

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

2.B. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS (Continued)

KRS 66.480 authorizes the City to invest in obligations of the United States and its agencies and instrumentalities including repurchase agreements, through sources including national and state banks chartered in Kentucky, obligations and contracts for future delivery backed by the full faith of the United States or its Agency, certificates of deposit and interest bearing accounts in institutions insured by the Federal Depository Insurance Corporation and other investments described therein provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. The City may also invest in mutual funds meeting the requirements of the statute.

2.C. REVENUE RESTRICTIONS

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Municipal Road Aid	Street & Alley Purposes
County Dispatch Revenue	E-911 Emergency Services Purposes
Water, Sewer, and Gas Revenue	Debt Service and Utility Operations
EIP/Facade Revenue	Beautification Improvement Projects
Law Enforcement Grants	Police Programs/Salaries
Local Government Economic Assistance Funds	Approved Expenditures
State Fire Aid	Fire Equipment Expenditures
Federal Emergency Management Agency (FEMA)/Department of Homeland Security (DHS)	Fire Equipment Expenditures/Water Security Systems
Kentucky Fire Commission Grant	Thermal Imaging Camera

For the year ended June 30, 2013, the City complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

Kentucky Infrastructure Authority Maintenance, Replacement Reserve -- Loans AO1-03, B99-03 and AO5-01.

Funded Maintenance, Replacement Reserve Accounts are required by the City's Assistance Agreements AO1-03, B99-03, AO5-01, and B08-06 with the Kentucky Infrastructure Authority. Under the agreements, the City must deposit into these accounts \$8,000 annually, \$236 semi-annually, and \$30,000 annually, until the amounts accumulated on deposit are equal to \$80,000, \$5,610, and \$300,000, respectively. The reserve accounts for agreements AO1-03, B99-03 and AO5-01 are fully funded. The reserve account for B08-06 will begin to be funded in December, 2013.

Kentucky League of Cities Lease Debt Service Reserve Funds

If the City, through Carrollton Utilities, fails to make any part of a lease rental payment when due, Debt Service Reserve Funds will be created and funded as prescribed by the lease agreements and used to satisfy lease rental payments. At June 30, 2013, the City was in compliance with the lease agreements and therefore, no Debt Service Reserve Funds have been created.

* From 2013 Audit

CITY OF CARROLLTON, KENTUCKY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2013

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

3.A. CASH AND INVESTMENTS

Deposits

The City of Carrollton, Kentucky's policies regarding deposits of cash are in accordance with the state statutes described in Note 2.B. The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2013. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the City (public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized with no written or approved collateral agreement.

Governmental Activities

Type of Deposits	Total Bank Balance	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
Non-Interest Deposits	\$ 1,634	\$ -	\$ -	\$ 1,634	\$ 1,634
Time/Savings Deposits	599,434	389,622	199,634	10,178	485,547
Total Deposits	\$ 601,068	\$ 389,622	\$ 199,634	\$ 11,812	\$ 487,181

Business-type Activities

Type of Deposits	Total Bank Balance	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
Non-Interest Deposits	\$ 6,256,422	\$ 294,282	\$ 5,962,140	\$ -	\$ 6,178,527
Time/Savings Deposit	1,446,080	955,718	490,362	-	1,446,179
Total Deposits	\$ 7,702,502	\$ 1,250,000	\$ 6,452,502	\$ -	\$ 7,624,706

	Governmental Activities	Business-type Activities	Total
Reconciliation to Statement of Net Position			
Cash, including Time Deposits	\$ 488,690	\$ 1,325,209	\$ 1,813,899
Restricted Cash, including Time Deposits	-	6,300,747	6,300,747
	\$ 488,690	\$ 7,625,956	\$ 8,114,646
Total Carrying Value	\$ 487,181	\$ 7,624,706	\$ 8,111,887
Plus: Cash on Hand	1,509	1,250	2,759
	\$ 488,690	\$ 7,625,956	\$ 8,114,646