,853	8,187	492	64,258	134,884	105,041
Cash and cash equivalents at end of year	\$ 5,742	\$ 5,175	\$ 6,675	\$ 34,693	\$ 38,865	\$ 500	\$ 67,869	\$ 159,519	\$ 134,884
Reconciliation of net operating income to net cash provided by operating activities:									
Net operating income (loss)	\$ (499,242)	\$ 551,602	\$ -0-	\$ 2,140	\$ -0-	\$ (1,011)	\$ -0-	\$ 53,489	
Adjustments to reconcile net operating income to net cash provided by operating activities:									
Depreciation	72,700	-0-	-0-	-0-	-0-	-0-	-0-	72,700	
Changes in assets/liabilities:									
Accounts receivable	-0-	(6,023)	-0-	-0-	-0-	-0-	-0-	(6,023)	
Accounts payable	(1,310)	-0-	-0-	-0-	-0-	-0-	-0-	(1,310)	
Accrued expenses	(120)	-0-	-0-	-0-	-0-	-0-	-0-	(120)	
Accrued vacation	363	-0-	-0-	-0-	-0-	-0-	-0-	363	
Due to other funds	(37,464)	-0-	-0-	-0-	-0-	-0-	-0-	(37,464)	
Deposits	-0-	-0-	-0-	(300)	-0-	-0-	-0-	(300)	
Net cash provided (used) by operating activities	\$ (465,073)	\$ 545,579	\$ -0-	\$ 1,840	\$ -0-	\$ (1,011)	\$ -0-	\$ 81,335	

The notes to the financial statements are an integral part of this statement.

**CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES

Muldraugh, Kentucky is a fifth class city located in Meade County, Kentucky. It operates under a councilmanic form of government and derives significantly all of its revenue from water and sewer receipts, property taxes, business license and franchise taxes, garbage collections and insurance taxes.

The financial statements of the City of Muldraugh are prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. FASB guidance issued subsequent to this date is not followed.

1. Reporting Entity

The City's financial statements include the operations of all organizations for which the City Council exercises oversight. Responsibility is demonstrated by financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

2. Basis of Presentation – Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and statement of activities. These statements report financial information for the City as a whole excluding fiduciary funds and component units that are fiduciary in nature. Interfund activity, which duplicates revenues or expenses, has been eliminated from these statements, except for those transactions and balances between governmental and business-type activities. The focus of the government-wide financial statements is on the primary government. Governmental activities are normally supported by taxes and intergovernmental revenue.

CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (CONTINUED)

The statement of activities outlines the direct expenses of each of the City's major functions and the program revenues generated by those programs. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The City allocates certain indirect costs to be included in the program expense reported for individual functions and activities in the government-wide statement of activities.

The accounts of the City are organized into funds, each of which is considered to be a separate accounting entity. Major individual governmental funds are reported in separate columns with composite columns for non-major funds and business-type activities. The major fund categories are:

Governmental Fund Types:

The following are the City's governmental fund types.

- a.) General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

- b.) Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to specified purposes. These funds make up the non-major funds in the government-wide financial statements.

Proprietary Funds:

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The Enterprise Funds are the only proprietary fund of the City.

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed primarily through users charges, or (b) where the governing body has decided that determination of net income is appropriate.

CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (CONTINUED)

3. Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when they become measurable and available to pay liabilities of the current period. Property taxes and insurance license fees are recognized as revenues in the year for which taxes have been levied provided they are collected within 60 days after the year end. Permits, fines and forfeitures, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned. Revenues not considered available are recorded as deferred revenues. Expenditures are generally recorded when the liability is incurred.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

4. Reconciliation of Government-Wide and Fund Financial Statements

The government fund balance sheet includes a reconciliation between fund balances in governmental funds and net assets reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. In addition, capital assets, and long-term debt are added to the governmental funds to compile the long-term view of the governmental activities column.

A similar reconciliation is included on the statement of revenues, expenditures and changes in fund balance for the governmental funds. These adjustments reflect the

**CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (CONTINUED)

transition from the modified accrual accounting for governmental funds to the accrual basis of accounting for the statement of activities. Capital outlay is replaced with depreciation expenses.

5. Valuation of Receivables

Receivables are stated at face value with no allowance for doubtful accounts. Accounts receivable are periodically evaluated for collectability based on past history. Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise fees, insurance licenses fees and intergovernmental revenues.

6. Prior Period Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

7. Obligation for Compensated Absences

The City allows all employees occupying permanent positions annual vacation and sick leave at their current salary rate. Accrued vacation and sick leave is limited to 120 hours and 480 hours respectively at any time. Any employee who terminates employment with the City shall have used all accrued vacation leave time prior to the date of official termination. However, employees who terminate employment with the City shall not be compensated for unused sick leave credit. Vacation leave is accrued at the rate of 1/12th of the annual rate per month of employment. Accumulated unpaid vacation is as follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
GENERAL FUND		
Vacation pay	\$ 2,571	\$ 1,615
WATER AND SEWER FUNDS		
Vacation pay	\$ 5,231	\$ 4,868

CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (CONTINUED)

8. Net Assets

Net Assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net asset invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

The City first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

9. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

10. Operating and Non-Operating Revenues and Expenses – Proprietary Funds

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE B - BUDGETARY PROCEDURES AND BUDGETARY ACCOUNTING

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

CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

NOTE B - BUDGETARY PROCEDURES AND BUDGETARY ACCOUNTING
(CONTINUED)

1. The City clerk/administrator is responsible for preparing the proposed operating budgets prior to each fiscal year commencing on July 1. The proposed operating budgets are submitted to the City Council for approval. The budgets are legally enacted through passage of an ordinance.
2. Budgeted amounts are as originally adopted, or as amended by the City Council. The budget for the City of Muldraugh was amended by vote of the City Council.

