

CITY OF MULDRAUGH
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2014

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William A. Talley
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, 2014, 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, 2013 statements and, in our report dated November 16, 2013, 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, 2014, 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 7, 2014 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.



Louisville, Kentucky
November 7, 2014

**CITY OF MULDRAUGH
STATEMENT OF NET POSITION
JUNE 30, 2014**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
Current assets:			
Cash	\$ 13,816	\$ 22,145	\$ 35,961
Receivables:			
Occupational taxes	8,606	-0-	8,606
Property taxes	1,657	-0-	1,657
KLEFPF	1,229	-0-	1,229
Insurance premium tax	17,428	-0-	17,428
Water	-0-	18,934	18,934
Sewer	-0-	31,189	31,189
Garbage	-0-	15,251	15,251
Infiltrate	-0-	3,560	3,560
Due from others	7,650	-0-	7,650
Internal balances	10,321	(10,321)	-0-
Restricted cash	60,183	96,313	156,496
Restricted certificate of deposits	-0-	38,557	38,557
Construction in process	-0-	1,899,795	1,899,795
Capital assets:			
Depreciable buildings, property, and equipment (net)	1,613,840	1,313,623	2,927,463
TOTAL ASSETS	\$ 1,734,730	\$ 3,429,046	\$ 5,163,776
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 7,881	\$ 32,435	\$ 40,316
Accrued expenses	5,913	1,424	7,337
Deferred revenue	-0-	3,903	3,903
Accrued wages	2,685	990	3,675
Deposits	-0-	37,882	37,882
Compensated absences	3,745	7,187	10,932
Bonds/Note payables due within one year	23,235	31,169	54,404
Bonds/Note payables due in more than one year	411,065	180,439	591,504
TOTAL LIABILITIES	454,524	295,429	749,953
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	1,179,540	1,102,015	2,281,555
Restricted for specific purpose	62,083	-0-	62,083
Unrestricted	38,583	2,031,602	2,070,185
TOTAL NET POSITION	\$ 1,280,206	\$ 3,133,617	\$ 4,413,823

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, 2014**

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	\$ 495,524	\$ 63,895	\$ 16,153	\$ -0-	\$ (415,476)	\$ -0-	\$ (415,476)
Police	69,111	33,442	25,067	-0-	(10,602)	-0-	(10,602)
Parks/recreation	1,746	-0-	-0-	-0-	(1,746)	-0-	(1,746)
Fire department	24,847	5,698	8,000	-0-	(11,149)	-0-	(11,149)
Roads and sidewalks	1,035	-0-	-0-	23,650	22,615	-0-	22,615
Interest on long-term debt	28,131	-0-	-0-	-0-	(28,131)	-0-	(28,131)
Total Government Activities	620,394	103,035	49,220	23,650	(444,489)	-0-	(444,489)
BUSINESS-TYPE ACTIVITIES:							
Water and sewer	618,706	581,945	-0-	332,114	-0-	295,353	295,353
Total Business-Type Activities	618,706	581,945	-0-	332,114	-0-	295,353	295,353
TOTAL PRIMARY GOVERNMENT	\$ 1,239,100	\$ 684,980	\$ 49,220	\$ 355,764	(444,489)	295,353	(149,136)
GENERAL REVENUES:							
Taxes:							
Property							
					52,739	-0-	52,739
Net profits							
					12,833	-0-	12,833
Insurance tax							
					102,608	-0-	102,608
Storm water fees							
					12,066	-0-	12,066
Interest							
					49	2,291	2,340
Franchise fees							
					36,623	-0-	36,623
Lease income - cellular							
					18,039	-0-	18,039
Sanitation							
					77,998	-0-	77,998
Others							
					1,870	-0-	1,870
Proceeds from sale of equipment							
					3,000	-0-	3,000
Miscellaneous							
					11,400	14,486	25,886
Transfers							
					11,807	(11,807)	-0-
Total general revenues, special items and transfers							
					341,032	4,970	346,002
Change in net assets							
					(103,457)	300,323	196,866
Net position - beginning							
					1,383,663	2,833,294	4,216,957
Net position - ending							
					\$ 1,280,206	\$ 3,133,617	\$ 4,413,823

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

**CITY OF MULDRAUGH
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

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

<u>ASSETS</u>	GOVERNMENTAL FUND TYPES		TOTALS	
	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	2014	2013
	Cash	\$ 4,237	\$ 9,579	\$ 13,816
Restricted Cash and Cash Equivalents:				
Cash and cash equivalents	-0-	60,183	60,183	309,570
Receivables:				
Occupational taxes	8,606	-0-	8,606	6,831
Property taxes	1,657	-0-	1,657	1,275
KLEFPF	1,229	-0-	1,229	1,236
Insurance premium tax	17,428	-0-	17,428	19,672
FEMA receivable	-0-	-0-	-0-	948,661
Construction in process	-0-	-0-	-0-	617,058
Due from other funds	16,071	7,650	23,721	33,510
TOTAL ASSETS	\$ 49,228	\$ 77,412	\$ 126,640	\$ 1,962,022
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 7,881	\$ -0-	\$ 7,881	\$ 5,727
Accrued expenses	5,913	-0-	5,913	7,623
Accrued wages	2,685	-0-	2,685	1,734
Due to other funds	-0-	5,750	5,750	5,750
Total Liabilities	16,479	5,750	22,229	20,834
Fund Balance:				
Restricted for specific purpose	-0-	62,083	62,083	1,869,539
Unassigned	32,749	9,579	42,328	71,649
Total Fund Equity	32,749	71,662	104,411	1,941,188
TOTAL LIABILITIES AND FUND BALANCE	\$ 49,228	\$ 77,412	\$ 126,640	\$ 1,962,022
Total governmental fund equity (from above)			\$ 104,411	
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		1,613,840	1,613,840	
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		3,745		
Bond Payable - Safe Room		254,325		
Note Payable - Building		157,202		
Note Payable - Vehicle		3,744		
Note Payable - Vehicle		19,029		
			(438,045)	
Net position of governmental activities (See Pages 7 & 8)			\$ 1,280,206	

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

CITY OF MULBRAUGH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	GOVERNMENTAL		TOTALS	
	FUND TYPES		2014	2013
	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS		
TOTAL REVENUES	\$ 462,977	\$ 39,153	\$ 502,130	\$ 1,612,517
TOTAL EXPENDITURES	523,944	2,283,589	2,807,533	785,366
Excess of Revenues Over (Under) Expenditures	(60,967)	(2,244,436)	(2,305,403)	827,151
Other Financing Sources (Uses):				
Proceeds from equipment	3,000	-0-	3,000	-0-
Loan proceeds	8,924	444,895	453,819	972,426
Total Other Financing Sources (Uses)	11,924	444,895	456,819	972,426
Income before operating transfers	(49,043)	(1,799,541)	(1,848,584)	1,799,577
Operating transfers in	14,807	5,500	20,307	39,428
Operating transfers out	(2,500)	(6,000)	(8,500)	(32,426)
Total Other Financing Sources And Uses	12,307	(500)	11,807	7,002
Net Change In Fund Balances	(36,736)	(1,800,041)	(1,836,777)	1,806,579
Beginning Fund Balance	69,485	1,871,703	1,941,188	134,609
Ending Fund Balance	<u>\$ 32,749</u>	<u>\$ 71,662</u>	<u>\$ 104,411</u>	<u>\$ 1,941,188</u>

