

CITY OF JEFFERSONTOWN, KENTUCKY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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Independent Auditor's Report

To the City Council
City of Jeffersontown, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Jeffersontown, Kentucky, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 involved 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. According we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Jeffersontown, Kentucky, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 3 through 10 and 44 through 62 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jeffersontown, Kentucky's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, 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 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 the City of Jeffersontown, Kentucky's internal control over financial reporting on compliance.

Stephens & Lawson, CPAs

Louisville, Kentucky
December 14, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Jeffersontown, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the year ended June 30, 2016. Please read it in conjunction with the City's financial statements, which begin on page 11.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 11 and 12) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 11. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

To aid in the understanding of the statement of activities some additional explanation is provided. Of particular interest is the format that is significantly different than a typical statement of revenues, expenses, and changes in fund balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions of the City's taxpayers. It also identifies how much of each function draws from the general revenues or if it is self-financing through fees and grants.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$29,071,463 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$27,139,940. This increase is due to an overall increase in current assets from \$11,366,272 to \$13,121,924. Total assets for the year increased by \$2,304,412.
- The three largest sources of general revenues for the City continued to be property taxes, insurance taxes, and occupational taxes. These revenue sources accounted for 84.48% of total revenues received by the City. The City's revenue of \$22,839,111 for this fiscal year is an increase of \$639,054 as compared to the previous fiscal year.
- The City's expenditures of \$20,163,556 for this fiscal year are an increase of \$1,342,628 as compared to the previous fiscal year.

CONDENSED FINANCIAL INFORMATION

The following condensed financial information has been derived from the government-wide financial statements.

Net Position

The total assets of the City increased by \$2,304,412 in the fiscal year ending 2016 as compared to the fiscal year ending 2015. While the total liabilities of the City increased by \$3,167,889 during this same time period.

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets	\$ 13,121,924	\$ 11,366,272
Non-Depreciable Fixed Assets	6,485,265	5,724,829
Depreciable Fixed Assets, Net	33,376,093	33,587,769
Total Assets	<u>\$ 52,983,282</u>	<u>\$ 50,678,870</u>
Deferred Outflows of Resources		
Deferred Amounts Related to Pensions	\$ 3,422,631	\$ 1,991,017
Liabilities		
Current Liabilities	\$ 2,540,361	\$ 2,799,812
Long-Term Liabilities	24,684,172	21,256,832
Total Liabilities	<u>\$ 27,224,533</u>	<u>\$ 24,056,644</u>
Deferred Inflows of Resources		
License Fees Received in Advance	\$ 109,917	\$ 105,200
Deferred Amounts Related to Pensions	-	1,368,103
Total Deferred Inflows of Resources	<u>\$ 109,917</u>	<u>\$ 1,473,303</u>
Net Position		
Net Investment in Capital Assets	\$ 34,343,755	\$ 32,901,370
Restricted	3,397,027	2,623,943
Unrestricted	<u>(8,669,319)</u>	<u>(8,385,373)</u>
Total Net Position	<u>\$ 29,071,463</u>	<u>\$ 27,139,940</u>

Current assets exceed current liabilities by \$10,581,563 for a current ratio of approximately 5.17 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 and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$29,071,463. This number represents the "net worth" of the City.

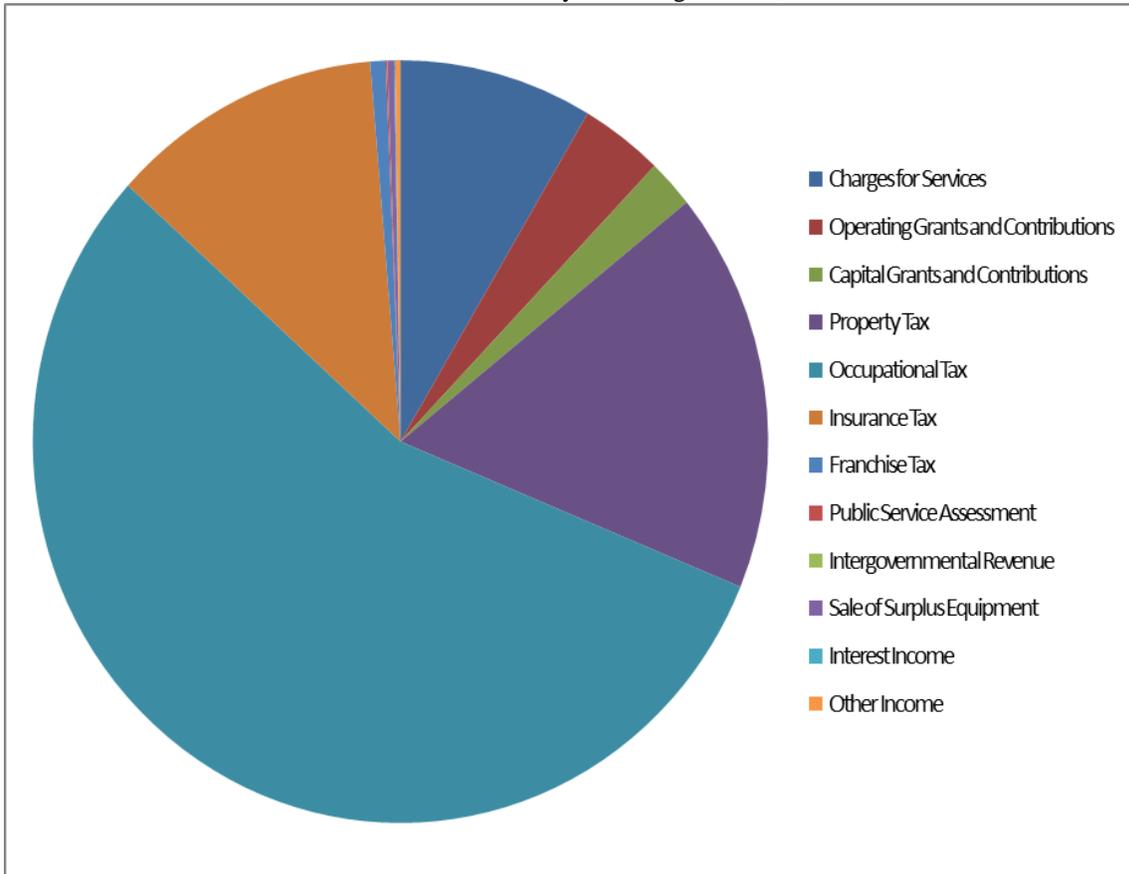
Governmental Revenues

The City's primary sources of revenues in this fiscal year continued to be property and occupational taxes. These two sources comprise 72.52% and 71.50% of the total revenue collected in the fiscal years ending 2016 and 2015 respectively. Total revenues for the year ended June 30, 2016 were \$22,839,111 which is an increase of \$639,054 over the previous fiscal year. This increase is due mainly to increases in charges for services and occupational taxes. Revenues were reported as follows:

Governmental Revenues – Continued

	2016		2015	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Program Revenues				
Charges for Services	\$ 1,941,701	8.50%	\$ 1,340,249	6.04%
Operating Grants and Contributions	831,135	3.64%	950,703	4.28%
Capital Grants and Contributions	470,527	2.06%	1,146,363	5.16%
Total program revenues	<u>3,243,363</u>	<u>14.20%</u>	<u>3,437,315</u>	<u>15.48%</u>
General Revenues				
Property Tax	3,887,607	17.02%	3,837,105	17.28%
Occupational Tax	12,675,057	55.50%	12,035,587	54.21%
Insurance Tax	2,732,246	11.96%	2,569,442	11.57%
Franchise Tax	152,773	0.67%	152,776	0.69%
Public Service Assessment	17,089	0.07%	12,522	0.06%
Intergovernmental Revenue	1,472	0.01%	1,298	0.01%
Sale of Surplus Equipment	66,830	0.29%	99,305	0.45%
Interest Income	11,566	0.05%	9,941	0.04%
Other Income	51,108	0.23%	44,766	0.21%
Total general revenues	<u>19,595,748</u>	<u>85.80%</u>	<u>18,762,742</u>	<u>84.52%</u>
Total Revenues	<u>\$ 22,839,111</u>	<u>100.00%</u>	<u>\$ 22,200,057</u>	<u>100.00%</u>

Revenues for the fiscal year ending June 30, 2016

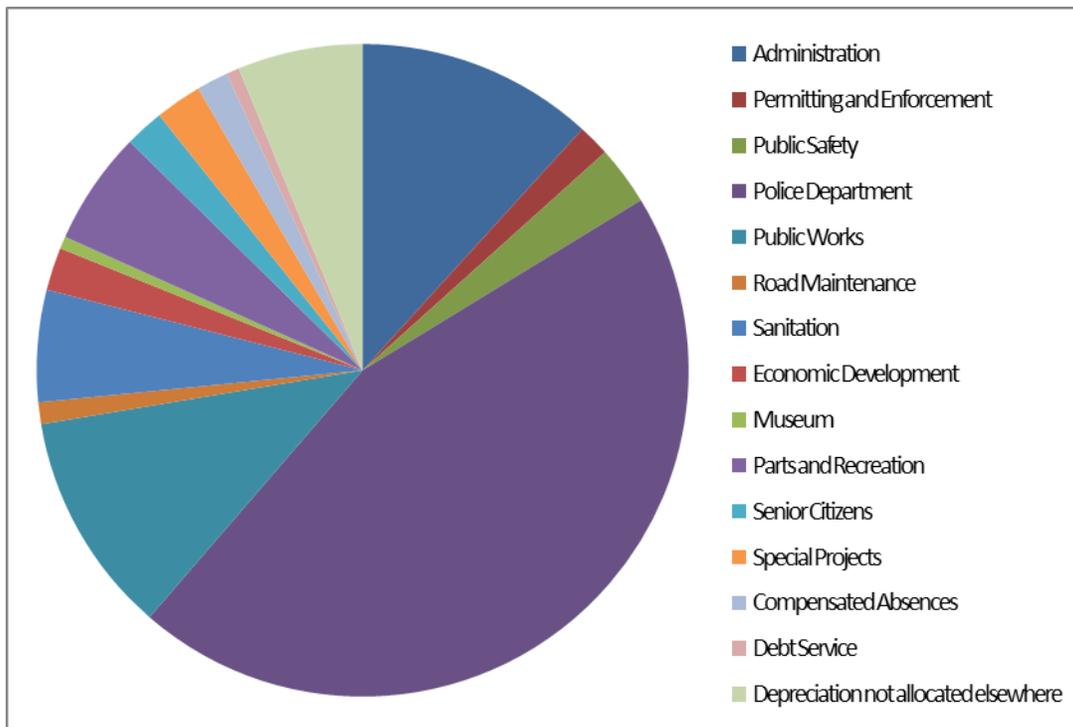


Governmental Expenses

Expenses for the year ended June 30, 2016 were \$20,163,556 which represents an increase of \$1,342,628 over the previous fiscal year. Expenses increased in part due to an increase in spending in the police department, public works, and on special projects. Expenses were reported as follows:

	2016		2015	
	Amount	Percentage	Amount	Percentage
Program Expenses:				
Administration	\$ 2,371,940	11.76%	\$ 2,290,465	12.17%
Permitting and Enforcement	319,982	1.59%	316,913	1.68%
Public Safety	589,914	2.93%	567,794	3.02%
Police Department	9,086,102	45.06%	8,377,573	44.51%
Public Works	2,221,831	11.02%	1,983,429	10.54%
Road Maintenance	216,209	1.07%	303,310	1.61%
Sanitation	1,117,251	5.54%	1,055,505	5.61%
Economic Development	429,124	2.13%	423,024	2.25%
Museum	122,621	0.61%	99,861	0.53%
Parks and Recreation	1,137,279	5.64%	1,099,622	5.84%
Senior Citizens	389,943	1.93%	313,425	1.67%
Special Projects	465,401	2.31%	342,336	1.82%
Compensated Absences	315,458	1.56%	390,259	2.07%
Debt Service	130,389	0.65%	145,015	0.77%
Depreciation not allocated elsewhere	1,250,112	6.20%	1,112,397	5.91%
Total Expenses	\$ 20,163,556	100.00%	\$ 18,820,928	100.00%

Expenses for the fiscal year ending June 30, 2016



Excess of Revenues over Expenses

	<u>2016</u>	<u>2015</u>
Total Revenues	\$ 22,839,111	\$ 22,200,057
Total Expenditures	<u>20,163,556</u>	<u>18,820,928</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 2,675,555</u>	<u>\$ 3,379,129</u>

Change in Net Position

For the year ended June 30, 2016 and 2015, net position changed as follows:

	<u>2016</u>	<u>2015</u>
Beginning Net Position	\$ 27,139,940	\$ 37,029,486
Restatement of Prior Year Balances	-	(13,074,247)
Prior Period Adjustments	(744,032)	(194,428)
Increase in Net Position	<u>2,675,555</u>	<u>3,379,129</u>
Ending Net Position	<u>\$ 29,071,463</u>	<u>\$ 27,139,940</u>

