

CITY OF MULDRAUGH
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2013

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Jon D. Chesser
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Kentucky Offices:
Louisville
Brandenburg
Bardstown

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2013, and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the City's June 30, 2012 statements and, in our report dated November 16, 2012, 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 32 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City of Muldraugh has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 16, 2013 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* in considering City of Muldraugh, Kentucky's internal control over financial reporting and compliance.

Richardson, Pennington & Skinner PSC

Louisville, Kentucky
November 16, 2013

**CITY OF MULDRAUGH
STATEMENT OF NET POSITION
JUNE 30, 2013**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
ASSETS			
Current assets:			
Cash	\$ 24,209	\$ 15,702	\$ 39,911
Receivables:			
Occupational taxes	6,831	-0-	6,831
Property taxes	1,275	-0-	1,275
KLEFPF	1,236	-0-	1,236
Insurance premium tax	19,672	-0-	19,672
Water	-0-	16,046	16,046
Sewer	-0-	24,641	24,641
Garbage	-0-	13,804	13,804
Surcharge	-0-	50	50
Infiltrate	-0-	2,813	2,813
Due from others	466,991	-0-	466,991
FEMA receivable	948,661	-0-	948,661
Internal balances	27,760	(27,760)	-
Restricted cash	309,570	60,833	370,403
Restricted certificate of deposits	-0-	36,336	36,336
Unamortized cost of issuance - Bond	15,282	-0-	15,282
Construction in process	617,058	1,478,333	2,095,391
Capital assets:			
Depreciable buildings, property, and equipment (net)	399,104	1,418,506	1,817,610
TOTAL ASSETS	\$ 2,837,649	\$ 3,039,304	\$ 5,876,953
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 5,727	\$ 26,869	\$ 32,596
Accrued expenses	7,623	2,410	10,033
Deferred revenue	-0-	3,903	3,903
Accrued wages	1,734	576	2,310
Deposits	-0-	24,000	24,000
Compensated absences	1,928	6,471	8,399
Bonds/Note payables due within one year	1,260,743	20,824	1,281,567
Bonds/Note payables due in more than one year	176,231	120,957	297,188
TOTAL LIABILITIES	1,453,986	206,010	1,659,996
NET POSITION			
Invested in capital assets, net of related debt	(555,597)	1,276,725	721,128
Restricted for specific purpose	1,869,539	-0-	1,869,539
Unrestricted	69,721	1,556,569	1,626,290
TOTAL NET POSITION	\$ 1,383,663	\$ 2,833,294	\$ 4,216,957

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, 2013

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	\$ 449,110	\$ 54,959	\$ 1,068,602	\$ -0-	\$ 674,451	\$ -0-	\$ 674,451
Police	73,870	50,223	47,440	-0-	23,793	-0-	23,793
Parks/recreation	1,224	-0-	-0-	-0-	(1,224)	-0-	(1,224)
Fire department	30,843	1,719	15,750	-0-	(13,374)	-0-	(13,374)
Roads and sidewalks	13,975	-0-	-0-	50,315	36,340	-0-	36,340
Interest on long-term debt	5,000	-0-	-0-	-0-	(5,000)	-0-	(5,000)
Total Government Activities	<u>574,022</u>	<u>106,901</u>	<u>1,131,792</u>	<u>50,315</u>	<u>714,986</u>	<u>-0-</u>	<u>714,986</u>
BUSINESS-TYPE ACTIVITIES:							
Water and sewer	630,728	539,107	-0-	-0-	-0-	(91,621)	(91,621)
Total Business-Type Activities	<u>630,728</u>	<u>539,107</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(91,621)</u>	<u>(91,621)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,204,750</u>	<u>\$ 646,008</u>	<u>\$ 1,131,792</u>	<u>\$ 50,315</u>	<u>714,986</u>	<u>(91,621)</u>	<u>623,365</u>
GENERAL REVENUES:							
Taxes:							
Property					48,435	-0-	48,435
Net profits					23,570	-0-	23,570
Insurance tax					113,182	-0-	113,182
Storm water fees					7,248	-0-	7,248
Interest					59	112	171
Franchise fees					33,185	-0-	33,185
Lease income - cellular					17,457	-0-	17,457
Sanitation					58,332	-0-	58,332
Festival income					3,750	-0-	3,750
Others					1,379	-0-	1,379
Loss on scrapped assets					(1,188)	-0-	(1,188)
Miscellaneous					14,931	70,405	85,336
Proceeds from insurance reimbursement					1,981	-0-	1,981
Transfers					7,002	(7,002)	-0-
Total general revenues, special items and transfers					<u>329,323</u>	<u>63,515</u>	<u>392,838</u>
Change in net assets					1,044,309	(28,106)	1,016,203
Net position - beginning					339,354	2,861,400	3,200,754
Net position - ending					<u>\$ 1,383,663</u>	<u>\$ 2,833,294</u>	<u>\$ 4,216,957</u>

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

**CITY OF MULDRAGH
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

ASSETS	GOVERNMENTAL FUND TYPES		TOTALS	
	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	2013	2012
Cash	\$ 22,045	\$ 2,164	\$ 24,209	\$ 34,238
Restricted Cash and Cash Equivalents:				
Cash and cash equivalents	-0-	309,570	309,570	54,591
Receivables:				
Occupational taxes	6,831	-0-	6,831	9,803
Property taxes	1,275	-0-	1,275	2,742
KLEFPF	1,236	-0-	1,236	615
Insurance premium tax	19,672	-0-	19,672	20,676
FEMA receivable	-0-	948,661	948,661	-0-
Construction in process	-0-	617,058	617,058	-0-
Due from other funds	33,510	-0-	33,510	33,510
TOTAL ASSETS	\$ 84,569	\$ 1,877,453	\$ 1,962,022	\$ 156,175
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,727	\$ -0-	\$ 5,727	\$ 7,192
Accrued expenses	7,623	-0-	7,623	7,844
Accrued wages	1,734	-0-	1,734	780
Due to other funds	-0-	5,750	5,750	5,750
Total Liabilities	15,084	5,750	20,834	21,566
Fund Balance:				
Restricted for specific purpose	-0-	1,869,539	1,869,539	48,841
Unassigned	69,485	2,164	71,649	85,768
Total Fund Equity	69,485	1,871,703	1,941,188	134,609
TOTAL LIABILITIES AND FUND BALANCE	\$ 84,569	\$ 1,877,453	\$ 1,962,022	\$ 156,175

Total governmental fund equity (from above) \$ 1,941,188

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

Capital assets/bond fees used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital Assets	399,104	
Unamortized Cost of Issuance	15,282	
		414,386

Due from others governmental asset is not due and receivable in the current period and therefore is not reported in the funds. 466,991

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	1,928	
Bond Payable - Safe Room	1,245,000	
Note Payable - Building	162,855	
Note Payable - SW Project	4,635	
Note Payable - Vehicle	24,484	
		(1,438,902)

Net position of governmental activities (See Pages 7 & 8) \$ 1,383,663

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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	GOVERNMENTAL FUND TYPES		TOTALS	
	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	2013	2012
TOTAL REVENUES	\$ 498,601	\$ 1,113,916	\$ 1,612,517	\$ 501,286
TOTAL EXPENDITURES	707,136	78,230	785,366	526,549
Excess of Revenues Over (Under) Expenditures	(208,535)	1,035,686	827,151	(25,263)
Other Financing Sources (Uses):				
Proceeds from equipment	-0-	-0-	-0-	5,073
Loan proceeds	194,417	778,009	972,426	-0-
Total Other Financing Sources (Uses)	194,417	778,009	972,426	5,073
Income before operating transfers	(14,118)	1,813,695	1,799,577	(20,190)
Operating transfers in	8,001	31,427	39,428	11,728
Operating transfers out	(5,000)	(27,426)	(32,426)	(9,068)
Total Other Financing Sources And Uses	3,001	4,001	7,002	2,660
Net Change In Fund Balances	(11,117)	1,817,696	1,806,579	(17,530)
Beginning Fund Balance	80,602	54,007	134,609	152,139
Ending Fund Balance	\$ 69,485	\$ 1,871,703	\$ 1,941,188	\$ 134,609

Net change in fund balances-total governmental funds (from above) \$ 1,806,579

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

Governmental funds report capital outlays/bond cost 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	\$ 212,754	
Bond Fees	29,175	
Amortization Expense	13,893	
Depreciation Expense	33,634	
Difference		194,402

In the Statement of Activities, only the loss on the disposal of assets is reported. Thus, the change in net assets differs from the change in fund balance by the basis of the assets disposed.