Actual expenditures and operating transfers out may not legally exceed "budget" appropriations at the individual fund level. Budgetary control, however, is maintained at the departmental level. Appropriations lapse at the close of the fiscal year to the extent that they have not been expended. The City prepares its budget on a basis of accounting that conforms to generally accepted accounting principles. Proprietary fund budgets are adopted on the modified accrual basis of accounting.

NOTE C - RISK MANAGEMENT

The City is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City contracts with the Kentucky League of Cities Insurance Services (KLCIS), a local government risk pool for insurance coverage for these risks. KLCIS was formed for the primary purpose of managing and funding third-party liability claims against its members. As a member of KLCIS, the City is required to make annual contributions sufficient to produce the funds necessary to fund the administrative expenses and the claims and claims expense, and any deficiencies in the cumulative reserves.

NOTE D - CASH AND CERTIFICATES OF DEPOSITS

The City of Muldraugh maintains numerous accounts at various depository banks. All of the bank balances were covered by the \$250,000 federal depository insurance or pledged U.S. government securities for those accounts with balances over \$250,000. The City of Muldraugh considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Effective January 1, 1996, the General Assembly enacted KRS 66.480 which limits investments of public funds generally to obligations of the U.S. and certain of its agency and instrumentality, certificates of deposits or other interest-bearing accounts of FDIC insured banks or savings and loan institutions.

**CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE E – REVENUE BONDS PAYABLE

As of June 30, 2011 two series of revenue bonds are outstanding amounting to \$163,000. Rural Economic and Community Development (formerly Farmers Home Administration) holds both series of bonds each with an interest rate of 5%, with maturities through the year 2024. As of June 30, 2011, “net revenues” as defined in bond ordinance exceeded 150% of average outstanding debt service of the water and sewer system.

NOTE F - RESTRICTED ASSETS

Certain proprietary funds are restricted for construction funded through long-term debt and Federal and State grant revenues. Reserved net assets include the excess of assets over certain liabilities restricted for the debt service on revenue bonds and which does not include assets restricted for construction. Governmental funds report restricted assets for cash deposited in bank accounts legally restricted for specific purpose such as the payments on long-term debt, construction projects, and street and sidewalk expenditures.

Restricted assets at June 30, 2011 are as follows:

	<u>Cash in Bank</u>
Depreciation reserve	\$ 6,675
Road aid reserve	21,061
Land development reserve	27,675
Meter deposit reserve	34,693
Construction reserve	500
Bond and interest reserve	<u>67,869</u>
Total	<u>\$ 158,473</u>

NOTE G - PROPERTY TAXES

Property taxes are assessed on January 1 of each year. Tax bills are distributed in the fall of the same year and become payable upon receipt. Property taxes unpaid at May 1 of the following year are subject to a lien filed against their property. The 2011 tax rate was 15.3 cents per \$100 valuation for motor vehicles, 15.8 cents per \$100 valuation for personal property taxes, 15.8 cents per \$100 valuation for real estate taxes and 2.5 cents per \$100 valuation for bank deposits tax.

CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

NOTE H - EMPLOYEE RETIREMENT BENEFITS

The City provides benefits for regular full-time employees with at least 100 hours of work per month. These benefits are provided under the County Employees Retirement System (CERS) of the state of Kentucky. Regular full-time employees are required to participate. CERS issues a stand-alone financial report, which may be obtained from the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone 502-564-4646.

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

Contributions for Non-Hazardous - For the year ended, June 30, 2011 and 2010, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2011 and 2010, participating employers contributed 16.93% and 16.16%, respectively, of each employee's creditable compensation. The actuarially determined rate set by the Board for the Year ended June 30, 2011 and 2010, was 16.93% and 16.16%, respectively of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The County Employees Retirement System (CERS) also provides post retirement health care coverage to age and service retirees with 20 or more years of qualifying CERS service credit. A portion of each employer and employee's contribution to CERS is set aside for the funding of post retirement health care. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board Statement Number 12. KRS provides statutory authority requiring public employers to fund post retirement health care through their contributions to CERS.

The City's current year payroll was \$281,288 for non-hazardous. The City made the required contributions for the fiscal year amounting to \$45,823. Contributions for June 30, 2010 and 2009 were \$39,910 and \$36,665 respectively.

**CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE I – FUND BALANCES

The City of Muldraugh has implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the fiscal year ending June 30, 2011. In the fund financial statements, governmental funds and nonmajor special revenue funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to be maintained intact. The City has not reported any amounts that are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balances are reported pursuant to ordinances passed by the City Council, the City's highest level of decision making authority.
- Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balances.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. In the Special Revenue Fund, the unassigned classification is only used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

NOTE J – FIXED ASSETS

The City's capital assets and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with other capital assets. According to GASB No. 34, since revenues are less than \$10 million, the City of Muldraugh is only required to report infrastructure acquired after July 1, 2003. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

NOTE J – FIXED ASSETS (CONTINUED)

A summary of changes in general fixed assets follows:

PRIMARY GOVERNMENT

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 68,800	\$ -0-	\$ -0-	\$ 68,800
Total non-depreciable assets	68,800	-0-	-0-	68,800
Depreciable assets:				
Park Equipment	33,260	-0-	-0-	33,260
Buildings	20,960	-0-	-0-	20,960
City Hall	67,491	7,811	-0-	75,302
Trucks	57,643	3,850	-0-	61,493
Police Cars & Fire				
Trucks	220,730	2,900	-0-	223,630
Fire Station	40,400	-0-	-0-	40,400
Police and Fire Dept.				
Equipment	82,898	5,466	-0-	88,364
Maintenance Equipment	86,469	-0-	-0-	86,469
Office Equipment	15,306	6,000	-0-	21,306
Total depreciable assets	625,157	26,027	-0-	651,184
Total capital assets	\$ 693,957	\$ 26,027	\$ -0-	\$ 719,984
Accumulated depreciation:				
Park Equipment	\$ (18,473)	\$ (1,588)	\$ -0-	\$ (20,061)
Buildings	(5,162)	(537)	-0-	(5,699)
City Hall	(22,477)	(2,154)	-0-	(24,631)
Trucks	(50,898)	(4,580)	-0-	(55,478)
Police Cars & Fire				
Trucks	(203,371)	(6,363)	-0-	(209,734)
Fire Station	(25,898)	(1,036)	-0-	(26,934)
Police and Fire Dept.				
Equipment	(52,450)	(7,102)	-0-	(59,552)
Maintenance Equipment	(70,368)	(4,204)	-0-	(74,572)
Office Equipment	(7,347)	(1,957)	-0-	(9,304)
Total accumulated depreciation	(456,444)	(29,521)	-0-	(485,965)
Governmental activities capital assets, net	\$ 237,513	\$ (3,494)	\$ -0-	\$ 234,019

CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

NOTE J – FIXED ASSETS (CONTINUED)

A summary of changes in proprietary fund type fixed assets follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Business-type Activities:				
Depreciable assets:				
Water Lines	\$ 672,071	\$ 5,499	\$ -0-	\$ 677,570
Sewer Lines	817,197	451,920	-0-	1,269,117
Machinery and Equipment	123,865	4,989	-0-	128,854
Office Equipment	41,246	1,437	-0-	42,683
Trucks	9,000	-0-	-0-	9,000
Total depreciable assets	<u>1,663,379</u>	<u>463,845</u>	<u>-0-</u>	<u>2,127,224</u>
Total capital assets	<u>\$ 1,663,379</u>	<u>\$ 463,845</u>	<u>\$ -0-</u>	<u>\$ 2,127,224</u>
Accumulated depreciation:				
Water Lines	\$ (295,484)	\$ (27,579)	\$ -0-	\$ (323,063)
Sewer Lines	(360,901)	(37,365)	-0-	(398,266)
Machinery and Equipment	(95,178)	(7,600)	-0-	(102,778)
Office Equipment	(41,246)	(156)	-0-	(41,402)
Trucks	(9,000)	-0-	-0-	(9,000)
Total accumulated depreciation	<u>(801,809)</u>	<u>(72,700)</u>	<u>-0-</u>	<u>(874,509)</u>
Business-type capital assets, net	<u>\$ 861,570</u>	<u>\$ 391,145</u>	<u>\$ -0-</u>	<u>\$ 1,252,715</u>

Depreciation expense is charged to functions as follows:

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General Government	\$ 13,433	Water and Sewer	\$ 72,700
Police	12,952		
Parks/Recreation	1,588		<u>\$ 72,700</u>
Fire Department	<u>1,548</u>		
	<u>\$ 29,521</u>		

CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2011

NOTE K – LONG-TERM LIABILITIES

A summary of Long-Term liability activity for the year ended June 30, 2011 as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
PRIMARY GOVERNMENT					
Governmental Activities:					
Note Payable - Fire Truck	\$ 4,877	\$ -0-	\$ 4,877	\$ -0-	\$ -0-
Note Payable - SW Project	40,000	-0-	18,050	21,950	21,950
Note Payable - Vehicle	11,605	-0-	4,853	6,752	4,651
Compensated Absences	1,615	956	-0-	2,571	-0-
	<u>\$ 58,097</u>	<u>\$ 956</u>	<u>\$ 27,780</u>	<u>\$ 31,273</u>	<u>\$ 26,601</u>
Business-type Activities					
Note Payable - Water Meter	\$ 57,530	\$ -0-	\$ 11,042	\$ 46,488	\$ 12,573
1986 Series "A" Bond	140,000	-0-	6,000	134,000	6,000
1984 Series "B" Bond	30,000	-0-	1,000	29,000	1,000
Compensated Absences	4,868	363	-0-	5,231	-0-
	<u>\$ 232,398</u>	<u>\$ 363</u>	<u>\$ 18,042</u>	<u>\$ 214,719</u>	<u>\$ 19,573</u>
	<u>\$ 290,495</u>	<u>\$ 1,319</u>	<u>\$ 45,822</u>	<u>\$ 245,992</u>	<u>\$ 46,174</u>

NOTE L - DEBT MATURITIES

Debt Maturities are as follows:

<u>Fiscal Year Ending June 30</u>	<u>1986 Series A Bond</u>	<u>1986 Series B Bond</u>	<u>Water Meter Loan</u>	<u>Total Business-type Debt</u>	<u>Governmental Debt</u>
2012	\$ 6,000	\$ 1,000	\$ 12,573	\$ 19,573	\$ 26,601
2013	6,000	1,500	13,184	20,684	2,101
2014	7,000	1,500	13,824	22,324	-0-
2015	7,000	1,500	6,907	15,407	-0-
2016	7,000	1,500	-0-	8,500	-0-
	<u>33,000</u>	<u>7,000</u>	<u>46,488</u>	<u>86,488</u>	<u>28,702</u>
Beyond 2017	101,000	22,000	-0-	123,000	-0-
	<u>\$ 134,000</u>	<u>\$ 29,000</u>	<u>\$ 46,488</u>	<u>\$ 209,488</u>	<u>\$ 28,702</u>

**CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2011**

NOTE L - DEBT MATURITIES (CONTINUED)

General Fund Long-Term Debt:

The fire truck loan entered in December of 1998 from Kentucky Fire Commission for the amount of \$50,000 payable \$5,023 per year including interest at 3% for 12 years. The balance of the note payable at June 30, 2011 was \$-0-. The fire truck is accounted for in the General Fund.