Net change in fund balances-total governmental funds (from above) \$ (1,836,777)

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	\$ 1,269,426	
Amortization Expense	15,282	
Depreciation Expense	<u>54,690</u>	
Difference		1,199,454

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	263,924	
Bond Proceeds	189,895	
Principal Payments	<u>989,502</u>	
		535,683

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. (1,817)

Change in net position of governmental activities (See Page 8) \$ (103,457)

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, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	GOVERNMENTAL		TOTALS	
	FUND TYPES			
	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	2014	2013
REVENUES:				
Property taxes	\$ 46,496	\$ -0-	\$ 46,496	\$ 43,573
Business licenses	28,638	-0-	28,638	23,930
Unloading licenses	1,250	-0-	1,250	1,175
Interest income	20	29	49	59
Occupational licenses	34,007	-0-	34,007	29,854
Police department revenue	33,442	-0-	33,442	50,223
Fire department revenue	5,698	-0-	5,698	1,719
Insurance reimbursement	-0-	-0-	-0-	1,981
Lease income - cellular	18,039	-0-	18,039	17,457
Franchise fees - utilities	31,820	-0-	31,820	28,382
Franchise fees - telecommunications	4,803	-0-	4,803	4,803
Sanitation	77,998	-0-	77,998	58,332
Storm Water Fees	-0-	12,066	12,066	7,248
Building and sign permits	280	-0-	280	558
Insurance tax	102,608	-0-	102,608	113,182
Auto licenses	6,243	-0-	6,243	4,862
Net and gross profits	12,833	-0-	12,833	23,570
Festival income	-0-	-0-	-0-	3,750
Donations and miscellaneous	7,992	3,408	11,400	14,931
Other revenue	1,590	-0-	1,590	821
INTERGOVERNMENTAL REVENUES:				
Coal and mineral grants	8,108	-0-	8,108	8,738
State highway grants	0	23,650	23,650	50,315
FEMA grant	-0-	-0-	-0-	1,050,907
Police grants	10,325	-0-	10,325	33,961
House Bill 413	8,045	-0-	8,045	8,957
State police grants - KLEFPF	14,742	-0-	14,742	13,479
Homeland security grant	-0-	-0-	-0-	-0-
County fire grants	8,000	-0-	8,000	8,000
State fire grants	-0-	-0-	-0-	7,750
TOTAL REVENUES	\$ 462,977	\$ 39,153	\$ 502,130	\$ 1,612,517

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, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	GOVERNMENTAL		TOTALS	
	FUND TYPES			
	GENERAL	NONMAJOR	2014	2013
	FUND	GOVERNMENTAL		
		FUNDS		
EXPENDITURES:				
Current:				
General Government				
Salaries	\$ 225,946	\$ -0-	\$ 225,946	\$ 223,875
Payroll taxes	14,611	-0-	14,611	11,955
Health insurance	19,199	-0-	19,199	18,796
Retirement	38,663	-0-	38,663	41,377
Utilities	37,923	-0-	37,923	32,292
Insurance	21,828	3,772	25,600	33,432
Telephone	4,832	-0-	4,832	2,603
Professional fees	3,591	-0-	3,591	5,230
Advertising and legal	2,522	-0-	2,522	1,933
Repairs and maintenance	-0-	1,035	1,035	17,567
Park expense	31	-0-	31	476
Fuel	-0-	1,279	1,279	3,162
Festival expense	-0-	2,824	2,824	2,620
Supplies	2,996	140	3,136	6,773
Towing expense	10,521	-0-	10,521	6,735
Miscellaneous	27,779	2,801	30,580	25,832
Bond fees	-0-	23,300	23,300	29,175
Debt Service				
Principal	16,288	973,214	989,502	17,537
Interest	7,603	20,528	28,131	5,000
Public Safety				
Police department	51,533	-0-	51,533	56,947
Fire department	23,298	-0-	23,298	29,295
Total Current Expenditures	509,214	1,028,893	1,538,107	572,612
Capital Outlay	14,730	1,254,696	1,269,426	212,754
TOTAL EXPENDITURES	\$ 523,944	\$ 2,283,589	\$ 2,807,533	\$ 785,366

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

CITY OF MULdraUGH
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

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

	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 2014	TOTALS 2013
ASSETS										
Current Assets:										
Cash	\$ 9,335	\$ 2,102	\$ -0-	\$ -0-	\$ 7,159	\$ -0-	\$ -0-	\$ 3,549	\$ 22,145	\$ 15,702
Restricted cash	-0-	-0-	11,394	42,789	-0-	26,100	16,030	-0-	96,313	60,833
Certificate of Deposits, Restricted	-0-	-0-	-0-	-0-	-0-	-0-	38,557	-0-	38,557	36,336
Receivable:										
Water	-0-	18,934	-0-	-0-	-0-	-0-	-0-	-0-	18,934	16,046
Garbage	-0-	15,251	-0-	-0-	-0-	-0-	-0-	-0-	15,251	13,804
Sewer	-0-	31,189	-0-	-0-	-0-	-0-	-0-	-0-	31,189	24,641
Surcharge	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	50
Infiltrate	-0-	3,560	-0-	-0-	-0-	-0-	-0-	-0-	3,560	2,813
Due from other funds	5,750	-0-	-0-	-0-	-0-	-0-	-0-	-0-	5,750	5,750
Total current assets	15,085	71,036	11,394	42,789	7,159	26,100	54,587	3,549	231,699	175,975
Noncurrent Assets:										
Construction in process	-0-	-0-	-0-	-0-	-0-	1,899,795	-0-	-0-	1,899,795	1,478,333
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	186,980	-0-	-0-	-0-	-0-	-0-	-0-	-0-	186,980	185,717
Accumulated depreciation	(1,170,573)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(1,170,573)	(1,064,427)
Total noncurrent assets	1,313,623	-0-	-0-	-0-	-0-	1,899,795	-0-	-0-	3,213,418	2,896,839
TOTAL ASSETS	\$ 1,328,708	\$ 71,036	\$ 11,394	\$ 42,789	\$ 7,159	\$ 1,925,895	\$ 54,587	\$ 3,549	\$ 3,445,117	\$ 3,072,814
LIABILITIES										
Current Liabilities:										
Accounts payable	\$ 32,435	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 32,435	\$ 26,869
Accrued liabilities	2,414	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,414	2,986
Deferred revenue	-0-	3,903	-0-	-0-	-0-	-0-	-0-	-0-	3,903	3,903
Accrued vacation and sick leave	7,187	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7,187	6,471
Deposits	-0-	-0-	-0-	37,882	-0-	-0-	-0-	-0-	37,882	24,000
Due to other funds	16,071	-0-	-0-	-0-	-0-	-0-	-0-	-0-	16,071	33,510
Total current liabilities	58,107	3,903	-0-	37,882	-0-	-0-	-0-	-0-	99,892	97,739
Noncurrent Liabilities:										
Notes payable	5,957	-0-	-0-	-0-	-0-	-0-	-0-	-0-	5,957	19,781
Notes payable - BRAC	90,651	-0-	-0-	-0-	-0-	-0-	-0-	-0-	90,651	-0-
Bonds payable - RECD	115,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	115,000	122,000
Total noncurrent liabilities	211,608	-0-	-0-	-0-	-0-	-0-	-0-	-0-	211,608	141,781
Total Liabilities	269,715	3,903	-0-	37,882	-0-	-0-	-0-	-0-	311,500	239,520
NET POSITION										
Invested in capital assets, net of related debt	1,102,015	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,102,015	1,276,725
Unrestricted	(43,022)	67,133	11,394	4,907	7,159	1,925,895	54,587	3,549	2,031,602	1,556,569
TOTAL NET POSITION	\$ 1,058,993	\$ 67,133	\$ 11,394	\$ 4,907	\$ 7,159	\$ 1,925,895	\$ 54,587	\$ 3,549	\$ 3,133,617	\$ 2,833,294