(1,188)

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.

Loan Proceeds	972,426	
Principal Payments	17,537	
		(954,889)

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.

(595)

Change in net position of governmental activities (See Page 8) \$ 1,044,309

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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	GOVERNMENTAL		TOTALS	
	FUND TYPES			
	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	2013	2012
REVENUES:				
Property taxes	\$ 43,573	\$ -0-	\$ 43,573	\$ 38,399
Business licenses	23,930	-0-	23,930	24,518
Unloading licenses	1,175	-0-	1,175	1,500
Interest income	31	28	59	148
Occupational licenses	29,854	-0-	29,854	38,891
Police department revenue	50,223	-0-	50,223	29,538
Fire department revenue	1,719	-0-	1,719	3,177
Insurance reimbursement	1,981	-0-	1,981	-0-
Lease income - cellular	17,457	-0-	17,457	17,457
Franchise fees - utilities	28,382	-0-	28,382	27,926
Franchise fees - telecommunications	4,803	-0-	4,803	4,867
Sanitation	58,332	-0-	58,332	26,635
Storm Water Fees	-0-	7,248	7,248	12,944
Building and sign permits	558	-0-	558	320
Insurance tax	113,182	-0-	113,182	99,098
Auto licenses	4,862	-0-	4,862	5,215
Net and gross profits	23,570	-0-	23,570	20,813
Festival income	-0-	3,750	3,750	-0-
Donations and miscellaneous	12,763	2,168	14,931	37,580
Other revenue	821	-0-	821	726
INTERGOVERNMENTAL REVENUES:				
Coal and mineral grants	8,738	-0-	8,738	9,733
State highway grants	500	49,815	50,315	30,203
FEMA grant	-0-	1,050,907	1,050,907	-0-
Police grants	33,961	-0-	33,961	25,964
House Bill 413	8,957	-0-	8,957	9,416
State police grants - KLEFPF	13,479	-0-	13,479	10,122
Homeland security grant	-0-	-0-	-0-	10,346
County fire grants	8,000	-0-	8,000	8,000
State fire grants	7,750	-0-	7,750	7,750
TOTAL REVENUES	\$ 498,601	\$ 1,113,916	\$ 1,612,517	\$ 501,286

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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	GOVERNMENTAL		TOTALS	
	FUND TYPES			
	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	2013	2012
EXPENDITURES:				
Current:				
General Government				
Salaries	\$ 223,875	\$ -0-	\$ 223,875	\$ 198,815
Payroll taxes	11,955	-0-	11,955	12,278
Health insurance	18,796	-0-	18,796	18,361
Retirement	41,377	-0-	41,377	36,063
Utilities	32,292	-0-	32,292	19,042
Insurance	25,880	7,552	33,432	44,983
Telephone	2,603	-0-	2,603	2,444
Professional fees	5,230	-0-	5,230	8,814
Advertising and legal	1,933	-0-	1,933	1,075
Repairs and maintenance	3,429	14,138	17,567	26,588
Park expense	476	-0-	476	208
Fuel	-0-	3,162	3,162	1,611
Festival expense	-0-	2,620	2,620	3,813
Supplies	6,753	20	6,773	2,945
Towing expense	6,735	-0-	6,735	11,215
Miscellaneous	20,344	5,488	25,832	27,455
Bond fees	-0-	29,175	29,175	-0-
Debt Service				
Principal	9,179	8,358	17,537	13,609
Interest	4,358	642	5,000	1,549
Public Safety				
Police department	56,947	-0-	56,947	50,995
Fire department	29,295	-0-	29,295	27,724
Total Current Expenditures	501,457	71,155	572,612	509,587
Capital Outlay	205,679	7,075	212,754	16,962
TOTAL EXPENDITURES	\$ 707,136	\$ 78,230	\$ 785,366	\$ 526,549

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

CITY OF MULDRAGH
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	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	SEWER INFILTRATION FUND	TOTALS 2013	TOTALS 2012
ASSETS										
Current Assets:										
Cash	\$ 9,605	\$ 3,805	\$ -0-	\$ -0-	\$ 1,946	\$ -0-	\$ -0-	\$ 346	\$ 15,702	\$ 19,500
Restricted cash	-0-	-0-	9,823	39,224	-0-	614	11,172	-0-	60,833	84,667
Certificate of Deposits, Restricted	-0-	-0-	-0-	-0-	-0-	-0-	36,336	-0-	36,336	36,320
Receivable:										
Water	-0-	16,046	-0-	-0-	-0-	-0-	-0-	-0-	16,046	12,550
Garbage	-0-	13,804	-0-	-0-	-0-	-0-	-0-	-0-	13,804	10,992
Sewer	-0-	24,641	-0-	-0-	-0-	-0-	-0-	-0-	24,641	16,888
Surcharge	-0-	50	-0-	-0-	-0-	-0-	-0-	-0-	50	2,756
Infiltrate	-0-	2,813	-0-	-0-	-0-	-0-	-0-	-0-	2,813	2,844
Due from other funds	5,750	-0-	-0-	-0-	-0-	-0-	-0-	-0-	5,750	10,103
Total current assets	15,355	61,159	9,823	39,224	1,946	614	47,508	346	175,975	196,620
Noncurrent Assets:										
Construction in process	-0-	-0-	-0-	-0-	-0-	1,478,333	-0-	-0-	1,478,333	1,421,935
Trucks	9,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	9,000	9,000
Improvements other than buildings	2,288,216	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,288,216	2,288,216
Machinery and equipment	185,717	-0-	-0-	-0-	-0-	-0-	-0-	-0-	185,717	183,842
Accumulated depreciation	(1,064,427)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(1,064,427)	(957,048)
Total noncurrent assets	1,418,506	-0-	-0-	-0-	-0-	1,478,333	-0-	-0-	2,896,839	2,945,945
TOTAL ASSETS	\$ 1,433,861	\$ 61,159	\$ 9,823	\$ 39,224	\$ 1,946	\$ 1,478,947	\$ 47,508	\$ 346	\$ 3,072,814	\$ 3,142,565
LIABILITIES										
Current Liabilities:										
Accounts payable	\$ 26,869	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 26,869	\$ 15,695
Accrued liabilities	2,986	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,986	1,307
Deferred revenue	-0-	3,903	-0-	-0-	-0-	-0-	-0-	-0-	3,903	1,486
Accrued vacation and sick leave	6,471	-0-	-0-	-0-	-0-	-0-	-0-	-0-	6,471	6,999
Deposits	-0-	-0-	-0-	24,000	-0-	-0-	-0-	-0-	24,000	28,850
Due to other funds	33,510	-0-	-0-	-0-	-0-	-0-	-0-	-0-	33,510	37,863
Total current liabilities	69,836	3,903	-0-	24,000	-0-	-0-	-0-	-0-	97,739	92,200
Noncurrent Liabilities:										
Notes payable	19,781	-0-	-0-	-0-	-0-	-0-	-0-	-0-	19,781	32,965
Bonds payable - RECD	122,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	122,000	156,000
Total noncurrent liabilities	141,781	-0-	-0-	-0-	-0-	-0-	-0-	-0-	141,781	188,965
Total Liabilities	211,617	3,903	-0-	24,000	-0-	-0-	-0-	-0-	239,520	281,165
NET POSITION										
Invested in capital assets, net of related debt	1,276,725	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,276,725	1,335,045
Unrestricted	(54,481)	57,256	9,823	15,224	1,946	1,478,947	47,508	346	1,536,569	1,526,355
TOTAL NET POSITION	\$ 1,222,244	\$ 57,256	\$ 9,823	\$ 15,224	\$ 1,946	\$ 1,478,947	\$ 47,508	\$ 346	\$ 2,833,294	\$ 2,861,400

