

**City of Campbellsburg**

**Audited Financial Statements and  
Required Supplementary Information**

**June 30, 2022**

**Jones & Associates** CPAs, PSC  
Certified Public Accountants



121 Prosperous Place, Suite 2A, Lexington, KY 40509 (859) 687-0303

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# Jones & Associates CPAs, PSC

## Certified Public Accountants



121 Prosperous Place, Suite 2A, Lexington, KY 40509 (859) 687-0303

To the Mayor and City Council of  
City of Campbellsburg, Kentucky

### **Independent Auditor's Report**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Campbellsburg, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Campbellsburg, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Campbellsburg, Kentucky as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Campbellsburg, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Campbellsburg, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes

**To the Mayor and City Council of  
City of Campbellsburg, Kentucky  
Independent Auditor's Report  
(Continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Campbellsburg, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Campbellsburg, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the schedules related to pensions and other postemployment benefits as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the Mayor and City Council of  
City of Campbellsburg, Kentucky  
Independent Auditor's Report  
(Continued)**

**Required Supplementary Information (Continued)**

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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Campbellsburg, Kentucky's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual nonmajor fund financial statements are 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 May 12, 2023, on our consideration of the City of Campbellsburg, 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 solely 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 effectiveness of the City of Campbellsburg, Kentucky's 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 Campbellsburg, Kentucky's internal control over financial reporting and compliance.

Respectfully submitted,

*Jones & Associates CPAs, PSC*

Jones & Associates CPAs, PSC  
Certified Public Accountants  
Lexington, Kentucky

May 12, 2023

## Financial Statements

## Government-wide Financial Statements

**City of Campbellsburg**  
**Statement of Net Position**  
**June 30, 2022**

**Assets and deferred outflows of resources**

Assets

Current assets

Cash and cash equivalents	\$ 439,618
Restricted cash and cash equivalents	79,158
Accounts receivable	76,315
Investments	<u>30,389</u>

Total current assets	\$ <u>625,480</u>
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Noncurrent assets

Capital assets, net	\$ <u>864,221</u>
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Total noncurrent assets	\$ <u>864,221</u>
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Total assets	\$ <u>1,489,701</u>
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Deferred outflows of resources

Pension	\$ 23,207
Other postemployment benefits	<u>24,495</u>

Total deferred outflows of resources	\$ <u>47,702</u>
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<b>Total assets and deferred outflows of resources</b>	<b>\$ <u><u>1,537,403</u></u></b>
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**Liabilities, deferred inflows of resources, and net position**

Liabilities

Current liabilities

Accounts payable	\$ 4,390
Payroll related liabilities	11,235
Interest payable	1,445
Long-term debt, current	<u>12,083</u>

Total current liabilities	\$ <u>29,153</u>
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Noncurrent liabilities

Long-term debt, noncurrent	\$ 588,750
Net pension liability	137,526
Net other postemployment benefits liability	<u>41,295</u>

Total noncurrent liabilities	\$ <u>767,571</u>
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Total liabilities	\$ <u>796,724</u>
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**City of Campbellsburg**  
**Statement of Net Position**  
**June 30, 2022**  
*(Continued)*

**Liabilities, deferred inflows of resources, and net position** *(Continued)*

Deferred inflows of resources	
Pension	\$ 23,591
Other postemployment benefits	<u>24,860</u>
Total deferred inflows of resources	\$ <u>48,451</u>
Net position	
Net investment in capital assets	\$ 263,388
Restricted	
Municipal road aid	37,219
Unrestricted	<u>391,621</u>
Total net position	\$ <u>692,228</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ <u><u>1,537,403</u></u></b>

The accompanying notes are an integral part of the financial statements.

**City of Campbellsburg  
Statement of Activities  
For the Year Ended June 30, 2022**

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contri- butions	Capital Grants and Contri- butions	
<b>Primary government</b>	<b>Expenses</b>				
Governmental activities					
General government	\$ 285,236	\$	\$ 207,889	\$	\$ (77,347)
Streets and maintenance	56,018		15,934		(40,084)
Protection to persons and property	34,030				(34,030)
Recreation and culture	55,032	15,983			(39,049)
Total governmental activities	\$ 430,316	\$ 15,983	\$ 223,823	\$	\$ (190,510)
<b>Total primary government</b>	<b>\$ 430,316</b>	<b>\$ 15,983</b>	<b>\$ 223,823</b>	<b>\$</b>	<b>\$ (190,510)</b>
<b>General revenues</b>					
Taxes					
Property taxes					\$ 112,627
Insurance premium taxes					191,760
Franchise taxes					39,860
Other taxes					16,467
Sanitation					61,133
Licenses					9,250
Earnings on investments					486
Miscellaneous					10,945
<b>Total general revenues</b>					<b>\$ 442,528</b>
<b>Change in net position</b>					<b>\$ 252,018</b>
<b>Net position - Beginning</b>					<b>440,210</b>
<b>Net position - Ending</b>					<b>\$ 692,228</b>

The accompanying notes are an integral part of the financial statements.