The General Fund indebtedness includes a note payable for a vehicle entered in January of 2008 from the Meade County Bank for the amount of \$22,608 payable in 60 installments at \$425 per month including interest at 4.80%. The balance of the note payable at June 30, 2011 was \$6,752.

The General Fund indebtedness includes a note payable for a storm water project entered in May of 2010 from the Meade County Bank for the amount of \$40,000 payable in 1 installment including interest at 4.75%. The balance of the note payable at June 30, 2011 was \$21,950.

Operations and Maintenance Long-Term Debt:

The Operations and Maintenance Fund indebtedness includes a note payable for Water Meter Upgrade entered in December of 2007 from the Meade County Bank for the amount of \$86,000 payable in 84 installments at \$1,205 per month including interest at 4.75%. The balance of the note payable at June 30, 2011 was \$46,488.

NOTE M – SUBSEQUENT EVENT POLICY

City of Muldraugh has evaluated subsequent events through October 31, 2011, the date which the financial statements were available to be issued.

**CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2011**

NOTE N – TRANSACTION CLASSES/AMOUNTS

Due To/From Balances

Due to/from balances used to cover current operating expenses were as follows as of June 30, 2011:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 33,510	\$ -0-
Municipal Road Aid	-0-	5,750
Operations & Maintenance	5,750	33,510
Totals	<u>\$ 39,260</u>	<u>\$ 39,260</u>

Interfund Transactions and Balances

Interfund transfers during the year ended June 30, 2011, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 6,000	\$ 10,000
Municipal Road Aid	-0-	6,000
Land Development	27,100	-0-
Operations & Maintenance	965,420	17,100
Revenue	-0-	548,180
Depreciation	1,560	-0-
Surcharge	30,620	-0-
Water/Sewer Construction	-0-	451,920
Bond & Interest	18,000	15,500
Totals	<u>\$ 1,048,700</u>	<u>\$ 1,048,700</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF MULDRAUGH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GENERAL FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>OVER</u> <u>(UNDER)</u>
TOTAL REVENUES	\$ 405,886	\$ 434,213	\$ 440,692	\$ 6,479
TOTAL EXPENDITURES	<u>431,854</u>	<u>464,602</u>	<u>432,366</u>	<u>(32,236)</u>
Excess of Revenues Over (Under)				
Expenditures	(25,968)	(30,389)	8,326	38,715
Other Financing Sources (Uses):				
Operating transfers out	10,000	10,000	10,000	-0-
Operating transfers in	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-0-</u>
Total Other Financing Sources And Uses	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-0-</u>
Net Change In Fund Balances	(29,968)	(14,389)	4,326	18,715
Beginning Fund Balance	<u>94,443</u>	<u>94,443</u>	<u>94,443</u>	<u>-0-</u>
Ending Fund Balance	<u>\$ 64,475</u>	<u>\$ 80,054</u>	<u>\$ 98,769</u>	<u>\$ 18,715</u>

The notes to the financial statement are an integral part of this statement.

CITY OF MULDRAUGH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GENERAL FUND - BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		OVER (UNDER)
REVENUES:				
Property taxes	\$ 35,500	\$ 36,000	\$ 36,021	\$ 21
Business licenses	22,352	25,146	25,259	113
Unloading licenses	1,200	1,500	1,550	50
Interest income	40	60	74	14
Occupational licenses	40,000	40,000	38,120	(1,880)
Police department revenue	20,000	26,500	30,710	4,210
Fire department revenue	1,000	6,136	8,350	2,214
Lease income - cellular	16,160	16,720	17,457	737
Franchise fees - utilities	25,400	28,800	28,815	15
Franchise fees - telecommunications	4,900	4,900	4,931	31
Sanitation	33,600	33,000	33,799	799
Building and sign permits	1,000	2,700	2,781	81
Insurance tax	98,000	98,500	99,304	804
Auto licenses	4,400	4,900	5,162	262
Net profits	17,648	14,854	19,940	5,086
Donations and miscellaneous	600	3,000	2,823	(177)
Other revenue	640	670	672	2
INTERGOVERNMENTAL REVENUES:				
Coal and mineral grants	8,300	11,000	11,008	8
Safety grant	-0-	1,500	1,500	-0-
Area development grant	6,250	6,250	6,254	4
House Bill 413	10,000	9,400	9,451	51
Police grants	34,346	35,589	29,386	(6,203)
State police grants - KLEFPF	9,300	10,900	11,137	237
County fire grants	7,500	8,000	8,000	-0-
State fire grants	7,750	8,188	8,188	-0-
Total Revenues	<u>\$ 405,886</u>	<u>\$ 434,213</u>	<u>\$ 440,692</u>	<u>\$ 6,479</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MULDRAUGH
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 GENERAL FUND - BUDGET TO ACTUAL (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2011