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 POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	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	SEWER INFILTRATION FUND	TOTALS 2013	TOTALS 2012
Operating Revenues:											
Water Service	\$ -0-	\$ 157,813	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 157,813	\$ 130,426	
Sewer Service	-0-	198,984	-0-	-0-	-0-	-0-	-0-	-0-	198,984	161,126	
Garbage Service	-0-	128,903	-0-	-0-	-0-	-0-	-0-	-0-	128,903	101,272	
Sewer Surcharge	-0-	27,887	-0-	-0-	-0-	-0-	-0-	-0-	27,887	27,338	
Infiltration income	-0-	25,520	-0-	-0-	-0-	-0-	-0-	-0-	25,520	25,798	
Miscellaneous	-0-	66,226	-0-	4,179	-0-	0	-0-	-0-	70,405	33,088	
Total Operating Revenues	-0-	605,333	-0-	4,179	-0-	-0-	-0-	-0-	609,512	479,048	
Operating Expenses:											
Salaries	112,298	-0-	-0-	-0-	-0-	-0-	-0-	-0-	112,298	107,142	
FICA Taxes	7,942	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7,942	7,537	
Group Insurance	15,245	-0-	-0-	-0-	-0-	-0-	-0-	-0-	15,245	14,274	
Retirement	22,004	-0-	-0-	-0-	-0-	-0-	-0-	-0-	22,004	20,294	
Advertising	1,505	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,505	199	
Water Maintenance	6,317	-0-	-0-	-0-	-0-	-0-	-0-	-0-	6,317	9,484	
Sewer Maintenance	60,031	-0-	-0-	-0-	-0-	-0-	-0-	-0-	60,031	23,985	
Office Expense	3,373	1,240	-0-	-0-	-0-	3,006	-0-	63	7,682	9,262	
Utilities	14,354	-0-	-0-	-0-	-0-	-0-	-0-	-0-	14,354	13,463	
Insurance	8,316	-0-	-0-	-0-	-0-	-0-	-0-	-0-	8,316	7,194	
Telephone/Pager	2,741	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,741	2,163	
Utility Tax	13,774	-0-	-0-	-0-	-0-	-0-	-0-	-0-	13,774	11,617	
Uniforms	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	260	
Repairs and Replacement	4,432	-0-	-0-	-0-	-0-	-0-	-0-	-0-	4,432	5,764	
Professional Fees	3,456	-0-	-0-	-0-	-0-	-0-	-0-	-0-	3,456	3,300	
Depreciation	107,378	-0-	-0-	-0-	-0-	-0-	-0-	-0-	107,378	82,539	
Miscellaneous	4,331	-0-	-0-	357	-0-	-0-	-0-	-0-	4,688	15,187	
Gas and Fuel Expense	9,900	-0-	-0-	-0-	-0-	-0-	-0-	-0-	9,900	8,880	
Sanitation	121,473	-0-	-0-	-0-	-0-	-0-	-0-	-0-	121,473	97,110	
Water Purchased	97,445	-0-	-0-	-0-	-0-	-0-	-0-	-0-	97,445	85,977	
Total Operating Expenses	616,315	1,240	-0-	357	-0-	3,006	-0-	63	620,981	525,631	
Operating Income (Loss)	(616,315)	604,093	-0-	3,822	-0-	(3,006)	-0-	(63)	(11,469)	(46,583)	
Non-Operating Revenues (Expenses):											
Kentucky State Grant	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	567,155	
KIA Grant	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	247,524	
Interest Income	15	16	10	-0-	15	-0-	56	-0-	112	1,290	
Interest Expense	(9,747)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(9,747)	(9,142)	
Total Non-operating Revenue (Expenses)	(9,732)	16	10	-0-	15	-0-	56	-0-	(9,655)	806,827	
Income (Loss) Before Contributions And Transfers	(626,047)	604,109	10	3,822	15	(3,006)	56	(63)	(21,104)	760,244	
Operating Transfers In	566,860	45,034	1,560	-0-	30,943	61,782	18,000	25,339	749,518	952,144	
Operating Transfers Out	(7,001)	(638,030)	-0-	-0-	(42,656)	(2,378)	(42,416)	(24,039)	(756,520)	(954,804)	
Change In Net Position	(66,188)	11,113	1,570	3,822	(11,698)	56,398	(24,360)	1,237	(28,106)	757,584	
Total Net Position - Beginning	1,288,432	46,143	8,253	11,402	13,644	1,422,549	71,868	(891)	2,861,400	2,103,816	
Total Net Position - Ending	\$ 1,222,244	\$ 57,256	\$ 9,823	\$ 15,224	\$ 1,946	\$ 1,478,947	\$ 47,508	\$ 346	\$ 2,833,294	\$ 2,861,400	

