

CITY OF JEFFERSONTOWN, KENTUCKY

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2012

ANNUAL FINANCIAL REPORT
CITY OF JEFFERSONTOWN, KENTUCKY
Year Ended June 30, 2012

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STUEDLE SPEARS & FRANCKE PSC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Jeffersontown, Kentucky

We have audited the accompanying financial statements of the governmental activities, and each fund, of the City of Jeffersontown, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Jeffersontown, Kentucky, management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each fund, of the City of Jeffersontown, Kentucky, as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2012 on our consideration of the City of Jeffersontown, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 31 through 43, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Stuedle Spears & Francke PSC
November 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of Jeffersontown's (the "City") financial performance provides an overview of the City's financial activities for the year ended June 30, 2012 and should be read in conjunction with the City's financial statements, starting on page 10 of this report.

USING THE ANNUAL REPORT

This annual report contains a series of financial statements for the purpose of measuring the overall financial condition of the City.

Statement of Net Assets and Statement of Activities (pages 11 - 12)

These two statements report the City's net assets and changes to them. The *Statement of Net Assets* - the difference between assets and liabilities - is one method used to measure the City's financial health. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other indicators used to assess the overall financial condition of the City are changes in the tax base and infrastructure.

It is important to note that these statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most of the private sector. All current year revenues and expenses are taken into account regardless of when cash is received or paid. Most of the City's basic services are reported including general administration, police, public works, street maintenance, parks and recreation. Primary revenue sources used to fund these services are property taxes, occupational taxes, insurance premium taxes, franchise fees, business license fees and building permits.

To aid in the understanding of the *Statement of Activities*, it is important to explain informational differences from a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that program expenses are listed in the first column while related revenues are reported to the right. The result is a net expense/revenue total.

This format highlights the relative financial burden of each of the functions/programs on the City's taxpayers. It also identifies how much each function draws from the general revenues, or it is self-funding through fees and grants.

Some of the individual line item revenues reported for each function are:

General Government: Business licenses; alcoholic beverage licenses; building, electrical, HVAC, sign permits, and office rental income.

Public Safety: Fines and court income; Police department grants.

Parks and Recreation: Facility center rental income; Plainview Center fees and concession receipts.

All other governmental revenues are reported as general and are listed at the bottom right section of the statement.

Balance Sheet & Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds (pages 13 - 15)

These fund financial statements provide detailed information about the governmental fund and not the city as a whole. Most of the City's basic services are reported in the governmental fund, which focuses on how money flows into and out of the fund and the balance left over at year-end that is available for spending. This fund is reported using the accounting method called modified accrual accounting which measures cash and all other financial assets that can be readily converted to cash. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine the status of financial resources available to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in reconciliation on page 15 of the fund financial statements.

FINANCIAL COMPARISONS

The following condensed financial information has been derived from the government-wide financial statements for the fiscal years ending June 30, 2012 and 2011. The two-year comparisons are organized as follows:

Statement of Net Assets
 Revenues
 Expenses
 Excess/Deficiency of Revenues over Expenses
 Change in Net Assets
 Capital Assets
 Long Term Debt

Statement of Net Assets

Total net assets increased \$1,640,620 during the year ending June 30, 2012. One method used to determine the City's financial health in the short term is to compare current assets to current liabilities. Current assets exceed current liabilities by \$7,136,377 for a ratio of approximately 4.1 to 1. This indicator clearly points out that the City has sufficient capacity to service its current debt. It is also important to note that total assets exceed total liabilities by \$31,656,265. This number represents the "net worth" of the city.

	2012	2011	Positive (Negative) Variance
Assets			
Current assets	\$ 9,426,946	\$ 8,613,168	\$ 813,778
Capital assets, net of accumulated Depreciation	35,191,096	35,369,106	(178,010)
Other Assets	55,509	61,677	(6,168)
Total assets	\$ 44,673,551	\$ 44,043,951	\$ 629,600
Liabilities			
Current liabilities	\$ 2,290,569	\$ 2,534,098	\$ 243,529
Non-current liabilities	10,726,717	11,494,208	767,491
Total liabilities	13,017,286	14,028,306	1,011,020
Net Assets			
Invested in Capital Assets Net of related debt	29,237,412	27,828,301	1,409,111
Restricted net assets	2,418,853	2,187,344	231,509
Total net assets	\$ 31,656,265	\$ 30,015,645	\$ 1,640,620

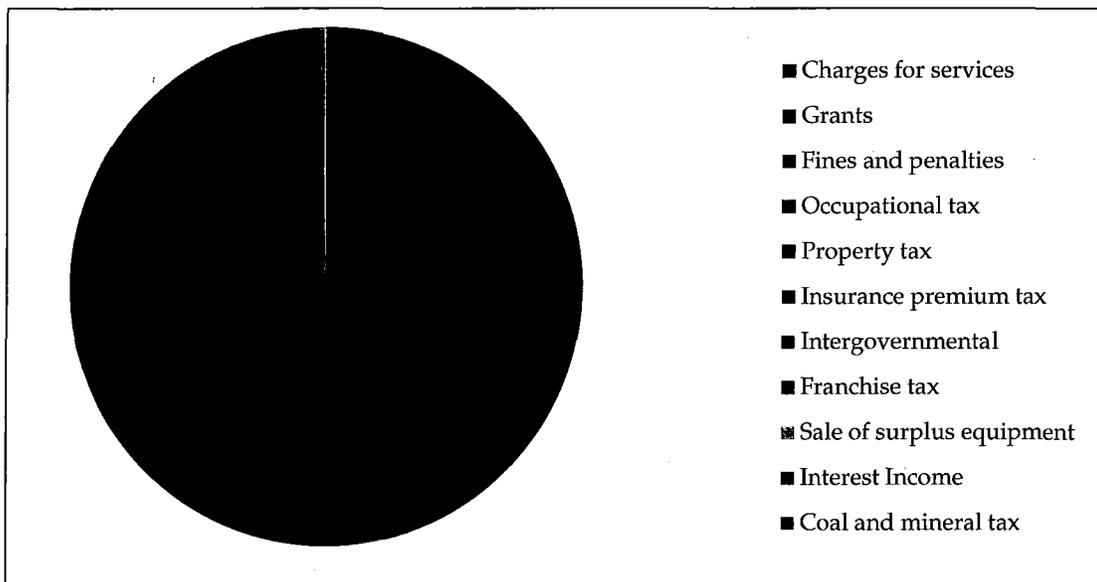
FINANCIAL COMPARISONS (CONTINUED)

Revenues

Total governmental revenues are derived from several sources. The three primary sources are Occupational Tax, Property Tax, and Insurance Premium Tax. These three sources represent 88.2% of all revenues. Occupational tax revenue increased approximately 2.6% from the previous year. This increase was primarily the result of increased employment within the City and also increased compliance efforts. Property tax revenue decreased by \$79,616 from the previous year. The city experienced an increase within insurance premium tax revenue of \$158,917 from the previous year. Total governmental revenues increased \$601,325 from the previous year.

	2012	2011	Positive (Negative) Variance
Revenues			
Program Revenues:			
Charges for services	\$ 1,067,561	\$ 1,060,394	\$ 7,167
Grants	234,336	110,813	123,523
Fines and penalties	54,066	30,395	23,671
Total Program Revenues	1,355,963	1,201,602	154,361
General Revenues:			
Occupational tax	10,564,383	10,289,267	275,116
Property tax	3,887,205	3,966,821	(79,616)
Insurance premium tax	2,122,325	1,963,408	158,917
Intergovernmental	619,729	576,207	43,522
Franchise tax	154,814	156,842	(2,028)
Sale of surplus equipment	78,353	22,666	55,687
Interest Income	4,696	9,064	(4,368)
Coal and mineral tax	833	1,099	(266)
Total General Revenues	17,432,338	16,985,374	446,964
Total Revenues	\$ 18,788,301	\$ 18,186,976	\$ 601,325

Fiscal Year Ended June 30, 2012 Revenues



Note: Certain reclassifications of revenues were made to the 2011 category for comparison with the 2012 presentation.