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		OVER (UNDER)
EXPENDITURES:				
Current:				
General Government				
Salaries	\$ 181,100	\$ 179,700	\$ 178,697	\$ (1,003)
Payroll taxes	13,900	13,000	15,411	2,411
Health insurance	24,900	19,500	16,645	(2,855)
Retirement	30,500	28,800	27,340	(1,460)
Utilities	16,000	19,900	19,620	(280)
Insurance	38,100	40,100	36,276	(3,824)
Telephone	3,000	3,000	2,601	(399)
Professional fees	9,500	6,500	4,491	(2,009)
Advertising and legal	-0-	-0-	943	943
Mayor and city council expense	1,000	1,000	-0-	(1,000)
Park expense	2,000	2,000	152	(1,848)
Towing expense	-0-	14,000	9,752	(4,248)
Supplies	6,000	8,000	1,882	(6,118)
Miscellaneous	24,952	30,600	17,078	(13,522)
Debt Service	10,202	10,202	10,202	-0-
Public Safety				
Police department	44,200	60,500	48,683	(11,817)
Fire department	26,500	27,800	18,816	(8,984)
Capital Outlay	-0-	-0-	23,777	23,777
TOTAL EXPENDITURES	<u>\$ 431,854</u>	<u>\$ 464,602</u>	<u>\$ 432,366</u>	<u>\$ (32,236)</u>

The notes to the financial statements are an integral part of this statement.

William A. Talley
Jon D. Chesser
Bob E. Wientjes

Kentucky Offices:
Louisville
Brandenburg
Bardstown

**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**

Mayor and Members of the City Council
Muldraugh, Kentucky

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Muldraugh, KY, as of and for the year ended June 30, 2011, which collectively comprise the City of Muldraugh, KY's basic financial statements and have issued our report thereon dated October 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Muldraugh, KY's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion the effectiveness of the City of Muldraugh, KY's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Muldraugh, KY's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. 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.

- Due to the limited number of personnel, the City has not established adequate segregation of duties. Individuals in the accounting department have the ability to initiate transactions, record the transactions, and reconcile the related accounting records.

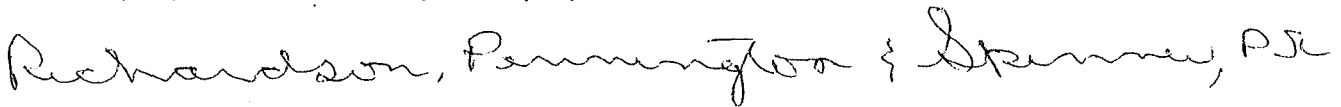
Management's response to the mentioned finding was that due to a limited staff and budgetary constraints a proper segregation of duties may be difficult, but that they would take steps to improve the segregation of these duties among personnel as completely as possible.

Compliance and Other Matters

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

City of Muldraugh's response to the findings identified in our audit is described above. We did not audit the City of Muldraugh's response and, accordingly we express no opinion on it.

This report is intended solely for the information of City Council and is not intended to be and should not be used by anyone other than this specified party.



Louisville, Kentucky
October 31, 2011

CITY OF MULDRAUGH
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

	SPECIAL REVENUE FUNDS					TOTALS	
	Municipal Road Aid Fund	Land Development Fund	Police Special Account Fund	Storm Water Management Fund	Festival Fund	2011	2010
ASSETS							
Cash	\$ -0-	\$ -0-	\$ 611	\$ 6,919	2,854	\$ 10,384	\$ 17,598
Restricted cash	21,061	27,675	-0-	-0-	-0-	48,736	28,007
Due from other funds	-0-	-0-	-0-	-0-	-0-	-0-	17,905
TOTAL ASSETS	\$ 21,061	\$ 27,675	\$ 611	\$ 6,919	\$ 2,854	\$ 59,120	\$ 63,510
LIABILITIES AND FUND EQUITY							
Liabilities:							
Due to other funds	\$ 5,750	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 5,750	\$ 5,750
Accounts Payable	-0-	-0-	-0-	-0-	-0-	-0-	3,466
Total Liabilities	5,750	-0-	-0-	-0-	-0-	5,750	9,216
Fund Equity							
Fund Balances:							
Restricted for land development	-0-	27,675	-0-	-0-	-0-	27,675	26,374
Restricted for street repairs	15,311	-0-	-0-	-0-	-0-	15,311	10,322
Unassigned	-0-	-0-	611	6,919	2,854	10,384	17,598
Total Fund Equity	15,311	27,675	611	6,919	2,854	53,370	54,294
TOTAL LIABILITIES AND FUND EQUITY	\$ 21,061	\$ 27,675	\$ 611	\$ 6,919	\$ 2,854	\$ 59,120	\$ 63,510

The notes to the financial statement are an integral part of this statement.