## Fund Financial Statements

**City of Campbellsburg**  
**Balance Sheet - Governmental Funds**  
**June 30, 2022**

	<b>General Fund</b>	<b>Municipal Road Aid Fund</b>	<b>Total Govern- mental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 439,618	\$	\$ 439,618
Restricted cash and cash equivalents	41,939	37,219	79,158
Accounts receivable	69,266		69,266
Investments	30,389		30,389
<b>Total assets</b>	<b>\$ 581,212</b>	<b>\$ 37,219</b>	<b>\$ 618,431</b>
<b>Liabilities and fund balances</b>			
Liabilities			
Accounts payable	\$ 4,390	\$	\$ 4,390
Payroll related liabilities	11,235		11,235
<b>Total liabilities</b>	<b>\$ 15,625</b>	<b>\$</b>	<b>\$ 15,625</b>
Fund balances			
Restricted	\$	\$ 37,219	\$ 37,219
Committed	34,274		34,274
Assigned	7,665		7,665
Unassigned	523,648		523,648
<b>Total fund balances</b>	<b>\$ 565,587</b>	<b>\$ 37,219</b>	<b>\$ 602,806</b>
<b>Total liabilities and fund balances</b>	<b>\$ 581,212</b>	<b>\$ 37,219</b>	<b>\$ 618,431</b>

The accompanying notes are an integral part of the financial statements.



**City of Campbellsburg**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Funds**  
**For the Year Ended June 30, 2022**

	<u>General Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Total Govern- mental Funds</u>
<b>Revenues</b>			
Taxes	\$ 151,911	\$	\$ 151,911
Intergovernmental	416,116	15,934	432,050
Licenses and permits	9,250		9,250
Charges for services	15,983		15,983
Miscellaneous	<u>71,038</u>	<u>1,526</u>	<u>72,564</u>
<b>Total revenues</b>	<u>\$ 664,298</u>	<u>\$ 17,460</u>	<u>\$ 681,758</u>
<b>Expenditures</b>			
General government	\$ 265,118	\$	\$ 265,118
Protection to persons and property	21,401		21,401
Streets and maintenance	36,863	3,822	40,685
Recreation and culture	22,944		22,944
Debt service	30,226		30,226
Capital outlay	<u>25,778</u>	<u>18,500</u>	<u>44,278</u>
<b>Total expenditures</b>	<u>\$ 402,330</u>	<u>\$ 22,322</u>	<u>\$ 424,652</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 261,968</u>	<u>\$ (4,862)</u>	<u>\$ 257,106</u>
<b>Net change in fund balances</b>	<u>\$ 261,968</u>	<u>\$ (4,862)</u>	<u>\$ 257,106</u>
<b>Fund balances - Beginning</b>	<u>303,619</u>	<u>42,081</u>	<u>345,700</u>
<b>Fund balances - Ending</b>	<u><u>\$ 565,587</u></u>	<u><u>\$ 37,219</u></u>	<u><u>\$ 602,806</u></u>

The accompanying notes are an integral part of the financial statements.

**City of Campbellsburg**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances -**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2022**

<b>Net change in fund balances - Total governmental funds</b>	<b>\$ 257,106</b>
Governmental funds report capital outlays as expenditures but in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as	
Depreciation expense instead of	(55,841)
Capital outlay.	44,278
Pension and other postemployment contributions are recognized as expenditures in the governmental funds. However, pension and other postemployment benefits expense in the Statement of Activities is primarily the result of changes in the components of the net pension and net other postemployment benefits liability over the current and future periods	
Pension and	5,514
Other postemployment benefits.	810
Revenue for delinquent property taxes is recorded in the Statement of Activities. However, these funds were not received within sixty days of year end and, accordingly, are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.	576
Expense for loss from disposal of assets with remaining value is recorded in the Statement of Activities.	(6,063)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid.	(1,445)
Payments for long-term debt are recognized as expenditures in the governmental funds. However, these are not recognized in the Statement of Activities and are instead a reduction of debt principal on the Statement of Net Position.	7,083
<b>Change in net position of governmental activities</b>	<b>\$ <u>252,018</u></b>

The accompanying notes are an integral part of the financial statements.