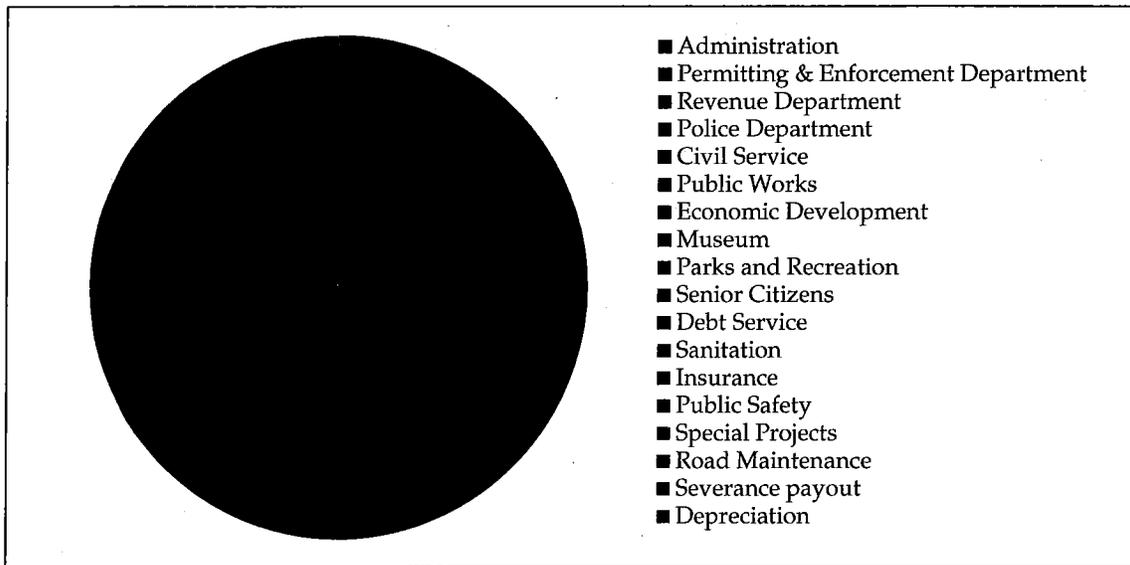
FINANCIAL COMPARISONS (CONTINUED)

Expenses

Total Governmental expenses increased by \$328,401 compared to the prior year. The largest program expense increases were within Police Department, Public Works and Compensated Absences.

	2012	2011	Positive (Negative) Variance
Expenditures			
Program Expenses:			
Administration	\$ 1,166,689	\$ 1,255,709	\$ 89,020
Permitting & Enforcement Department	289,728	263,938	(25,790)
Revenue Department	309,608	276,271	(33,337)
Police Department	7,663,590	7,382,740	(280,850)
Civil Service	6,047	939	(5,108)
Public Works	1,618,657	1,545,797	(72,860)
Economic Development	298,495	268,092	(30,403)
Museum	114,276	108,955	(5,321)
Parks and Recreation	571,908	695,323	123,415
Senior Citizens	189,536	174,569	(14,967)
Debt Service	253,499	194,582	(58,917)
Sanitation	1,041,834	1,163,347	121,513
Insurance	483,148	473,220	(9,928)
Public Safety	460,226	497,239	37,013
Special Projects	188,820	199,979	11,159
Road Maintenance	64,512	176,735	112,223
Severance payout	708,938	538,340	(170,598)
Depreciation	1,718,170	1,603,505	(114,665)
Total program expenses	\$ 17,147,681	\$ 16,819,280	\$ (328,401)

Fiscal Year Ended June 30, 2012 Expenses



Note: Certain reclassifications of expenses were made to the 2011 category for comparison with the 2012 presentation.

FINANCIAL COMPARISONS (CONTINUED)

Excess / Deficiency of Revenues over Expenses

Revenues exceeded expenses by \$1,640,620. In other words, the City spent less than it received, generating a positive "bottom line" of \$1,640,620.

	2012	2011	Positive (Negative) Variance
Total revenues	\$ 18,788,301	\$ 18,186,976	\$ 601,325
Total expenditures	<u>17,147,681</u>	<u>16,819,280</u>	<u>(328,401)</u>
Excess (Deficiency) of revenues over expenditures	\$ 1,640,620	\$ 1,367,696	\$ 272,924

Change in Net Assets

Another way to view the financial condition of the City is Change in Net Assets. One is able to address the question; is the city as a whole better off than the prior year? The answer to this question is, yes, the city is in better financial condition than this time last year. Ending net assets increased by \$1,640,620.

	2012	2011
Beginning net assets	\$ 30,015,645	\$ 28,647,949
Increase (Decrease) in net assets	<u>1,640,620</u>	<u>1,367,696</u>
Ending net assets	\$ 31,656,265	\$ 30,015,645

Capital Assets

For the year ended June 30, 2012, the City showed a decrease in net capital assets of \$178,006. The decrease is due to capital asset additions of \$1,540,164 and depreciation expense of \$1,718,170 for the year. The City's \$35.3 million in net capital assets includes buildings and building improvements, infrastructure, land improvements, machinery and equipment, and vehicles. Major additions of \$1,540,164 in capital assets *before* depreciation included the following:

Buildings and Building Improvements	\$ 148,660
Machinery and Equipment	150,819
Vehicles	173,766
Land Improvements	65,280
Infrastructure	1,001,639

Capital Asset activity for the year ended June 30, 2012 is as follows:

	Balance July 1, 2011	Additions	Disposals	Balance June 30, 2012
Governmental activities:				
Land	\$ 1,124,197	\$ -	\$ -	\$ 1,124,197
Buildings and Building Improvements	8,406,923	148,660	-	8,555,583
Machinery and Equipment	2,452,875	150,819	(36,326)	2,567,368
Vehicles	3,334,458	173,766	(110,552)	3,397,672
Land Improvements	1,275,376	65,280	-	1,340,656
Infrastructure	<u>59,030,520</u>	<u>1,001,639</u>	<u>-</u>	<u>60,032,159</u>
Totals at historical cost	75,624,349	1,540,164	(146,878)	77,017,635
Less accumulated depreciation	<u>(40,255,247)</u>	<u>(1,718,170)</u>	<u>146,878</u>	<u>(41,826,539)</u>
Net capital assets	\$ <u>35,369,102</u>	\$ <u>(178,006)</u>	\$ <u>-</u>	\$ <u>35,191,096</u>

The City had vehicle and equipment disposals with a historical cost of \$146,878 and accumulated depreciation of \$146,878.

FINANCIAL COMPARISONS (CONTINUED)

Long Term Debt

Long term debt represents all obligations that exceed one year. This debt is comprised of three major categories: bond and debt agreements, capital lease obligations, and compensated absences. Bond and debt agreements had a decrease of \$1,314,265 from the prior year due to current year principal payments. Capital lease obligations had a net decrease of \$512,537. Another significant long term obligation is compensated absences. Net additions during fiscal year June 30, 2012 totaled \$240,853. Management has changed their vacations and sick policies with an emphasis on reducing current caps on the amount of vacation and sick time that city employees can accumulate.

Long term debt activity for the year is as follows:

	Balance July 1, 2011	Additions	(Reductions)	Balance June 30, 2012	Within One Year
Bond and debt agreements	\$ 10,074,265	\$ -	\$ (1,314,265)	\$ 8,760,000	\$ 647,855
Capital lease obligations	652,114	-	(512,537)	139,577	33,826
Compensated absences	2,555,073	240,853	-	2,795,926	287,105
Total Long Term Debt	\$ 13,281,452	\$ 240,853	\$ (1,826,802)	\$ 11,695,503	\$ 968,786

General Fund Budgetary Highlights

Revenues

General fund revenues of \$17,835,491 were \$1,466,380 less than the \$19,301,871 budgeted. The City's grant revenues were significantly lower due to delays in funding at the state level and are expected to be received during fiscal year ending June 30, 2013. Revenues exceeded budgeted amounts in the majority of the city's revenue accounts. Those revenues exceeding budget included insurance premium taxes, property tax penalty and interest, electrical permit fees, heating permit fees, sign permit fees, business licenses, lease income, police department grants, and other income.

Expenditures

General fund expenditures of \$16,560,870 were \$2,624,503 less than the \$19,185,373 budgeted. A primary reason that general fund expenditures were less than budgeted was the positive variance within grant related expenses. However, without this variance the City would have been under budget by \$667,781 for general fund expenditures. Other primary reasons general fund expenditures were less than budgeted were positive variances in most departments with the largest being economic development and public works.

When adding the \$1,466,380 negative variance for revenue with the \$2,624,503 expense savings, the City realized a budget surplus of \$1,158,123.