CITY OF MULDRAUGH
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

	SPECIAL REVENUE FUNDS					TOTALS	
	Municipal Road Aid Fund	Land Development Fund	Police Special Account Fund	Storm Water Management Fund	Festival Fund	2011	2010
REVENUES:							
Interest Income	\$ 45	\$ -0-	\$ -0-	\$ 17	\$ -0-	\$ 62	\$ 48
Donations & Miscellaneous	601	-0-	-0-	-0-	4,712	5,313	2,383
Storm water fees	-0-	-0-	-0-	12,957	-0-	12,957	14,104
Intergovernmental Revenue:							
Municipal Road Aid Grants	28,067	-0-	-0-	-0-	-0-	28,067	24,834
Total Revenues	28,713	-0-	-0-	12,974	4,712	46,399	41,369
EXPENDITURES:							
Current:							
Festival expense	-0-	-0-	-0-	-0-	4,780	4,780	1,615
Advertising	-0-	-0-	-0-	-0-	-0-	-0-	100
Repairs and maintenance	3,790	25,799	-0-	-0-	-0-	29,589	7,884
Insurance	4,342	-0-	-0-	-0-	-0-	4,342	4,875
Office expense	-0-	-0-	-0-	120	-0-	120	320
Fuel	1,259	-0-	-0-	-0-	-0-	1,259	77
Professional fees	-0-	-0-	-0-	-0-	-0-	-0-	45,000
Supplies	-0-	-0-	-0-	-0-	-0-	-0-	4,930
Miscellaneous	6,083	-0-	-0-	-0-	-0-	6,083	3,050
Capital Outlay	2,250	-0-	-0-	-0-	-0-	2,250	5,083
Total Expenditures	17,724	25,799	-0-	120	4,780	48,423	72,934
Excess of Revenues Over (Under) Expenditures	10,989	(25,799)	-0-	12,854	(68)	(2,024)	(31,565)
Other Financing Sources (Uses)							
Note Payments	-0-	-0-	-0-	(20,000)	-0-	(20,000)	-0-
Note Proceeds	-0-	-0-	-0-	-0-	-0-	-0-	40,000
Operating Transfers In	-0-	27,100	-0-	-0-	-0-	27,100	-0-
Operating Transfers Out	(6,000)	-0-	-0-	-0-	-0-	(6,000)	(3,300)
Total Other Financing Sources (Uses)	(6,000)	27,100	-0-	(20,000)	-0-	1,100	36,700
Excess of Revenues and Other Sources Over (Under) Expenditure & Other Uses	4,989	1,301	-0-	(7,146)	(68)	(924)	5,135
Fund Balance, Beginning of Year	10,322	26,374	611	14,065	2,922	54,294	49,159
FUND BALANCE, END OF YEAR	\$ 15,311	\$ 27,675	\$ 611	\$ 6,919	\$ 2,854	\$ 53,370	\$ 54,294

The notes to the financial statements are an integral part of this statement.

CITY OF MULDRAGH
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUSINESS-TYPE ACTIVITIES (PROPRIETARY FUNDS) - BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	OPERATIONS AND MAINTENANCE				REVENUE				DEPRECIATION				METER DEPOSIT			
	<u>BUDGETED AMOUNTS</u>		ACTUAL	VARIANCE OVER (UNDER)	<u>BUDGETED AMOUNTS</u>		ACTUAL	VARIANCE OVER (UNDER)	<u>BUDGETED AMOUNTS</u>		ACTUAL	VARIANCE OVER (UNDER)	<u>BUDGETED AMOUNTS</u>		ACTUAL	VARIANCE OVER (UNDER)
	ORIGINAL	FINAL			ORIGINAL	FINAL			ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES:																
Water Service	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 144,336	\$ 149,749	\$ 153,114	\$ 3,365	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Sewer Service	-0-	-0-	-0-	-0-	177,552	184,210	188,370	4,160	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Garbage Service	-0-	-0-	-0-	-0-	98,784	102,488	104,797	2,309	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Sewer Surcharge	-0-	-0-	-0-	-0-	29,904	31,025	31,738	713	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Interest Income	20	38	42	4	20	90	95	5	10	10	15	5	-0-	-0-	-0-	-0-
Infiltration Income	-0-	-0-	-0-	-0-	29,424	30,528	31,231	703	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous	-0-	-0-	-0-	-0-	19,200	43,200	44,406	1,206	-0-	-0-	-0-	-0-	1,700	1,700	2,450	750
Total Revenues	20	38	42	4	499,220	541,290	553,751	12,461	10	10	15	5	1,700	1,700	2,450	750
EXPENDITURES:																
Current																
Water and Sewer Operations	419,000	437,545	419,994	(17,551)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous expenses	11,680	7,003	6,548	(455)	-0-	-0-	2,054	2,054	-0-	-0-	-0-	-0-	-0-	-0-	310	310
Depreciation Expense	-0-	-0-	72,700	72,700	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Interest Expense	11,973	11,973	11,973	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Expenditures	442,653	456,521	511,215	54,694	-0-	-0-	2,054	2,054	-0-	-0-	-0-	-0-	-0-	-0-	310	310
Excess of Revenues Over (Under) Expenditures	(442,633)	(456,483)	(511,173)	(54,690)	499,220	541,290	551,697	10,407	10	10	15	5	1,700	1,700	2,140	440
Other Financing Sources (Uses)																
Transfers In	470,660	497,910	965,420	467,510	20,000	-0-	-0-	-0-	1,560	1,560	1,560	-0-	-0-	-0-	-0-	-0-
Transfers Out	17,100	17,100	17,100	-0-	520,220	548,970	548,180	(790)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Proceeds on sale of equipment	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Other Financing Sources (Uses)	487,760	515,010	948,320	467,510	(500,220)	(548,970)	(548,180)	790	1,560	1,560	1,560	-0-	-0-	-0-	-0-	-0-
Excess of Revenues and Other Sources Over (Under) Expenditure & Other Uses	45,127	58,527	437,147	412,820	(1,000)	(7,680)	3,517	11,197	1,570	1,570	1,575	5	1,700	1,700	2,140	440
Fund Balance, Beginning of year	554,100	554,100	554,100	-0-	68,213	68,213	68,213	-0-	5,100	5,100	5,100	-0-	3,303	3,303	3,303	-0-
FUND BALANCE, END OF YEAR	\$ 599,227	\$ 612,627	\$ 991,247	\$ 412,820	\$ 67,213	\$ 60,533	\$ 71,730	\$ 11,197	\$ 6,670	\$ 6,670	\$ 6,675	\$ 5	\$ 5,003	\$ 5,003	\$ 5,443	\$ 440

The notes to the financial statements are an integral part of this statement.