**City of Campbellsburg**  
**Reconciliation of Fund Balances - Governmental Funds**  
**to Net Position of Governmental Activities**  
**June 30, 2022**

<b>Fund balances - Governmental funds</b>	\$ 602,806
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Amounts reported for governmental activities in the Statement of Net Position are different because

Assets

Capital assets and infrastructure assets used in governmental activities are not financial resources and, therefore, are not reported in the funds;	864,221
Deferred outflows of resources related to pensions are not recognized in governmental funds;	23,207
Deferred outflows of resources related to other postemployment benefits are not recognized in governmental funds; and	24,495
Delinquent property tax receivable is not recognized as an asset in the governmental funds.	7,049

Liabilities

Debt is not recognized in governmental funds;	(600,833)
Accrued interest is not recognized in governmental funds;	(1,445)
Net pension liability is not recognized in governmental funds;	(137,526)
Net other postemployment benefits is not recognized in governmental funds;	(41,295)
Deferred inflows of resources related to pensions are not recognized in governmental funds; and	(23,591)
Deferred inflows of resources related to other postemployment benefits are not recognized in governmental funds.	<u>(24,860)</u>

<b>Net position of governmental activities</b>	<b>\$ <u>692,228</u></b>
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The accompanying notes are an integral part of the financial statements.

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**

**Note 1. Summary of Significant Accounting Policies**

**Nature of Operations**

The City of Campbellsburg, Kentucky (City), is classified as a home rule city of the Commonwealth of Kentucky. The City, located in Henry County, operates under a Mayor-Council form of government as authorized by its charter and derives the majority of its income from taxes.

The accounting policies of the City conform to generally accepted accounting principles (GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

**Reporting Entity**

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by GASB. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility including, but not limited to, selection of the governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon these criteria, the City has no component units to report.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. Governmental activities are normally supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses (including depreciation) are those that are clearly identifiable with a specific function or segment. Program revenues are directly associated with the function or segment and include charges for services and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants are capital specific. Taxes and other items not identifiable with a program are reported as general revenues.

Amounts paid to acquire fixed assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities, including noncurrent assets as well as noncurrent liabilities, are included in the Statement of Net Position. Revenues

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**  
*(Continued)*

**Note 1. Summary of Significant Accounting Policies** *(Continued)*

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation** *(Continued)*

are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting, except debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major Governmental Funds:

- General Fund: is reported as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds and
- Municipal Road Aid Fund: a special revenue fund that accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for streets and roads within the City.

The City reports no non-major funds.

**Reconciliation of Government-Wide and Fund Financial Statements**

The governmental fund balance sheet includes a reconciliation between fund balances in the governmental funds and the net position reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and the accrual basis of accounting. In addition, capital assets, long-term debt, deferred inflows, deferred outflows, net pension liability, and postemployment benefits are added to the governmental funds to compile the long-term view of the governmental activities column.

The focus of governmental fund measurement (in the fund financial statements) is on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income. The Balance Sheet contains only current assets and liabilities. The reported fund balance (net current assets) is a measure of available spendable resources.

A similar reconciliation is included for the Statement of Revenues, Expenditures, and Changes in Fund Balances for the governmental funds. These adjustments reflect the transition from the modified accrual basis of accounting for governmental fund financial statements to the accrual basis of accounting for the government-wide statements. Capital outlay is replaced with depreciation expense.

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**  
*(Continued)*

**Note 1. Summary of Significant Accounting Policies** *(Continued)*

**Assets, Liabilities, Deferred Inflows and Outflows, and Fund Balance and Net Position**

**A. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within 3 months or less of the date acquired by the City. Investments of the City consist of certificates of deposit, which are stated at fair market value as determined by quoted market prices for similar assets.

**B. Accounts Receivable**

Accounts receivable consists of property and other taxes as well as amounts due from other governmental entities. Since management considers all of these receivables to be collectible at year-end, no provision has been made for uncollectible accounts.

**C. Capital Assets and Depreciation**

The City's capital assets with useful lives of more than 1 year are stated at historical cost or estimated historical cost and reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The City capitalizes assets with costs of \$1,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend its useful life are not capitalized. Capital assets are depreciated using the straight-line method over the estimated useful life of the asset. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. All reported capital assets are depreciated with the exception of land and construction in progress. The City provides for depreciation and obsolescence of such assets by annual charges to expense. The following expected useful lives are used:

Building and improvements	10 – 40 years
Infrastructure	15 – 40 years
Machinery and equipment	5 – 15 years

**D. Property Tax**

Taxes are levied on October 1 and are due and payable on or before December 31. All unpaid taxes become delinquent January 1 of the following year and attach as an enforceable lien on property as of each April 15. No allowance for delinquent taxes is established due to the immateriality of uncollectible taxes.

The constitution of the Commonwealth of Kentucky sets absolute tax rates on the value of taxable property based on the population of the City. For the year ended June 30, 2022, the City had a tax rate of \$0.202 per \$100 for real estate, \$0.2509 per \$100 for tangible property, and \$0.242 per \$100 for motor vehicles.