Fixed Assets

For the year ended June 30, 2016, the City had \$88,323,885 invested in fixed assets including recreation fields and parks, buildings and improvements, equipment, vehicles, and infrastructure. A schedule of the changes in fixed assets during this fiscal year is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Non-depreciable Assets:				
Land	\$ 1,242,699	\$ -	\$ 118,502	\$ 1,124,197
Construction in Progress	<u>4,482,130</u>	<u>878,938</u>	<u>-</u>	<u>5,361,068</u>
Total non-depreciable assets	<u>5,724,829</u>	<u>878,938</u>	<u>118,502</u>	<u>6,485,265</u>
Depreciable Assets:				
Buildings and Improvements	9,016,203	167,779	-	9,183,982
Machinery and Equipment	3,136,607	208,409	-	3,345,016
Vehicles	4,087,310	498,562	270,736	4,315,136
Land Improvements	1,547,381	-	-	1,547,381
Infrastructure	<u>62,251,413</u>	<u>1,195,692</u>	<u>-</u>	<u>63,447,105</u>
Total depreciable assets	<u>80,038,914</u>	<u>2,070,442</u>	<u>270,736</u>	<u>81,838,620</u>
Total fixed assets	<u>85,763,743</u>	<u>2,949,380</u>	<u>389,238</u>	<u>88,323,885</u>
Accumulated Depreciation:				
Buildings and Improvements	3,998,007	281,883	-	4,279,890
Machinery and Equipment	2,180,402	234,530	-	2,414,932
Vehicles	2,919,677	394,057	249,938	3,063,796
Land Improvements	832,858	100,738	-	933,596
Infrastructure	<u>36,520,201</u>	<u>1,250,112</u>	<u>-</u>	<u>37,770,313</u>
Total accumulated depreciation	<u>46,451,145</u>	<u>2,261,320</u>	<u>249,938</u>	<u>48,462,527</u>
Governmental activities fixed assets, net	<u>\$ 39,312,598</u>	<u>\$ 688,060</u>	<u>\$ 139,300</u>	<u>\$ 39,861,358</u>

Fixed Assets - Continued

This year's major additions include the following items:

12 Vehicles and Related Equipment	\$ 498,562
HVAC System for the Museum	33,312
HVAC System for Bluebird Gym	11,607
Computer Server at City Hall	20,270
Lazer Mower	10,928
Concrete Buggy	14,500
Snow Plows and Salt Spreaders	68,285
Paving	1,076,373
Drainage Improvements	119,319
Salt Storage Building	167,779
Total	<u>\$ 2,020,935</u>

Debt

For the year ended June 30, 2016, the City had \$25,824,981 in outstanding long-term obligations, of that amount \$1,140,809 is due within the coming fiscal year. A schedule of the changes in debt during this fiscal year is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes Payable	\$ 1,353,220	\$ -	\$ 671,816	\$ 681,404	\$ 681,404
Capital Lease Obligation	5,058,008	-	221,809	4,836,199	110,816
Compensated Absences	2,663,750	278,353	153,394	2,788,709	348,589
Pension Obligation	13,408,448	4,110,221	-	17,518,669	-
Total Governmental Activities	<u>\$ 22,483,426</u>	<u>\$ 4,388,574</u>	<u>\$1,047,019</u>	<u>\$ 25,824,981</u>	<u>\$1,140,809</u>

Pensions

As noted in the prior year audit, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Those standards require governmental entities to recognize certain financial statements amounts related to pensions. In addition to these new financial statement items, there are also new note disclosure requirements (Note I) and tables to be included as required supplementary information. The measurement date for the net pension liability is June 30, 2015.

During this fiscal year, the obligations of the City as they relate to pensions and as reported to the City by the Kentucky Retirements Systems are as follows:

	As Reported in the Audit for the Fiscal Year Ending June 30th:	
	<u>2016</u>	<u>2015</u>
Pension Obligations	\$ 17,518,669	\$ 13,408,448
Deferred Outflows Related to Pensions	3,422,631	1,991,017
Deferred Inflows Related to Pensions	-	1,368,103

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our analysis of the City's major funds begins on page 13. The fund financial statements provide detailed information about the governmental fund – 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 this is available for spending in the next period. This fund is reported using the accounting method called the modified accrual basis of 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 you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and statement of activities) and governmental fund in a reconciliation in separate statements after each of the fund financial statements.

BUDGETARY HIGHLIGHTS

General Fund

For the year ended June 30, 2016, general fund revenues of \$21,723,018 were \$2,153,878 less than the \$23,876,896 budgeted. Revenue sources with the most significant budget shortfalls included grant income and property taxes. For the year ended June 30, 2016, general fund expenditures of \$20,157,027 were \$5,500,343 less than the \$25,657,370 budgeted. The City went over budget in the areas of sanitation, compensated absences and the police department. Due to the nature and unpredictability of when compensated absences will be used, the City does not make a budget appropriation for this item causing any payments for compensated absences to result in a budget overage. The police department was over budget due to unbudgeted CID expenses.

Road Fund

For the year ended June 30, 2016, state road aid of \$528,358 was \$12,253 more than the \$516,105 budgeted. Expenditures in the road fund of \$417,602 were \$98,503 less than the \$516,105 budgeted. While the road fund was not over budget, one line item within the road fund, Road Salt & Sand, was over budget in the amount of \$12,032.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Due to a higher budget projection for grant revenue in the upcoming fiscal year as compared to this fiscal year, budgeted revenue in the general fund for fiscal year 2017 increased by \$2,042,369 to \$25,919,265.

General fund budget expenditures were increased by \$958,230 to \$26,615,600 to reflect increased spending on grant projects.

The difference between budgeted revenue and expenditures for fiscal year 2016 was covered by a surplus brought forward from prior fiscal years.

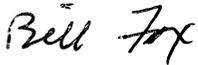
CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Respectfully submitted,



Bill Dieruf
Mayor



Bill Fox
City Clerk/Treasurer

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government Governmental Activities
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 6,030,160
Investments	2,591,212
Receivables	4,497,748
Prepaid Expenses	2,804
Total Current Assets	13,121,924
Non-current Assets:	
Non-depreciable Fixed Assets	6,485,265
Depreciable Fixed Assets, Net	33,376,093
Total Non-current Assets	39,861,358
Total Assets	52,983,282
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Amounts Related to Pensions	3,422,631
Total Assets and Deferred Outflows of Resources	\$ 56,405,913
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 733,381
Payroll Taxes and Withholdings Payable	410,519
Accrued Payroll	105,138
User Deposits	110,653
Accrued Interest	39,861
Long-Term Obligations Due Within One Year	1,140,809
Total Current Liabilities	2,540,361
Long-Term Liabilities:	
Long-Term Obligations in Excess of One Year	24,684,172
Total Liabilities	27,224,533
<u>DEFERRED INFLOWS OF RESOURCES</u>	
License Fees Received in Advance	109,917
Total Deferred Inflows of Resources	109,917
<u>NET POSITION</u>	
Net Investment in Capital Assets	34,343,755
Restricted	3,397,027
Unrestricted	(8,669,319)
Total Net Position	29,071,463
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 56,405,913

See the accompanying notes to the financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF ACTIVITIES
JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Net (Expense) Revenue</u>
Primary Government:					
Governmental Activities:					
Administration	\$ 2,371,940	\$ 447,065	\$ -	\$ -	\$ (1,924,875)
Permitting and Enforcement	319,982	203,470	-	-	(116,512)
Public Safety	589,914	-	-	-	(589,914)
Police Department	9,086,102	580,858	286,155	-	(8,219,089)
Public Works	2,221,831	9,060	16,622	-	(2,196,149)
Road Maintenance	216,209	48,863	528,358	-	361,012
Sanitation	1,117,251	-	-	-	(1,117,251)
Economic Development	429,124	-	-	-	(429,124)
Museum	122,621	-	-	-	(122,621)
Parks and Recreation	1,137,279	454,909	-	-	(682,370)
Senior Citizens	389,943	197,476	-	-	(192,467)
Special Projects	465,401	-	-	470,527	5,126
Compensated Absences	315,458	-	-	-	(315,458)
Debt Service	130,389	-	-	-	(130,389)
Depreciation not allocated elsewhere	1,250,112	-	-	-	(1,250,112)
Total Governmental Activities	<u>20,163,556</u>	<u>1,941,701</u>	<u>831,135</u>	<u>470,527</u>	<u>(16,920,193)</u>
Total Primary Government	<u>\$ 20,163,556</u>	<u>\$ 1,941,701</u>	<u>\$ 831,135</u>	<u>\$ 470,527</u>	<u>\$ (16,920,193)</u>
				<u>Primary Government</u>	
				<u>Governmental Activities</u>	
Changes in Net Assets:					
Net Expense		<u>\$ (16,920,193)</u>			
General Revenues:					
Taxes:					
Property Taxes		\$ 3,887,607			
Occupational Tax		12,675,057			
Insurance Tax		2,732,246			
Franchise Tax		152,773			
Public Service Assessment		17,089			
Intergovernmental Revenue		1,472			
Interest Income		11,566			
Sale of Surplus Property		66,830			
Other Income		51,108			
Total General Revenues		<u>19,595,748</u>			
Change in Net Position		2,675,555			
Net Position - July 1, 2015		27,139,940			
Prior Period Adjustment		(744,032)			
Net Position - June 30, 2016		<u>\$ 29,071,463</u>			

See the accompanying notes to the financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	GOVERNMENTAL FUND TYPES			Total Governmental Funds
	General Fund	Road Fund	Severance Fund	
ASSETS				
Cash	\$ 5,015,766	\$ 237,658	\$ 776,736	\$ 6,030,160
Investments	1,468,324	-	1,122,888	2,591,212
Receivables	4,449,093	48,655	-	4,497,748
Prepaid Expenses	2,804	-	-	2,804
Total Assets	<u>10,935,987</u>	<u>286,313</u>	<u>1,899,624</u>	<u>13,121,924</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable	733,175	206	-	733,381
Payroll Taxes and Withholdings Payable	410,519	-	-	410,519
Accrued Payroll	105,138	-	-	105,138
User Deposits	110,653	-	-	110,653
Total Liabilities	<u>1,359,485</u>	<u>206</u>	<u>-</u>	<u>1,359,691</u>
Deferred Inflows of Resources:				
License Fees Received in Advance	109,917	-	-	109,917
Unavailable Revenue	337,906	-	-	337,906
Total Deferred Inflows of Resources	<u>447,823</u>	<u>-</u>	<u>-</u>	<u>447,823</u>
Fund Balances:				
Restricted	1,160,716	286,107	-	1,446,823
Assigned	696,335	-	1,899,624	2,595,959
Unassigned	7,271,628	-	-	7,271,628
Total Fund Balances	<u>9,128,679</u>	<u>286,107</u>	<u>1,899,624</u>	<u>11,314,410</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,935,987</u>	<u>\$ 286,313</u>	<u>\$ 1,899,624</u>	<u>\$ 13,121,924</u>

See the accompanying notes to the financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
RECONCILIATION OF TOTAL FUND BALANCE, GOVERNMENTAL FUNDS
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Reconciliation of Total Fund Balance, Governmental Funds to Net Position of Governmental Activities:

Total Fund Balances, Governmental Funds	\$ 11,314,410
Amounts reported for governmental activities in the statement of net position are different because of the following:	
Certain property tax and code enforcement fine revenue are earned but not available and therefore are shown as unavailable revenue in the fund financial statements	337,906
Fixed assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	39,861,358
Deferred outflows/inflows of resources related to pensions are not reported in the fund financial statements	
Deferred outflows of resources related to pensions	3,422,631
Interest costs on long-term debt are reported as an expenditure in the fund financial statements at the time the payment is made; however, those costs are accrued at year end in the government-wide financial statements.	(39,861)
Long-term obligations are not due and payable in the current period and therefore are not reported in the fund financial statements.	<u>(25,824,981)</u>
Net Position of Governmental Activities	<u><u>\$ 29,071,463</u></u>