CITY OF MULDRAGH
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUSINESS-TYPE ACTIVITIES (PROPRIETARY FUNDS) - BUDGET TO ACTUAL (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2011

	SURCHARGE				WATER/SEWER CONSTRUCTION				BOND AND INTEREST			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE OVER (UNDER)	BUDGETED AMOUNTS		ACTUAL	VARIANCE OVER (UNDER)	BUDGETED AMOUNTS		ACTUAL	VARIANCE OVER (UNDER)
	ORIGINAL	FINAL			ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES:												
Water Service	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Sewer Service	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Garbage Service	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Sewer Surcharge	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Interest Income	40	40	58	18	-0-	-0-	-0-	-0-	100	100	1,111	1,011
Infiltration Income	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Revenues	40	40	58	18	-0-	-0-	-0-	-0-	100	100	1,111	1,011
EXPENDITURES:												
Current												
Water and Sewer Operations	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous expenses	20,000	20,000	-0-	(20,000)	-0-	-0-	1,011	1,011	-0-	-0-	-0-	-0-
Depreciation Expense	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Interest Expense	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Expenditures	20,000	20,000	-0-	20,000	-0-	-0-	1,011	(1,011)	-0-	-0-	-0-	-0-
Excess of Revenues Over (Under) Expenditures	(19,960)	(19,960)	58	20,018	-0-	-0-	(1,011)	1,011	100	100	1,111	1,011
Other Financing Sources (Uses)												
Transfers In	30,000	30,000	30,620	620	-0-	-0-	-0-	-0-	18,000	18,000	18,000	-0-
Transfers Out	-0-	-0-	-0-	-0-	-0-	-0-	451,920	451,920	14,050	14,050	15,500	1,450
KIA grant	-0-	-0-	-0-	-0-	308,000	57,470	93,471	36,001	-0-	-0-	-0-	-0-
Kentucky state grant	-0-	-0-	-0-	-0-	2,158,309	1,200,265	1,164,264	36,001	-0-	-0-	-0-	-0-
Total Other Financing Sources (Uses)	30,000	30,000	30,620	620	2,158,309	1,200,265	805,815	(415,919)	3,950	3,950	2,500	(1,450)
Excess of Revenues and Other Sources Over (Under) Expenditure & Other Uses	10,040	10,040	30,678	20,638	2,158,309	1,200,265	804,804	(414,908)	4,050	4,050	3,611	(439)
Fund Balance, Beginning of year	8,187	8,187	8,187	-0-	117,183	117,183	117,183	-0-	64,258	64,258	64,258	-0-
FUND BALANCE, END OF YEAR	\$ 18,227	\$ 18,227	\$ 38,865	\$ 20,638	\$ 2,275,492	\$ 1,317,448	\$ 921,987	\$ (414,908)	\$ 68,308	\$ 68,308	\$ 67,869	\$ (439)

The notes to the financial statements are an integral part of this statement.

CITY OF MULDRAUGH
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 NONMAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS) - BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	MUNICIPAL ROAD AID				LAND DEVELOPMENT				POLICE SPECIAL ACCOUNT			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE OVER (UNDER)	BUDGETED AMOUNTS		ACTUAL	VARIANCE OVER (UNDER)	BUDGETED AMOUNTS		ACTUAL	VARIANCE OVER (UNDER)
	ORIGINAL	FINAL			ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES:												
Interest Income	\$ 80	\$ 40	\$ 45	\$ 5	\$ 50	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Donations & Miscellaneous	-0-	601	601	-0-	-0-	-0-	-0-	-0-	500	500	-0-	(500)
Intergovernmental Revenue:												
Department of Local Government	23,820	27,700	28,067	367	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Municipal Bonds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Revenues	23,900	28,341	28,713	372	50	-0-	-0-	-0-	500	500	-0-	(500)
EXPENDITURES:												
Current:												
Repairs and Maintenance	20,300	25,340	3,790	(21,550)	18,550	44,400	25,799	(18,601)	-0-	-0-	-0-	-0-
Insurance	4,100	4,400	4,342	(58)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Supplies	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,100	1,100	-0-	(1,100)
Miscellaneous	8,500	7,101	7,342	241	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Capital Outlay	5,000	5,000	2,250	(2,750)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Expenditures	37,900	41,841	17,724	(24,117)	18,550	44,400	25,799	(18,601)	1,100	1,100	-0-	(1,100)
Excess of Revenues Over (Under) Expenditures	(14,000)	(13,500)	10,989	24,489	(18,500)	(44,400)	(25,799)	18,601	(600)	(600)	-0-	600
Other Financing Sources (Uses)												
Transfers In	-0-	-0-	-0-	-0-	12,500	27,100	27,100	-0-	-0-	-0-	-0-	-0-
Transfers Out	(5,000)	(6,000)	(6,000)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Note payments	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Sale of fixed assets	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Other Financing Sources (Uses)	(5,000)	(6,000)	(6,000)	-0-	12,500	27,100	27,100	-0-	-0-	-0-	-0-	-0-
Excess of Revenues and Other Sources Over (Under) Expenditure & Other Uses	(19,000)	(19,500)	4,989	24,489	(6,000)	(17,300)	1,301	18,601	(600)	(600)	-0-	600
Fund Balance, Beginning of year	10,322	10,322	10,322	-0-	26,374	26,374	26,374	-0-	611	611	611	-0-
FUND BALANCE, END OF YEAR	\$ (8,678)	\$ (9,178)	\$ 15,311	\$ 24,489	\$ 20,374	\$ 9,074	\$ 27,675	\$ 18,601	\$ 11	\$ 11	\$ 611	\$ 600

The notes to the financial statements are an integral part of this statement.