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

CITY OF MULGRAUGH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	BUSINESS-TYPE ACTIVITIES-- ENTERPRISE FUNDS								TOTALS 2014	TOTALS 2013
	OPERATIONS AND MAINTENANCE FUND	REVENUE FUND	DEPRECIATION FUND	METER DEPOSIT FUND	SURCHARGE FUND	WATER/SEWER CONSTRUCTION FUND	BOND & INTEREST SINKING FUND	SEWER INFILTRATION FUND		
Operating Revenues:										
Water Service	\$ -0-	\$ 175,422	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 175,422	\$ 157,813
Sewer Service	-0-	212,719	-0-	-0-	-0-	-0-	-0-	-0-	212,719	198,984
Garbage Service	-0-	133,645	-0-	-0-	-0-	-0-	-0-	-0-	133,645	128,903
Sewer Surcharge	-0-	34,435	-0-	-0-	-0-	-0-	-0-	-0-	34,435	27,887
Infiltration income	-0-	25,724	-0-	-0-	-0-	-0-	-0-	-0-	25,724	25,520
Miscellaneous	-0-	14,486	-0-	-0-	-0-	-0-	-0-	-0-	14,486	70,405
Total Operating Revenues	-0-	596,431	-0-	-0-	-0-	-0-	-0-	-0-	596,431	609,512
Operating Expenses:										
Salaries	112,555	-0-	-0-	-0-	-0-	-0-	-0-	-0-	112,555	112,298
FICA Taxes	7,860	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7,860	7,942
Group Insurance	15,511	-0-	-0-	-0-	-0-	-0-	-0-	-0-	15,511	15,245
Retirement	21,048	-0-	-0-	-0-	-0-	-0-	-0-	-0-	21,048	22,004
Water Maintenance	12,695	-0-	-0-	-0-	-0-	-0-	-0-	-0-	12,695	6,317
Sewer Maintenance	6,419	-0-	-0-	-0-	-0-	-0-	-0-	-0-	6,419	60,031
Office Expense	818	-0-	-0-	165	-0-	33	65	92	1,173	7,682
Utilities	20,377	-0-	-0-	-0-	-0-	-0-	-0-	-0-	20,377	14,354
Insurance	11,340	-0-	-0-	-0-	-0-	-0-	-0-	-0-	11,340	8,316
Telephone/Pager	3,029	-0-	-0-	-0-	-0-	-0-	-0-	-0-	3,029	2,741
Utility Tax	13,985	-0-	-0-	-0-	-0-	-0-	-0-	-0-	13,985	13,774
Uniforms	733	-0-	-0-	-0-	-0-	-0-	-0-	-0-	733	-0-
Repairs and Replacement	12,863	-0-	-0-	-0-	-0-	-0-	-0-	-0-	12,863	4,432
Professional Fees	3,673	-0-	-0-	-0-	-0-	-0-	-0-	-0-	3,673	3,456
Depreciation	106,146	-0-	-0-	-0-	-0-	-0-	-0-	-0-	106,146	107,378
Miscellaneous	7,358	1,420	-0-	10,152	96	-0-	-0-	-0-	19,026	4,688
Gas and Fuel Expense	9,083	-0-	-0-	-0-	-0-	-0-	-0-	-0-	9,083	9,900
Sanitation	139,521	-0-	-0-	-0-	-0-	-0-	-0-	-0-	139,521	121,473
Water Purchased	93,123	-0-	-0-	-0-	-0-	-0-	-0-	-0-	93,123	97,445
Total Operating Expenses	598,137	1,420	-0-	10,317	96	33	65	92	610,160	620,981
Operating Income (Loss)	(598,137)	595,011	-0-	(10,317)	(96)	(33)	(65)	(92)	(13,729)	(11,469)
Non-Operating Revenues (Expenses):										
Kentucky State Grant	-0-	-0-	-0-	-0-	-0-	332,114	-0-	-0-	332,114	-0-
Interest Income	13	24	11	-0-	10	-0-	2,233	-0-	2,291	112
Interest Expense	(8,546)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(8,546)	(9,747)
Total Non-operating Revenue (Expenses)	(8,533)	24	11	-0-	10	332,114	2,233	-0-	325,859	(9,635)
Income (Loss) Before Contributions And Transfers	(606,670)	595,035	11	(10,317)	(86)	332,081	2,168	(92)	312,130	(21,104)
Operating Transfers In	553,227	-0-	1,560	-0-	31,305	114,867	18,000	25,293	744,252	749,518
Operating Transfers Out	(109,808)	(585,158)	-0-	-0-	(26,006)	-0-	(13,089)	(21,998)	(756,059)	(756,520)
Change In Net Position	(163,251)	9,877	1,571	(10,317)	5,213	446,948	7,079	3,203	300,323	(28,106)
Total Net Position - Beginning	1,222,244	57,256	9,823	15,224	1,946	1,478,947	47,508	346	2,833,294	2,861,400
Total Net Position - Ending	\$ 1,058,993	\$ 67,133	\$ 11,394	\$ 4,907	\$ 7,159	\$ 1,925,895	\$ 54,587	\$ 3,549	\$ 3,133,617	\$ 2,833,294

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, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