**E. Compensated Absences**

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. A liability is accrued for compensated absences when it is earned and becomes payable to employees. In accordance with this policy, the City accrued a liability in the government-wide

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**  
*(Continued)*

**Note 1. Summary of Significant Accounting Policies** *(Continued)*

**Assets, Liabilities, Deferred Inflows and Outflows, and Fund Balance and Net Position** *(Continued)*

**E. Compensated Absences** *(Continued)*

financial statements for vacation pay earned but not taken by employees. For governmental funds, the liability is considered current because all vacation benefits could be used in the current year. Upon termination, accumulated vacation will be paid to the employee.

It is the City's policy to permit its employees to accumulate earned but unused sick pay benefits. The City does not pay any amounts for sick pay benefits to employees who are terminated. Employees who retire from the City may be eligible to receive payment for a portion of these benefits. However, no liability is recognized for unpaid accumulated sick leave because this amount is not readily determinable until it becomes due to the employee. These benefits may be subject to employer contribution requirements as determined by the Kentucky Public Pensions Authority (KPPA).

**F. Long-Term Obligations**

The accounting treatment of long-term debt depends on whether they are reported in the government-wide or fund financial statements. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

**G. Fund Balance and Net Position**

*Government-wide Financial Statements*

Net position is classified as follows:

- Net investment in capital assets: Consists of capital assets including restricted balances, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets;
- Restricted: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation; and
- Unrestricted: All other net position that does not meet the definition of restricted or net investment in capital assets.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the most restricted resources before using unrestricted resources.

*Fund Financial Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- Non-spendable: Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**  
*(Continued)*

**Note 1. Summary of Significant Accounting Policies** *(Continued)*

**Assets, Liabilities, Deferred Inflows and Outflows, and Fund Balance and Net Position** *(Continued)*

**G. Fund Balance and Net Position** *(Continued)*

- Restricted: Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed: Amounts constrained to specific purposes determined by a formal action of the City. The City must take the action to remove or change the constraint;
- Assigned: Amounts the City intends to use for a specific purpose (such as encumbrances); intent can be expressed by the City Council or by an official or body to which the City delegates the authority; and
- Unassigned: Amounts that are available for any purpose.

When restricted, committed, assigned, and unrestricted resources are available for use, it is the City's policy to use the most restricted resources before using unrestricted resources.

**H. Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for Deferred Outflows of Resources. Deferred Outflows of Resources represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has items related to pensions and other postemployment benefits included in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for Deferred Inflows of Resources. Deferred Inflows of Resources represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue/receipt) until that time. The City has items related to pensions and other postemployment benefits included in this category.

**I. Pension**

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the County Employees Retirement Systems (CERS) and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**J. Other Postemployment Benefits**

For purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Retirement Systems' Insurance Fund (Insurance Fund) and additions to or deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. For this purpose, the Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms.



**City of Campbellsburg**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**  
*(Continued)*

**Note 1. Summary of Significant Accounting Policies** *(Continued)*

**Assets, Liabilities, Deferred Inflows and Outflows, and Fund Balance and Net Position** *(Continued)*

**K. Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for governmental activities. In the fund financial statements, governmental fund expenditures are classified by character as current expenditures and capital outlay expenditures. Governmental funds report expenditures of financial resources.

**L. Interfund Transactions**

The effect of interfund activity has been eliminated from the government-wide financial statements.

**Budgeting**

The City follows the procedures established by the Department for Local Government pursuant to Kentucky Revised Statutes Section 91A.030 in establishing the budget.

**Estimates**

The preparation of financial statements in conformity 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 contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Note 2. Risk Management**

The City is exposed to various forms of loss associated with the risks of fire, personal liability, theft, vehicular accidents, and errors and omission, etc. Each of these risk areas is covered through participation in a public entity risk pool with the exception of the errors and omissions bond, which is covered through the purchase of commercial insurance. The City retains no risk of loss through participation in the risk pool. For insured programs, there have been no significant reductions in insurance coverage, nor have settlement amounts exceeded insurance coverage for the current year or 3 years prior. The City has purchased certain policies that are retrospectively rated which include worker's compensation insurance.

**Note 3. Compensated Absences**

The City accrued \$6,643 for compensated absences as of June 30, 2022. This amount consists of vacation pay due to employees as of that date.

**Note 4. Deposits and Investments**

**Deposits**

The City maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by Kentucky Revised Statutes. According to Kentucky Revised

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**  
*(Continued)*

**Note 4. Deposits and Investments** *(Continued)*

**Deposits** *(Continued)*

Statutes Section 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, always equals or exceeds the amount of public funds on deposit.

**A. Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution's failure, the City's deposits may not be returned. The City does not have a formal deposit policy for custodial credit risk but rather follows the requirements of Kentucky Revised Statutes Section 41.240(4). At November 8, 2021, the City's deposits were under collateralized by as much as \$115,503. At June 30, 2022, \$489,978 of the City's deposits were fully collateralized by pledging financial institutions.