See the accompanying notes to the financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	GOVERNMENTAL FUND TYPES			Totals Governmental Funds
	General Fund	Road Fund	Severance Fund	
REVENUE				
Property Tax	\$ 3,907,980	\$ -	\$ -	\$ 3,907,980
Occupational Tax	12,675,057	-	-	12,675,057
Insurance Premium Tax	2,732,246	-	-	2,732,246
Franchise Tax	152,773	-	-	152,773
Public Service Assessments	17,089	-	-	17,089
Code Enforcement Violations	4,388	-	-	4,388
Intergovernmental	230,348	528,358	-	758,706
License and Permits	501,733	-	-	501,733
Charge for Service	1,315,338	-	-	1,315,338
Grants	544,428	-	-	544,428
Interest Income	3,045	59	8,463	11,567
Other Income	109,562	-	-	109,562
Total Revenue	22,193,987	528,417	8,463	22,730,867
EXPENDITURES				
General Government				
Administration	1,253,848	-	-	1,253,848
Permitting and Enforcement	304,237	-	-	304,237
Insurance	630,294	-	-	630,294
Revenue Department	332,674	-	-	332,674
Total General Government	2,521,053	-	-	2,521,053
Public Safety:				
Ambulance Service	35,910	-	-	35,910
Civil Service	6,974	-	-	6,974
Police Department	8,344,588	-	-	8,344,588
Street Lights	547,030	-	-	547,030
Total Public Safety	8,934,502	-	-	8,934,502
Public Works	2,006,003	-	-	2,006,003
Road Maintenance	-	216,210	-	216,210
Sanitation	1,117,251	-	-	1,117,251
Economic Development	411,593	-	-	411,593
Museum	116,223	-	-	116,223
Parks and Recreation	712,129	-	-	712,129
Senior Citizens	383,743	-	-	383,743
Special Projects	465,401	-	-	465,401
Compensated Absences	183,308	-	-	183,308
Debt Service	1,028,802	-	-	1,028,802
Capital Outlay	2,747,988	201,392	-	2,949,380
Total Expenditures	20,627,996	417,602	-	21,045,598
Excess of Revenues over Expenditures	1,565,991	110,815	8,463	1,685,269

See the accompanying notes to the financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

	GOVERNMENTAL FUND TYPES			Totals Governmental Funds
	General Fund	Road Fund	Severance Fund	
OTHER FINANCING SOURCES (USES)				
Sale of Surplus Property	175,832	-	-	175,832
Transfer In	331,700	-	350,000	681,700
Transfer Out	(350,000)	-	(331,700)	(681,700)
Total Other Financing Sources (Uses)	157,532	-	18,300	175,832
Net Change in Fund Balances	1,723,523	110,815	26,763	1,861,101
Fund Balances Beginning of Year	7,404,575	175,292	1,872,861	9,452,728
Prior Period Adjustment	581	-	-	581
Fund Balances End of Year	<u>\$ 9,128,679</u>	<u>\$ 286,107</u>	<u>\$ 1,899,624</u>	<u>\$ 11,314,410</u>

See the accompanying notes to the financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
RECONCILIATION OF THE NET CHANGES IN FUND BALANCES - TOTAL
GOVERNMENTAL FUNDS TO THE CHANGE IN NET POSITION OF
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

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

Net Change in Fund Balances - Total Governmental Funds		\$ 1,861,101
Amounts reported for governmental activities in the statement of activities are different because:		
Certain property taxes and code enforcement assessments will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenue and are not recorded as such in the fund financial statements. Unavailable tax revenues increased by this amount this year		60,915
Since governmental activities report expenditures for capital assets in the statement of net assets, when the underlying asset is sold, its book value has to be removed and is netted against the proceeds shown in the statement of activities. Reduction in proceeds for book value of assets sold		(109,002)
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	\$ 2,949,380	
Depreciation expense	<u>(2,261,320)</u>	688,060
Repayment of principal on debt is an expenditure in the fund financials, but reduces the liability in the statement of net position. Repayment of principal on long-term obligations		893,625
Compensated absences are shown as a long-term obligation in the government-wide financial statements, but are not recognized as a liability in the fund financial statements, as such the change in the liability from year to year is recognized only in the statement of activities. Net increase in compensated absence balance		(124,959)
Pension expense in the fund financial statements are based on amounts paid into the retirement plan during the current fiscal year. Pension expense in the government-wide financial statements are based on the measurement date of the net pension liability which was June 30, 2015. Net increase in government-wide pension expense		(598,973)
Interest costs associated with long-term debt obligations are accrued at year end in the government-wide financial statements, whereas that cost is not recognized in the fund financials until the amount comes due and payable. Accrued interest expense changed		<u>4,788</u>
Change in Net Position of Governmental Activities		<u><u>\$ 2,675,555</u></u>

See the accompanying notes to the financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Jeffersontown, Kentucky (the City) is a home-rule city with a population in excess of 20,000 located in Jefferson County, Kentucky. It operates under an elected mayor-council form of government. The City provides the following services authorized by its charter: police, sanitation, economic development, street maintenance, and recreation.

All significant activities and organizations on which the City of Jeffersontown, Kentucky exercises oversight responsibility have been included in the City's financial statements, for the year ended June 30, 2016. The following criteria regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

Financial interdependency - The City is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the City.

Election of the government authority - The locally elected City Council is exclusively responsible for all public decisions and accountable for the decisions it makes.

Ability to significantly influence operations - The City Council has the statutory authority under the provisions of the Revised Statutes to significantly influence operations. This authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

Accountability of fiscal matters - The responsibility and accountability over all funds is vested in the City management.

After consideration of the above criteria, no additional entities are deemed to be component units of the City.

Basic Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All activities of the City are classified as governmental activities; the City has no business-type activities.

Government-wide Financial Statements:

These financial statements display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds.

In the statement of net position, the governmental activities columns is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The statement of activities reports both the gross and net cost of each of the City's functions (administration, police, civil service, public works, etc.). The functions are also supported by general government revenues (property taxes, insurance, taxes, occupational taxes and certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Basic Financial Statements - Continued

Government-wide Financial Statements - continued:

grants. Program revenues must be directly associated with the function (administration, police, civil service, public works, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, insurance taxes, occupational taxes and certain intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs and all interfund activity is eliminated in the government-wide financial statements.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Fund Financial Statements:

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds, except that the primary operating fund of the City, the general fund, is always considered major. Those criteria for evaluation of all other funds are as follows:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The City does not have any business-type activities nor does it present any funds as nonmajor in the financial statements.

The funds of the financial reporting entity are described below:

Governmental Type Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these major governmental funds and fund types:

General Fund - The general fund is the City's primary operating fund. It is used to account for and report all financial resources except those legally or administratively required to be accounted for in another fund.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Basic Financial Statements - Continued

Fund Financial Statements - Continued:

Governmental Type Funds - continued

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The City utilized the following special revenue funds:

Road Fund – Used to account for state road funds that are allocated to the City by the State of Kentucky.

Severance Fund – Used to account for funds from both a 2008 debt issue to help the City meet the financial obligations it has to retiring employees and for funds set aside annually by the City for the same purpose.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

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 position 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 position, 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 position and the 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. Property taxes are reported in the period for which levied. 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. Property tax revenues are recognized in the period for which levied provided they are also available. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, employee vacation and sick leave, which are recorded when due.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Measurement Focus and Basis of Accounting - Continued

Basis of Accounting - Continued

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

Encumbrances

The City does not employ encumbrance accounting; under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to preserve that portion of the applicable appropriation.

Cash and Cash Equivalents

The City considers all cash in bank and highly liquid investments with a maturity of ninety days or less to be cash and cash equivalents.

Investments

Investments of the primary government are valued at fair market value. Additionally, all investments of the primary government comply with the Kentucky Revised Statutes concerning the types of investments allowed.

Inventories

Disbursements for inventory type items are considered expenditures at the time of purchase.

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, insurance taxes and occupational taxes.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, insurance 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 basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

The City considers all receivables to be fully collectible, with the exception of code enforcement receivables described below.

The City has a code enforcement board that can assess fines against property owners who are found in violation of city ordinances. These fines are enforced by placing liens against the underlying real property. The City recognizes income from these fines in the year they are assessed. The City considers a portion of this income in the year assessed to be uncollectible and has established an allowance account to reflect this expectation.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Fixed Assets

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. For financial reporting purposes, the City has decided to only capitalize individual assets with a value of \$5,000 or greater. Fixed assets are not reported on the fund financial statements.

Prior to July 1, 2002, 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 City's infrastructure. Starting on July 1, 2002 the City is required to keep a record of all infrastructure assets placed in service from that date forward.

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 position. Depreciation is provided over the assets' estimated useful life using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

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

Due to and Due From Other Funds

Interfund receivables and payables are recorded by all funds in the period in which transactions are executed on the fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Deferred Inflow/Outflow of Resources

Deferred Outflows:

The City reports decreases in net position/fund balances that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position / fund financials balance sheet – governmental funds. Deferred outflows of resources reported in the government-wide financial statements consisted of contributions made to Kentucky Retirement Systems between the measurement date of the net pension liabilities from those plans and the end of the City's fiscal year as well as other amounts related to pensions. No deferred outflows of resources affected the fund financial statements in the current fiscal year.

Deferred Inflows:

The City reports increases in net position/fund balances that related to future periods as deferred inflows of resources in a separate section of its government-wide statement of net position / fund financials balance sheet – governmental funds. Deferred inflows of resources reported in this year's government-wide financial statements consist solely of amounts received under the City's requirement of business selling alcohol to obtain a license.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Deferred Inflow/Outflow of Resources - Continued

The City has two types of deferred inflows of resources which are reported in the fund financial statements and they are as follows:

- a) The City requires business selling alcohol to obtain a license. This license runs for a period of 1 year starting on July 1st. In order to ensure there is no disruption in sales, many businesses pay this license fee in advance of the actual effective date of the license.
- b) Certain governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the fiscal year) under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly deferred property taxes and code enforcement fines are reported in the fund financials balance sheet – governmental funds as unavailable revenue.

Accounts Payable

Accounts payable consist of trade payable to vendors who provide goods and services to the City.

Compensated Absences

City policies regarding vacation and sick time permit employees to accumulate earned but unused time. Amounts earned each year and available for carryover depend on hire date and length of service. The City is currently reporting the accumulation of resources for this future obligation in the severance fund.

Long-term Debt

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

Long-term debt of 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 are reported as debt service expenditures.

Equity Classifications

Government-Wide Statements

The City reports the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources as net position. Net position is divided into three categories defined as follows:

- a. Net Investment in Capital Assets – Consists of the historical cost of capital assets including restricted capital assets, less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows or resources less deferred inflows of resources related to those assets.
- b. Restricted net position – Consist of assets that are restricted by the City’s creditors (for example, though debt covenants), by state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), by other contributors, or by enabling legislation.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Equity Classifications - Continued

Government-Wide Statements - Continued

- c. Net Investment in Capital Assets – Consists of the historical cost of capital assets including restricted capital assets, less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows or resources less deferred inflows of resources related to those assets.
- d. Restricted net position – Consist of assets that are restricted by the City’s creditors (for example, though debt covenants), by state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), by other contributors, or by enabling legislation.
- e. Unrestricted net position – Balance of net position not meeting the requirements of the other two categories.

Fund Financial Statements

In the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action by the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by the City Council.
- d. Assigned – Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval by City Council.
- e. Unassigned – All amounts not included in other spendable classification.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City Council considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided for otherwise.

Property Tax Revenue

The City assesses property taxes at the rate of .1478 per \$100 of assessed property value on January 1st of each calendar year and taxes are due and payable by December 31st of the same year. Bills are mailed on or before the 1st of October and any bills paid prior to October 31st are allowed a 2% discount. Bills paid between November 1st and December 31st are not allowed a discount or subject to a penalty. All bills paid after December 31st are charged a 6% penalty plus interest at the rate of 6% per annum until paid. The City has no formal date for filing liens.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Occupational License Tax

The City imposes a tax of 1% of wages 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.

Insurance Premium Tax

The City imposes a tax of 5% on certain insurance policies in effect within the boundaries of the City. Such amounts are collected by the insurance company and remitted to the City on a quarterly basis.

Business License

The City imposes an annual license fee of \$75.00 on all persons, firms or organizations engaged in any trade or business profession operating in the City for profit or gain.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, governmental fund expenditures are classified by character: current, debt service, and capital outlay. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Interfund Transfers

The permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers and shown as transfers in/out on the fund financials statements. In the government-wide financials all interfund transfers between governmental funds have been eliminated.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the classifications and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - DEPOSITS AND INVESTMENTS

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 typically invests surplus cash at local banks in the form of certificates of deposit, savings accounts, and money market accounts. Presently, the City's investments consist solely of certificates of deposits held with local financial institutions.

Custodial Credit Risk – this is the risk that in the event of the failure of a counterparty (e.g., a bank) the City will not be able to recover the full value of its deposits or investments. It is the City's policy to minimize this risk by limiting investments to the safest types of securities, pre-qualifying the financial institutions, broker/dealers, and

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

advisors and diversifying the investment portfolio so that potential losses will be minimized. The City had exposure at June 30, 2016 to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Uninsured but collateral held by pledging bank	6,104,963
Uninsured but collateral held by pledging bank's trust department not in City's name	491,209
	\$ 6,596,172

Concentration of Credit Risk – this is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. The City has addressed this risk by purchasing investments that are secured by FDIC insurance and spreading City funds between multiple financial institutions.

Interest Rate Risk – this is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates. The City has attempted to address this risk by diversifying the maturity dates to minimize the risk of loss should interest rates rise.