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	2014	2013
Cash flows from operating activities:										
Cash received from customers	\$ -0-	\$ 584,851	\$ -0-	\$ 13,882	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 598,733	\$ 595,755
Cash payments to suppliers for goods and services	(373,726)	(1,420)	-0-	(10,317)	(96)	(33)	(65)	(92)	(385,749)	(359,034)
Cash payments to employees for services	(129,994)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(129,994)	(142,244)
Net cash provided (used) by operating activities	(503,720)	583,431	-0-	3,565	(96)	(33)	(65)	(92)	82,990	94,477
Cash flows from non-capital financing activities:										
Operating transfers - in from other funds	553,227	-0-	1,560	-0-	31,305	114,867	18,000	25,293	744,252	749,518
Operating transfers - out to other funds	(109,808)	(585,158)	-0-	-0-	(26,006)	-0-	(13,089)	(21,998)	(756,059)	(756,520)
Net cash provided (used) by noncapital financing activities	443,419	(585,158)	1,560	-0-	5,299	114,867	4,911	3,295	(11,807)	(7,002)
Cash flows from capital and related financing activities:										
Acquisition and construction of capital assets	(1,262)	-0-	-0-	-0-	-0-	(421,462)	-0-	-0-	(422,724)	(58,273)
Loan proceeds	98,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	98,000	-0-
Principal paid on notes	(28,174)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(28,174)	(47,183)
State grant proceeds	-0-	-0-	-0-	-0-	-0-	332,114	-0-	-0-	332,114	-0-
Interest paid on notes	(8,546)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(8,546)	(9,747)
Net cash provided (used) by capital and related financing activities	60,018	-0-	-0-	-0-	-0-	(89,348)	-0-	-0-	(29,330)	(115,203)
Cash flows from investing activities:										
Interest and Dividends on Investments	13	24	11	-0-	10	-0-	2,233	-0-	2,291	112
Net cash provided by investing activities	13	24	11	-0-	10	-0-	2,233	-0-	2,291	112
Net increase (decrease) in cash and cash equivalents	(270)	(1,703)	1,571	3,565	5,213	25,486	7,079	3,203	44,144	(27,616)
Cash and cash equivalents at beginning of year	9,605	3,805	9,823	39,224	1,946	614	47,508	346	112,871	140,487
Cash and cash equivalents at end of year	\$ 9,335	\$ 2,102	\$ 11,394	\$ 42,789	\$ 7,159	\$ 26,100	\$ 54,587	\$ 3,549	\$ 157,015	\$ 112,871
Reconciliation of net operating income to net cash provided by operating activities:										
Net operating income (loss)	\$ (598,137)	\$ 595,011	\$ -0-	\$ (10,317)	\$ (96)	\$ (33)	\$ (65)	\$ (92)	\$ (13,729)	
Adjustments to reconcile net operating income to net cash provided by operating activities:										
Depreciation	106,146	-0-	-0-	-0-	-0-	-0-	-0-	-0-	106,146	
Changes in assets/liabilities:										
Accounts receivable	-0-	(11,580)	-0-	-0-	-0-	-0-	-0-	-0-	(11,580)	
Accounts payable	5,566	-0-	-0-	-0-	-0-	-0-	-0-	-0-	5,566	
Accrued expenses	(572)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(572)	
Accrued vacation	716	-0-	-0-	-0-	-0-	-0-	-0-	-0-	716	
Due to other funds	(17,439)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(17,439)	
Deposits	-0-	-0-	-0-	13,882	-0-	-0-	-0-	-0-	13,882	
Net cash provided (used) by operating activities	\$ (503,720)	\$ 583,431	\$ -0-	\$ 3,565	\$ (96)	\$ (33)	\$ (65)	\$ (92)	\$ 82,990	

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, 2014**

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, 2014**

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, 2014**

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, 2014**

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, 2013, 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, 2014</u>	<u>June 30, 2013</u>
GENERAL FUND		
Vacation pay	\$ 3,745	\$ 1,928
WATER AND SEWER FUNDS		
Vacation pay	\$ 7,187	\$ 6,471

CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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 assets 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, 2014

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, 2014**

NOTE E – REVENUE BONDS PAYABLE

As of June 30, 2014 there is one revenue bond outstanding amounting to \$115,000. 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, 2014, “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, 2014 are as follows:

	<u>Cash in Bank</u>
Depreciation reserve	\$ 11,394
Road aid reserve	30,324
Land development reserve	26,274
Meter deposit reserve	42,789
Safe room reserve	3,585
Construction reserve	26,100
Bond and interest reserve	<u>16,030</u>
Total	<u>\$ 156,496</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, 27.05 cents per \$100 valuation for personal property taxes, 18.0 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, 2014

NOTE H – FUND BALANCES

The City of Muldraugh has implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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, 2014

NOTE I – FIXED ASSETS (CONTINUED)

A summary of changes in general fixed assets follows:

PRIMARY GOVERNMENT

	Balance			Balance
	July 1, 2013	Additions	Deductions	June 30, 2014
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	186,559	1,219,073	-0-	1,405,632
City Hall	75,302	38,929	-0-	114,231
Trucks	37,017	-0-	-0-	37,017
Police Cars & Fire				
Trucks	257,148	8,924	-0-	266,072
Fire Station	40,400	-0-	-0-	40,400
Police and Fire Dept.				
Equipment	94,962	-0-	-0-	94,962
Maintenance Equipment	92,569	2,500	-0-	95,069
Office Equipment	23,343	-0-	-0-	23,343
Total depreciable assets	840,560	1,269,426	-0-	2,109,986
Total capital assets	\$ 916,724	\$ 1,269,426	\$ -0-	\$ 2,186,150
Accumulated depreciation:				
Park Equipment	\$ (22,385)	\$ (1,715)	\$ -0-	\$ (24,100)
Buildings	(6,773)	(16,167)	-0-	(22,940)
City Hall	(31,778)	(9,156)	-0-	(40,934)
Trucks	(31,585)	(1,900)	-0-	(33,485)
Police Cars & Fire				
Trucks	(221,883)	(10,202)	-0-	(232,085)
Fire Station	(29,006)	(1,036)	-0-	(30,042)
Police and Fire Dept.				
Equipment	(77,172)	(7,889)	-0-	(85,061)
Maintenance Equipment	(81,440)	(3,898)	-0-	(85,338)
Office Equipment	(15,598)	(2,727)	-0-	(18,325)
Total accumulated depreciation	(517,620)	(54,690)	-0-	(572,310)
Governmental activities capital assets, net	\$ 399,104	\$ 1,214,736	\$ -0-	\$ 1,613,840

**CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE I – FIXED ASSETS (CONTINUED)

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

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
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	130,728	-0-	-0-	130,728
Office Equipment	54,990	1,262	-0-	56,252
Trucks	9,000	-0-	-0-	9,000
Total depreciable assets	<u>2,482,934</u>	<u>1,262</u>	<u>-0-</u>	<u>2,484,196</u>
Total capital assets	<u>\$ 2,482,934</u>	<u>\$ 1,262</u>	<u>\$ -0-</u>	<u>\$ 2,484,196</u>
Accumulated depreciation:				
Water Lines	\$ (408,052)	\$ (52,990)	\$ -0-	\$ (461,042)
Sewer Lines	(485,583)	(44,916)	-0-	(530,499)
Machinery and Equipment	(115,303)	(5,471)	-0-	(120,774)
Office Equipment	(46,489)	(2,769)	-0-	(49,258)
Trucks	(9,000)	-0-	-0-	(9,000)
Total accumulated depreciation	<u>(1,064,427)</u>	<u>(106,146)</u>	<u>-0-</u>	<u>(1,170,573)</u>
Business-type capital assets, net	<u>\$ 1,418,507</u>	<u>\$ (104,884)</u>	<u>\$ -0-</u>	<u>\$ 1,313,623</u>

Depreciation expense is charged to functions as follows:

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General Government	\$ 33,848	Water and Sewer	<u>\$ 106,146</u>
Police	17,578		
Parks/Recreation	1,715		<u>\$ 106,146</u>
Fire Department	<u>1,549</u>		
	<u>\$ 54,690</u>		

CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2014

NOTE J – LONG-TERM LIABILITIES

A summary of Long-Term liability activity for the year ended June 30, 2014 as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities:					
Note Payable - SW Project	\$ 4,635	\$ -0-	\$ 4,635	\$ -0-	\$ -0-
Bond Payable - Safe Room	-0-	255,000	675	254,325	8,542
Note Payable - Vehicle	-0-	8,924	5,180	3,744	3,100
Note Payable - Vehicle	24,484	-0-	5,455	19,029	5,712
Note Payable - Building	162,855	-0-	5,653	157,202	5,881
Bond Payable - Safe Room	1,245,000	-0-	1,245,000	-0-	-0-
Compensated Absences	1,928	1,817	-0-	3,745	-0-
	<u>\$ 1,438,902</u>	<u>\$ 265,741</u>	<u>\$ 1,266,598</u>	<u>\$ 438,045</u>	<u>\$ 23,235</u>
Business-type Activities					
Note Payable - Water Meter	\$ 19,781	\$ -0-	\$ 13,824	\$ 5,957	5,957
Note Payable - Brac Loan	98,000	-0-	7,349	90,651	18,212
1986 Series "A" Bond	122,000	-0-	7,000	115,000	7,000
Compensated Absences	6,471	716	-0-	7,187	-0-
	<u>\$ 246,252</u>	<u>716</u>	<u>\$ 28,173</u>	<u>\$ 218,795</u>	<u>\$ 31,169</u>

NOTE K - DEBT MATURITIES

Debt Maturities are as follows:

Fiscal Year Ending June 30	1986 Series A Bond	Water Meter Loan	BRAC Loan	Total Business-type Debt	Governmental Debt
2015	\$ 7,000	\$ 5,957	\$ 18,212	\$ 31,169	\$ 23,235
2016	7,000	-0-	19,052	26,052	22,743
2017	8,000	-0-	19,931	27,931	22,628
2018	8,000	-0-	20,851	28,851	17,693
2019	8,000	-0-	12,605	20,605	16,888
	<u>38,000</u>	<u>5,957</u>	<u>90,651</u>	<u>134,608</u>	<u>103,187</u>
Beyond 2019	77,000	-0-	-0-	77,000	331,113
	<u>\$ 115,000</u>	<u>\$ 5,957</u>	<u>\$ 90,651</u>	<u>\$ 211,608</u>	<u>\$ 434,300</u>

**CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2014**

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, 2014 was \$19,029.

The General Fund indebtedness includes a note payable for a vehicle entered in October of 2013 from the Meade County Bank for the amount of \$8,924 payable in 36 installments at \$269 per month including interest at 5.31%. The balance of the note payable at June 30, 2014 was \$3,744.

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, 2014 was \$157,202.

The General Fund indebtedness includes a bond payable for a safe room project entered in May of 2014 from the Kentucky Bond Corporation for the amount of \$255,000 payable in 248 installments. The balance of the bond payable at June 30, 2014 was \$254,325.

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, 2014 was \$5,957.

The Operations and Maintenance Fund indebtedness includes a note payable for Water and Sewer entered in February of 2014 from the Meade County Bank for the amount of \$98,000 payable in 60 installments at \$1,828 per month including interest at 4.52%. The balance of the note payable at June 30, 2014 was \$90,651.

NOTE L – SUBSEQUENT EVENT POLICY

City of Muldraugh has evaluated subsequent events through November 7, 2014, the date which the financial statements were available to be issued.

**CITY OF MULDRAUGH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2014**

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, 2014:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 16,071	\$ -0-
Municipal Road Aid	-0-	5,750
Operations & Maintenance	5,750	16,071
Totals	<u>\$ 21,821</u>	<u>\$ 21,821</u>

Interfund Transactions and Balances

Interfund transfers during the year ended June 30, 2014, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 14,807	\$ 2,500
Municipal Road Aid	-0-	6,000
Land Development	5,500	-0-
Operations & Maintenance	553,227	109,808
Revenue	-0-	585,158
Depreciation	1,560	-0-
Surcharge	31,305	26,006
Water/Sewer Construction	114,867	-0-
Sewer Infiltration	25,293	21,998
Bond & Interest	18,000	13,089
Totals	<u>\$ 764,559</u>	<u>\$ 764,559</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, 2014**

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, 2014 and 2013, the Government's contribution rate for nonhazardous employees was 18.89% and 19.55%, 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, 2014 and 2013, the Government's contribution rate for hazardous employees was 35.70% and 37.60%, respectively.

The contribution requirements and the amounts contributed to CERS were \$61,184, \$63,741, and \$56,357, respectively for the years ended June 30, 2014, 2013 and 2012.

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 55. 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, 2014**

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, 2014, 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, 2014**

NOTE P - MULTIEMPLOYER PENSION PLAN (CONTINUED)

The cities participation in this plan for the fiscal year ended June 30, 2014, 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, 2014. 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 2014</u>	<u>FIP/RP Status Pending/ Implemented</u>	<u>City Contributions 2014</u>	<u>Surcharge Imposed</u>	<u>Expiration Date of Collective- Bargaining Agreement</u>
County Employees Retirement System	61-6010651	Not applicable	Not applicable	\$ 61,184	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, 2014

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		OVER (UNDER)
TOTAL REVENUES	\$ 487,760	\$ 465,405	\$ 462,977	\$ (2,428)
TOTAL EXPENDITURES	493,501	504,134	523,944	19,810
Excess of Revenues Over (Under) Expenditures	(5,741)	(38,729)	(60,967)	(22,238)
Other Financing Sources (Uses):				
Loan Proceeds	-0-	-0-	3,000	3,000
Proceeds from equipment	-0-	-0-	8,924	8,924
Total Other Financing Sources (Uses)	-0-	-0-	11,924	11,924
Income before operating transfers	(5,741)	(38,729)	(49,043)	(10,314)
Other Financing Sources (Uses):				
Operating transfers in	11,000	11,000	14,807	3,807
Operating transfers out	(5,000)	(2,500)	(2,500)	-0-
Total Other Financing Sources And Uses	6,000	8,500	12,307	3,807
Net Change In Fund Balances	259	(30,229)	(36,736)	(6,507)
Beginning Fund Balance	69,485	69,485	69,485	-0-
Ending Fund Balance	\$ 69,744	\$ 39,256	\$ 32,749	\$ (6,507)