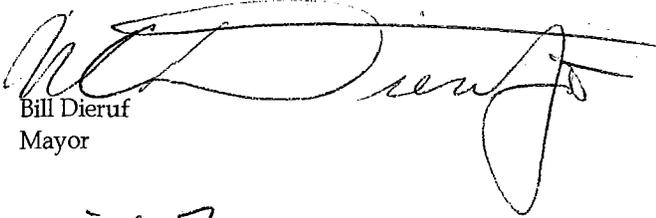
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Property taxes should remain stable as a reflection of property values. On the expense side, health benefits, energy costs, and employer retirement contributions will continue to place pressures on expense control. The City's "bottom line" should continue to remain strong through realistic projections, comprehensive budgeting, revenue enhancements, aggressive collections and tight expense controls. Despite the recession, the City wants to be prepared for future growth. The City is committed to a five year plan for infrastructure improvements. It is the opinion of Management that the City of Jeffersontown is in a strong financial position to deliver quality services at a low cost to the taxpayer.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and provide accountability for the money it receives. For questions about this report or any additional information, please contact the City Clerk's office at 10416 Watterson Trail, Jeffersontown, KY 40299.

Respectfully submitted,

A large, stylized handwritten signature in black ink, appearing to read "Bill Dieruf".

Bill Dieruf
Mayor

A handwritten signature in black ink, appearing to read "Bill Fox".

Bill Fox
City Clerk/ Treasurer

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

Government-wide financial statements

Fund financial statements:

- Governmental funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,656,095	\$ 5,656,095
Investments	401,176	401,176
Receivables (net)	3,353,645	3,353,645
Other assets	16,030	16,030
Total current assets	9,426,946	9,426,946
Noncurrent assets:		
Capital assets (net)	35,191,096	35,191,096
Other assets	55,509	55,509
Total noncurrent assets	35,246,605	35,246,605
Total Assets	\$ 44,673,551	\$ 44,673,551
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 690,173	\$ 690,173
Bonds payable - amount due within one year	647,855	647,855
Capital lease payable - amount due within one year	33,826	33,826
Accrued compensated absences - amount due within one year	287,105	287,105
Other current liabilities	631,610	631,610
Total current liabilities	2,290,569	2,290,569
Noncurrent liabilities:		
Bonds payable - amount due in more than one year	8,112,145	8,112,145
Capital lease payable - amount due in more than one year	105,751	105,751
Accrued compensated absences	2,508,821	2,508,821
Total noncurrent liabilities	10,726,717	10,726,717
Total Liabilities	13,017,286	13,017,286
NET ASSETS		
Invested in capital assets, net of related debt	26,291,519	26,291,519
Restricted for:		
Road maintenance	2,418,853	2,418,853
Unrestricted	2,945,893	2,945,893
Total Net Assets	31,656,265	31,656,265
Total Liabilities & Net Assets	\$ 44,673,551	\$ 44,673,551

See accompanying notes to the basic financial statements

**CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

	<u>Program Revenues</u>			<u>Net (Expense) Revenues and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
PRIMARY GOVERNMENT:					
Governmental activities:					
General government:					
Administration	\$ 1,166,689	\$ 326,733	\$ -	\$ (839,956)	\$ (839,956)
Permitting & Enforcement Department	289,728	120,655	-	(169,073)	(169,073)
Revenue Department	309,608	-	-	(309,608)	(309,608)
Police Department	7,663,590	459,003	87,096	(7,117,491)	(7,117,491)
Civil Service	6,047	-	-	(6,047)	(6,047)
Public Works	1,618,657	-	-	(1,618,657)	(1,618,657)
Economic Development	298,495	-	-	(298,495)	(298,495)
Museum	114,276	-	-	(114,276)	(114,276)
Parks and Recreation	571,908	215,236	147,240	(209,432)	(209,432)
Senior Citizens	189,536	-	-	(189,536)	(189,536)
Sanitation	1,041,834	-	-	(1,041,834)	(1,041,834)
Insurance	483,148	-	-	(483,148)	(483,148)
Public Safety	460,226	-	-	(460,226)	(460,226)
Special Projects	188,820	-	-	(188,820)	(188,820)
Road Maintenance	64,512	-	-	(64,512)	(64,512)
Severance payout	708,938	-	-	(708,938)	(708,938)
Depreciation	1,718,170	-	-	(1,718,170)	(1,718,170)
Interest and other charges on long-term debt	253,499	-	-	(253,499)	(253,499)
Total governmental activities	<u>17,147,681</u>	<u>1,121,627</u>	<u>234,336</u>	<u>(15,791,718)</u>	<u>(15,791,718)</u>
Total primary government	<u>\$ 17,147,681</u>	<u>\$ 1,121,627</u>	<u>\$ 234,336</u>	<u>\$ (15,791,718)</u>	<u>\$ (15,791,718)</u>
General revenues:					
Taxes					
Occupation taxes				\$ 10,564,383	\$ 10,564,383
Property taxes				3,887,205	3,887,205
Insurance premium tax				2,122,325	2,122,325
Franchise taxes				154,814	154,814
Coal and mineral tax				833	833
Intergovernmental revenues				619,729	619,729
Interest income				4,696	4,696
Sale of surplus equipment				78,353	78,353
Total general revenues				<u>17,432,338</u>	<u>17,432,338</u>
Change in net assets				1,640,620	1,640,620
Net assets - beginning				30,015,645	30,015,645
Net assets - ending				<u>\$ 31,656,265</u>	<u>\$ 31,656,265</u>

See accompanying notes to the basic financial statements

**CITY OF JEFFERSONTOWN, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Road Fund	Bond Fund	Compensated Absence Fund	Total Government Funds
ASSETS					
Cash and cash equivalents	\$ 3,082,956	\$ 336,625	\$ 204,581	\$ 2,031,933	\$ 5,656,095
Investments	-	-	-	401,176	401,176
Due from other funds	34,828	-	-	-	34,828
Prepaid expenses	16,030	-	-	-	16,030
Insurance premium tax receivable	553,230	-	-	-	553,230
Occupational tax receivable	2,428,842	-	-	-	2,428,842
Property tax receivable	420,964	-	-	-	420,964
Allowance for uncollectible accounts	(49,391)	-	-	-	(49,391)
Total Assets	\$ 6,487,459	\$ 336,625	\$ 204,581	\$ 2,433,109	\$ 9,461,774
LIABILITIES					
Accounts payable	\$ 690,173	\$ -	\$ -	\$ -	\$ 690,173
Accrued payroll	254,200	-	-	-	254,200
Due to other funds	-	34,828	-	-	34,828
Current portion-long term debt	681,681	-	-	-	681,681
Other accrued liabilities	285,510	-	-	-	285,510
Compensated absences-current	287,105	-	-	-	287,105
Deferred revenue	91,900	-	-	-	91,900
Total Liabilities	2,290,569	34,828	-	-	2,325,397
FUND BALANCE					
Restricted for:					
Road maintenance	-	301,797	-	-	301,797
2005 Bond Fund	-	-	204,581	-	204,581
Compensated Absence Fund	-	-	-	2,433,109	2,433,109
Police Department	50,828	-	-	-	50,828
Unassigned, reported in:					
General fund	4,146,062	-	-	-	4,146,062
Total Fund Balance	4,196,890	301,797	204,581	2,433,109	7,136,377
Total Liabilities and Fund Balance	\$ 6,487,459	\$ 336,625	\$ 204,581	\$ 2,433,109	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$41,826,539.	35,191,096
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(10,726,717)
Other assets used in government activities are not financial resources and therefore are not reported in the funds.	55,509
Net assets of governmental activities	\$ 31,656,265