The City is party to a repurchase agreement with a local financial institution. Under this agreement, excess funds of the City are used to purchase obligations of the United States Government; these obligations are subsequently repurchased from the City for their original cost plus interest. The financial institution handles all of the activity under this agreement for the City and the City has access to all funds obligated under this agreement at any time. Statutes require that repurchase agreements be collateralized at 102% of the market value of the obligations acquired under the repurchase agreement. The City had \$3,882,801 of its funds under this agreement at June 30, 2016.

NOTE C – RECEIVABLES

Receivables at June 30, 2016 consisted of the following:

Receivable Type	Statement of Net Position	Balance Sheet - Governmental Funds	
	Governmental Activities	General Fund	Road Fund
Property Tax	\$ 169,734	\$ 169,734	\$ -
Occupational Tax	3,104,626	3,104,626	-
Base Court Revenue	9,589	9,589	-
Insurance Tax	699,471	699,471	-
Code Enforcement Fines	694,908	694,908	-
Allowance for Uncollectible Fines	(521,181)	(521,181)	-
KLEFPF (Police Incentive)	15,889	15,889	-
Grants Receivable	276,057	276,057	-
Municipal Road Aid	48,655	-	48,655
Total Receivables	\$ 4,497,748	\$ 4,449,093	\$ 48,655

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE D – FIXED ASSETS

Fixed asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Non-depreciable Assets:				
Land	\$ 1,242,699	\$ -	\$ 118,502	\$ 1,124,197
Construction in Progress	4,482,130	878,938	-	5,361,068
Total non-depreciable assets	<u>5,724,829</u>	<u>878,938</u>	<u>118,502</u>	<u>6,485,265</u>
Depreciable Assets:				
Buildings and Improvements	9,016,203	167,779	-	9,183,982
Machinery and Equipment	3,136,607	208,409	-	3,345,016
Vehicles	4,087,310	498,562	270,736	4,315,136
Land Improvements	1,547,381	-	-	1,547,381
Infrastructure	62,251,413	1,195,692	-	63,447,105
Total depreciable assets	<u>80,038,914</u>	<u>2,070,442</u>	<u>270,736</u>	<u>81,838,620</u>
Total fixed assets	<u>85,763,743</u>	<u>2,949,380</u>	<u>389,238</u>	<u>88,323,885</u>
Accumulated Depreciation:				
Buildings and Improvements	3,998,007	281,883	-	4,279,890
Machinery and Equipment	2,180,402	234,530	-	2,414,932
Vehicles	2,919,677	394,057	249,938	3,063,796
Land Improvements	832,858	100,738	-	933,596
Infrastructure	36,520,201	1,250,112	-	37,770,313
Total accumulated depreciation	<u>46,451,145</u>	<u>2,261,320</u>	<u>249,938</u>	<u>48,462,527</u>
Governmental activities fixed assets, net	<u>\$ 39,312,598</u>	<u>\$ 688,060</u>	<u>\$ 139,300</u>	<u>\$ 39,861,358</u>

Depreciation expense of \$2,261,320 was allocated to the various functions on the statement of activities as follows:

<u>Governmental Activities</u>	
Administration	\$ 91,009
Police	353,923
Public Works	141,569
Economic Development	10,112
Parks and Recreation	414,595
Infrastructure	1,250,112
Total	<u>\$ 2,261,320</u>

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE E – LONG-TERM OBLIGATIONS

A summary of long-term liabilities and the corresponding activity for the year ended June 30, 2016 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable	\$ 1,353,220	\$ -	\$ 671,816	\$ 681,404	\$ 681,404
Capital Lease Obligation	5,058,008	-	221,809	4,836,199	110,816
Compensated Absences	2,663,750	278,353	153,394	2,788,709	348,589
Pension Obligation	13,408,448	4,110,221	-	17,518,669	-
Total Governmental Activities	<u>\$ 22,483,426</u>	<u>\$ 4,388,574</u>	<u>\$1,047,019</u>	<u>\$ 25,824,981</u>	<u>\$1,140,809</u>

Notes Payable:

General Obligation Unfunded Liability Refunding Note, Series 2013

In November 2013, the City entered into an agreement with Republic Bank & Trust Company to borrow \$2,694,814 to retire the 2008 Severance Issue which was originally issued in the amount of \$2,805,000 and used to create an escrow account from which to extinguish amounts owed to City employees for unused vacation and sick time. This refunding note bears interest at a rate of 1.40% and requires annual payments of principal and interest, in the amount of \$691,076, starting on March 1, 2014, with the final payment due on March 1, 2017. The balance owed at June 30, 2016 under this agreement is \$681,404.

The annual debt service requirement to maturity for this agreement is as follows:

Fiscal Year Ending	Notes Payable	
	Principal	Interest
2017	<u>\$ 681,404</u>	<u>\$ 9,426</u>

Capital Lease Obligations:

Refunding Lease Agreement

In November 2013, the City entered into an 8 year lease agreement with Republic Bank & Trust Company in the amount of \$5,470,759. The proceeds of this lease agreement were used to retire the 2000 KLC Funding Trust Agreement, which was originally issued for \$6,625,000, and to legally defease the 2005 Series A Bonds, which were originally issued for \$5,730,000. The proceeds from these old agreements were used to refinance old debt agreements and for new capital projects within the City. The refunding lease bears interest at a rate of 2.260% and requires annual payments of \$302,817 for the first four years due on March 1st of each year, followed by annual payments of \$993,688 for the remaining four years also due on March 1st of each year. Payments started on March 1, 2014 and the final payment is due on March 1, 2022. Total future minimum payments due under this agreement are \$5,271,265 at June 30, 2016.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE E – LONG-TERM OBLIGATIONS - CONTINUED

Street Sweeper Lease

In May 2011, the City entered into a 5 year lease agreement for the acquisition of a street sweeper in the amount of \$174,900. The lease requires monthly payments of principal and interest (imputed at 3.5303%) in the amount of \$3,184.09 starting on June 1, 2011 and ending on May 1, 2016. The City opted to pay this lease off in July 2015.

The annual debt service requirements to maturity for these two lease agreements are as follows:

Fiscal Year Ending	Capital Lease Obligations	
	Principal	Interest
2017	\$ 192,002	\$ 110,816
2018	887,273	106,417
2019	907,604	86,086
2020	928,221	65,468
2021	949,669	44,020
2022	971,430	22,259
Totals (1)	\$ 4,836,199	\$ 435,066

(1) For the capital lease shown above, the total of principal and interest components equals the required minimum payments for the periods shown, and total principal equals the net present value of these leases.

The total cost of the asset acquired under the street sweeper lease, and shown as fixed assets in Note D is \$174,900. Accumulated depreciation for this asset was \$127,012 at June 30, 2016.

Interest incurred under the bonded debt, note payable, and capital lease obligations, and shown as an expense at June 30, 2016 is \$130,390 in the government wide financial statements and \$135,178 in the fund financials.

Compensated Absences:

Compensated absences represent the amounts due to employees of the City for unused vacation and sick time. The City calculates this amount in accordance with current accounting standards. Due to the nature of this obligation and the unpredictability of when an employee's service with the City may end, the City estimates the current obligation for this liability at 12.5% of the estimated amount owed as of June 30th. Actual amounts paid out may differ from this estimate in any given year, but the City feels any such difference would not be material to the financial statements.

Pension Obligation:

As further discussed in Note I, the City is now required to report a liability for pension obligations.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE F – NET POSITION / FUND BALANCES

At June 30, 2016, net position in the government-wide financial statements was composed of the following:

Net Investment in Capital Assets:	
Fixed Assets, Net	\$ 39,861,358
Less:	
Capital Lease Obligations	(4,836,199)
Notes Payable Obligations	(681,404)
Net Investment in Capital Assets	34,343,755
Restricted:	
Capital Outlay	599,834
Police Department	560,882
Roads	286,107
Senior Citizens	50,580
Severance Pay	1,899,624
Restricted Net Position	3,397,027
Unrestricted	(8,669,319)
Total Net Position	\$ 29,071,463

At June 30, 2016, fund balances as shown in the fund financial statements was composed of the following:

Classification	General Fund	Road Fund	Severance Fund
Restricted:			
By enabling legislation for police	\$ 560,882	\$ -	\$ -
By enabling legislation for roads	-	286,107	-
By debt agreement for capital outlay	599,834	-	-
Assigned:			
By budgetary allocation for severance payouts	-	-	1,899,624
By passage of next year's budget	696,335	-	-
Unassigned	7,271,628	-	-
Total Fund Balances	\$9,128,679	\$ 286,107	\$ 1,899,624

NOTE G - INTERGOVERNMENTAL REVENUE

Under the provisions of state law, the Commonwealth of Kentucky reimbursed the City for police training and other miscellaneous operating costs during the year ended June 30, 2016 that are recorded in the General Fund.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE H – OPERATING LEASES

The City has entered into two agreements to lease municipal property owned by the City. The details of those agreements are as follows:

Louisville Free Public Library

Starting on July 1, 2012, the City entered into an agreement to lease a building to the Louisville/Jefferson County Metro Government on behalf of The Louisville Free Public Library for operation of a public library facility within the City. The initial term of the lease was for one year expiring on June 30, 2013. The tenant has 4 one year options to renew the lease starting on July 1, 2013 and ending on June 30, 2017. The lease requires the tenant to notify the City 60 days in advance of the expiration of the term of the lease if they do not plan to exercise the annual renewal option. The tenant did opt to renew the lease through June 30, 2017. The lease requires an annual rental payment of \$1 in advance of the lease term along with an annual \$12,000 maintenance fee also due in advance of the lease term. The maintenance fee is paid in consideration of the City assuming “major” maintenance obligations on the building.

County Clerk’s Office

Starting on July 1, 2015, the City entered into an agreement to lease a building to the Louisville/Jefferson County Metro Government for the operation of a branch of the Jefferson County Clerk’s Office within the City. The initial term of the lease is for one year expiring on June 30, 2016. The tenant has 9 one year options to renew the lease starting on July 1, 2016 and ending on June 30, 2025. The lease was renewed for one additional year ending June 30, 2017. The lease requires the tenant to notify the City 60 days in advance of the expiration of the term of the lease if they do not plan to exercise the annual renewal option. The lease requires monthly payments of \$1,621.08 for the first year as well as for the first four renewal periods. Payments in renewal periods five through nine will be \$1,852.67.

Future minimum payments to be received under these agreements for fiscal years ending June 30th are as follows:

2017	\$ 19,453
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The City has entered into several leases for office equipment used a various facilities throughout the City. These leases have cancellation provisions and are subject to annual appropriations. For the year ended June 30, 2016 expenditures under these agreements totaled \$7,296.

Future minimum payments to be made under these agreements for fiscal years ending June 30th are as follows:

2017	\$ 7,026
2018	\$ 2,758

NOTE I – EMPLOYEE RETIREMENT SYSTEM

The City has elected to participate in the County Employee Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems.

The plan issues separate financial statements, which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED

General Information about the Pension Plan

Plan Description

CERS is a cost sharing, multiple employer defined benefit pension plan which covers all eligible full-time employees in both non-hazardous and hazardous positions of each county, city, school board, and any additional eligible local agencies electing to participate in CERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Prior to July 1, 2009, cost-of-living adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgement, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

Non-hazardous Benefits

Non-hazardous covered employees who began contributing to CERS prior to September 1, 2008, final compensation represents the average fiscal year of earnings with the highest monthly average used when calculating your retirement benefit. Final compensation is based on the 5-high creditable compensation years with a minimum of 48 months and a minimum of five fiscal years. Final compensation is determined by dividing the total salary earned during the 5-high years by the number of months worked, then multiplying by twelve. Non-hazardous members age 65 or older, or with 27 or more years of service are eligible to retire and receive unreduced benefits. Any non-hazardous member, age 55, with a minimum of five years of service may retire with a reduction in benefits.

For non-hazardous members who began contributing to CERS on or after September 1, 2008, any member age 57 or older, may retire with no reduction in benefits if the member's age and years of service equal 87. In addition, a member, age 65, with at least 60 months of service may retire with no reduction in benefits. A member, age 60 or older, with at least 120 months of service credit may retire at any time with a reduction of benefits.

Hazardous Benefits

Hazardous covered employees who began contributing to CERS prior to September 1, 2008, final compensation represents the average fiscal year of earnings with the highest monthly average used when calculating your retirement benefit. Final compensation is based on the 3-high creditable compensation years with a minimum of 24 months and a minimum of three fiscal years. Final compensation is determined by dividing the total salary earned during the 3-high years by the number of months worked, then multiplying by twelve. Hazardous members age 55 or older, or with 20 or more years of service are eligible to retire and receive unreduced benefits. Any hazardous member, age 50, with a minimum of fifteen years of service may retire with a reduction in benefits.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED

General Information about the Pension Plan - Continued

Hazardous Benefits - Continued

For hazardous members who began contributing to CERS on or after September 1, 2008, any member age 60 or older with 60 months of service or a member with 25 years of service, may retire with no reduction in benefits. A member, age 50 or older, with at least 180 months of service credit may retire at any time with a reduction of benefits.