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, 2014

	<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	\$ 44,750	\$ 46,435	\$ 46,496	\$ 61
Business licenses	32,455	28,348	28,638	290
Unloading licenses	1,500	1,275	1,250	(25)
Interest income	20	20	20	-0-
Occupational licenses	34,000	31,970	34,007	2,037
Police department revenue	36,000	34,035	33,442	(593)
Fire department revenue	2,000	6,417	5,698	(719)
Lease income - cellular	17,200	18,030	18,039	9
Franchise fees - utilities	28,300	31,820	31,820	-0-
Franchise fees - telecommunications	4,800	4,800	4,803	3
Sanitation	72,000	77,600	77,998	398
Building and sign permits	600	175	280	105
Insurance tax	115,000	104,790	102,608	(2,182)
Auto licenses	5,000	5,921	6,243	322
Net profits	14,545	12,706	12,833	127
Donations and miscellaneous	30,000	11,030	7,992	(3,038)
Other revenue	820	820	1,590	770
INTERGOVERNMENTAL REVENUES:				
Coal and mineral grants	8,700	8,100	8,108	8
House Bill 413	8,900	8,040	8,045	5
Police grants	10,320	10,325	10,325	-0-
State police grants - KLEFPF	12,850	14,748	14,742	(6)
County fire grants	8,000	8,000	8,000	-0-
Total Revenues	<u>\$ 487,760</u>	<u>\$ 465,405</u>	<u>\$ 462,977</u>	<u>\$ (2,428)</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, 2014

	<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	\$ 207,500	\$ 216,800	\$ 225,946	\$ 9,146
Payroll taxes	15,900	15,900	14,611	(1,289)
Health insurance	32,100	19,400	19,199	(201)
Retirement	38,900	40,000	38,663	(1,337)
Utilities	25,000	35,400	37,923	2,523
Insurance	25,800	24,410	21,828	(2,582)
Telephone	3,000	4,700	4,832	132
Professional fees	4,000	3,150	3,591	441
Advertising and legal	3,800	3,300	2,522	(778)
Mayor and city council expense	1,500	400	50	(350)
Park expense	1,000	100	31	(69)
Towing expense	15,000	15,000	10,521	(4,479)
Supplies	4,000	2,000	2,996	996
Miscellaneous	10,510	22,943	27,779	4,836
Debt Service	23,891	23,891	23,891	-0-
Public Safety				
Police department	47,200	50,770	51,533	763
Fire department	34,400	25,970	23,298	(2,672)
Capital Outlay	-0-	-0-	14,730	14,730
TOTAL EXPENDITURES	<u>\$ 493,501</u>	<u>\$ 504,134</u>	<u>\$ 523,944</u>	<u>\$ 19,810</u>

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

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

**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**

Kentucky Offices:
Louisville
Brandenburg
Bardstown

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, 2014, 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 7, 2014.

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.



Louisville, Kentucky
November 7, 2014

**CITY OF MULDRAGH
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)**

	SPECIAL REVENUE FUNDS						TOTALS	
	Municipal Road Aid Fund	Land Development Fund	Police Special Account Fund	Storm Water Management Fund	Festival Fund	Safe Room	2014	2013
	ASSETS							
Cash	\$ -0-	\$ -0-	\$ 1,925	\$ 7,575	\$ 79	\$ -0-	\$ 9,579	\$ 2,164
Restricted cash	30,324	26,274	-0-	-0-	-0-	3,585	60,183	309,570
FEMA receivable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	948,661
Construction in Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-	617,058
Reserve deposit	-0-	-0-	-0-	-0-	-0-	7,650	7,650	-0-
TOTAL ASSETS	\$ 30,324	\$ 26,274	\$ 1,925	\$ 7,575	\$ 79	\$ 11,235	\$ 77,412	\$ 1,877,453
LIABILITIES AND FUND EQUITY								
Liabilities:								
Due to other funds	\$ 5,750	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 5,750	\$ 5,750
Total Liabilities	5,750	-0-	-0-	-0-	-0-	-0-	5,750	5,750
Fund Equity								
Fund Balances:								
Restricted for land development	-0-	26,274	-0-	-0-	-0-	-0-	26,274	56,397
Restricted for safe room	-0-	-0-	-0-	-0-	-0-	11,235	11,235	1,797,356
Restricted for street repairs	24,574	-0-	-0-	-0-	-0-	-0-	24,574	15,786
Unassigned	-0-	-0-	1,925	7,575	79	-0-	9,579	2,164
Total Fund Equity	24,574	26,274	1,925	7,575	79	11,235	71,662	1,871,703
TOTAL LIABILITIES AND FUND EQUITY	\$ 30,324	\$ 26,274	\$ 1,925	\$ 7,575	\$ 79	\$ 11,235	\$ 77,412	\$ 1,877,453

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, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	SPECIAL REVENUE FUNDS						TOTALS	
	Municipal Road Aid Fund	Land Development Fund	Police Special Account Fund	Storm Water Management Fund	Festival Fund	Safe Room	2014	2013
REVENUES:								
Interest Income	\$ 25	\$ -0-	\$ -0-	\$ 4	\$ -0-	\$ -0-	\$ 29	\$ 28
Donations & Miscellaneous	-0-	-0-	335	3	2,800	270	3,408	2,168
Storm water fees	-0-	-0-	-0-	12,066	-0-	-0-	12,066	7,248
Insurance Proceeds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	3,750
Intergovernmental Revenue:								
FEMA Grant	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,050,907
State Grant	56	-0-	-0-	-0-	-0-	-0-	56	17,275
Municipal Road Aid Grants	23,594	-0-	-0-	-0-	-0-	-0-	23,594	32,540
Total Revenues	23,675	-0-	335	12,073	2,800	270	39,153	1,113,916
EXPENDITURES:								
Current:								
Festival expense	-0-	-0-	-0-	-0-	2,824	-0-	2,824	2,620
Repairs and maintenance	1,035	-0-	-0-	-0-	-0-	-0-	1,035	14,138
Insurance	3,772	-0-	-0-	-0-	-0-	-0-	3,772	7,552
Office expense	-0-	-0-	-0-	140	-0-	-0-	140	20
Fuel	1,279	-0-	-0-	-0-	-0-	-0-	1,279	3,162
Miscellaneous	2,801	-0-	-0-	-0-	-0-	-0-	2,801	5,488
Bond fees	-0-	-0-	-0-	-0-	-0-	23,300	23,300	29,175
Capital Outlay	-0-	35,623	-0-	-0-	-0-	1,219,073	1,254,696	7,075
Total Expenditures	8,887	35,623	-0-	140	2,824	1,242,373	1,289,847	69,230
Excess of Revenues Over (Under) Expenditures	14,788	(35,623)	335	11,933	(24)	(1,242,103)	(1,250,694)	1,044,686
Other Financing Sources (Uses)								
Note Payments	-0-	-0-	-0-	(4,635)	-0-	(968,579)	(973,214)	(9,000)
Note Proceeds	-0-	-0-	-0-	-0-	-0-	444,895	444,895	778,009
Interest Expense	-0-	-0-	-0-	(194)	-0-	(20,334)	(20,528)	-0-
Operating Transfers In	-0-	5,500	-0-	-0-	-0-	-0-	5,500	31,427
Operating Transfers Out	(6,000)	0	-0-	-0-	-0-	-0-	(6,000)	(27,426)
Total Other Financing Sources (Uses)	(6,000)	5,500	-0-	(4,829)	-0-	(544,018)	(549,347)	773,010
Excess of Revenues and Other Sources Over (Under) Expenditure & Other Uses	8,788	(30,123)	335	7,104	(24)	(1,786,121)	(1,800,041)	1,817,696
Fund Balance, Beginning of Year	15,786	56,397	1,590	471	103	1,797,356	1,871,703	54,007
FUND BALANCE, END OF YEAR	\$ 24,574	\$ 26,274	\$ 1,925	\$ 7,575	\$ 79	\$ 11,235	\$ 71,662	\$ 1,871,703