CITY OF MULDRAUGH
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 NONMAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS) - BUDGET TO ACTUAL (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2011

	STORM WATER MANAGEMENT				FESTIVAL			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE OVER (UNDER)	BUDGETED AMOUNTS		ACTUAL	VARIANCE OVER (UNDER)
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES:								
Interest Income	\$ -0-	\$ -0-	\$ 17	\$ 17	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Donations & Miscellaneous	10,000	13,300	12,957	(343)	2,000	4,709	4,712	3
Intergovernmental Revenue:								
Department of Local Government	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Municipal Bonds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Revenues	10,000	13,300	12,974	(326)	2,000	4,709	4,712	3
EXPENDITURES:								
Current:								
Repairs and Maintenance	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Insurance	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Supplies	-0-	-0-	-0-	-0-	4,000	4,800	4,780	(20)
Miscellaneous	120	120	120	-0-	-0-	-0-	-0-	-0-
Professional Fees	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Expenditures	120	120	120	-0-	4,000	4,800	4,780	(20)
Excess of Revenues Over (Under) Expenditures	9,880	13,180	12,854	(326)	(2,000)	(91)	(68)	23
Other Financing Sources (Uses)								
Transfers In	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Transfers Out	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Note payments	20,000	34,000	20,000	(14,000)	-0-	-0-	-0-	-0-
Note proceeds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Other Financing Sources (Uses)	20,000	34,000	20,000	(14,000)	-0-	-0-	-0-	-0-
Excess of Revenues and Other Sources Over (Under) Expenditure & Other Uses	29,880	47,180	(7,146)	(14,326)	(2,000)	(91)	(68)	23
Fund Balance, Beginning of year	14,065	14,065	14,065	-0-	2,922	2,922	2,922	-0-
FUND BALANCE, END OF YEAR	\$ 43,945	\$ 61,245	\$ 6,919	\$ (14,326)	\$ 922	\$ 2,831	\$ 2,854	\$ 23

The notes to the financial statements are an integral part of this statement.

**CITY OF MULDRAUGH
1986 SERIES A REVENUE BOND
RECD BONDS PAYABLE
JUNE 30, 2010**

Total Value of Bond Issue:	\$ 213,000
Year of Issue:	1987
Interest Payable On:	January 1 and July 1
First Coupon Paid On:	January 1, 1989
Interest Rate:	5%

REMAINING PRINCIPAL PAYMENTS ARE AS FOLLOWS:

YEAR

2012	6,000	2020	9,000
2013	6,000	2021	9,000
2014	7,000	2022	10,000
2015	7,000	2023	10,000
2016	7,000	2024	11,000
2017	8,000	2025	11,000
2018	8,000	2026	<u>17,000</u>
2019	8,000		

TOTAL	<u>\$ 134,000</u>
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See Note E.

CITY OF MULDRAUGH
1986 SERIES B REVENUE BOND
RECD BONDS PAYABLE
JUNE 30, 2010

Total Value of Bond Issue:	\$ 45,000
Year of Issue:	1987
Interest Payable On:	January 1 and July 1
First Coupon Paid On:	January 1, 1989
Interest Rate:	5%

REMAINING PRINCIPAL PAYMENTS ARE AS FOLLOWS:

YEAR			
2012	1,000	2020	2,000
2013	1,500	2021	2,000
2014	1,500	2022	2,000
2015	1,500	2023	2,500
2016	1,500	2024	2,500
2017	1,500	2025	3,000
2018	1,500	2026	<u>3,500</u>
2019	1,500		
		TOTAL	<u>\$ 29,000</u>

See Note E.

**CITY OF MULdraUGH
LIST OF COUNCIL MEMBERS
JUNE 30, 2011**

WATER SYSTEM City of Muldraugh, Kentucky

TELEPHONE NUMBER (502) 942-2824

<u>Position</u>	<u>Name</u>	<u>Address</u>	<u>Term Expires</u>
Mayor	Danny Joe Tate	Muldraugh, Kentucky	December 31, 2014
City Clerk/ Treasurer	Caroline J. Cline	Elizabethtown, Kentucky	
Member	Patricia Reese	Muldraugh, Kentucky	December 31, 2012
Member	Glenna Lewis	Muldraugh, Kentucky	December 31, 2012
Member	Joseph Noon	Muldraugh, Kentucky	December 31, 2012
Member	Judy Compton	Muldraugh, Kentucky	December 31, 2012
Member	Jim Heavrin	Muldraugh, Kentucky	December 31, 2011
Member	Donnie Basham	Muldraugh, Kentucky	December 31, 2012

William A. Talley
Jon D. Chesser
Bob E. Wientjes

Kentucky Offices:
Louisville
Brandenburg
Bardstown

**CITY OF MULDRAUGH
AUDITORS' CERTIFICATION
JUNE 30, 2011**

We certify that as part of our examination of the general purpose financial statements we examined those local government economic assistance funds granted to the City of Muldraugh, and that those funds were expended for the purpose intended.



Louisville, Kentucky
October 31, 2011