Non-hazardous Contributions

For the year ending June 30, 2016, all covered employees who began participating before September 1, 2008, are required to contribute 5 percent of their annual creditable compensation to the plan. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2016, participating employers contributed 17.06% of each employee's creditable compensation, which was the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, covered employees who began participating on, or after, September 1, 2008 were required to contribute a total of 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 102 KAR 1:420E). Interest is paid each June 30th on covered employees' accounts at a rate of 2.5%. If a covered employee terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of the annual creditable compensation.

In accordance with Senate Bill 2 signed by the Governor on April 4, 2013, covered employees who began participating on, or after, January 1, 2014, were required to participate in the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Covered employees in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous covered employees contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the covered employee's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributions a set percentage of the covered employee's compensation. Each month, when employer contributions are received, an employer pay credit is deposited to the covered employee's account. A covered employee's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Contributions to the non-hazardous pension plan from the City were \$487,606 for the year ended June 30, 2016.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED

General Information about the Pension Plan - Continued

Hazardous Contributions

For the year ending June 30, 2016, all covered employees who began participating before September 1, 2008, are required to contribute 8 percent of their annual creditable compensation to the plan. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2016, participating employers contributed 32.95% of each employee's creditable compensation, which was the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, covered employees who began participating on, or after, September 1, 2008 were required to contribute a total of 9% of their annual creditable compensation. Eight percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 102 KAR 1:420E). Interest is paid each June 30th on covered employees' accounts at a rate of 2.5%. If a covered employee terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 8% of the annual creditable compensation.

In accordance with Senate Bill 2 signed by the Governor on April 4, 2013, covered employees who began participating on, or after, January 1, 2014, were required to participate in the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Covered employees in the plan contribute a set percentage of their salary each month to their own account. Hazardous covered employees contribute 8% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the covered employee's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributions a set percentage of the covered employee's compensation. Each month, when employer contributions are received, an employer pay credit is deposited to the covered employee's account. A covered employee's account is credited with a 7.5% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Contributions to the hazardous pension plan from the City were \$1,473,964 for the year ended June 30, 2016.

General Information about Insurance Benefits

Plan Description

The Kentucky Retirement Insurance Fund (Fund) was established to provide hospital and medical insurance for covered employees from KERS, CERS, and SPRS. The Fund pays a prescribed contribution of the whole or partial payment of required premiums to purchase hospital and medical insurance. The Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED

General Information about Insurance Benefits - Continued

Insurance Benefits

For covered employees participating prior to July 1, 2003, the amount of contribution paid for hospital and medical insurance is based on the years of service and respective percentages of the maximum contribution 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%

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 \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003, earn \$15 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 \$10 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 (COLA), which is updated annually due to changes in the Consumer Price Index for all urban consumers. This benefit is not protected under the inviolable contract provisions of the Kentucky Revised Statute 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Insurance Contributions

In prior years, the employer's required medical insurance contribution was being increased annually by a percentage that would result in advance-funding the medical liability on an actuarially determined basis using the entry age normal cost method within a 20-year period measured from 1987. In November 1992, the Board of Trustees adopted a fixed percentage contribution rate and suspended future increases under the current medical premium funding policy until the next experience study could be performed. In May 1996, the Board of Trustees adopted a policy to increase the insurance contribution rate by the amount needed to achieve a target rate for the full entry age normal funding within 20 years.

The Board elected to contract with Humana Insurance Company to provide healthcare benefits to KRS's retirees through a fully-insured Medicare Advantage Plan. The Humana Medicare Advantage Plan became effective January 1, 2013.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED

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

Pension Liabilities

At June 30, 2016 the City recognized a liability of \$17,518,669 (\$5,023,424 non-hazardous and \$12,495,245 hazardous) for its proportionate share of the CERS net pension liability. The City's net pension liability was measured as of June 30, 2015, as allowed by standards, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions to the pension plan (\$487,606 non-hazardous and \$1,473,964 hazardous) relative to the total contributions of all participants in the respective non-hazardous and hazardous retirement plans. At June 30, 2015 the City's share of the non-hazardous net pension liability was .116837% which a decrease of .002126% from the figure of .114711% in the prior period. The City's share of the hazardous net pension liability at June 30, 2015 was .813966% which is an increase of .00796% from the figure of .806006% in the prior period.

Pension Payable/Expense

At June 30, 2016 the City owed Kentucky Retirement Systems \$261,209 for both non-hazardous and hazardous pension withholdings and the City's required matching contribution for the month of June 2016. This payment was made in July 2016.

For the year ended June 30, 2016, the City recognized pension expense of \$741,889 for non-hazardous and \$1,737,954 for hazardous covered employees in the statement of activities.

Deferred Inflows/Outflows of Resources

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Non-Hazardous</u>		<u>Hazardous</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41,746	\$ -	\$ 271,390	\$ -
Change of assumptions	506,557	-	1,079,793	-
Net difference between projected and actual earnings on plan investments	45,031	-	78,469	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	54,818	-	83,543	-
City's contributions to the plan subsequent to the measurement date	354,986	-	906,298	-
Totals	<u>\$ 1,003,138</u>	<u>\$ -</u>	<u>\$ 2,419,493</u>	<u>\$ -</u>

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Deferred Inflows/Outflows of Resources – Continued

The schedule above includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include the differences between expected and actual earnings on investments as well as contributions made after the measurement date. If the amounts serve to reduce pension expense they are labeled deferred inflows. If they will increase pension expense they are labeled deferred outflows.

The amounts reported in the table as deferred outflows of resources related to plan contributions made subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows / inflows will be recognized in pension expense as follows:

	Non-Hazardous	Hazardous
Year 1	\$ 225,100	\$ 329,262
Year 2	225,100	329,262
Year 3	107,359	329,262
Year 4	90,593	525,409
Year 5	-	-
Thereafter	-	-
Total	\$ 648,152	\$ 1,513,195

Actuarial Assumptions

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

Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.50 percent, net of pension plan investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

The long-term expected return on system assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data and a log-normal

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Actuarial Assumptions - Continued

distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class (see chart below). These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocations and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44.00%	5.40%
Combined Fixed Income	19.00%	1.50%
Real Return (Diversified Inflation Strategies)	10.00%	3.50%
Real Estate		
Absolute Return (Diversified)	5.00%	4.50%
Hedge Funds)	10.00%	4.25%
Private Equity	10.00%	8.50%
Cash Equivalent	2.00%	-0.25%
	<u>100.00%</u>	

Since the prior measurement date, the demographic and economic assumptions that affect the measurement date of the total pension liability have been updated and the changes are noted below:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to .75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117.

The following table presents the City’s net pension liability, calculated using the discount rate of 7.50%, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) and 1 percentage point higher (8.50%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Non-Hazardous	<u>\$ 6,413,041</u>	<u>\$ 5,023,424</u>	<u>\$ 3,833,364</u>
Hazardous	<u>\$ 15,994,334</u>	<u>\$ 12,495,245</u>	<u>\$ 9,596,177</u>

Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued CERS financial report.

NOTE J – DEFERRED COMPENSATION

The City allows all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees’ Deferred Compensation Authority. The Kentucky Public Employee’s Deferred Compensation Authority is authorized under KRS 18A.230 and 148A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Employees’ Deferred Compensation Authority’s progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees’ Deferred Compensations Authority’s annual financial report. This report may be obtained by writing Kentucky Public Employees’ Deferred Compensations Authority at 110 Sea Hero Road, Suite 101, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE K – INTERFUND TRANSFERS

The following interfund transfers took place during this fiscal year:

Fund Transferred From	Fund Transferred To			Purpose
	General Fund	Road Fund	Severance Fund	
General Fund	\$ -	\$ -	\$ 350,000	Budgetary transfer
Severance Fund	331,700		-	Compensated absence payments
	<u>\$ 331,700</u>	<u>\$ -</u>	<u>\$ 350,000</u>	

NOTE L – CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public’s interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

Neither the City, the State of Kentucky, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Thus the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2016, there were seven series of industrial revenue bonds outstanding as well as one educational and recreational revenue bond. The City does receive statements showing debt service payments on these bonds; however, the City has no process in place to track the outstanding balance.

NOTE M - LITIGATION

The City is involved in various legal proceedings incidental to the normal course of business. City management is of the opinion, based upon the advice of general counsel, that although the outcome of such litigation cannot be forecast with certainty, final disposition should not have a material effect on the financial position of the City.

NOTE N - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance coverage for each of the above risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE O – PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made to the books of the City:

Reason	Statement of	Balance Sheet - Governmental Funds		
	Governmental Activities	General Fund	Road Fund	Severance Fund
Overstatement of prior year deferred outflows	\$ (731,030)	\$ -	\$ -	\$ -
Over(under) statement of prior year deferrals	(13,002)	581	-	-
	<u>\$ (744,032)</u>	<u>\$ 581</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE P – IMPLEMENTATION OF GASB PRONOUNCEMENTS

The City prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a listing of standards implemented during this fiscal year and schedule for implementation in the future.

Pronouncements Scheduled to be Adopted in this Fiscal Year:

GASB Statement No. 72, Fair Value Measurement and Application

The provisions of this statement are effective for fiscal years beginning after June 15, 2015 with earlier adoption encouraged. This standard provides guidance for determining a fair value measurement for financial reporting purposes as well as providing guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments of Certain Provisions of GASB Statements 67 & 68

The provisions of this statement are effective for fiscal years beginning after June 15, 2015 with earlier adoption encouraged. This standard is intended to improve the usefulness of information provided about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

The provisions of this statement are effective for fiscal years beginning after June 15, 2015 with earlier adoption encouraged. This standard is intended to improve financial reporting by various means.

GASB Statement No. 79, Certain Internal Investment Pools and Pool Participants

The provisions of this statement are effective for fiscal years beginning after June 15, 2015 with earlier adoption encouraged. This standard is meant to address accounting and financial reporting for certain external investment pools and pool participants.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE P – IMPLEMENTATION OF GASB PRONOUNCEMENTS

Pronouncements Scheduled to be Adopted in Future Fiscal Years:

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The provisions of this statement are effective for fiscal years beginning after June 15, 2016 with earlier adoption encouraged. This standard is intended to improve the usefulness of information provided about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental plans for making decisions and assessing accountability. The City is still determining the impact, if any, this statement will have on the financial statements.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The provisions of this statement are effective for fiscal years beginning after June 15, 2017 with earlier adoption encouraged. This standard is intended to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions as well as improving information provided by state and local governmental employers about financial support for such benefits that is provided by other entities. The City is still determining the impact, if any, this statement will have on the financial statements.

GASB Statement No. 77, Tax Abatement Disclosures

The provisions of this statement are effective for fiscal years beginning after December 15, 2015 with earlier adoption encouraged. This standard is meant to assist users of the City's financial statement in determining any limitations on its revenue raising capacity resulting from programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the City or its citizens. The City is still determining the impact, if any, this statement will have on the financial statements.

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

The provisions of this statement are effective for fiscal years beginning after December 15, 2015 with earlier adoption encouraged. This standard is meant to clarify the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The City is still determining the impact, if any, this statement will have on the financial statements.

GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14

The provisions of this statement are effective for fiscal years beginning after June 15, 2016 with earlier adoption encouraged. This standard is meant to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The City is still determining the impact, if any, this statement will have on the financial statements.