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, 2014

	OPERATIONS AND MAINTENANCE			VARIANCE OVER (UNDER)	REVENUE			VARIANCE OVER (UNDER)	DEPRECIATION			VARIANCE OVER (UNDER)	METER DEPOSIT			VARIANCE OVER (UNDER)	
	BUDGETED AMOUNTS		ACTUAL		BUDGETED AMOUNTS		ACTUAL		BUDGETED AMOUNTS		ACTUAL		BUDGETED AMOUNTS		ACTUAL		
	ORIGINAL	FINAL			ORIGINAL	FINAL			ORIGINAL	FINAL			ORIGINAL	FINAL			
REVENUES:																	
Water Service	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 169,756	\$ 168,808	\$ 175,422	\$ 6,614	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	
Sewer Service	-0-	-0-	-0-	-0-	205,849	204,697	212,719	8,022	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Garbage Service	-0-	-0-	-0-	-0-	129,329	128,605	133,645	5,040	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Sewer Surcharge	-0-	-0-	-0-	-0-	33,323	33,136	34,435	1,299	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Interest Income	10	10	13	3	10	20	24	4	10	10	11	1	-0-	-0-	-0-	-0-	
Infiltration Income	-0-	-0-	-0-	-0-	24,893	24,754	25,724	970	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Miscellaneous	-0-	1,033	-0-	(1,033)	13,300	16,555	14,486	(2,069)	-0-	-0-	-0-	-0-	15,000	19,000	-0-	(19,000)	
Total Revenues	10	1,043	13	(1,030)	576,460	576,575	596,455	19,880	10	10	11	1	15,000	19,000	-0-	(19,000)	
EXPENDITURES:																	
Current																	
Water and Sewer Operations	467,550	485,121	484,633	(488)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Miscellaneous expenses	12,680	9,400	7,358	(2,042)	-0-	-0-	1,420	1,420	-0-	-0-	-0-	-0-	11,000	16,000	10,317	(5,683)	
Depreciation Expense	-0-	-0-	106,146	106,146	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Interest Expense	8,546	9,747	8,546	(1,201)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Total Expenditures	488,776	504,268	606,683	102,415	-0-	-0-	1,420	1,420	-0-	-0-	-0-	-0-	11,000	16,000	10,317	(5,683)	
Excess of Revenues Over (Under) Expenditures	(488,766)	(503,225)	(606,670)	(103,445)	576,460	576,575	595,035	18,460	10	10	11	1	4,000	3,000	(10,317)	(13,317)	
Other Financing Sources (Uses)																	
Transfers In	553,000	524,438	553,227	28,789	-0-	-0-	-0-	-0-	1,560	1,560	1,560	-0-	-0-	-0-	-0-	-0-	
Transfers Out	-0-	-0-	109,808	109,808	933,690	1,010,858	585,158	(425,700)	-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)	553,000	524,438	443,419	(81,019)	(933,690)	(1,010,858)	(585,158)	425,700	1,560	1,560	1,560	-0-	-0-	-0-	-0-	-0-	
Excess of Revenues and Other Sources Over (Under) Expenditure & Other Uses	64,234	21,213	(163,251)	(184,464)	(357,230)	(434,283)	9,877	444,160	1,570	1,570	1,571	1	4,000	3,000	(10,317)	(13,317)	
Fund Balance, Beginning of year	1,222,244	1,222,244	1,222,244	-0-	57,256	57,256	57,256	-0-	9,823	9,823	9,823	-0-	15,224	15,224	15,224	-0-	
FUND BALANCE, END OF YEAR	\$ 1,286,478	\$ 1,243,457	\$ 1,058,993	\$ (184,464)	\$ (299,974)	\$ (377,027)	\$ 67,133	\$ 444,160	\$ 11,393	\$ 11,393	\$ 11,394	\$ 1	\$ 19,224	\$ 18,224	\$ 4,907	\$(13,317)	