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

CITY OF MULDRAGE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	BUSINESS-TYPE ACTIVITIES— ENTERPRISE FUNDS								2013	2012	
	OPERATIONS AND MAINTENANCE FUND	REVENUE FUND	DEPRECIATION FUND	METER DEPOSIT FUND	SURCHARGE FUND	WATER/SEWER CONSTRUCTION FUND	BOND & INTEREST SINKING FUND	SEWER INFILTRATION FUND			
Cash flows from operating activities:											
Cash received from customers	\$ -0-	\$ 596,426	\$ -0-	\$ (671)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 595,755	\$ 505,012
Cash payments to suppliers for goods and services	(350,015)	(1,240)	-0-	(357)	-0-	(3,006)	-0-	(4,416)	(359,034)	(346,264)	
Cash payments to employees for services	(142,244)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(142,244)	(107,142)	
Net cash provided (used) by operating activities	(492,259)	595,186	-0-	(1,028)	-0-	(3,006)	-0-	(4,416)	94,477	51,606	
Cash flows from non-capital financing activities:											
Operating transfers - in from other funds	566,860	45,034	1,560	-0-	30,943	61,782	18,000	25,339	749,518	952,144	
Operating transfers - out to other funds	(7,001)	(638,030)	-0-	-0-	(42,656)	(2,378)	(42,416)	(24,039)	(756,520)	(954,804)	
Net cash provided (used) by noncapital financing activities	559,859	(592,996)	1,560	-0-	(11,713)	59,404	(24,416)	1,300	(7,002)	(2,660)	
Cash flows from capital and related financing activities:											
Acquisition and construction of capital assets	(1,875)	-0-	-0-	-0-	-0-	(56,298)	-0-	-0-	(58,273)	(854,282)	
Principal paid on notes	(47,183)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(47,183)	(20,523)	
State grant proceeds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	814,679	
Interest paid on notes	(9,747)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(9,747)	(9,142)	
Net cash provided (used) by capital and related financing activities	(58,805)	-0-	-0-	-0-	-0-	(56,298)	-0-	-0-	(115,203)	(69,268)	
Cash flows from investing activities:											
Interest and Dividends on Investments	15	16	10	-0-	15	-0-	56	-0-	112	1,290	
Net cash provided by investing activities	15	16	10	-0-	15	-0-	56	-0-	112	1,290	
Net increase (decrease) in cash and cash equivalents	8,810	2,206	1,570	(1,028)	(11,698)	-	(24,360)	(3,116)	(27,616)	(19,032)	
Cash and cash equivalents at beginning of year	795	1,599	8,253	40,252	13,644	614	71,868	3,462	140,487	159,519	
Cash and cash equivalents at end of year	\$ 9,605	\$ 3,805	\$ 9,823	\$ 39,224	\$ 1,946	\$ 614	\$ 47,508	\$ 346	\$ 112,871	\$ 140,487	
Reconciliation of net operating income to net cash provided by operating activities:											
Net operating income (loss)	\$ (616,315)	\$ 604,093	\$ -0-	\$ 3,822	\$ -0-	\$ (3,006)	\$ -0-	\$ (63)	\$ (11,469)		
Adjustments to reconcile net operating income to net cash provided by operating activities:											
Depreciation	107,378	-0-	-0-	-0-	-0-	-0-	-0-	-0-	107,378		
Changes in assets/liabilities:											
Accounts receivable	-0-	(11,324)	-0-	-0-	-0-	-0-	-0-	-0-	(11,324)		
Due to from funds	4,353	-0-	-0-	-0-	-0-	-0-	-0-	-0-	4,353		
Accounts payable	11,174	-0-	-0-	-0-	-0-	-0-	-0-	-0-	11,174		
Deferred revenue	-0-	2,417	-0-	-0-	-0-	-0-	-0-	-0-	2,417		
Accrued expenses	1,679	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,679		
Accrued vacation	(528)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(528)		
Due to other funds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(4,353)	(4,353)		
Deposits	-0-	-0-	-0-	(4,850)	-0-	-0-	-0-	-0-	(4,850)		
Net cash provided (used) by operating activities	\$ (492,259)	\$ 595,186	\$ -0-	\$ (1,028)	\$ -0-	\$ (3,006)	\$ -0-	\$ (4,416)	\$ 94,477		

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, 2013**

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, 2013

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, 2013**

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 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, 2013**

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, 2012, 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, 2013</u>	<u>June 30, 2012</u>
GENERAL FUND		
Vacation pay	\$ 1,928	\$ 1,332
WATER AND SEWER FUNDS		
Vacation pay	\$ 6,471	\$ 6,999

**CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013**

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 Reccivables 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, 2013**

**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 Employers Mutual Casualty Company, a local government risk pool for insurance coverage for these risks. As a member of Employers Mutual Casualty Company, 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, 2013**

NOTE E – REVENUE BONDS PAYABLE

As of June 30, 2013 there is one revenue bond outstanding amounting to \$122,000. Rural Economic and Community Development (formerly Farmers Home Administration) holds the bond with an interest rate of 5%, with maturities through the year 2024. As of June 30, 2013, “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, 2013 are as follows:

	<u>Cash in Bank</u>
Depreciation reserve	\$ 9,823
Road aid reserve	21,536
Land development reserve	56,397
Meter deposit reserve	39,224
Safe room reserve	231,637
Construction reserve	614
Bond and interest reserve	<u>11,172</u>
Total	<u>\$ 370,403</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 2013 tax rate was 15.3 cents per \$100 valuation for motor vehicles, 17.8 cents per \$100 valuation for personal property taxes, 16.0 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, 2013**

NOTE II – 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, 2013. 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 I – 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, 2013

NOTE I – FIXED ASSETS (CONTINUED)

A summary of changes in general fixed assets follows:

PRIMARY GOVERNMENT

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 76,164	\$ -0-	\$ -0-	\$ 76,164
Total non-depreciable assets	76,164	-0-	-0-	76,164
Depreciable assets:				
Park Equipment	33,260	-0-	-0-	33,260
Buildings	20,960	165,599	-0-	186,559
City Hall	75,302	-0-	-0-	75,302
Trucks	36,117	2,500	1,600	37,017
Police Cars & Fire				
Trucks	220,630	36,518	-0-	257,148
Fire Station	40,400	-0-	-0-	40,400
Police and Fire Dept.				
Equipment	94,962	-0-	-0-	94,962
Maintenance Equipment	86,469	6,100	-0-	92,569
Office Equipment	21,306	2,037	-0-	23,343
Total depreciable assets	629,406	212,754	1,600	840,560
Total capital assets	\$ 705,570	\$ 212,754	\$ 1,600	\$ 916,724
Accumulated depreciation:				
Park Equipment	\$ (21,637)	\$ (748)	\$ -0-	\$ (22,385)
Buildings	(6,236)	(537)	-0-	(6,773)
City Hall	(27,143)	(4,635)	-0-	(31,778)
Trucks	(29,511)	(2,487)	(413)	(31,585)
Police Cars & Fire				
Trucks	(213,311)	(8,572)	-0-	(221,883)
Fire Station	(27,970)	(1,036)	-0-	(29,006)
Police and Fire Dept.				
Equipment	(68,307)	(8,865)	-0-	(77,172)
Maintenance Equipment	(77,823)	(3,617)	-0-	(81,440)
Office Equipment	(12,461)	(3,137)	-0-	(15,598)
Total accumulated depreciation	(484,399)	(33,634)	(413)	(517,620)
Governmental activities capital assets, net	\$ 221,171	\$ 179,120	1,187	\$ 399,104

CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

NOTE I – FIXED ASSETS (CONTINUED)

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

	Balance			Balance
	July 1, 2012	Additions	Deductions	June 30, 2013
Business-type Activities:				
Depreciable assets:				
Water Lines	\$ 971,387	\$ -0-	\$ -0-	\$ 971,387
Sewer Lines	1,316,829	-0-	-0-	1,316,829
Machinery and Equipment	128,854	1,874	-0-	130,728
Office Equipment	54,988	-0-	-0-	54,988
Trucks	9,000	-0-	-0-	9,000
Total depreciable assets	2,481,058	1,874	-0-	2,482,932
Total capital assets	\$ 2,481,058	\$ 1,874	\$ -0-	\$ 2,482,932
Accumulated depreciation:				
Water Lines	\$ (351,002)	\$ (57,050)	\$ -0-	\$ (408,052)
Sewer Lines	(443,740)	(41,843)	-0-	(485,583)
Machinery and Equipment	(109,566)	(5,737)	-0-	(115,303)
Office Equipment	(43,740)	(2,748)	-0-	(46,488)
Trucks	(9,000)	-0-	-0-	(9,000)
Total accumulated depreciation	(957,048)	(107,378)	-0-	(1,064,426)
Business-type capital assets, net	\$ 1,524,010	\$ (105,504)	\$ -0-	\$ 1,418,506

Depreciation expense is charged to functions as follows:

Governmental Activities		Business-type Activities	
General Government	\$ 14,415	Water and Sewer	\$ 107,378
Police	16,923		
Parks/Recreation	748		\$ 107,378
Fire Department	1,548		
	\$ 33,634		

CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES

A summary of Long-Term liability activity for the year ended June 30, 2013 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 - SW Project	\$ 12,993	\$ -0-	\$ 8,358	\$ 4,635	\$ 4,635
Note Payable - Vehicle	2,101	-0-	2,101	-0-	
Note Payable - Vehicle	-0-	28,818	4,334	24,484	5,418
Note Payable - Building	-0-	165,599	2,744	162,855	5,664
Bond Payable - Safe Room	-0-	1,245,000	-0-	1,245,000	1,245,000
Compensated Absences	1,333	595	-0-	1,928	
	<u>\$ 16,427</u>	<u>\$ 1,440,012</u>	<u>\$ 17,537</u>	<u>\$ 1,438,902</u>	<u>\$ 1,260,743</u>
Business-type Activities					
Note Payable - Water Meter	\$ 32,965	\$ -0-	\$ 13,184	\$ 19,781	\$ 13,824
1986 Series "A" Bond	128,000	-0-	6,000	122,000	7,000
1984 Series "B" Bond	28,000	-0-	28,000	-0-	
Compensated Absences	6,999	-0-	528	6,471	
	<u>\$ 195,964</u>	<u>\$ -0-</u>	<u>\$ 47,712</u>	<u>\$ 148,252</u>	<u>\$ 20,824</u>
	<u>\$ 212,391</u>	<u>\$ 1,440,012</u>	<u>\$ 65,249</u>	<u>\$ 1,587,154</u>	<u>\$ 1,281,567</u>

NOTE K - DEBT MATURITIES

Debt Maturities are as follows:

<u>Fiscal Year Ending June 30</u>	<u>1986 Series A Bond</u>	<u>Water Meter Loan</u>	<u>Total Business-type Debt</u>	<u>Governmental Debt</u>
2014	\$ 7,000	\$ 13,824	\$ 20,824	\$ 1,260,743
2015	7,000	5,957	12,957	11,593
2016	7,000	-0-	7,000	12,099
2017	8,000	-0-	8,000	12,628
2018	8,000	-0-	8,000	7,693
	<u>37,000</u>	<u>19,781</u>	<u>56,781</u>	<u>1,304,756</u>
Beyond 2018	85,000	-0-	85,000	132,218
	<u>\$ 122,000</u>	<u>\$ 19,781</u>	<u>\$ 141,781</u>	<u>\$ 1,436,974</u>

**CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2013**

NOTE K - DEBT MATURITIES (CONTINUED)

General Fund Long-Term Debt:

The General Fund indebtedness includes a note payable for a vehicle entered in August of 2012 from the Meade County Bank for the amount of \$28,818 payable in 60 installments at \$539 per month including interest at 4.61%. The balance of the note payable at June 30, 2013 was \$24,484.

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 5.289%. The balance of the note payable at June 30, 2013 was \$4,635.

The General Fund indebtedness includes a note payable for a building entered in December of 2012 from the Meade County Bank for the amount of \$165,599 payable in 240 installments at \$1,000 per month including interest at 3.96%. The balance of the note payable at June 30, 2013 was \$162,855.

The General Fund indebtedness includes a bond payable for a safe room project entered in August of 2012 from the Kentucky Area Development Districts Financing Trust Lease Acquisition Program for the amount of \$1,245,000 payable in one installment at 2.80%. The balance of the bond payable at June 30, 2013 was \$1,245,000.

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, 2013 was \$19,781.

NOTE L - SUBSEQUENT EVENT POLICY

City of Muldraugh has evaluated subsequent events through November 16, 2013, the date which the financial statements were available to be issued.

**CITY OF MULDRAUGH
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR YEAR ENDED JUNE 30, 2013**

NOTE M – TRANSACTION CLASSES/AMOUNTS

Due To/From Balances

Due to/from balances used to cover current operating expenses were as follows as of June 30, 2013:

	<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, 2013, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 8,001	\$ 5,000
Municipal Road Aid	-0-	6,000
Land Development	31,427	18,741
Operations & Maintenance	566,860	7,001
Revenue	45,034	638,030
Depreciation	1,560	-0-
Surcharge	30,943	42,656
Water/Sewer Construction	61,782	2,378
Sewer Infiltration	25,339	24,039
Safe room	-0-	2,685
Bond & Interest	18,000	42,416
Totals	<u>\$ 788,946</u>	<u>\$ 788,946</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
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2013

NOTE N – EMPLOYEE RETIREMENT BENEFITS

The Government contributes to the Commonwealth of Kentucky's County Employees' Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county and school board and any additional eligible local agencies electing to participate in the System. Beginning October 27, 1975, all eligible full-time employees of the Government were required to participate in CERS. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601, or by telephone at (502) 696-8800.

Nonhazardous covered employees are required to contribute 5% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6% of their salary to the plan. For the year ended June 30, 2013 and 2012, the Government's contribution rate for nonhazardous employees was 19.55% and 18.96%, respectively.

Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. For the year ended June 30, 2013 and 2012, the Government's contribution rate for hazardous employees was 37.60% and 35.76%, respectively.

The contribution requirements and the amounts contributed to CERS were \$63,741, \$56,357, and \$45,823, respectively for the years ended June 30, 2013, 2012 and 2011.

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

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 65. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

**CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2013**

NOTE N – EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

CERS also provides post-retirement health coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

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

NOTE O – DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that in the event of a depository institution failure, the City's deposits may not be returned. The City does have a deposit policy for custodial credit risk and follows the requirements of KRS 41.240(4). On June 30, 2013, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

NOTE P - MULTIEMPLOYER PENSION PLAN

The City contributes to a multiemployer defined benefit pension plan for all employees through County Employee's Retirement System (CERS). It is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county and school board and any additional eligible local agencies electing to participate in the System. The risks of participating in this multiemployer plan differs from those of single-employer plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, then the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the government chooses to stop participating in some of its multiemployer plans, then it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

**CITY OF MULDRAUGH
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR YEAR ENDED JUNE 30, 2013**

NOTE P - MULTIEMPLOYER PENSION PLAN (CONTINUED)

The cities participation in this plan for the fiscal year ended June 30, 2013, is outlined in the following table. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2013 for the plan's year-end at June 30, 2013. The zone status is based on information that the City of Muldraugh, Kentucky received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plans are subject. The pension plan protection zone status, FIP/RP status pending/implemented, and the expiration date of the collective-bargaining agreement are not applicable to the City of Muldraugh, Kentucky.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Zone Status 2013</u>	<u>FIP/RP Status Pending/ Implemented</u>	<u>City Contributions 2013</u>	<u>Surcharge Imposed</u>	<u>Expiration Date of Collective- Bargaining Agreement</u>
County Employees Retirement System	61-6010651	Not applicable	Not applicable	\$ 63,741	No	Not applicable