**B. Restricted Cash and Cash Equivalents**

Restricted cash consists of the following:

Municipal road aid	\$	37,219
Volunteer fire department		34,274
Community center		3,500
Health savings		4,165
Total restricted cash	\$	<u>79,158</u>

The municipal road aid account is for the allocation of funds from the state which are for design, right-of-way acquisitions, relocation of utilities, construction, and other municipal road expenditures. The volunteer fire department account is used to accumulate funds for the purchase of a fire truck. The community center funds are for repairs and maintenance to the Community Center. The health savings account is for payment of employee benefits.

**Investments**

Kentucky Revised Statutes authorize local governmental units to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state-chartered banks insured by federal agencies, and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies. Investing is performed in accordance with these state statutes.

The City held \$30,389 in certificates of deposit at June 30, 2022, all of which will mature within 1 year and are categorized as current investments.

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**  
*(Continued)*

**Note 5. Fund Balances**

The following is a summary of the Governmental Fund balances of the City at June 30, 2022:

Restricted		
Municipal road aid	\$       37,219	\$       37,219
Assigned		
Volunteer fire department	\$       34,274	34,274
Committed		
Community center	\$       3,500	
Health savings	4,165	7,665
Unassigned		523,648
Total		\$       602,806

**Note 6. County Employees Retirement System**

**General Information**

The City is a participating employer of the CERS. Under the provisions of Kentucky Revised Statute Section 61.645, the CERS Board of Trustees (Board) of the KPPA administers the CERS. The KPPA issues publicly available financial statements which may be downloaded from the KPPA website.

**Plan Description**

The CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate. The CERS provides plan members with benefits through a pension trust and an insurance trust. The pension trust provides retirement, disability, and death benefits. The insurance trust provides health insurance or other postemployment benefits (OPEB). Benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature.

**Contributions**

For the year ended June 30, 2022, CERS members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding July 1 of a new biennium. The Board may amend contribution rates as of July 1 of the second year of a new 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 the actuarial basis adopted by the Board. For the year ended June 30, 2022, participating employers contributed 26.95% (21.17% to the pension fund and 5.78% to the insurance fund) of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of the CERS are financed through employer contributions and investment earnings.

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**  
*(Continued)*

**Note 6. County Employees Retirement System** *(Continued)*

**Contributions** *(Continued)*

Plan members who began participating on, or after, January 1, 2014 are required to contribute to the Cash Balance Plan (Plan). The Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the Plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications. All members contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution. For the year ended June 30, 2022, the City contributed \$16,526 for non-hazardous job classifications, or 100% of the required contributions. The contributions were allocated \$12,982 for non-hazardous employees to the pension fund and \$3,544 for non-hazardous employees to the insurance fund.

**Benefits**

CERS provides retirement, health insurance, death, and disability benefits to Plan employees and beneficiaries. Employees are vested in the Plan after 5 years' service. For retirement purposes, employees are grouped into 3 tiers based on hire date:

	<b><u>Participation Date</u></b>	<b><u>Unreduced Benefit</u></b>	<b><u>Reduced Benefit</u></b>
Tier 1	Before September 1, 2008	27 years of service or 65 years old and 4 years of service	At least 5 years of service and 55 years old or 25 years of service and any age
Tier 2	After September 1, 2008 but before December 31, 2013	At least 5 years of service and 65 years old or age 57+ and sum of service years plus age equal to 87+	At least 10 years of service and 60 years old
Tier 3	After December 31, 2013	At least 5 years of service and 65 years old or age 57+ and sum of service years plus age equal to 87+	Not available

For OPEB purposes, employees are grouped into 3 tiers based on hire date:

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**  
*(Continued)*

**Note 6. County Employees Retirement System** *(Continued)*

**Benefits** *(Continued)*

	<b><u>Participation Date</u></b>	<b><u>Insurance Eligibility</u></b>	<b><u>Benefit</u></b>
Tier 1	Before July 1, 2003	10 years of service credit required	Set percentage of single coverage health insurance based on service credit accrued at retirement
	After July 1, 2003 but before September 1, 2008	10 years of service credit required	Set dollar amount based on service credit accrued, increased annually
Tier 2	After September 1, 2008 but before December 31, 2013	15 years of service credit required	Set dollar amount based on service credit accrued, increased annually
Tier 3	After December 31, 2013	15 years of service credit required	Set dollar amount based on service credit accrued, increased annually

COLA are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest 5 years of earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are provided in 1 lump sum payment of \$5,000. Five years of service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit or \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years of service is required for nonservice-related disability benefits.