GASB Statement No. 81, Irrevocable Split-Interest Agreements

The provisions of this statement are effective for fiscal years beginning after December 15, 2016 with earlier adoption encouraged. This standard is meant to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The City is still determining the impact, if any, this statement will have on the financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE P – IMPLEMENTATION OF GASB PRONOUNCEMENTS

Pronouncements Scheduled to be Adopted in Future Fiscal Years (Continued):

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*

The provisions of this statement are effective for fiscal years beginning after June 15, 2016 with earlier adoption encouraged. This standard is meant address certain issues that have been raised with respect to the statements referred to above. The City is still determining the impact, if any, this statement will have on the financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

The provisions of this statement are effective for fiscal years beginning after June 15, 2018 with earlier adoption encouraged. This standard is meant address accounting and financial reporting for certain asset retirement obligations. The City is still determining the impact, if any, this statement will have on the financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND
JUNE 30, 2016

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>REVENUES</u>					
Taxes:					
Property Tax	\$ 3,970,039	\$ -	\$ 3,970,039	\$ 3,907,980	\$ (62,059)
Occupational Tax	11,845,238	20,000	11,865,238	12,675,057	809,819
Insurance Premium Tax	2,685,327	-	2,685,327	2,732,246	46,919
Franchise Fees	150,000	-	150,000	152,773	2,773
Public Service Assessments	12,000	-	12,000	17,089	5,089
Code Enforcement Violations	-	-	-	4,388	4,388
Intergovernmental:					
Base Court Revenue	40,000	-	40,000	31,296	(8,704)
Coal and Mineral Tax	1,200	-	1,200	1,471	271
License and Permits:					
Alcoholic Beverage Licenses	110,000	-	110,000	121,600	11,600
Building Permits	50,160	-	50,160	72,665	22,505
Business Licenses	175,000	-	175,000	184,715	9,715
Electrical Permits	45,600	-	45,600	43,518	(2,082)
Fire Protection Permits	-	-	-	3,296	3,296
Heating Permits	42,900	-	42,900	68,595	25,695
Sign Permits	6,000	-	6,000	7,344	1,344
Charge for Services:					
Development Fees	4,000	-	4,000	8,052	4,052
Fines and Penalties	7,500	-	7,500	12,590	5,090
CID Account Income	-	-	-	515,154	515,154
Lease Income - County Clerk's Office	13,900	-	13,900	19,685	5,785
Lease Income - Library	12,001	-	12,001	12,001	-
Rental Income - Community Center	110,000	-	110,000	146,310	36,310
Plainview Swim Club	170,000	-	170,000	209,035	39,035
Plainview Pool Concessions	35,000	-	35,000	40,592	5,592
Plainview Tennis Income	2,500	-	2,500	3,846	1,346
Tway House Rental	15,000	-	15,000	20,280	5,280
Bluebird Gym Rental	3,000	-	3,000	4,138	1,138
Bluebird Gym Concessions	10,000	-	10,000	8,157	(1,843)
Sports League Income	21,800	-	21,800	16,126	(5,674)
Veterans Park Pavilion Rental	4,000	-	4,000	6,425	2,425
Senior Citizens Income	-	-	-	10,499	10,499
Sewer Capacity Fees	-	-	-	2,560	2,560
Sidewalk Fees	-	-	-	6,500	6,500
Interest Checking Accounts and CD's	3,500	-	3,500	3,045	(455)
Grant Income	4,266,231	-	4,266,231	544,428	(3,721,803)
Miscellaneous	45,000	-	45,000	109,562	64,562
Total General Fund Revenues	<u>23,856,896</u>	<u>20,000</u>	<u>23,876,896</u>	<u>21,723,018</u>	<u>(2,153,878)</u>
Prior Year Fund Balance:					
Appropriated for Current Year Budget	<u>4,122,357</u>	<u>1,509,660</u>	<u>5,632,017</u>	<u>-</u>	<u>(5,632,017)</u>
Total Revenues and Prior Year Fund Balance	<u>27,979,253</u>	<u>1,529,660</u>	<u>29,508,913</u>	<u>21,723,018</u>	<u>(7,785,895)</u>

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2016

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES</u>					
Administration					
Payroll - Mayor and Council	165,319	-	165,319	163,909	1,410
Payroll - City Hall Staff	433,669	-	433,669	437,148	(3,479)
Health Insurance	173,036	-	173,036	168,323	4,713
Short Term Disability & Life Insurance	3,702	-	3,702	3,702	-
Dental Insurance	11,887	-	11,887	11,485	402
Retirement - Mayor and Council	28,203	-	28,203	25,891	2,312
Retirement - City Hall Staff	73,984	-	73,984	74,520	(536)
FICA - Mayor and Council	12,015	-	12,015	11,041	974
FICA - City Hall Staff	31,517	-	31,517	31,108	409
Administrative Expenses	3,600	-	3,600	1,316	2,284
Legal Fees and Expenses	36,000	-	36,000	35,570	430
Accounting Fees and Expenses	55,520	-	55,520	63,884	(8,364)
Dues and Subscriptions	14,480	-	14,480	15,149	(669)
Office Supplies	11,400	-	11,400	9,336	2,064
Postage	3,600	-	3,600	2,881	719
Equipment Rental and Leases	6,240	-	6,240	7,127	(887)
Travel - Mayor and Council	3,000	-	3,000	2,129	871
Travel - City Hall Staff	2,400	-	2,400	2,328	72
Meetings/Seminars-Mayor and Council	3,000	-	3,000	4,101	(1,101)
Meetings/Seminars - City Hall Staff	3,000	-	3,000	3,515	(515)
Training Expense & Supplies - City Hall	1,020	-	1,020	70	950
Building Repair & Maintenance-City Hall	24,300	-	24,300	18,112	6,188
Building Repair & Maintenance-Library	15,000	-	15,000	3,031	11,969
Building Repair & Maintenance-Clerk	-	-	-	4,988	(4,988)
Gas and Electric - City Hall	13,200	-	13,200	11,553	1,647
Water - City Hall	1,080	-	1,080	1,601	(521)
Telephone - City Hall	12,432	-	12,432	9,541	2,891
Mobile Phones - City Hall	2,772	-	2,772	2,843	(71)
New Equipment	35,020	-	35,020	37,597	(2,577)
Gasoline	4,626	-	4,626	4,070	556
Equipment Repair and Maintenance	1,020	-	1,020	-	1,020
Software Maintenance and Support	50,581	-	50,581	61,484	(10,903)
Cyber Security	-	20,000	20,000	-	20,000
Computer Hardware	32,960	-	32,960	38,243	(5,283)
Employee Appreciation	500	-	500	-	500
Miscellaneous - City Hall	9,600	-	9,600	3,635	5,965
Miscellaneous - Council	55,725	-	55,725	21,900	33,825
Newsletter	10,000	-	10,000	4,361	5,639
Website Development & Maintenance	11,825	-	11,825	10,555	1,270
Total Administration	<u>1,357,233</u>	<u>20,000</u>	<u>1,377,233</u>	<u>1,308,047</u>	<u>69,186</u>

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2016

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES - Continued</u>					
Permitting and Enforcement Department					
Payroll	208,935	-	208,935	200,032	8,903
Health Insurance	42,965	-	42,965	44,841	(1,876)
Short Term Disability & Life Insurance	1,277	-	1,277	1,204	73
Dental Insurance	2,775	-	2,775	3,093	(318)
Retirement	32,490	-	32,490	31,741	749
FICA	15,255	-	15,255	14,258	997
Uniforms	1,600	-	1,600	589	1,011
Dues and Subscriptions	1,200	-	1,200	1,126	74
Office Supplies	1,200	-	1,200	1,320	(120)
Postage	500	-	500	286	214
Meetings & Seminars	1,700	-	1,700	250	1,450
Mobile Phones	3,276	-	3,276	1,892	1,384
New Equipment	500	-	500	411	89
Gasoline	4,440	-	4,440	3,053	1,387
Software Maintenance & Support	500	-	500	-	500
Miscellaneous	500	-	500	141	359
Total Permitting and Enforcement Department	319,113	-	319,113	304,237	14,876
Insurance					
Workers Compensation	353,960	5,000	358,960	355,156	3,804
Commercial Liability	181,006	5,000	186,006	183,305	2,701
Property and Casualty	67,670	-	67,670	67,343	327
Claims	20,000	10,000	30,000	24,490	5,510
Total Insurance	622,636	20,000	642,636	630,294	12,342
Revenue Department					
Payroll	168,780	-	168,780	175,501	(6,721)
Contract Labor - Revenue Dept.	15,000	-	15,000	315	14,685
Health Insurance	19,694	-	19,694	23,815	(4,121)
Short Term Disability & Life Insurance	982	-	982	1,186	(204)
Dental Insurance	864	-	864	1,081	(217)
Retirement	26,197	2,000	28,197	29,274	(1,077)
FICA	12,266	-	12,266	12,771	(505)
PVA/Mass Appraisal	53,000	(2,000)	51,000	51,616	(616)
Tax Forms	9,000	-	9,000	7,248	1,752
Office Supplies	1,300	-	1,300	1,044	256
Postage	13,260	-	13,260	12,943	317

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2016

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES - Continued</u>					
Revenue Department					
Travel	3,000	-	3,000	734	2,266
Meetings & Seminars	4,000	-	4,000	572	3,428
Mobile Phones	1,200	-	1,200	975	225
Software Maintenance & Support	17,000	20,000	37,000	11,591	25,409
Miscellaneous	1,400	-	1,400	2,008	(608)
Total Revenue Department	346,943	20,000	366,943	332,674	34,269
Public Safety					
Street Lights	547,200	-	547,200	547,030	170
Ambulance Service	72,000	-	72,000	35,910	36,090
Total Public Safety	619,200	-	619,200	582,940	36,260
Civil Service					
Testing and Analysis	9,000	-	9,000	3,342	5,658
Miscellaneous	1,200	-	1,200	3,632	(2,432)
Total Civil Service	10,200	-	10,200	6,974	3,226
Police Department					
Payroll - Officers	4,022,517	-	4,022,517	4,023,784	(1,267)
KLEFPF	155,000	-	155,000	151,561	3,439
Education Incentive	54,700	-	54,700	53,502	1,198
Court Appearance	73,200	-	73,200	53,090	20,110
Payroll Contra Account	-	-	-	(86,411)	86,411
KLEFPF Contra Account	(155,000)	-	(155,000)	(197,581)	42,581
Payroll - Dispatchers	370,938	-	370,938	388,804	(17,866)
Payroll - Staff	313,674	-	313,674	317,319	(3,645)
Health Insurance	653,068	-	653,068	633,408	19,660
Short Term Disability and Life Insurance	19,980	-	19,980	19,642	338
Dental Insurance	51,605	-	51,605	50,742	863
Retirement - Officers	1,419,687	-	1,419,687	1,399,086	20,601
Retirement - Dispatchers	48,537	-	48,537	45,211	3,326
Retirement - Staff	51,216	-	51,216	52,926	(1,710)
FICA - Officers	311,710	-	311,710	299,798	11,912
FICA - Dispatchers	27,668	-	27,668	29,355	(1,687)
FICA - Staff	23,099	-	23,099	23,244	(145)
Uniforms - Officers	63,942	-	63,942	61,719	2,223
Uniforms - Dispatchers	8,278	-	8,278	8,278	-
Uniform Replacement	21,450	-	21,450	21,320	130
Dues and Subscriptions	13,081	-	13,081	12,179	902
Office Supplies	18,000	-	18,000	10,252	7,748

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2016

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES - Continued</u>					
Police Department (Continued)					
Postage	2,200	-	2,200	1,396	804
Travel	21,500	-	21,500	14,905	6,595
Meetings and Seminars	5,900	-	5,900	2,974	2,926
Training	57,015	-	57,015	39,533	17,482
Building Repair & Maintenance	16,090	-	16,090	12,539	3,551
J-town Explorers Expense	-	-	-	99	(99)
Gas & Electric	30,600	-	30,600	26,411	4,189
Telephone & Internet	13,898	-	13,898	10,415	3,483
Water	3,240	-	3,240	3,783	(543)
Mobile Phones	44,965	-	44,965	29,881	15,084
New Vehicles	170,000	-	170,000	215,841	(45,841)
New Equipment	47,500	-	47,500	65,628	(18,128)
Gasoline	147,467	-	147,467	115,785	31,682
Equipment Repair & Maintenance	36,400	-	36,400	24,218	12,182
Maintenance Contracts	13,324	-	13,324	9,977	3,347
Software Maintenance & Support	41,110	-	41,110	37,678	3,432
Radio Maintenance	17,855	-	17,855	7,486	10,369
Physicals	7,533	-	7,533	8,012	(479)
Crime Prevention	4,050	-	4,050	2,968	1,082
Photography and Film	250	-	250	-	250
CID	12,500	-	12,500	5,601	6,899
Miscellaneous	10,750	-	10,750	9,949	801
Canine Unit	7,000	-	7,000	5,507	1,493
Subtotal	<u>8,277,497</u>	<u>-</u>	<u>8,277,497</u>	<u>8,021,814</u>	<u>255,683</u>
Police CID Account Expense	-	-	-	329,759	(329,759)
Total Police Department	<u>8,277,497</u>	<u>-</u>	<u>8,277,497</u>	<u>8,351,573</u>	<u>(74,076)</u>
Public Works					
Payroll	1,019,043	-	1,019,043	918,528	100,515
Contract Labor	30,000	-	30,000	3,625	26,375
Health Insurance	242,768	-	242,768	233,340	9,428
Short term Disability and Life Insurance	6,515	-	6,515	6,174	341
Dental Insurance	17,143	-	17,143	16,641	502
Retirement	167,189	-	167,189	150,102	17,087
FICA	72,984	-	72,984	65,949	7,035
Uniforms	13,000	-	13,000	11,023	1,977
Dues and Subscriptions	750	-	750	700	50
Office Supplies	3,000	-	3,000	1,971	1,029
Equipment Rental and Leases	2,500	-	2,500	1,478	1,022