CITY OF MULDRAUGH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GENERAL FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		OVER (UNDER)
TOTAL REVENUES	\$ 443,980	\$ 485,617	\$ 498,601	\$ 12,984
TOTAL EXPENDITURES	656,754	713,956	707,136	(6,820)
Excess of Revenues Over (Under) Expenditures	(212,774)	(228,339)	(208,535)	19,804
Other Financing Sources (Uses):				
Loan Proceeds	-0-	-0-	194,417	194,417
Proceeds from equipment	-0-	-0-	-0-	-0-
Total Other Financing Sources (Uses)	-0-	-0-	194,417	194,417
Income before operating transfers	(212,774)	(228,339)	(14,118)	214,221
Other Financing Sources (Uses):				
Operating transfers in	6,000	6,000	8,001	2,001
Operating transfers out	-0-	-0-	(5,000)	(5,000)
Total Other Financing Sources And Uses	6,000	6,000	3,001	(2,999)
Net Change In Fund Balances	(206,774)	(222,339)	(11,117)	211,222
Beginning Fund Balance	80,602	80,602	80,602	-0-
Ending Fund Balance	<u>\$ (126,172)</u>	<u>\$ (141,737)</u>	<u>\$ 69,485</u>	<u>\$ 211,222</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, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>OVER</u> <u>(UNDER)</u>
REVENUES:				
Property taxes	\$ 37,000	\$ 44,786	\$ 43,573	\$ (1,213)
Business licenses	25,000	23,750	23,930	180
Unloading licenses	1,800	1,175	1,175	-0-
Interest income	60	27	31	4
Occupational licenses	35,000	32,825	29,854	(2,971)
Police department revenue	29,000	33,220	50,223	17,003
Fire department revenue	3,000	1,730	1,719	(11)
Insurance reimbursements	-0-	-0-	1,981	1,981
Lease income - cellular	16,160	17,450	17,457	7
Franchise fees - utilities	28,000	28,300	28,382	82
Franchise fees - telecommunications	4,860	4,800	4,803	3
Sanitation	36,000	58,330	58,332	2
Building and sign permits	500	550	558	8
Insurance tax	101,700	113,571	113,182	(389)
Auto licenses	5,200	5,114	4,862	(252)
Net profits	25,000	23,749	23,570	(179)
Donations and miscellaneous	16,000	16,000	12,763	(3,237)
Other revenue	-0-	-0-	821	821
INTERGOVERNMENTAL REVENUES:				
Coal and mineral grants	10,420	8,730	8,738	8
Safety grant	-0-	-0-	500	500
House Bill 413	9,730	8,950	8,957	7
Police grants	32,800	33,960	33,961	1
State police grants - KLEFPF	11,500	12,850	13,479	629
County fire grants	7,500	8,000	8,000	-0-
State fire grants	7,750	7,750	7,750	-0-
Total Revenues	<u>\$ 443,980</u>	<u>\$ 485,617</u>	<u>\$ 498,601</u>	<u>\$ 12,984</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, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>OVER</u>
				<u>(UNDER)</u>
EXPENDITURES:				
Current:				
General Government				
Salaries	\$ 197,000	\$ 223,200	\$ 223,875	\$ 675
Payroll taxes	15,300	16,220	11,955	(4,265)
Health insurance	30,100	18,800	18,796	(4)
Retirement	36,300	41,770	41,377	(393)
Utilities	17,000	24,950	32,292	7,342
Insurance	42,900	30,000	25,880	(4,120)
Telephone	2,500	2,850	2,603	(247)
Professional fees	3,500	3,150	5,230	2,080
Advertising and legal	1,000	3,800	1,933	(1,867)
Repairs and maintenance	-0-	-0-	3,429	3,429
Mayor and city council expense	1,000	900	-0-	(900)
Park expense	2,000	2,000	476	(1,524)
Towing expense	-0-	-0-	6,735	6,735
Supplies	4,000	4,000	6,753	2,753
Miscellaneous	5,000	25,000	20,344	(4,656)
Debt Service	13,537	13,537	13,537	-0-
Public Safety				
Police department	53,600	76,282	56,947	(19,335)
Fire department	37,600	33,080	29,295	(3,785)
Capital Outlay	194,417	194,417	205,679	11,262
TOTAL EXPENDITURES	\$ 656,754	\$ 713,956	\$ 707,136	\$ (6,820)

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, 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, each major fund, and the aggregate remaining fund information of the City of Muldraugh, KY, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Muldraugh, KY's basic financial statements and have issued our report thereon dated November 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Muldraugh, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion the effectiveness of the City of Muldraugh, Kentucky's internal control. 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

City of Muldraugh, Kentucky's Response to Findings

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.

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.

Richardson, Pennington & Skinner, PSC

Louisville, Kentucky
November 16, 2013

CITY OF MULDRAUGH
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	SPECIAL REVENUE FUNDS						TOTALS	
	Municipal Road Aid Fund	Land Development Fund	Police Special Account Fund	Storm Water Management Fund	Festival Fund	Safe Room	2013	2012
ASSETS								
Cash	\$ -0-	\$ -0-	\$ 1,590	\$ 471	\$ 103	\$ -0-	\$ 2,164	\$ 5,166
Restricted cash	21,536	56,397	-0-	-0-	-0-	231,637	309,570	54,591
FEMA receivable	-0-	-0-	-0-	-0-	-0-	948,661	948,661	-0-
Construction in Process	-0-	-0-	-0-	-0-	-0-	617,058	617,058	-0-
Due from other funds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL ASSETS	\$ 21,536	\$ 56,397	\$ 1,590	\$ 471	\$ 103	\$ 1,797,356	\$ 1,877,453	\$ 59,757
LIABILITIES AND FUND EQUITY								
Liabilities:								
Due to other funds	\$ 5,750	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 5,750	\$ 5,750
Accounts Payable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Liabilities	5,750	-0-	-0-	-0-	-0-	-0-	5,750	5,750
Fund Equity								
Fund Balances:								
Restricted for land development	-0-	56,397	-0-	-0-	-0-	-0-	56,397	44,719
Restricted for safe room	-0-	-0-	-0-	-0-	-0-	1,797,356	1,797,356	300
Restricted for street repairs	15,786	-0-	-0-	-0-	-0-	-0-	15,786	3,822
Unassigned	-0-	-0-	1,590	471	103	-0-	2,164	5,166
Total Fund Equity	15,786	56,397	1,590	471	103	1,797,356	1,871,703	54,007
TOTAL LIABILITIES AND FUND EQUITY	\$ 21,536	\$ 56,397	\$ 1,590	\$ 471	\$ 103	\$ 1,797,356	\$ 1,877,453	\$ 59,757

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

CITY OF MULDRAGH
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	SPECIAL REVENUE FUNDS						TOTALS	
	Municipal Road Aid Fund	Land Development Fund	Police Special Account Fund	Storm Water Management Fund	Festival Fund	Safe Room	2013	2012
REVENUES:								
Interest Income	\$ 25	\$ -0-	\$ -0-	\$ 3	\$ -0-	\$ -0-	\$ 28	\$ 81
Donations & Miscellaneous	-0-	593	75	-0-	1,500	-0-	2,168	26,842
Storm water fees	-0-	-0-	-0-	7,248	-0-	-0-	7,248	12,944
Insurance Proceeds	3,750	-0-	-0-	-0-	-0-	-0-	3,750	-0-
Intergovernmental Revenue:								
FEMA Grant	-0-	-0-	-0-	-0-	-0-	1,050,907	1,050,907	-0-
State Grant	17,275	-0-	-0-	-0-	-0-	-0-	17,275	-0-
Municipal Road Aid Grants	32,540	-0-	-0-	-0-	-0-	-0-	32,540	30,203
Total Revenues	53,590	593	75	7,251	1,500	1,050,907	1,113,916	70,070
EXPENDITURES:								
Current:								
Festival expense	-0-	-0-	-0-	-0-	2,620	-0-	2,620	3,813
Repairs and maintenance	13,975	-0-	-0-	163	-0-	-0-	14,138	26,588
Insurance	7,552	-0-	-0-	-0-	-0-	-0-	7,552	4,686
Office expense	-0-	-0-	-0-	20	-0-	-0-	20	-0-
Fuel	3,162	-0-	-0-	-0-	-0-	-0-	3,162	1,611
Professional fees	-0-	-0-	-0-	-0-	-0-	-0-	-0-	835
Supplies	-0-	-0-	-0-	-0-	-0-	-0-	-0-	347
Miscellaneous	3,862	1,601	-0-	25	-0-	-0-	5,488	10,407
Bond fees	-0-	-0-	-0-	-0-	-0-	29,175	29,175	-0-
Capital Outlay	7,075	-0-	-0-	-0-	-0-	-0-	7,075	8,964
Total Expenditures	35,626	1,601	-0-	208	2,620	29,175	69,230	57,251
Excess of Revenues Over (Under) Expenditures	17,964	(1,008)	75	7,043	(1,120)	1,021,732	1,044,686	12,819
Other Financing Sources (Uses)								
Note Payments	-0-	-0-	-0-	(9,000)	-0-	-0-	(9,000)	(10,000)
Note Proceeds	-0-	-0-	-0-	-0-	-0-	778,009	778,009	-0-
Sale of Equipment	-0-	-0-	-0-	-0-	-0-	-0-	-0-	750
Operating Transfers In	-0-	31,427	-0-	-0-	-0-	-0-	31,427	3,068
Operating Transfers Out	(6,000)	(18,741)	-0-	-0-	-0-	(2,685)	(27,426)	(6,000)
Total Other Financing Sources (Uses)	(6,000)	12,686	-0-	(9,000)	-0-	775,324	773,010	(12,182)
Excess of Revenues and Other Sources Over (Under) Expenditure & Other Uses	11,964	11,678	75	(1,957)	(1,120)	1,797,056	1,817,696	637
Fund Balance, Beginning of Year	3,822	44,719	1,515	2,428	1,223	300	54,007	53,370
FUND BALANCE, END OF YEAR	\$ 15,786	\$ 56,397	\$ 1,590	\$ 471	\$ 103	\$ 1,797,356	\$ 1,871,703	\$ 54,007