**Pension Liabilities, Expense, and Deferred Outflows and Inflows of Resources**

At June 30, 2022, the City reported a liability of \$137,526 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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 a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportion was 0.002157%, which was an increase of 0.000085% from its proportion measured as of June 30, 2020. For the year ended June 30, 2022, the City recognized pension expense of \$12,982 for non-hazardous classifications.

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**  
*(Continued)*

**Note 6. County Employees Retirement System (Continued)**

**Pension Liabilities, Expense, and Deferred Outflows and Inflows of Resources (Continued)**

At June 30, 2022, the Commission reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference between expected and actual experience	\$ 1,579	\$ 1,335
Change in assumptions	1,846	
Net difference between projected and actual earnings on investments		18,330
Changes in proportion and difference between employer contributions and proportionate share of contributions	6,800	3,926
Contributions subsequent to the measurement date	12,982	
<b>Total</b>	<b>\$ <u>23,207</u></b>	<b>\$ <u>23,591</u></b>

The \$12,982 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date as of June 30, 2022, will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

**Year Ended June 30,**

2023	\$ (1,653)
2024	(1,995)
2025	(3,976)
2026	(5,742)

**OPEB Liabilities, Expense, and Deferred Outflows and Inflows of Resources**

At June 30, 2022, the City reported a liability for its proportionate share of the net OPEB liability of \$41,295. The net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportion was 0.002157% for non-hazardous classifications, which was an increase of 0.000085% from its proportion measured as of June 30, 2020. For the year ended June 30, 2022, the City recognized OPEB expense of \$3,544 for non-hazardous classifications.

At June 30, 2022, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**  
*(Continued)*

**Note 6. County Employees Retirement System** *(Continued)*

**OPEB Liabilities, Expense, and Deferred Outflows and Inflows of Resources** *(Continued)*

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference between expected and actual experience	\$ 6,494	\$ 12,329
Change in assumptions	10,948	38
Net difference between projected and actual earnings on OPEB plan investments		6,460
Changes in proportion and difference between employer contributions and proportionate share of contributions	2,150	6,033
Contributions subsequent to the measurement date	4,903	
<b>Total</b>	<b>\$ 24,495</b>	<b>\$ 24,860</b>

The \$4,903 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. This includes an adjustment of \$1,359 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

**Year Ended June 30,**

2023	\$ (216)
2024	(1,194)
2025	(1,232)
2026	(2,626)

**Actuarial Assumptions**

The total pension and OPEB liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.3%
Salary increases	3.3% to 10.3%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
Pre-65	Initial trend starting at 6.3% on January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 6.3% on January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**  
*(Continued)*

**Note 6. County Employees Retirement System** *(Continued)*

**Actuarial Assumptions** *(Continued)*

retired members was a system-specific mortality table based on mortality experience from 2013 through 2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2021. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2021 valuation was based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018. The total pension and OPEB liabilities were rolled-forward from the valuation date (June 30, 2020) to the KPPA's fiscal year ending June 30, 2021. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Long-term Expected Real Rate of Return</u></b>	<b><u>Target Allocation</u></b>
<b>Growth</b>		<b>62.50%</b>
U.S. equity	4.50%	18.75%
Non-U.S. equity	5.25%	18.75%
Private equity	6.65%	10.00%
Special credit/high yield	3.90%	15.00%
<b>Liquidity</b>		<b>14.50%</b>
Core bonds	(0.25)%	13.50%
Cash	(0.75)%	1.00%
<b>Diversifying strategies</b>		<b>23.00%</b>
Real estate	5.30%	5.00%
Opportunistic	2.25%	3.00%
Real return	3.95%	15.00%
<b>Total</b>		<b>100.00%</b>
<b>Long term inflation assumption</b>		<b>2.30%</b>
<b>Expected nominal return for portfolio</b>		<b>6.25%</b>

**Pension Discount Rate**

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year (closed) amortization period of the unfunded actuarial accrued liability.



**City of Campbellsburg**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**  
*(Continued)*

**Note 6. County Employees Retirement System (Continued)**

**OPEB Discount Rate**

The discount rate used to measure the total OPEB liability was 5.2% for the year ended June 30, 2021 for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 28, 2021. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KPPA's actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KPPA's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate at June 30, 2021:

	<b><u>Discount Rate</u></b>		<b>Proportionate Share of Net Pension Liability</b>
1% decrease	5.25%	\$	176,383
Current discount rate	6.25%		137,526
1% increase	7.25%		105,372

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate at June 30, 2022:

	<b><u>Discount Rate</u></b>		<b>Proportionate Share of Net OPEB Liability</b>
1% decrease	4.2%	\$	56,697
Current discount rate	5.2%		41,295
1% increase	6.2%		28,654

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates at June 30, 2022:

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**  
*(Continued)*

**Note 6. County Employees Retirement System** *(Continued)*

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate** *(Continued)*

	<b>Proportionate Share of Net OPEB Liability</b>
1% decrease	\$ 29,727
Current discount rate	41,295
1% increase	55,257

**Note 7. Capital Assets**

Capital asset activity for governmental activities for the year ended June 30, 2022 follows:

	<b><u>Beginning Balance</u></b>		<b><u>Increase</u></b>		<b><u>Decrease</u></b>		<b><u>Ending Balance</u></b>
Assets not being depreciated:							
Land	\$ 13,701	\$		\$		\$	13,701
Assets being depreciated:							
Buildings and improvements	1,162,463						1,162,463
Machinery and equipment	262,122		25,778		10,467		277,433
Infrastructure	196,394		18,500				214,894
Total capital assets	\$ 1,634,680	\$	44,278	\$	10,467	\$	1,668,491
Less: Accumulated depreciation	752,833		55,841		4,404		804,270
Capital assets, net	\$ 881,847	\$	(11,563)	\$	6,063	\$	864,221

Depreciation was charged to government functions as follows:

General government	\$ 26,443
Protection to persons and property	11,530
Streets and maintenance	10,368
Recreation and culture	7,500
Total	\$ 55,841

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2022**  
*(Continued)*

**Note 8. Long-Term Debt**

**Governmental Activities**

**A. Changes in Long-term Debt**

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
Other debt	\$ 607,917	\$ 625,000	\$ 612,084	\$ 620,833	\$ 12,083
Total	<u>\$ 607,917</u>	<u>\$ 625,000</u>	<u>\$ 612,084</u>	<u>\$ 620,833</u>	<u>\$ 12,083</u>

**B. Other Debt**

Bonds and notes payable consists of the following as of June 30, 2022:

2021 Series F Lease – General Obligation Lease, interest at 2 – 2.5% with a maturity date of January 1, 2051.	\$ 620,833
Total other debt	\$ 620,833
Less: Current maturities	12,083
Total long-term bonds and notes payable	<u>\$ 608,750</u>

Principal and interest for long-term debt for governmental activities were due as follows:

<b><u>Year Ending June 30,</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>
2023	\$ 14,081	\$ 12,083
2024	13,550	15,000
2025	13,250	15,000
2026	12,950	15,000
2027	12,650	17,084
2028 – 2032	57,542	100,000
2033 – 2037	47,542	100,000
2038 – 2042	36,598	117,083
2043 – 2047	22,187	125,000
2048 – 2051	6,177	104,583
Total	<u>\$ 236,527</u>	<u>\$ 620,833</u>

**Note 9. Subsequent Events**

The City has evaluated and considered the need to recognize or disclose subsequent events through May 12, 2023, the date which the financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended June 30, 2022, have not been evaluated by the City.

Required Supplementary Information

**City of Campbellsburg  
Budgetary Comparison -  
Major Governmental Funds  
For the Year Ended June 30, 2022**

	<b>General Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 137,371	\$ 137,371	\$ 151,911	\$ 14,540
Intergovernmental	159,636	159,636	416,116	256,480
Licenses and permits	10,822	10,822	9,250	(1,572)
Charges for services	7,500	7,500	15,983	8,483
Miscellaneous	54,451	54,451	71,038	16,587
<b>Total revenues</b>	<b>\$ 369,780</b>	<b>\$ 369,780</b>	<b>\$ 664,298</b>	<b>\$ 294,518</b>
<b>Expenditures</b>				
General government	\$ 302,432	\$ 302,432	\$ 265,118	\$ 37,314
Protection to persons and property	37,705	37,705	21,401	16,304
Streets and maintenance	16,000	16,000	36,863	(20,863)
Recreation and culture	8,900	8,900	22,944	(14,044)
Debt service	46,500	46,500	30,226	16,274
Capital outlay	18,650	18,650	25,778	(7,128)
<b>Total expenditures</b>	<b>\$ 430,187</b>	<b>\$ 430,187</b>	<b>\$ 402,330</b>	<b>\$ 27,857</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (60,407)</b>	<b>\$ (60,407)</b>	<b>\$ 261,968</b>	<b>\$ 322,375</b>
<b>Net change in fund balance</b>	<b>\$ (60,407)</b>	<b>\$ (60,407)</b>	<b>\$ 261,968</b>	<b>\$ 322,375</b>
<b>Fund balance - Beginning</b>	<b>90,503</b>	<b>90,503</b>	<b>303,619</b>	<b>213,116</b>
<b>Fund balance - Ending</b>	<b>\$ 30,096</b>	<b>\$ 30,096</b>	<b>\$ 565,587</b>	<b>\$ 535,491</b>

**City of Campbellsburg**  
**Budgetary Comparison -**  
**Major Governmental Funds**  
**For the Year Ended June 30, 2022**  
*(Continued)*