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

CITY OF MULGRAUGH
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, 2014

	SURCHARGE			VARIANCE OVER (UNDER)	WATER/SEWER CONSTRUCTION			VARIANCE OVER (UNDER)	BOND AND INTEREST			VARIANCE OVER (UNDER)	SEWER INFILTRATION FUND			VARIANCE OVER (UNDER)			
	BUDGETED AMOUNTS		ACTUAL		BUDGETED AMOUNTS		ACTUAL		BUDGETED AMOUNTS		ACTUAL		BUDGETED AMOUNTS		ACTUAL		BUDGETED AMOUNTS		ACTUAL
	ORIGINAL	FINAL			ORIGINAL	FINAL			ORIGINAL	FINAL			ORIGINAL	FINAL			ORIGINAL	FINAL	
REVENUES:																			
Water Service	\$ -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-		
Garbage Service	-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-		
Interest Income	10	10	10	-0-	-0-	-0-	-0-	-0-	10	10	2,233	2,223	10	-0-	-0-	-0-	-0-		
Infiltration Income	-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-		
Total Revenues	10	10	10	-0-	-0-	-0-	-0-	-0-	10	10	2,233	2,223	10	-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-		
Miscellaneous expenses	-0-	96	96	-0-	-0-	-0-	33	33	-0-	-0-	65	65	-0-	-0-	92	92	92		
Depreciation Expense	-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-		
Total Expenditures	-0-	96	96	-0-	-0-	-0-	33	(33)	-0-	-0-	65	(65)	-0-	-0-	92	(92)	(92)		
Excess of Revenues Over (Under) Expenditures	10	(86)	(86)	-0-	-0-	-0-	(33)	33	10	10	2,168	2,288	10	-0-	(92)	92	92		
Other Financing Sources (Uses)																			
Transfers In	30,000	31,305	31,305	-0-	326,730	348,981	114,867	(234,114)	18,000	18,000	18,000	-0-	25,400	25,293	25,293	-0-	-0-		
Transfers Out	24,000	7,312	26,006	18,694	-0-	-0-	-0-	-0-	15,000	13,090	13,089	(1)	21,000	22,100	21,998	(102)	(102)		
KIA grant	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-		
Kentucky state grant	-0-	-0-	-0-	-0-	326,730	332,483	332,114	369	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-		
Total Other Financing Sources (Uses)	6,000	23,993	5,299	(18,694)	653,460	681,464	446,981	(233,745)	3,000	4,910	4,911	1	4,400	3,193	3,295	102	102		
Excess of Revenues and Other Sources Over (Under) Expenditure & Other Uses	6,010	23,907	5,213	(18,694)	653,460	681,464	446,948	(233,712)	3,010	4,920	7,079	2,289	4,410	3,193	3,203	194	194		
Fund Balance, Beginning of year	1,946	1,946	1,946	-0-	1,478,947	1,478,947	1,478,947	-0-	47,508	47,508	47,508	-0-	346	346	346	-0-	-0-		
FUND BALANCE, END OF YEAR	\$ 7,956	\$ 25,853	\$ 7,159	\$ (18,694)	\$ 2,132,407	\$ 2,160,411	\$ 1,925,895	\$ (233,712)	\$ 50,518	\$ 52,428	\$ 54,587	\$ 2,289	\$ 4,756	\$ 3,539	\$ 3,549	\$ 194	\$ 194		

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, 2014

	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	\$ 10	\$ 20	\$ 25	\$ 5	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Donations & Miscellaneous	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	500	500	335	(165)
Insurance Proceeds	-0-	3,750	-0-	(3,750)								
Intergovernmental Revenue:												
Department of Local Government	31,500	23,590	23,594	4	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
State Grant	-0-	-0-	56	56	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Revenues	31,510	27,360	23,675	(3,685)	-0-	-0-	-0-	-0-	500	500	335	(165)
EXPENDITURES:												
Current:												
Repairs and Maintenance	5,766	3,157	1,035	(2,122)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Professional Fees	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Insurance	21,014	11,507	3,772	(7,735)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Supplies	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,000	1,000	-0-	(1,000)
Miscellaneous	22,730	12,446	4,080	(8,366)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Capital Outlay	-0-	-0-	-0-	-0-	-0-	35,622	35,623	1	-0-	-0-	-0-	-0-
Total Expenditures	49,510	27,110	8,887	(18,223)	-0-	35,622	35,623	1	1,000	1,000	-0-	(1,000)
Excess of Revenues Over (Under) Expenditures	(18,000)	250	14,788	14,538	-0-	(35,622)	(35,623)	(1)	(500)	(500)	335	835
Other Financing Sources (Uses)												
Transfers In	-0-	-0-	-0-	-0-	19,900	5,500	5,500	-0-	-0-	-0-	-0-	-0-
Transfers Out	6,000	6,000	(6,000)	(12,000)	-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)	6,000	6,000	(6,000)	(12,000)	19,900	5,500	5,500	-0-	-0-	-0-	-0-	-0-
Excess of Revenues and Other Sources Over (Under) Expenditure & Other Uses	(12,000)	6,250	8,788	2,538	19,900	(30,122)	(30,123)	(1)	(500)	(500)	335	835
Fund Balance, Beginning of year	15,786	15,786	15,786	-0-	56,397	56,397	56,397	-0-	1,590	1,590	1,590	-0-
FUND BALANCE, END OF YEAR	\$ 3,786	\$ 22,036	\$ 24,574	\$ 2,538	\$ 76,297	\$ 26,275	\$ 26,274	\$ (1)	\$ 1,090	\$ 1,090	\$ 1,925	\$ 835

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 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 10	\$ 4	\$ 4	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	
Donations & Miscellaneous	18,000	12,000	12,069	69	2,200	3,000	2,800	(200)	-0-	-0-	270	270	-0-
Intergovernmental Revenue:													
Department of Local Government	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
FEMA Grant	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Municipal Bonds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Revenues	18,010	12,004	12,073	69	2,200	3,000	2,800	(200)	-0-	-0-	270	270	-0-
EXPENDITURES:													
Current:													
Repairs and Maintenance	-0-	155	-0-	(155)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Insurance	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Supplies	-0-	20	140	120	5,000	2,836	2,824	(12)	-0-	-0-	-0-	-0-	
Miscellaneous	-0-	25	-0-	(25)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Professional Fees	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	770	23,300	22,530	-0-
Capital Outlay	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,219,073	1,219,073	1,219,073	-0-	
Total Expenditures	-0-	200	140	(60)	5,000	2,836	2,824	(12)	1,219,073	1,219,843	1,242,373	22,530	
Excess of Revenues Over (Under) Expenditures	18,010	11,804	11,933	129	(2,800)	164	(24)	(188)	(1,219,073)	(1,219,573)	(1,242,103)	(22,530)	
Other Financing Sources (Uses)													
Transfers In	-0-	-0-	-0-	-0-	3,600	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Transfers Out	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Note payments	5,000	5,000	4,829	(171)	-0-	-0-	-0-	-0-	988,913	988,913	988,913	-0-	
Note proceeds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	157,032	444,895	444,895	-0-	
Total Other Financing Sources (Uses)	5,000	5,000	4,829	(171)	3,600	-0-	-0-	-0-	(831,881)	(544,018)	(544,018)	-0-	
Excess of Revenues and Other Sources Over (Under) Expenditure & Other Uses	23,010	16,804	7,104	(42)	800	164	(24)	(188)	(2,050,954)	(1,763,591)	(1,786,121)	(22,530)	
Fund Balance, Beginning of year	471	471	471	-0-	103	103	103	-0-	1,797,356	1,797,356	1,797,356	-0-	
FUND BALANCE, END OF YEAR	\$ 23,481	\$ 17,275	\$ 7,575	\$ (42)	\$ 903	\$ 267	\$ 79	\$ (188)	\$ (253,598)	\$ 33,765	\$ 11,235	\$ (22,530)	

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, 2014**

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			
2015	7,000	2021	9,000
2016	7,000	2022	10,000
2017	8,000	2023	10,000
2018	8,000	2024	11,000
2019	8,000	2025	11,000
2020	9,000	2026	<u>17,000</u>
		TOTAL	<u>\$ 115,000</u>

See Note E.

**CITY OF MULDRAUGH
LIST OF COUNCIL MEMBERS
JUNE 30, 2014**

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	Art Kownslar	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, 2014**

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 7, 2014