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2016

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES - Continued</u>					
Public Works					
Travel	2,000	-	2,000	1,203	797
Meetings and Seminars	2,000	-	2,000	845	1,155
Training	2,500	-	2,500	623	1,877
Landfill Charges	5,200	-	5,200	7,357	(2,157)
Building Repair and Maintenance	9,960	-	9,960	8,030	1,930
Drainage	300,000	-	300,000	210,563	89,437
Sidewalks	100,000	-	100,000	25	99,975
Gas and Electric	8,940	-	8,940	7,755	1,185
Paving and Striping	400,000	330,000	730,000	742,285	(12,285)
Street and Traffic Sign Replacement	50,000	-	50,000	5,916	44,084
Patti Lane Streetscape	-	200,000	200,000	3,125	196,875
Water	3,450	-	3,450	2,970	480
Telephone and Internet	2,940	-	2,940	3,816	(876)
Mobile Phones	3,780	-	3,780	3,852	(72)
Existing Vehicle Leases	35,025	-	35,025	35,142	(117)
New Equipment	300,000	-	300,000	297,076	2,924
Gasoline	66,577	-	66,577	52,003	14,574
Oil	5,600	-	5,600	3,891	1,709
Vehicle Maintenance	130,000	-	130,000	104,040	25,960
Equipment Repair and Maintenance	36,000	-	36,000	35,933	67
Shop Supplies	10,000	-	10,000	14,958	(4,958)
Roadside Maintenance/Beautification	40,000	-	40,000	29,497	10,503
Radio Maintenance	-	-	-	1,749	(1,749)
MS4 Program	25,000	-	25,000	6,036	18,964
Physicals	3,000	-	3,000	1,766	1,234
Miscellaneous	4,600	-	4,600	10,277	(5,677)
Total Public Works	<u>3,121,464</u>	<u>530,000</u>	<u>3,651,464</u>	<u>3,000,264</u>	<u>651,200</u>
Sanitation					
Sanitation Contract Expense	1,071,576	-	1,071,576	1,112,151	(40,575)
Dumpster Fees	2,400	-	2,400	5,100	(2,700)
Total Sanitation	<u>1,073,976</u>	<u>-</u>	<u>1,073,976</u>	<u>1,117,251</u>	<u>(43,275)</u>
Economic Development					
Payroll	87,286	-	87,286	88,167	(881)
Health Insurance	15,351	-	15,351	15,281	70
Short Term Disability and Life Insurance	334	-	334	334	-
Dental Insurance	1,157	-	1,157	1,186	(29)
Retirement	14,891	-	14,891	15,018	(127)
FICA	6,344	-	6,344	6,407	(63)

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2016

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES - Continued</u>					
Economic Development					
Advertising	100,000	-	100,000	55,850	44,150
Dues and Subscriptions	5,600	-	5,600	5,373	227
Office Supplies	500	-	500	183	317
Travel	1,900	-	1,900	515	1,385
Meetings and Seminars	1,900	-	1,900	666	1,234
Mobile Phones	612	-	612	613	(1)
New Equipment	1,000	-	1,000	-	1,000
Miscellaneous	300	-	300	-	300
GLI Partnership	20,000	-	20,000	20,000	-
Façade Renovation Program	5,000	50,000	55,000	-	55,000
Industrial/Commerce Park Improvement	150,000	-	150,000	150,000	-
Economic Develop Authority Fund	200,000	-	200,000	200,000	-
Total Economic Development	612,175	50,000	662,175	559,593	102,582
Museum					
Payroll	74,903	-	74,903	75,993	(1,090)
Health Insurance	15,912	-	15,912	16,049	(137)
Short Term Disability and Life Insurance	610	-	610	610	-
Dental Insurance	1,022	-	1,022	1,047	(25)
Retirement	12,779	-	12,779	12,944	(165)
FICA	5,443	-	5,443	5,657	(214)
Dues and Subscriptions	100	-	100	100	-
Office Supplies	500	-	500	185	315
Postage	125	-	125	157	(32)
Travel	600	-	600	777	(177)
Meetings and Seminars	500	-	500	44	456
Building Repair and Maintenance	360	-	360	90	270
Telephone and Internet	540	-	540	529	11
Mobile Phones	600	-	600	613	(13)
Security	360	-	360	360	-
Copier	800	-	800	679	121
Photography and Film	1,000	-	1,000	269	731
Miscellaneous	1,300	-	1,300	120	1,180
Total Museum	117,454	-	117,454	116,223	1,231
Parks and Recreation					
Payroll	123,204	-	123,204	126,359	(3,155)
Payroll - Pool Part-time	24,365	-	24,365	24,052	313
Payroll - Bluebird Gym Part-time	4,900	-	4,900	4,867	33
Health Insurance	31,329	-	31,329	25,882	5,447

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2016

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES - Continued</u>					
Parks and Recreation					
Short Term Disability and Life Insurance	854	-	854	824	30
Dental Insurance	1,734	-	1,734	1,728	6
Retirement	21,019	-	21,019	21,285	(266)
FICA	8,954	-	8,954	8,943	11
FICA - Pool Part-time	2,212	-	2,212	1,840	372
FICA - Bluebird Gym	-	-	-	372	(372)
Uniforms	400	-	400	-	400
Office Supplies	2,000	-	2,000	2,104	(104)
Postage	500	-	500	415	85
Travel	1,200	-	1,200	1,051	149
Adult Sport League	21,800	-	21,800	13,857	7,943
Gas and Electric - Skyview	18,300	-	18,300	15,748	2,552
Gas and Electric - Football Field	6,120	-	6,120	5,541	579
Gas and Electric - Gym	22,260	-	22,260	17,904	4,356
Gas and Electric - Veterans Park	3,120	-	3,120	3,179	(59)
Gas and Electric - Plainview	19,800	-	19,800	18,482	1,318
Gas and Electric - Community Center	29,940	-	29,940	29,475	465
Gas and Electric - Ruckriegel Field	3,060	-	3,060	2,932	128
Water - Skyview	30,450	-	30,450	30,907	(457)
Water - Football Field	5,000	-	5,000	8,033	(3,033)
Water - Gym	2,160	-	2,160	1,945	215
Water - Plainview	11,000	-	11,000	18,303	(7,303)
Water - Community Center	8,010	-	8,010	11,262	(3,252)
Telephone - Gym	1,716	-	1,716	1,890	(174)
Telephone - Plainview	2,352	-	2,352	3,502	(1,150)
Telephone - Community Center	2,412	-	2,412	2,327	85
Mobile Phones	3,180	-	3,180	2,623	557
New Equipment	14,000	-	14,000	5,670	8,330
Gasoline	4,873	-	4,873	3,697	1,176
Pool Maintenance Contact	117,200	-	117,200	116,100	1,100
Pool/Tennis Miscellaneous	37,500	-	37,500	31,210	6,290
Concessions - Pool	14,000	-	14,000	20,720	(6,720)
Maintenance - Plainview	10,000	-	10,000	20,699	(10,699)
Maintenance - Miscellaneous	12,600	-	12,600	7,599	5,001
Maintenance - Skyview	31,000	-	31,000	29,583	1,417
Maintenance - Veterans Park	20,000	-	20,000	11,759	8,241
Maintenance - Bluebird Gym	20,000	-	20,000	12,716	7,284
Maintenance - Football Field	4,000	-	4,000	6,400	(2,400)
Maintenance - Community Center	21,400	-	21,400	34,344	(12,944)
Concessions - Bluebird Gym	3,907	-	3,907	6,470	(2,563)
Community Center Miscellaneous	8,500	-	8,500	2,658	5,842
Total Parks and Recreation	<u>732,331</u>	<u>-</u>	<u>732,331</u>	<u>717,257</u>	<u>15,074</u>

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2016

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES - Continued</u>					
Senior Citizens					
Payroll	102,876	-	102,876	99,800	3,076
Health Insurance	30,702	-	30,702	30,561	141
Short Term Disability and Life Insurance	610	-	610	610	-
Dental Insurance	2,315	-	2,315	2,373	(58)
Retirement	12,702	-	12,702	12,457	245
FICA	7,585	-	7,585	7,019	566
Office Supplies	1,800	-	1,800	2,260	(460)
Meetings and Seminars	-	-	-	22	(22)
Building Repair and Maintenance	18,500	-	18,500	14,939	3,561
Gas and Electric	17,000	-	17,000	15,187	1,813
Telephone and Internet	3,180	-	3,180	4,212	(1,032)
New Equipment	2,000	-	2,000	2,000	-
Gasoline	1,049	-	1,049	865	184
Miscellaneous	500	-	500	280	220
Copier	2,500	-	2,500	3,377	(877)
Equipment Repair and Maintenance	2,000	-	2,000	804	1,196
Total Senior Citizens	<u>205,319</u>	<u>-</u>	<u>205,319</u>	<u>196,766</u>	<u>8,553</u>
Special Projects					
Community Outreach	77,000	-	77,000	74,860	2,140
Farmers Market	4,000	-	4,000	4,630	(630)
Other Special Projects	2,000	-	2,000	400	1,600
Mayor's Special Projects	10,000	-	10,000	5,397	4,603
Easter Celebration	4,000	-	4,000	4,483	(483)
Volunteer Recognition	2,500	-	2,500	3,178	(678)
Light Up Jeffersontown	6,000	-	6,000	6,115	(115)
Summer Fest	10,000	-	10,000	12,643	(2,643)
Gaslight Festival	7,000	-	7,000	9,606	(2,606)
Pumpkin Fest	4,500	-	4,500	3,172	1,328
Founder's Day	3,000	-	3,000	-	3,000
Memorial/Veteran's Day Observation	1,000	-	1,000	365	635
Arts Program	7,500	-	7,500	5,857	1,643
Grant Related Expense	5,383,450	-	5,383,450	898,215	4,485,235
Improvement Projects	690,000	385,000	1,075,000	723,478	351,522
Gasoline (Reserve)	10,985	-	10,985	3,567	7,418
Total Special Projects	<u>6,222,935</u>	<u>385,000</u>	<u>6,607,935</u>	<u>1,755,966</u>	<u>4,851,969</u>
Debt Service					
Debt Service Expense	993,894	-	993,894	993,660	234
Total Debt Service	<u>993,894</u>	<u>-</u>	<u>993,894</u>	<u>993,660</u>	<u>234</u>

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2016

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES - Continued</u>					
Compensated Absences					
Compensated Absences	-	-	-	183,308	(183,308)
Total Compensated Absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,308</u>	<u>(183,308)</u>
Total Expenditures	<u>24,632,370</u>	<u>1,025,000</u>	<u>25,657,370</u>	<u>20,157,027</u>	<u>5,500,343</u>
Excess of Revenue over Expenditures	3,346,883	504,660	3,851,543	1,565,991	(2,285,552)
OTHER FINANCING SOURCES (USES)					
Sale of Surplus Property	-	-	-	175,832	175,832
Transfer In	-	-	-	331,700	331,700
Transfer Out	<u>(150,000)</u>	<u>-</u>	<u>(150,000)</u>	<u>(350,000)</u>	<u>(200,000)</u>
Total Other Financing Sources (Uses)	<u>(150,000)</u>	<u>-</u>	<u>(150,000)</u>	<u>157,532</u>	<u>307,532</u>
Net Change in Fund Balances	3,196,883	504,660	3,701,543	1,723,523	(1,978,020)
Fund Balance, beginning	-	-	-	7,404,575	7,404,575
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>581</u>	<u>581</u>
Fund Balance, ending	<u>\$ 3,196,883</u>	<u>\$ 504,660</u>	<u>\$ 3,701,543</u>	<u>\$ 9,128,679</u>	<u>\$ 5,427,136</u>

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL - ROAD FUND
JUNE 30, 2016

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Total Actual</u>	<u>Variance</u>
<u>REVENUES</u>					
Road Aid					
Intergovernmental Revenue	\$ 516,105	\$ -	\$ 516,105	\$ 528,358	\$ 12,253
Interest Income	-	-	-	59	59
Total Revenues before Prior Year Fund Balance	<u>516,105</u>	<u>-</u>	<u>516,105</u>	<u>528,417</u>	<u>12,312</u>
Prior Year Fund Balance:					
Appropriated for Current Year Budget	-	-	-	-	-
Total Revenues and Prior Year Fund Balance	<u>516,105</u>	<u>-</u>	<u>516,105</u>	<u>528,417</u>	<u>12,312</u>
<u>EXPENDITURES</u>					
Road Aid					
Road Maintenance	36,648	-	36,648	33,689	2,959
Sidewalks	84,000	-	84,000	55,638	28,362
Paving & Striping	268,857	-	268,857	196,765	72,092
Streetlight Maintenance	9,000	-	9,000	1,878	7,122
Road Salt & Sand	117,600	-	117,600	129,632	(12,032)
Total Road Aid	<u>516,105</u>	<u>-</u>	<u>516,105</u>	<u>417,602</u>	<u>98,503</u>
Excess of Revenue over Expenditures	-	-	-	110,815	110,815
Fund Balance, beginning	-	-	-	175,292	175,292
Prior Period Adjustment	-	-	-	-	-
Fund Balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 286,107</u>	<u>\$ 286,107</u>

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL - SEVERANCE FUND
JUNE 30, 2016

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>REVENUES</u>					
Interest Income	\$ -	\$ -	\$ -	\$ 8,463	\$ 8,463
Total Revenues before Prior Year Fund Balance	-	-	-	8,463	8,463
Prior Year Fund Balance:					
Appropriated for Current Year Budget	-	-	-	-	-
Total Revenues and Prior Year Fund Balance	-	-	-	8,463	8,463
<u>EXPENDITURES</u>					
General Government					
Administration	-	-	-	-	-
Total General Government	-	-	-	-	-
Excess of Revenue over Expenditures	-	-	-	8,463	8,463
OTHER FINANCING SOURCE AND (USES)					
Transfer In	-	-	-	350,000	350,000
Transfer Out	-	-	-	(331,700)	(331,700)
Total Other Financing Sources and (Uses)	-	-	-	18,300	18,300
Net Change in Fund Balances	-	-	-	26,763	26,763
Fund Balance, beginning	-	-	-	1,872,861	1,872,861
Fund Balance, ending	\$ -	\$ -	\$ -	\$ 1,899,624	\$ 1,899,624

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION ON
BUDGETARY REPORTING
JUNE 30, 2016

Budgets and the Budgetary Process

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets and budget amendments for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Encumbrances

As previously disclosed, the City does not employ encumbrance accounting; under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to preserve that portion of the applicable appropriation.