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Road Fund	Bond Fund	Compensated Absence Fund	Total Governmental Funds
	Fund	Fund	Fund	Fund	Funds
REVENUES					
Taxes:					
Occupation taxes	\$ 10,564,383	-	-	-	\$ 10,564,383
Property taxes	3,887,205	-	-	-	3,887,205
Insurance premium tax	2,122,325	-	-	-	2,122,325
Franchise taxes	154,814	-	-	-	154,814
Intergovernmental	-	619,729	-	-	619,729
Miscellaneous	621,006	-	-	-	621,006
Fines and court income	54,066	-	-	-	54,066
Grants and contributions	234,336	-	-	-	234,336
Investment income	4,696	-	-	-	4,696
Charges for services	192,660	-	-	-	192,660
Total revenue	<u>17,835,491</u>	<u>619,729</u>	<u>-</u>	<u>-</u>	<u>18,455,220</u>
EXPENDITURES					
Current:					
General government:					
Administration	1,166,689	-	-	-	1,166,689
Building Department	289,728	-	-	-	289,728
Insurance	483,148	-	-	-	483,148
Revenue Department	309,608	-	-	-	309,608
Total general government	<u>2,249,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,249,173</u>
Public safety:					
Ambulance service	46,170	-	-	-	46,170
Civil service	6,047	-	-	-	6,047
Police Department	7,850,811	-	-	-	7,850,811
Street lights	414,056	-	-	-	414,056
Total public safety	<u>8,317,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,317,084</u>
Public works	1,740,073	-	-	-	1,740,073
Road maintenance	-	64,512	-	-	64,512
Sanitation	1,041,834	-	-	-	1,041,834
Economic development	298,495	-	-	-	298,495
Museum	114,276	-	-	-	114,276
Parks and Recreation	571,908	-	-	-	571,908
Senior Citizens	189,536	-	-	-	189,536
Special Projects	188,820	-	-	-	188,820
Compensated absences	-	-	-	708,938	708,938
Debt service:					
Principal	1,308,096	-	-	-	1,308,096
Interest and other charges	253,499	-	-	-	253,499
Capital outlay	1,216,456	323,709	-	-	1,540,165
Total expenditures	<u>17,489,250</u>	<u>388,221</u>	<u>-</u>	<u>708,938</u>	<u>18,586,409</u>
Excess (deficiency) of revenues over expenditures	346,241	231,508	-	(708,938)	(131,189)
Other Financing Sources (Uses)					
Transfers in	355,472	-	-	742,159	1,097,631
Transfers out	-	-	(38,316)	-	(38,316)
Seized property (net)	50,828	-	-	-	50,828
Sale of surplus equipment	78,353	-	-	-	78,353
Total other financing sources (uses)	<u>484,653</u>	<u>-</u>	<u>(38,316)</u>	<u>742,159</u>	<u>1,188,496</u>
Net change in fund balances	830,894	231,508	(38,316)	33,221	1,057,307
Fund balances-beginning	3,365,996	70,289	242,897	2,399,888	6,079,070
Fund balances-ending	<u>\$ 4,196,890</u>	<u>\$ 301,797</u>	<u>\$ 204,581</u>	<u>\$ 2,433,109</u>	<u>\$ 7,136,377</u>

See accompanying notes to the basic financial statements

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

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

Net change in fund balances - total governmental funds	\$	1,057,307
Amounts reported for governmental activities in the Statement of Activities are different because:		

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized		1,540,164
Depreciation expense		(1,718,170)
		(178,006)

Governmental funds report bond refinancing charges as expenditures while governmental activities report amortization expense to allocate those expenditures over the useful life of the bond

(6,168)

Encumbrances outstanding at June 30, 2012 are considered an assignment of fund balance for GAAP basis reporting but are recognized as expenditures for Governmental funds.

(1,056,282)

Net increases in long-term compensated absences increase liabilities in the Statement of Net Assets while government funds do not report changes in compensated absences as expenditures.

515,673

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Long-term debt principal payments		1,308,096
		1,308,096

Change in Net Assets of Governmental Activities	\$	1,640,620
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CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued before November 30, 1989, have been applied in the government-wide financial statements unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the primary government of the City of Jeffersontown. There are no oversight responsibilities for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Control or dependency is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing body.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.B. BASIS OF PRESENTATION (CONTINUED)

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all cash and short term investments with a maturity date of three months or less.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

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." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, occupational taxes, and insurance premium tax.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, occupational tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within sixty days since they would be considered both measurable and available. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Fixed Assets

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1993.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. The City engaged the services of a local engineering firm to inventory and value the roads and bridges that comprise the infrastructure.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Fund Financial Statements

In the fund financial statements, fixed assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-term Debt

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

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

Compensated Absences

The City's policies regarding vacation time and sick leave permit employees to accumulate earned but unused time. Permanent City employees earn from 40 to 380 vacation hours a year, depending upon length of employment, and up to 120 sick leave hours a year.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, government funds report only the compensated absence liability payable from expendable available financial resources. The City is setting aside money to offset future liabilities.

Equity Classifications

Government-wide Statements

As of June 30, 2012, the City of Jeffersontown implemented GASB 54, Fund Balance Reporting and governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Mayor or designee may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied annually on October 1 and are due and payable at that time. All unpaid taxes levied October 1, become delinquent January 1 of the following year. Tax is assessed at a rate of .1478 per \$100. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Due to the immaterial amount of any additional property taxes receivable after the 60 day period, no additional accrual is made in the government-wide financial statements.

Occupational Tax

City occupational tax at one percent of wages is imposed on persons who work within the City of Jeffersontown, in any business, profession, trade or occupation. Such amounts are to be withheld from the employee's wages and remitted quarterly with a completed payroll tax return detailing total wages and tax withholdings.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, government fund expenditures are classified by character: current, debt service, and capital outlay. The city's policy regarding the allocation of indirect expenses is to reflect such expenses as a separate program.

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

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2.A. FUND ACCOUNTING REQUIREMENTS

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

Fund:	Required By:
General Fund	State Law
Municipal Road Aid	State Law

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATION

Under Kentucky Revised Statutes, the City is allowed to invest in obligations of the U. S. Treasury and U. S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

The City invests surplus cash in local bank certificates of deposit and savings accounts. This investment class subjects the City to custodial credit risk. This risk is considered immaterial, and as such, the City does not have an investment policy to deal with such risk.

At June 30, 2012, the city had checking account balances totaling \$5,656,095. The city was fully collateralized for amounts held in excess of FDIC limitations as of June 30, 2012.

2.C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source:	Legal Restriction of Use:
Ad Valorem Tax	Debt service
Gasoline Excise	Road and street maintenance

For the year ended June 30, 2012, the City complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Section 158 of the Kentucky Constitution limits the amount of outstanding general obligation bond debt of the City to no more than 10 percent of net assessed property valuation. For the year ended June 30, 2012, the City complied, in all material respects, with this revenue restriction.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. ACCOUNTS RECEIVABLE

Receivable detail at June 30, 2012, is as follows:

Occupational license tax	\$	2,428,842
Property tax		420,964
Insurance premium tax		553,230
Allowance for doubtful accounts		<u>(49,391)</u>
Net accounts receivable	\$	<u><u>3,353,645</u></u>

3.B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Disposals	Balance June 30, 2012
Governmental activities:				
Land	\$ 1,124,197	\$ -	\$ -	\$ 1,124,197
Buildings and Building Improvements	8,406,923	148,660	-	8,555,583
Machinery and Equipment	2,452,875	150,819	(36,326)	2,567,368
Vehicles	3,334,458	173,766	(110,552)	3,397,672
Land Improvements	1,275,376	65,280	-	1,340,656
Infrastructure	<u>59,030,520</u>	<u>1,001,639</u>	<u>-</u>	<u>60,032,159</u>
Totals at historical cost	75,624,349	1,540,164	(146,878)	77,017,635
Less accumulated depreciation				
Buildings and Building Improvements	(2,949,210)	(237,619)	-	(3,186,829)
Machinery and Equipment	(1,928,155)	(126,875)	36,326	(2,018,704)
Vehicles	(2,363,516)	(344,250)	110,552	(2,597,214)
Land Improvements	(548,418)	(71,157)	-	(619,575)
Infrastructure	<u>(32,465,948)</u>	<u>(938,269)</u>	<u>-</u>	<u>(33,404,217)</u>
Total accumulated depreciation	(40,255,247)	(1,718,170)	146,878	(41,826,539)
Net capital assets	<u>\$ 35,369,102</u>	<u>\$ (178,006)</u>	<u>\$ -</u>	<u>\$ 35,191,096</u>

CITY OF JEFFERSONTOWN, KENTUCKY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3.B. CAPITAL ASSETS (CONTINUED)

* Depreciation expense was charged to governmental activities as follows:

General government	\$ 69,568
Economic development	5,797
Parks and recreation	320,302
Police	272,473
Public works	111,761
Infrastructure	<u>938,269</u>
Total depreciation expense	<u>\$ 1,718,170</u>

3.C. ACCOUNTS PAYABLE

Payable in the general fund and road maintenance fund are comprised of trade payables to vendors.