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-
 BUSINESS-TYPE ACTIVITIES (PROPRIETARY FUNDS) - BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2013

	OPERATIONS AND MAINTENANCE				REVENUE				DEPRECIATION				METER DEPOSIT			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE OVER (UNDER)	BUDGETED AMOUNTS		ACTUAL	VARIANCE OVER (UNDER)	BUDGETED AMOUNTS		ACTUAL	VARIANCE OVER (UNDER)	BUDGETED AMOUNTS		ACTUAL	VARIANCE OVER (UNDER)
	ORIGINAL	FINAL			ORIGINAL	FINAL			ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES:																
Water Service	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 152,220	\$ 154,191	\$ 157,813	\$ 3,622	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Sewer Service	-0-	-0-	-0-	-0-	191,932	194,417	198,984	4,567	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Garbage Service	-0-	-0-	-0-	-0-	124,334	125,945	128,903	2,958	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Sewer Surcharge	-0-	-0-	-0-	-0-	26,899	27,247	27,887	640	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Interest Income	20	20	15	(5)	-0-	-0-	16	16	20	20	10	(10)	-0-	-0-	-0-	-0-
Infiltration Income	-0-	-0-	-0-	-0-	24,616	24,934	25,520	586	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous	24,060	28,390	-0-	(28,390)	56,050	36,207	66,226	30,019	-0-	-0-	-0-	-0-	20,800	10,350	4,179	(6,171)
Total Revenues	24,080	28,410	15	(28,395)	576,051	562,941	605,349	42,408	20	20	10	(10)	20,800	10,350	4,179	(6,171)
EXPENDITURES:																
Current																
Water and Sewer Operations	472,700	497,480	504,606	7,126	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous expenses	4,020	5,656	4,331	(1,325)	-0-	-0-	1,240	1,240	-0-	-0-	-0-	-0-	-0-	-0-	357	357
Depreciation Expense	-0-	-0-	107,378	107,378	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Interest Expense	9,747	9,747	9,747	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Expenditures	486,467	512,883	626,062	113,179	-0-	-0-	1,240	1,240	-0-	-0-	-0-	-0-	-0-	-0-	357	357
Excess of Revenues Over (Under) Expenditures	(462,387)	(484,473)	(626,047)	(141,574)	576,051	562,941	604,109	41,168	20	20	10	(10)	20,800	10,350	3,822	(6,528)
Other Financing Sources (Uses)																
Transfers In	503,440	495,756	566,860	71,104	-0-	-0-	45,034	45,034	1,560	1,560	1,560	-0-	-0-	-0-	-0-	-0-
Transfers Out	-0-	-0-	7,001	7,001	967,940	626,313	638,030	11,717	-0-	-0-	-0-	-0-	16,800	16,800	-0-	(16,800)
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)	503,440	495,756	559,859	64,103	(967,940)	(626,313)	(592,996)	33,317	1,560	1,560	1,560	-0-	(16,800)	(16,800)	-0-	16,800
Excess of Revenues and Other Sources Over (Under) Expenditure & Other Uses	41,053	11,283	(66,188)	(77,471)	(391,889)	(63,372)	11,113	74,485	1,580	1,580	1,570	(10)	4,000	(6,450)	3,822	10,272
Fund Balance, Beginning of year	1,288,432	1,288,432	1,288,432	-0-	46,143	46,143	46,143	-0-	8,253	8,253	8,253	-0-	11,402	11,402	11,402	-0-
FUND BALANCE, END OF YEAR	\$ 1,329,485	\$ 1,299,715	\$ 1,222,244	\$ (77,471)	\$ (345,746)	\$ (17,229)	\$ 57,256	\$ 74,485	\$ 9,833	\$ 9,833	\$ 9,823	\$ (10)	\$ 15,402	\$ 4,952	\$ 15,224	\$ 10,272

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, 2013

	SURCHARGE			VARIANCE OVER (UNDER)	WATER/SEWER CONSTRUCTION			VARIANCE OVER (UNDER)	BOND AND INTEREST			VARIANCE OVER (UNDER)	SEWER INFILTRATION FUND			VARIANCE OVER (UNDER)			
	BUDGETED AMOUNTS				BUDGETED AMOUNTS				BUDGETED AMOUNTS				BUDGETED AMOUNTS						
	ORIGINAL	FINAL	ACTUAL		ORIGINAL	FINAL	ACTUAL		ORIGINAL	FINAL	ACTUAL		ORIGINAL	FINAL	ACTUAL				
REVENUES:																			
Water Service	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -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-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Garbage Service	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-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-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Interest Income	40	10	15	5	-0-	-0-	-0-	-0-	30	30	56	26	40	-0-	-0-	-0-	-0-	-0-	-0-
Infiltration Income	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-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-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Revenues	40	10	15	5	-0-	-0-	-0-	-0-	30	30	56	26	40	-0-	-0-	-0-	-0-	-0-	-0-
EXPENDITURES:																			
Current																			
Water and Sewer Operations	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous expenses	-0-	-0-	-0-	-0-	-0-	-0-	3,006	3,006	-0-	-0-	-0-	-0-	-0-	-0-	63	63	-0-	-0-	63
Depreciation Expense	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-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-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Expenditures	-0-	-0-	-0-	-0-	-0-	-0-	3,006	(3,006)	-0-	-0-	-0-	-0-	-0-	-0-	63	(63)	-0-	-0-	(63)
Excess of Revenues Over (Under) Expenditures	40	10	15	5	-0-	-0-	(3,006)	3,006	30	30	56	26	40	-0-	(63)	63	-0-	-0-	63
Other Financing Sources (Uses)																			
Transfers In	30,050	30,900	30,943	43	390,890	61,782	61,782	-0-	18,000	18,000	18,000	-0-	24,000	25,300	25,339	39	-0-	-0-	39
Transfers Out	40,000	42,700	42,656	(44)	390,890	61,782	2,378	(59,404)	44,150	44,150	42,416	(1,734)	24,040	24,120	24,039	(81)	-0-	-0-	(81)
KIA grant	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Kentucky state grant	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Other Financing Sources (Uses)	(9,950)	(11,800)	(11,713)	87	-0-	-0-	59,404	59,404	(26,150)	(26,150)	(24,416)	1,734	(40)	1,180	1,300	120	-0-	-0-	120
Excess of Revenues and Other Sources Over (Under) Expenditure & Other Uses	(9,910)	(11,790)	(11,698)	92	-0-	-0-	56,398	62,410	(26,120)	(26,120)	(24,360)	1,760	-0-	1,180	1,237	183	-0-	-0-	183
Fund Balance, Beginning of year	13,644	13,644	13,644	-0-	1,422,549	1,422,549	1,422,549	-0-	71,868	71,868	71,868	-0-	(891)	(891)	(891)	-0-	-0-	-0-	-0-
FUND BALANCE, END OF YEAR	\$ 3,734	\$ 1,854	\$ 1,946	\$ 92	\$ 1,422,549	\$ 1,422,549	\$ 1,478,947	\$ 62,410	\$ 45,748	\$ 45,748	\$ 47,508	\$ 1,760	\$ (891)	\$ 289	\$ 346	\$ 183	\$ -0-	\$ -0-	\$ 183