Reconciliations

Revenue and Expenditures

For budgetary purposes, the City nets certain revenue and expenditure items within the same department; however, for financial reporting purposes, these amounts are shown as separate revenue and expenditure amounts in the fund financial statements. Differences between the budgetary reporting of revenue and expenditures as reported in the required supplementary information differs from the fund financials statements in the following areas:

Total general fund revenue per the statement of revenues, expenditures, and changes in fund balance - governmental funds:	\$ 22,193,987
Reconciling items:	
KLEFPF (Police Incentive Pay) is netted against the payroll expenditure in the budgetary comparison schedule	(197,581)
Cost reimbursements and fee for service work related to police officers payroll is netted against the payroll expenditure in the budgetary comparison schedule	(86,411)
Costs associated with programs at the senior citizens center are netted against the revenue in the budgetary comparison schedule	<u>(186,977)</u>
Total general fund revenue per the statement of revenues, expenditures and changed in fund balance - budget to actual - general fund	<u><u>\$ 21,723,018</u></u>

These same items account for the difference in expenditures between these two statements as well.

Capital Outlay and Debt Service

Certain expenditures are required to be reported as capital outlay or debt service on the fund financial statements regardless of the department or function within general government that acquires the capital item or services the debt. For budgetary purposes however, the City budgets for those expenditures on specific lines of the department or function from which payment will be made. Differences between the budgetary basis as reported in the required supplementary information differs from the fund financials in the following areas:

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION ON
BUDGETARY REPORTING - CONTINUED
JUNE 30, 2016

Reconciliations - Continued

Capital Outlay and Debt Service – continued

<u>Budgetary Fund/Department/Line Item</u>	<u>Reported As Capital Outlay in the Fund Financials</u>	<u>Reported As Debt Service in the Fund Financials</u>
General Fund:		
Administration		
New Vehicle	\$ 33,929	\$ -
Computer Hardware	20,270	-
Parks and Recreation		
New Equipment	5,128	-
Police Department		
New Vehicles	210,585	-
New Equipment	12,497	-
Police CID Account Expense	67,895	-
Public Works		
Drainage	97,671	-
Paving and Striping	694,700	-
Existing Vehicle and Equipment Leases	-	35,142
New Equipment	164,337	-
Vehicle Maintenance	1,200	-
Equipment Repairs and Maintenance	1,211	-
Economic Development		
Commerce Park Improvements	148,000	-
Special Projects		
Bluegrass Parkway Shared Use Trail	3,220	-
Bluegrass Commerce Park	511,581	-
Improvement Projects	447,085	-
Taylorsville Road Streetscape	160,842	-
Recreation Trails - Amenities	22,893	-
Parklands Connector Trail	107,655	-
Watterson Trail Streetscape	23,568	-
Watterson Trail Shared Use Trail	13,721	-
Debt Service		
Debt Service Expense	-	993,660
	<u>\$ 2,747,988</u>	<u>\$ 1,028,802</u>

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION ON
BUDGETARY REPORTING - CONTINUED
JUNE 30, 2016

Reconciliations - Continued

Capital Outlay and Debt Service – continued

<u>Budgetary Fund/Department/Line Item</u>	<u>Reported As Capital Outlay in the Fund Financials</u>	<u>Reported As Debt Service in the Fund Financials</u>
Road Fund:		
Road Maintenance and Repair		
Paving/Striping Repairs and Maintenance	\$ 201,392	\$ -
Totals Road Fund	\$ 201,392	\$ -

Unbudgeted Items

Due to the nature and unpredictability of certain revenue and expenditures amounts, the City does not include them in the annual budget. Those items are as follows:

Revenues:

Police CID Account Income	\$ 515,154
Senior Citizens Income	\$ 10,499

Expenditures:

Police CID Account Expense	\$ 329,759
Compensated Absences	\$ 183,308

Stewardship

Expenditures exceeded budget in the following departments within the general fund:

<u>Department</u>	<u>Amount Over Budget</u>
Police Department	\$ 74,076
Sanitation	\$ 43,275
Compensated Absences	\$183,308

CITY OF JEFFERSONTOWN, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY OF THE COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2016

<u>Year ended June 30th</u>	<u>City's proportion of the net pension liability</u>	<u>City's proportionate share of the net pension liability (asset)</u>	<u>City's covered employee payroll</u>	<u>City's share of the net pension liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
Non-Hazardous:					
2016	Not Available	Not Available	\$ 2,858,142	Not Available	Not Available
2015	0.116837%	\$ 5,023,424	\$ 2,763,773	181.76%	59.97%
2014	0.114711%	\$ 3,721,663	\$ 2,668,057	139.49%	66.80%
2013	Not Available	\$ 4,211,141	\$ 2,617,862	160.86%	Not Available
2012-2007	Not Available	Not Available	Not Available	Not Available	Not Available
Hazardous:					
2016	Not Available	Not Available	\$ 4,473,334	Not Available	Not Available
2015	0.813966%	\$ 12,495,245	\$ 4,386,994	284.82%	57.52%
2014	0.806006%	\$ 9,686,786	\$ 4,241,958	228.36%	63.46%
2013	Not Available	\$ 10,817,637	\$ 4,155,572	260.32%	Not Available
2012-2007	Not Available	Not Available	Not Available	Not Available	Not Available

See the accompanying notes to the required supplementary information on pension reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
SCHEDULE OF THE CITY'S CONTRIBUTIONS TO THE COUNTY
EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2016

<u>Year ended June 30th</u>	<u>Contractually required contribution</u>	<u>Contribution relative to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>City's covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
Non-Hazardous:					
2016	\$ 487,606	\$ 487,606	\$ -	\$ 2,858,142	17.06%
2015	\$ 488,371	\$ 488,371	\$ -	\$ 2,763,773	17.67%
2014	\$ 503,996	\$ 503,996	\$ -	\$ 2,668,057	18.89%
2013	\$ 527,652	\$ 527,652	\$ -	\$ 2,617,862	20.16%
2012-2007	Not Available	Not Available	Not Available	Not Available	Not Available
Hazardous:					
2016	\$ 1,473,964	\$ 1,473,964	\$ -	\$ 4,473,334	32.95%
2015	\$ 1,505,178	\$ 1,505,178	\$ -	\$ 4,386,994	34.31%
2014	\$ 1,514,379	\$ 1,514,379	\$ -	\$ 4,241,958	35.70%
2013	\$ 1,562,495	\$ 1,562,495	\$ -	\$ 4,155,572	37.60%
2012-2007	Not Available	Not Available	Not Available	Not Available	Not Available

See the accompanying notes to the required supplementary information on pension reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
ON PENSION REPORTING
FOR THE YEAR ENDED JUNE 30, 2016

NOTE A – ACCOUNTING POLICIES

For purposes of determining net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported to the City by CERS.

NOTE B – CHANGES OF BENEFIT TERMS

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

- Tiered Structure for benefit accrual rates
- New retirement eligibility requirements
- Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

NOTE C – CHANGES OF ASSUMPTIONS

2015

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to .75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

NOTE D – METHOD AND ASSUMPTIONS USED IN CALCULATION OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years

**CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
ON PENSION REPORTING
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE D – METHOD AND ASSUMPTIONS USED IN CALCULATION OF ACTUARIALLY DETERMINED CONTRIBUTIONS - CONTINUED

Asset valuation method	5-year smoothed market
Inflation	3.25 percent
Salary increase	4.00, average including inflation
Investment rate of return	7.50 percent, net of pension plan investment Expense, including inflation

NOTE E – MEASUREMENT DATE

As allowed by current audit standards, CERS has used a measurement date of June 30, 2015 for reporting information to the City.

NOTE F – CONTRACTUALLY REQUIRED CONTRIBUTIONS

Amounts shown as contractually required contributions include all amounts due and paid to CERS, including both the pension portion and the amount allocated to the insurance fund of CERS.

**CITY OF JEFFERSONTOWN, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
- direct program:			
Highway Planning and Construction	20.616	not applicable	\$ 8,331
- pass through program from:			
Commonwealth of Kentucky Transportation Cabinet -			
Highway Planning and Construction	20.205	GL-KYW-0151 IA 13-0036	4,063
Highway Planning and Construction	20.205	GL-KYW-0152 IA 13-0007	14,444
Highway Planning and Construction	20.205	GL-KYW-0137 IA 12-0004	957
Highway Planning and Construction	20.205	P02-625-1300003076	16,273
Highway Planning and Construction	20.205	P02-625-1000004215	160,842
Highway Planning and Construction	20.205	P02-6281400000832	511,581
Highway Planning and Construction	20.205	P02-628-0700013788	13,721
Highway Planning and Construction	20.205	P02-625-1600001281	107,655
Highway Planning and Construction	20.205	P02-625-1600001735	7,295
Highway Planning and Construction	20.205	not available	3,220
Commonwealth of Kentucky Transportation Cabinet -			
State and Community Highway Safety	20.616	MHVE-16-14	19,782
State and Community Highway Safety	20.616	M2HVE-2016-MG-00-19	2,453
State and Community Highway Safety	20.601	M5-15-17	8,707
Commonwealth of Kentucky, Office of the Governor, Department for Local Government -			
National Recreation Trails Program	20.219	RTP-450-11	<u>22,893</u>
Total U.S. Department of Transportation			<u>902,217</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 902,217</u>

See the accompanying notes to the schedule of expenditures of federal awards.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Jeffersontown, Kentucky under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Jeffersontown, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Jeffersontown, Kentucky

NOTE B – SUMMARY OF SIGNIFICANT POLICIES

1. Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Pass-through entity identifying numbers are presented where available.

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



Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Mayor and City Council
City of Jeffersontown, 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 and each major fund of the City of Jeffersontown, Kentucky, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Jeffersontown, Kentucky's basic financial statements, and have issued our report thereon dated December 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Jeffersontown, 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 on the effectiveness of City of Jeffersontown, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Jeffersontown, Kentucky's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephens & Lawson CPAs

Louisville, Kentucky
December 14, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**



STEPHENS & LAWSON

Certified Public Accountants

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Mayor and City Council
City of Jeffersontown, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the City of Jeffersontown, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Jeffersontown, Kentucky's major federal programs for the year ended June 30, 2016. City of Jeffersontown, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Jeffersontown, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jeffersontown, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Jeffersontown, Kentucky's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Jeffersontown, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of City of Jeffersontown, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we have considered the City of Jeffersontown, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures

that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Jeffersontown, Kentucky's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Stephens & Lawson CPAs

Louisville, Kentucky
December 14, 2016

**CITY OF JEFFERSONTOWN, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SUMMARY OF AUDIT RESULTS

- The auditor’s report expresses an unmodified opinion on whether the financial statements of the City of Jeffersontown, Kentucky were prepared in accordance with GAAP.
- No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Nor are any material weaknesses reported.
- No instances of noncompliance material to the financial statements of the City of Jeffersontown, Kentucky, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- No significant deficiencies in internal control over major federal award program were reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. Nor are any material weaknesses reported.
- The auditor’s report on compliance for the major federal award programs for the City of Jeffersontown, Kentucky expresses an unmodified opinion on all major federal programs.
- Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
- The programs tested as major programs were:
 - U.S. Department of Transportation, Commonwealth of Kentucky Transportation Cabinet, Highway Planning and Construction (CFDA #20.205)
- The threshold for distinguishing Type A and B programs was \$750,000.
- City of Jeffersontown, Kentucky was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM

None

**CITY OF JEFFERSONTOWN, KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

There were no findings reported in the prior year audit.