3.D. LONG-TERM DEBT

Governmental Activities:

As of June 30, 2012, the governmental long-term debt of the financial reporting entity consisted of the following:

2000 KLC Funding Trust Lease Agreement	\$ 3,460,000
2005 Series Bonds	2,495,000
2008 Retirement Bond Fund	<u>2,805,000</u>
Total long-term debt	<u>\$ 8,760,000</u>
Current portion	\$ 647,855
Non-current portion	<u>8,112,145</u>
Total long-term debt	<u>\$ 8,760,000</u>

Capital Lease Obligations:

Capital lease obligation for 1 street sweeper dated May 2011 payable in monthly installments of \$3,184.09 with final payment due May 2016	<u>\$ 139,577</u>
Total capital lease obligations	<u>\$ 139,577</u>
Current portion	\$ 33,826
Noncurrent portion	<u>105,750</u>
Total capital lease obligations	<u>\$ 139,576</u>

Accrued Compensated Absences:

Current portion	\$ 287,105
Noncurrent portion	<u>2,508,821</u>
Total accrued compensated absences	<u>\$ 2,795,926</u>

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3.D. LONG-TERM DEBT (Continued)

2000 KLC Funding Trust Lease Agreement

On June 9, 2000, the City entered a lease/purchase agreement with Kentucky League of Cities Funding Trust Program, in the amount of \$6,625,000. The agreement requires rental payments to be paid by the City of Jeffersontown, Kentucky, under the lease/purchase agreement dated June 9, 2000, with Kentucky League of Cities Funding Trust Program, pursuant to which the project will be leased to the city. The project consist of the (i) acquisition, construction and installation of infrastructure improvements, including street repairs and extensions as well as drainage system improvements and (ii) the refunding and retirement on the date hereof of (a) a lease agreement dated as of November 1, 1996 (the "1996 Lease") between the City and the Trust, (b) a lease agreement dated as of January 28, 1998 (the "1998 Lease") between the City and the Trust and (c) a lease agreement dated as of September 1, 1998 (the "1998B Lease") between the City and the Trust, the proceeds of which were used to finance the acquisition, construction, installation and equipping of youth recreational facilities, a senior citizens center, park improvements, a library, sidewalk improvements, municipally owned recreational facilities and drainage system improvements.

The variable interest rate lease requires quarterly rental payments through June 15, 2020.

2005 Series Bonds

On July 21, 2005, the City issued \$5,730,000 general obligation bonds Series 2005A and \$1,455,000 general obligation bonds Series 2005B. The Bonds constitute proportionate interest in rental payments to be paid by the City of Jeffersontown, Kentucky, under the lease/purchase agreement dated July 1st, 2005 to purchasers of these bonds through The Depository Trust Company. Interest is payable semiannually on February 1 and August 1 of each year. The proceeds from these bonds were used to extinguish the City's outstanding obligations with respect to the 1994 Certificates of Participation and Line of Credit. Currently, these funds are being held in escrow for the purpose of capital projects. The balances in these funds at June 30, 2012 are presented on the following pages.

The variable interest rate requires semiannual interest payments through August 1, 2021.

2008 Retirement Fund

In July, 2009 the city issued a general obligation unfunded liability funding note in the amount of \$2,805,000. The proceeds have been escrowed by the city and will be used to extinguish city employee accrued compensated absences as individuals retire or utilize their accumulated vacation and sick time. The note is due in monthly installments of interest and fees only until August 1, 2012 at which time the city will be required to begin also making principal payments on the obligation. The note has an effective interest rate of 2% and is scheduled to mature July 1, 2032.

Interest Expense

The City incurred interest expense of \$253,499 associated with long term debt and capital lease obligations during the year ended June 30, 2012.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

3.D. LONG-TERM DEBT (Continued)

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	(Reductions)	Balance June 30, 2012	Amount Due Within One Year
Bond and debt agreements	\$ 10,074,265	\$ -	\$ (1,314,265)	\$ 8,760,000	\$ 647,855
Capital lease obligations	652,114	-	(512,537)	139,577	33,826
Compensated absences	2,555,073	240,853	-	2,795,926	287,105
Total Long Term Debt	\$ 13,281,452	\$ 240,853	\$ (1,826,802)	\$ 11,695,503	\$ 968,786

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2012, are as follows:

Year Ending June 30	Governmental Activities - Capital Lease Obligations and Lease/Purchase Agreements	
	Principal	Interest
2013	\$ 681,680	\$ 324,460
2014	724,410	353,490
2015	754,472	321,873
2016	781,501	289,335
2017	856,184	255,315
2018-2022	3,427,879	720,822
2023-2027	751,121	312,624
2028-2032	905,751	122,533
2033-2037	16,579	217
Total	\$ 8,899,577	\$ 2,700,669

NOTE 4 - OTHER NOTES

4.A. EMPLOYEE PENSION PLAN

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

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 4 - OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The city's contribution rate for nonhazardous employees was 18.96 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent 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. The city's contribution rate for hazardous employees was 35.76 percent.

Fiscal Year	Required Contributions		Total	% Contributed
	Employees	City		
2008	484,001	1,777,009	2,261,010	100%
2009	453,115	1,417,731	1,870,846	100%
2010	460,758	1,651,185	2,111,943	100%
2011	469,962	1,769,251	2,239,213	100%
2012	455,533	1,957,037	2,412,570	100%

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

CERS also provides post retirement health care coverage as follows:

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

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

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

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 4 - OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

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

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

4.B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters.

The City manages these various risk of loss as follows:

Type of Loss	Method Managed	Risk Retained
a. Torts, errors and omissions	Purchased liability insurance with KY League of Cities Insurance Services.	(1)
b. Injuries to employees (workers' compensation)	Purchased workers' compensation insurance with KY League of Cities Workers' Compensation Trust.	None
c. Physical property loss and natural disasters	Purchased commercial insurance with KY League of Cities Insurance Services	None
d. Health and life	Purchased health insurance with Humana	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

(1) Liability Protection Plan

The basic insurance agreements cover claims against municipalities for all government function and services covered in the Plan. These include bodily injury, property damage, wrongful acts, personal injury, and related Torts under the State tort claims law.

All public officials, employees, services, and municipal functions are covered unless they are specifically listed as exclusions in the Plan.

4.C. LITIGATION

The City attorney advises of no litigation currently pending against the City of Jeffersontown, Kentucky. Ordinance 932 Series 1986, "The Defense and Indemnification of City Officers and Employees states "The City shall, without cost to the officer or employee, provide for the legal defense of any officer or employee in any action in tort arising out of an act or omission occurring within the scope of the officer's or employee's employment or public duties within the City." Officer shall mean any elected official of the City and also includes City Clerk/Treasurer, Police Chief, and Attorney.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedules- General, Road, Bond and Compensated Absences Funds

Notes to Required Supplementary Information.

CITY OF JEFFERSONTOWN, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 NON-GAAP BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ 1,065,184	\$ 1,065,184	\$ 3,365,996	\$ 2,300,812
Resources (Inflows)				
General Fund				
Property tax	3,944,812	3,944,812	3,782,973	(161,839)
Property tax-penalty & interest	25,000	25,000	104,232	79,232
Franchise fees	156,846	156,846	154,814	(2,032)
Coal and mineral tax	1,800	1,800	833	(967)
Building permits	35,000	35,000	29,311	(5,689)
Electrical permits	35,000	35,000	39,406	4,406
Heating permits	22,000	22,000	43,931	21,931
Sign permits	5,000	5,000	8,007	3,007
Business licenses	165,000	165,000	168,475	3,475
Occupational tax	10,589,000	10,589,000	10,564,383	(24,617)
Alcoholic beverage licenses	110,000	110,000	107,646	(2,354)
Insurance premium tax	2,000,000	2,000,000	2,122,325	122,325
Fines and penalties	3,000	3,000	10,850	7,850
Base court revenue	50,000	50,000	43,216	(6,784)
Interest checking accounts and CD's	10,000	10,000	4,696	(5,304)
Lease income- County Clerk's office	13,900	13,900	16,674	2,774
Rental Income- facilities	35,000	35,000	39,163	4,163
Plainview swim and tennis club fees and income	160,000	160,000	215,236	55,236
Grant income	1,917,513	1,917,513	147,240	(1,770,273)
Police Department grant income	-	-	87,096	87,096
Miscellaneous	23,000	23,000	144,984	121,984
Total general fund revenues	<u>19,301,871</u>	<u>19,301,871</u>	<u>17,835,491</u>	<u>(1,466,380)</u>
Amount available for appropriation	<u>\$ 20,367,055</u>	<u>\$ 20,367,055</u>	<u>\$ 21,201,487</u>	<u>\$ 834,432</u>

**CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to appropriations (Outflows):				
Administration				
Payroll- Mayor and Council	\$ 154,315	\$ 154,315	\$ 153,838	\$ 477
Payroll- City Hall Administration	313,521	313,521	304,893	8,628
Payroll- City Attorney	83,789	83,789	84,767	(978)
Contract Labor- City Hall	-	-	4,310	(4,310)
Health insurance	180,668	180,668	175,699	4,969
Short term disability and life insurance	4,252	4,252	4,402	(150)
Dental insurance	11,044	11,044	11,044	-
Retirement- Mayor and Council	29,258	29,258	26,941	2,317
Retirement- City Hall Administration	59,443	59,443	57,813	1,630
Retirement- City Attorney	15,886	15,886	15,937	(51)
FICA- Mayor and Council	11,215	11,215	10,763	452
FICA- City Hall Administration	22,785	22,785	22,294	491
FICA- City Attorney	6,089	6,089	4,206	1,883
Unemployment Compensation	4,500	4,500	11,091	(6,591)
Administrative expenses	3,000	3,000	3,267	(267)
Legal fees and expenses	12,000	12,000	11,042	958
Accounting fees and expenses	50,700	50,700	51,691	(991)
Advertising	2,400	2,400	-	2,400
Dues and subscriptions	14,200	14,200	15,221	(1,021)
Office expense	-	-	93	(93)
Office supplies	10,020	10,020	9,228	792
Postage	4,800	4,800	2,717	2,083
Equipment rental and leases	4,440	4,440	4,889	(449)
Travel- Mayor and Council	3,600	3,600	1,823	1,777
Travel- City Hall Administration	4,400	4,400	3,887	513
Meetings and seminars- Mayor and Council	3,600	3,600	1,926	1,674
Meetings and seminars- City Hall Administration	3,050	3,050	1,981	1,069
Building repair and maintenance	30,200	30,200	27,536	2,664
Gas and electric	17,505	17,505	16,887	618
Water	1,020	1,020	1,444	(424)
Telephone	4,500	4,500	5,160	(660)
Mobile Phones- Mayor and Council	420	420	249	171
Mobile Phones- City Hall Administration	3,600	3,600	2,932	668
New vehicles	3,600	3,600	6,829	(3,229)
Gasoline	7,920	7,920	7,915	5
Equipment repair and maintenance	1,020	1,020	753	267
Computer software maintenance and support	46,200	46,200	55,817	(9,617)
Training	2,400	2,400	797	1,603
Computer hardware	6,000	6,000	7,658	(1,658)
Employee appreciation	\$ 1,000	\$ 1,000	\$ 264	\$ 736

CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Administration (Continued)				
Miscellaneous	\$ 10,020	\$ 10,020	\$ 6,988	\$ 3,032
Newsletter	10,000	10,000	7,406	2,594
Internet service and access	3,600	3,600	3,479	121
Website development and maintenance	19,500	19,500	18,812	688
Total Administration	1,181,480	1,181,480	1,166,689	14,791
Permitting & Enforcement Department				
Payroll	186,421	186,421	185,751	670
Health insurance	40,243	40,243	39,434	809
Short term disability and life insurance	1,130	1,130	1,306	(176)
Dental insurance	2,488	2,488	2,487	1
Retirement	32,107	32,107	32,105	2
FICA	13,614	13,614	13,364	250
Uniforms	1,800	1,800	2,217	(417)
Dues and subscriptions	1,000	1,000	824	176
Office supplies	1,000	1,000	789	211
Postage	1,200	1,200	404	796
Travel	300	300	4	296
Meetings and seminars	500	500	245	255
Mobile phones	900	900	764	136
New equipment	3,500	3,500	3,259	241
Gasoline	4,356	4,356	6,612	(2,256)
Miscellaneous	800	800	163	637
Total Permitting & Enforcement Department	291,359	291,359	289,728	1,631
Revenue Department				
Payroll	186,323	186,323	164,081	22,242
Health insurance	17,664	17,664	21,824	(4,160)
Short term disability and life insurance	828	828	1,230	(402)
Dental insurance	953	953	1,145	(192)
Retirement	22,983	22,983	27,548	(4,565)
FICA	11,116	11,116	11,912	(796)
Tax bill preparation and expense	51,050	51,050	50,000	1,050
Tax forms	7,450	7,450	5,814	1,636
Office supplies	1,000	1,000	1,047	(47)
Postage	14,000	14,000	11,837	2,163
Travel	1,000	1,000	-	1,000
Meetings and seminars	1,500	1,500	45	1,455
Mobile phones	540	540	271	269
Computer software maintenance and support	12,000	12,000	11,689	311
Miscellaneous	500	500	1,165	(665)
Total Revenue Department	\$ 328,907	\$ 328,907	\$ 309,608	\$ 19,299

**CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Police Department				
Payroll- Officers	\$ 3,673,322	\$ 3,673,322	\$ 3,667,705	\$ 5,617
KLEFPF	155,000	155,000	152,972	2,028
Education incentive	56,100	56,100	58,539	(2,439)
Court appearance	69,600	69,600	78,982	(9,382)
KLEFPF contra account	(155,000)	(155,000)	(208,207)	53,207
Payroll- Dispatchers	301,446	301,446	314,168	(12,722)
Payroll- Staff	296,179	296,179	287,958	8,221
Health insurance	753,510	753,510	706,785	46,725
Short term disability and life insurance	24,840	24,840	27,965	(3,125)
Dental insurance	52,464	52,464	51,553	911
Retirement- Officers	1,430,373	1,430,373	1,431,736	(1,363)
Retirement- Dispatchers	48,791	48,791	49,320	(529)
Retirement- Staff	52,153	52,153	52,373	(220)
FICA- Officers	283,756	283,756	276,726	7,030
FICA- Dispatchers	22,397	22,397	22,878	(481)
FICA- Staff	21,884	21,884	21,205	679
Uniforms- Officers	59,138	59,138	58,794	344
Uniforms- Dispatchers	7,034	7,034	7,034	-
Uniform replacement	18,110	18,110	11,214	6,896
Dues and subscriptions	12,258	12,258	11,469	789
Office supplies	21,000	21,000	14,780	6,220
Postage	2,500	2,500	1,484	1,016
Travel	24,000	24,000	23,365	635
Meetings and seminars	5,250	5,250	2,578	2,672
Training	57,200	57,200	53,905	3,295
Building repair and maintenance	17,060	17,060	14,266	2,794
Gas and electric	36,750	36,750	35,863	887
Telephone and internet	13,248	13,248	12,916	332
Water	1,500	1,500	3,660	(2,160)
Mobile phones	42,322	42,322	41,049	1,273
New vehicles	61,500	61,500	81,448	(19,948)
Existing vehicle leases	210,064	210,064	203,242	6,822
New equipment	14,000	14,000	3,255	10,745
Gasoline	214,154	214,154	213,744	410
Equipment repair and maintenance	37,700	37,700	14,877	22,823
Maintenance contracts	16,646	16,646	15,600	1,046
Computer software maintenance and support	10,000	10,000	-	10,000
Radio maintenance	14,720	14,720	3,725	10,995
Physicals	15,150	15,150	12,268	2,882
Crime prevention	3,500	3,500	2,470	1,030
Photography and film	1,000	1,000	1,262	(262)
CID	7,000	7,000	4,730	2,270
Miscellaneous	10,750	10,750	6,010	4,740
Canine unit	10,975	10,975	4,166	6,809
Grant related expense	-	-	14,507	(14,507)
Total Police Department	\$ 8,031,344	\$ 8,031,344	\$ 7,866,339	\$ 165,005

**CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Civil Service				
Testing and analysis	\$ 6,000	\$ 6,000	\$ 5,108	\$ 892
Miscellaneous	1,200	1,200	939	261
Total Civil Service	<u>7,200</u>	<u>7,200</u>	<u>6,047</u>	<u>1,153</u>
Public Works				
Payroll	915,144	915,144	773,718	141,426
Contract labor	-	-	17,200	(17,200)
Health insurance	232,594	232,594	237,838	(5,244)
Short term disability and life insurance	6,511	6,511	7,339	(828)
Dental insurance	15,832	15,832	15,541	291
Retirement	170,356	170,356	144,966	25,390
FICA	66,572	66,572	55,807	10,765
Uniforms	15,000	15,000	13,785	1,215
Dues and subscriptions	1,520	1,520	1,089	431
Office supplies	1,020	1,020	1,479	(459)
Equipment rental and leases	1,980	1,980	3,602	(1,622)
Travel	1,000	1,000	-	1,000
Meetings and seminars	1,500	1,500	500	1,000
Training	1,020	1,020	899	121
Landfill charges	1,980	1,980	1,877	103
Building repair and maintenance	9,960	9,960	9,947	13
Drainage	90,000	90,000	88,118	1,882
Paving and striping	160,000	160,000	102,110	57,890
Gas and electric	10,756	10,756	9,405	1,351
Water	1,675	1,675	1,107	568
Telephone and internet	2,160	2,160	1,938	222
Mobile phones	2,700	2,700	2,066	634
Existing vehicle leases	71,272	71,272	87,194	(15,922)
New equipment	30,000	30,000	97,283	(67,283)
Gasoline	81,762	81,762	59,915	21,847
Oil	4,000	4,000	3,368	632
Vehicle maintenance	89,000	89,000	91,505	(2,505)
Equipment repair and maintenance	20,000	20,000	18,715	1,285
Shop supplies	10,020	10,020	8,244	1,776
Roadside maintenance and beautification	17,000	17,000	20,821	(3,821)
Radio maintenance	1,020	1,020	566	454
Physicals	3,000	3,000	2,267	733
Miscellaneous	3,600	3,600	3,146	454
Total Public Works	<u>\$ 2,039,954</u>	<u>\$ 2,039,954</u>	<u>\$ 1,883,355</u>	<u>\$ 156,599</u>

**CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Economic Development				
Payroll	\$ 138,784	\$ 138,784	\$ 136,980	\$ 1,804
Health insurance	28,666	28,666	28,126	540
Short term disability and life insurance	822	822	866	(44)
Dental insurance	1,822	1,822	1,822	-
Retirement	26,314	26,314	25,879	435
FICA	10,086	10,086	9,771	315
Advertising	12,000	12,000	9,505	2,495
Dues and subscriptions	5,925	5,925	5,164	761
Office supplies	450	450	212	238
Postage	800	800	-	800
Brochures and print	1,000	1,000	-	1,000
Travel	1,900	1,900	683	1,217
Meetings and seminars	2,400	2,400	1,145	1,255
Telephone and Internet	2,520	2,520	2,518	2
Mobile phones	420	420	497	(77)
New equipment	1,500	1,500	315	1,185
Equipment repair and maintenance	500	500	-	500
Miscellaneous	300	300	2	298
Partnership	50,000	50,000	50,000	-
Façade renovation program	1,500	1,500	-	1,500
Industrial Park improvement	50,000	50,000	41,822	8,178
Chamber reimbursement	15,000	15,000	15,000	-
Economic Development Authority funding	200,000	200,000	-	200,000
Total Economic Development	552,709	552,709	330,307	222,402
Museum				
Payroll	72,872	72,872	73,215	(343)
Health insurance	14,271	14,271	14,246	25
Short term disability and life insurance	481	481	470	11
Dental insurance	576	576	576	-
Retirement	13,817	13,817	13,798	19
FICA	5,296	5,296	5,338	(42)
Advertising	504	504	500	4
Dues and subscriptions	300	300	-	300
Office supplies	900	900	120	780
Postage	200	200	91	109
Building repair and maintenance	900	900	871	29
Telephone and internet	1,200	1,200	1,193	7
Security	420	420	360	60
Copier	600	600	509	91
Photography and film	2,300	2,300	2,204	96
Miscellaneous	1,020	1,020	785	235
Total Museum	\$ 115,657	\$ 115,657	\$ 114,276	\$ 1,381

CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Parks and Recreation				
Payroll	\$ 99,130	\$ 99,130	\$ 105,932	\$ (6,802)
Payroll- pool part-time	18,000	18,000	16,305	1,695
Health insurance	27,897	27,897	28,126	(229)
Short term disability and life insurance	828	828	977	(149)
Dental insurance	1,822	1,822	1,822	-
Retirement	18,795	18,795	18,818	(23)
FICA	7,204	7,204	7,438	(234)
FICA- pool part time	1,377	1,377	1,247	130
Uniforms	1,200	1,200	979	221
Office supplies	600	600	331	269
Adult sport league	4,500	4,500	15,368	(10,868)
Gas and Electric- Skyview	21,457	21,457	23,409	(1,952)
Gas and Electric- Gym	21,797	21,797	21,574	223
Gas and Electric- Veterans Park	3,733	3,733	3,923	(190)
Gas and Electric- Plainview	18,709	18,709	17,713	996
Gas and Electric- Community Center	27,348	27,348	29,146	(1,798)
Gas and Electric- Ruckriegel Field	2,202	2,202	3,123	(921)
Water- Skyview	15,000	15,000	20,362	(5,362)
Water- Gym	1,354	1,354	1,703	(349)
Water- Plainview	18,014	18,014	12,110	5,904
Water- Community Center	4,585	4,585	4,698	(113)
Telephone- Gym	1,000	1,000	1,250	(250)
Telephone- Plainview	1,000	1,000	1,458	(458)
Telephone- Community Center	2,520	2,520	2,322	198
Mobile phones	480	480	742	(262)
New equipment	9,000	9,000	5,155	3,845
Gasoline	6,138	6,138	5,380	758
Pool maintenance contract	117,785	117,785	117,785	-
Pool miscellaneous	35,000	35,000	22,683	12,317
Concessions- Pool	6,000	6,000	23,449	(17,449)
Maintenance- Plainview	6,000	6,000	8,580	(2,580)
Maintenance- Miscellaneous	5,800	5,800	3,796	2,004
Maintenance- Skyview	16,800	16,800	9,576	7,224
Maintenance- Veterans Park	10,000	10,000	7,535	2,465
Maintenance- Bluebird Gym	6,000	6,000	6,747	(747)
Maintenance- Football Field	2,400	2,400	1,228	1,172
Maintenance- Community Center	11,800	11,800	6,789	5,011
Concessions- Bluebird Gym	600	600	10,930	(10,330)
Community Center	-	-	8,699	(8,699)
Total Parks and Recreation	\$ 553,875	\$ 553,875	\$ 579,208	\$ (25,333)

CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Senior Citizens				
Payroll	\$ 91,918	\$ 91,918	\$ 88,779	\$ 3,139
Health insurance	34,175	34,175	33,365	810
Short term disability and life insurance	540	540	576	(36)
Dental insurance	2,315	2,315	2,315	-
Retirement	12,934	12,934	12,889	45
FICA	6,771	6,771	6,225	546
Office supplies	2,900	2,900	2,641	259
Building repair and maintenance	10,100	10,100	18,863	(8,763)
Gas and electric	14,484	14,484	14,339	145
Telephone and Internet	2,400	2,400	2,668	(268)
Mobile Phones	480	480	457	23
New equipment	4,000	4,000	1,954	2,046
Gasoline	792	792	966	(174)
Miscellaneous	1,000	1,000	710	290
Copier	1,624	1,624	1,678	(54)
Equipment repair and maintenance	2,700	2,700	1,111	1,589
Total Senior Citizens	189,133	189,133	189,536	(403)
Debt Service				
Bond debt	1,131,330	1,131,330	1,026,076	105,254
Short term loan	252,604	252,604	285,519	(32,915)
Total Debt Service	1,383,934	1,383,934	1,311,595	72,339
Sanitation				
Sanitation contract expense	1,048,000	1,048,000	1,036,691	11,309
Dumpster fees	10,000	10,000	5,143	4,857
Total Sanitation	1,058,000	1,058,000	1,041,834	16,166
Insurance				
Workers Compensation	276,000	276,000	229,823	46,177
Commercial liability	179,400	179,400	183,699	(4,299)
Property and casualty	56,400	56,400	45,294	11,106
Claims	-	-	24,332	(24,332)
Total Insurance	511,800	511,800	483,148	28,652
Public Safety				
Street lights	422,494	422,494	414,056	8,438
Ambulance service	68,400	68,400	46,170	22,230
Total Public Safety	\$ 490,894	\$ 490,894	\$ 460,226	\$ 30,668

**CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Special Projects				
Community outreach	\$ 77,000	\$ 77,000	\$ 73,350	\$ 3,650
Farmers market	4,000	4,000	5,689	(1,689)
Other special projects	2,000	2,000	1,803	197
Mayor's special projects	10,000	10,000	5,882	4,118
Spruce up Jeffersontown	4,000	4,000	-	4,000
Easter Celebration	4,000	4,000	3,823	177
Volunteer recognition	2,500	2,500	2,555	(55)
Holiday on gaslight square	5,000	5,000	5,619	(619)
Summer fest	10,000	10,000	8,268	1,732
Gaslight festival	7,000	7,000	10,741	(3,741)
Pumpkin fest	3,500	3,500	5,911	(2,411)
Memorial and Veteran's Day Observation	1,000	1,000	-	1,000
Grant related expense	2,128,027	2,128,027	171,305	1,956,722
Improvement projects	180,000	180,000	199,136	(19,136)
Gasoline (Reserve)	11,100	11,100	3,615	7,485
Youth basketball league	-	-	31,140	(31,140)
Explorers	-	-	137	(137)
Total Special Projects	<u>2,449,127</u>	<u>2,449,127</u>	<u>528,974</u>	<u>1,920,153</u>
Total charges to appropriations prior to appropriation of beginning fund balance for non- budgeted expenditures and other financing sources (uses)	<u>19,185,373</u>	<u>19,185,373</u>	<u>16,560,870</u>	<u>2,624,503</u>
Ending budgetary fund balance prior to appropriation of beginning fund balance for non- budgeted expenditures and other financing sources (uses)	<u>\$ 1,181,682</u>	<u>\$ 1,181,682</u>	<u>\$ 4,640,617</u>	<u>\$ 3,458,935</u>

**CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012**

	<u>Appropriated Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Appropriation of beginning fund balance for non- budgeted expenditures				
Existing vehicle leases- Police Department	\$ -	\$ 210,000	\$ 210,000	\$ -
Existing vehicle leases- Public Works	-	61,000	61,000	-
Paving and striping- Public works	-	470,000	402,130	67,870
Short term loan- Debt Service	-	250,000	250,000	-
Improvement projects- Special Projects	-	137,000	5,250	131,750
Appropriation of beginning fund balance for non- budgeted expenditures	-	1,128,000	928,380	199,620
 Total charges to appropriations prior to other financing sources (uses)	 <u>19,185,373</u>	 <u>20,313,373</u>	 <u>17,489,250</u>	 <u>2,824,123</u>
 Ending budgetary fund balance prior to other financing sources (uses)	 <u>1,181,682</u>	 <u>53,682</u>	 <u>3,712,237</u>	 <u>3,658,555</u>
 Other Financing Sources (Uses)				
Seized property- Police Department			254,728	254,728
Seized property expenditures- Police Department			(203,900)	(203,900)
Sale of surplus equipment			78,353	78,353
Total Other Financing Sources (Uses)			<u>129,181</u>	<u>129,181</u>
 Transfers In (Out)			 <u>355,472</u>	 <u>355,472</u>
 Ending budgetary fund balance	 <u>\$ 1,181,682</u>	 <u>\$ 53,682</u>	 <u>\$ 4,196,890</u>	 <u>\$ 4,143,208</u>

**CITY OF JEFFERSONTOWN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
ROAD FUND
NON-GAAP BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	\$ -	\$ -	\$ 70,289	\$ 70,289
Resources (Inflows)				
Road Fund				
Road Fund Revenue	554,789	554,789	619,729	64,940
Total Road Fund Revenue	554,789	554,789	619,729	64,940
Amount available for appropriation	554,789	554,789	690,018	135,229
Charges to appropriations (Outflows):				
Road Maintenance				
Sidewalks	20,000	20,000	18,336	1,664
Paving and striping	420,000	420,000	341,232	78,768
Street light maintenance	8,000	8,000	3,036	4,964
Road salt and sand	91,000	91,000	7,252	83,748
Other	15,789	15,789	18,365	(2,576)
Total Road Maintenance	554,789	554,789	388,221	166,568
Total charge to appropriations	554,789	554,789	388,221	166,568
Transfers In (Out)	-	-	-	-
Ending budgetary fund balance	\$ -	\$ -	\$ 301,797	\$ 301,797

CITY OF JEFFERSONTOWN, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 BOND FUND
 NON-GAAP BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ -	\$ -	\$ 242,897	\$ 242,897
Resources (Inflows)				
2005 Bond Fund				
2005 Bond Fund	-	-	-	-
Total Road Fund Revenue	-	-	-	-
Amount available for appropriation	-	-	242,897	242,897
Charges to appropriations (Outflows):				
2005 Bond Fund				
2005 Bond Fund expense	-	-	-	-
Total 2005 Bond Fund	-	-	-	-
Total charges to appropriations	-	-	-	-
Transfers In (Out)	-	-	(38,316)	(38,316)
Ending budgetary fund balance	\$ -	\$ -	\$ 204,581	\$ 204,581

CITY OF JEFFERSONTOWN, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 COMPENSATED ABSENCES FUND
 NON-GAAP BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance:	\$ -	\$ -	\$ 2,399,888	\$ 2,399,888
Resources (Inflows)				
Compensated Absences Fund				
Compensated absence fund	-	-	-	-
Total Compensated Absence Fund Revenue	-	-	-	-
Amount available for appropriation	-	-	2,399,888	2,399,888
Charges to appropriations (Outflows):				
Compensated Absence Fund				
Severance Payout	100,000	100,000	708,938	(608,938)
Total Compensated Absences	100,000	100,000	708,938	(608,938)
Charges to appropriations (Outflows)	100,000	100,000	708,938	(608,938)
Transfers In (Out)	-	-	742,159	742,159
Ending budgetary fund balance	\$ <u>(100,000)</u>	\$ <u>(100,000)</u>	\$ <u>2,433,109</u>	\$ <u>2,533,109</u>

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011

NOTE 1 - BUDGET VARIANCES

General Fund

Revenues

General fund revenues of \$17,835,491 were \$1,466,380 less than the \$19,301,871 budgeted. The City's grant revenues were significantly lower due to delays in funding at the state level and are expected to be received during fiscal year ending June 30, 2013. Revenues exceeded budgeted amounts in the majority of the city's revenue accounts. Those revenues exceeding budget included insurance premium taxes, property tax penalty and interest, electrical permit fees, heating permit fees, sign permit fees, business licenses, lease income, police department grants, and other income.

Expenditures

General fund expenditures of \$16,560,870 were \$2,624,503 less than the \$19,185,373 budgeted. A primary reason that general fund expenditures were less than budgeted was the positive variance within grant related expenses. However, without this variance the City would have been under budget by \$667,781 for general fund expenditures. Other primary reasons general fund expenditures were less than budgeted were positive variances in most departments with the largest being economic development and public works.

When adding the \$1,466,380 negative variance for revenue with the \$2,624,503 expense savings, the City realized a budget surplus of \$1,158,123.

Appropriation of Beginning Fund Balance for Non- Budgeted Expenditures

An appropriation was made totaling \$1,128,000 to pay for vehicle leases, reduce bond debt, and finance capital maintenance, improvements, and paving projects. Of the amount appropriated, \$928,380 was expended, a difference of \$199,620.

Road Fund

For the year ended June 30, 2012, road fund revenues of \$619,729 were \$64,940 more than the \$554,789 budgeted. For the year ended June 30, 2012, road fund expenditures of \$388,221 were \$166,568 less than the \$554,789 budgeted. Road fund expenditures were primarily less than budgeted due to less being spent on road salt and sand than had been budgeted.

Bond Fund

These expenditures represent capital improvements made by the city. These expenditures were budgeted within Ordinance No. 1199- Series 2005 when the city initially borrowed the funds through debt issuance on July 1, 2005 to retire prior debt obligations and make future capital improvements.

Compensated Absences Fund

During the year ended June 30, 2011, the City established a new fund to account for payments related to compensated absences. Compensated absences are accrued vacation and sick pay to which employees of the City are entitled. Over the past several fiscal years, the City has had many employees with significant payments upon retirement related to earned compensated absences. This has created short-term cash flow issues for which the City has had to borrow funds to extinguish those compensated absences. Therefore, the City determined it was necessary to track these expenditures as part of a separate fund with separate funding being provided to that fund. During the year ended June 30, 2012, the City had compensated absences expenditures of \$708,938.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Mayor and City Council
City of Jeffersontown, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jeffersontown, Kentucky as of and for the year ended June 30, 2012, which collectively comprise the City of Jeffersontown, Kentucky's basic financial statements and have issued our report thereon dated November 19, 2012. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Jeffersontown, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Jeffersontown, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Jeffersontown, Kentucky'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jeffersontown, 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*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Shirley Spear of Franklin PSC

Jeffersontown, Kentucky
November 19, 2012