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-
 NONMAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS) - BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2013

	MUNICIPAL ROAD AID				LAND DEVELOPMENT				POLICE SPECIAL ACCOUNT				
	BUDGETED AMOUNTS			VARIANCE OVER (UNDER)	BUDGETED AMOUNTS			VARIANCE OVER (UNDER)	BUDGETED AMOUNTS			VARIANCE OVER (UNDER)	
	ORIGINAL	FINAL	ACTUAL		ORIGINAL	FINAL	ACTUAL		ORIGINAL	FINAL	ACTUAL		
REVENUES:													
Interest Income	\$ 20	\$ 20	\$ 25	\$ 5	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Donations & Miscellaneous	-0-	-0-	-0-	-0-	-0-	-0-	593	593	500	75	75	-0-	-0-
Insurance Proceeds	-0-	3,750	3,750	-0-									
Intergovernmental Revenue:													
Department of Local Government	33,000	32,500	32,540	40	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
State Grant	-0-	17,230	17,275	45	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Revenues	33,020	53,500	53,590	90	-0-	-0-	593	593	500	75	75	-0-	-0-
EXPENDITURES:													
Current:													
Repairs and Maintenance	16,475	17,840	13,975	(3,865)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Professional Fees	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Insurance	8,903	9,641	7,552	(2,089)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Supplies	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	500	500	-0-	-0-	(500)
Miscellaneous	8,281	8,967	7,024	(1,943)	-0-	-0-	1,601	1,601	-0-	-0-	-0-	-0-	-0-
Capital Outlay	8,341	9,032	7,075	(1,957)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Expenditures	42,000	45,480	35,626	(9,854)	-0-	-0-	1,601	1,601	500	500	-0-	-0-	(500)
Excess of Revenues Over (Under) Expenditures	(8,980)	8,020	17,964	9,944	-0-	-0-	(1,008)	(1,008)	-0-	(425)	75	75	500
Other Financing Sources (Uses)													
Transfers In	-0-	-0-	-0-	-0-	24,050	76,700	31,427	(45,273)	-0-	-0-	-0-	-0-	-0-
Transfers Out	-0-	-0-	(6,000)	(6,000)	(43,111)	(65,100)	(18,741)	46,359	-0-	-0-	-0-	-0-	-0-
Note payments	-0-	-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-	-0-
Total Other Financing Sources (Uses)	-0-	-0-	(6,000)	(6,000)	(19,061)	11,600	12,686	1,086	-0-	-0-	-0-	-0-	-0-
Excess of Revenues and Other Sources Over (Under) Expenditure & Other Uses	(8,980)	8,020	11,964	3,944	(19,061)	11,600	11,678	78	-0-	(425)	75	75	500
Fund Balance, Beginning of year	3,822	3,822	3,822	-0-	44,719	44,719	44,719	-0-	1,515	1,515	1,515	1,515	-0-
FUND BALANCE, END OF YEAR	\$ (5,158)	\$ 11,842	\$ 15,786	\$ 3,944	\$ 25,658	\$ 56,319	\$ 56,397	\$ 78	\$ 1,515	\$ 1,090	\$ 1,590	\$ 1,590	\$ 500

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-
 NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS) - BUDGET TO ACTUAL (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2013

	STORM WATER MANAGEMENT				FESTIVAL				SAFE			
	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	\$ 20	\$ 20	\$ 3	\$ (17)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Donations & Miscellaneous	24,000	7,200	7,248	48	4,300	1,500	1,500	-0-	-0-	-0-	-0-	-0-
Intergovernmental Revenue:												
Department of Local Government	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
FEMA Grant	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,207,939	545,531	1,050,907	505,376
Municipal Bonds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Revenues	24,020	7,220	7,251	31	4,300	1,500	1,500	-0-	1,207,939	545,531	1,050,907	505,376
EXPENDITURES:												
Current:												
Repairs and Maintenance	-0-	155	163	8	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Insurance	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Supplies	-0-	20	20	-0-	4,000	2,620	2,620	-0-	-0-	-0-	-0-	-0-
Miscellaneous	-0-	25	25	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Professional Fees	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	29,175	29,175
Total Expenditures	-0-	200	208	8	4,000	2,620	2,620	-0-	-0-	-0-	29,175	29,175
Excess of Revenues Over (Under) Expenditures	24,020	7,020	7,043	23	300	(1,120)	(1,120)	-0-	1,207,939	545,531	1,021,732	476,201
Other Financing Sources (Uses)												
Transfers In	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Transfers Out	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(2,685)	(2,685)
Note payments	20,000	9,000	9,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Note proceeds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	778,009	778,009
Total Other Financing Sources (Uses)	20,000	9,000	9,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	775,324	775,324
Excess of Revenues and Other Sources Over (Under) Expenditure & Other Uses	44,020	16,020	(1,957)	23	300	(1,120)	(1,120)	-0-	1,207,939	545,531	1,797,056	1,251,525
Fund Balance, Beginning of year	2,428	2,428	2,428	-0-	1,223	1,223	1,223	-0-	300	300	300	-0-
FUND BALANCE, END OF YEAR	\$ 46,448	\$ 18,448	\$ 471	\$ 23	\$ 1,523	\$ 103	\$ 103	\$ -	\$ 1,208,239	\$ 545,851	\$ 1,797,356	\$ 1,251,525

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, 2013**

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

2014	7,000	2021	9,000
2015	7,000	2022	10,000
2016	7,000	2023	10,000
2017	8,000	2024	11,000
2018	8,000	2025	11,000
2019	8,000	2026	17,000
2020	9,000		

	TOTAL	\$ 122,000
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See Note E.

**CITY OF MULDRAUGH
LIST OF COUNCIL MEMBERS
JUNE 30, 2013**

City of Muldraugh, Kentucky

TELEPHONE NUMBER (502) 942-2824

<u>Position</u>	<u>Name</u>	<u>Address</u>	<u>Term Expires</u>
Mayor	Joseph E. Noon, Sr.	Muldraugh, Kentucky	December 31, 2014
City Clerk/ Treasurer	Caroline J. Cline	Elizabethtown, Kentucky	
Member	Curtis Kelley	Muldraugh, Kentucky	December 31, 2014
Member	Glenna Lewis	Muldraugh, Kentucky	December 31, 2014
Member	Pat Watts	Muldraugh, Kentucky	December 31, 2014
Member	Judy Compton	Muldraugh, Kentucky	December 31, 2014
Member	Jim Heavrin	Muldraugh, Kentucky	December 31, 2014
Member	Donnie Basham	Muldraugh, Kentucky	December 31, 2014

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

Kentucky Offices:
Louisville
Brandenburg
Bardstown

**CITY OF MULDRAUGH
AUDITORS' CERTIFICATION
JUNE 30, 2013**

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.

Richardson, Pennington & Skinner, PSC

Louisville, Kentucky
November 16, 2013