	<b>Municipal Road Aid Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 16,406	\$ 16,406	\$ 15,934	\$ (472)
Miscellaneous	<u>12</u>	<u>12</u>	<u>1,526</u>	<u>1,514</u>
<b>Total revenues</b>	<u>\$ 16,418</u>	<u>\$ 16,418</u>	<u>\$ 17,460</u>	<u>\$ 1,042</u>
<b>Expenditures</b>				
Streets and maintenance	\$ 5,500	\$ 5,500	\$ 3,822	\$ 1,678
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>18,500</u>	<u>6,500</u>
<b>Total expenditures</b>	<u>\$ 30,500</u>	<u>\$ 30,500</u>	<u>\$ 22,322</u>	<u>\$ 8,178</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (14,082)</u>	<u>\$ (14,082)</u>	<u>\$ (4,862)</u>	<u>\$ 9,220</u>
<b>Net change in fund balance</b>	<u>\$ (14,082)</u>	<u>\$ (14,082)</u>	<u>\$ (4,862)</u>	<u>\$ 9,220</u>
<b>Fund balance - Beginning</b>	<u>40,711</u>	<u>40,711</u>	<u>42,081</u>	<u>1,370</u>
<b>Fund balance - Ending</b>	<u><u>\$ 26,629</u></u>	<u><u>\$ 26,629</u></u>	<u><u>\$ 37,219</u></u>	<u><u>\$ 10,590</u></u>

See the accompanying Notes to the Required Supplementary Information.

**City of Campbellsburg**  
**Schedule of Proportionate Share of the Net Pension**  
**Liability of County Employees Retirement Systems**  
**For the Year Ended June 30,**

	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>
Proportion of the collective net pension liability	0.003159%	0.003931%	0.003094%
Proportionate share of the net pension liability	\$ 102,000	\$ 169,047	\$ 152,322
Covered employee payroll	\$ 72,460	\$ 92,071	\$ 70,765
Proportionate share of the net pension liability as a percentage of its covered employee payroll	140.77%	183.61%	215.25%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%
	<u><b>2018</b></u>	<u><b>2019</b></u>	<u><b>2020</b></u>
Proportion of the collective net pension liability	0.002621%	0.002586%	0.001969%
Proportionate share of the net pension liability	\$ 153,415	\$ 157,495	\$ 138,481
Covered employee payroll	\$ 63,821	\$ 64,081	\$ 49,660
Proportionate share of the net pension liability as a percentage of its covered employee payroll	240.38%	245.77%	278.86%
Plan fiduciary net position as a percentage of the total pension liability	53.32%	53.54%	50.45%
	<u><b>2021</b></u>	<u><b>2022</b></u>	
Proportion of the collective net pension liability	0.002072%	0.002157%	
Proportionate share of the net pension liability	\$ 158,921	\$ 137,526	
Covered employee payroll	\$ 53,088	\$ 55,098	
Proportionate share of the net pension liability as a percentage of its covered employee payroll	299.36%	249.60%	
Plan fiduciary net position as a percentage of the total pension liability	47.81%	55.95%	

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

See the accompanying Notes to the Required Supplementary Information.

**City of Campbellsburg**  
**Schedule of Pension Contributions to**  
**County Employees Retirement Systems**  
**For the Year Ended June 30,**

	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>
Statutorily required contributions for pension	\$ 9,956	\$ 11,739	\$ 8,789	\$ 8,903
Less: Contributions	<u>9,956</u>	<u>11,739</u>	<u>8,789</u>	<u>8,903</u>
Contribution deficiency (excess)	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>
Covered employee payroll	\$ 72,460	\$ 92,071	\$ 70,765	\$ 63,821
Contributions as a percentage of its covered employee payroll	13.74%	12.75%	12.42%	13.95%
	<u><b>2018</b></u>	<u><b>2019</b></u>	<u><b>2020</b></u>	<u><b>2021</b></u>
Statutorily required contributions for pension	\$ 9,279	\$ 8,055	\$ 10,246	\$ 10,634
Less: Contributions	<u>9,279</u>	<u>8,055</u>	<u>10,246</u>	<u>10,634</u>
Contribution deficiency (excess)	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>
Covered employee payroll	\$ 64,081	\$ 49,660	\$ 53,088	\$ 55,098
Contributions as a percentage of its covered employee payroll	14.48%	16.22%	19.30%	19.30%
	<u><b>2022</b></u>			
Statutorily required contributions for pension	\$ 12,982			
Less: Contributions	<u>12,982</u>			
Contribution deficiency (excess)	\$ <u>          </u>			
Covered employee payroll	\$ 61,323			
Contributions as a percentage of its covered employee payroll	21.17%			

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

See the accompanying Notes to the Required Supplementary Information.



**City of Campbellsburg**  
**Schedule of Proportionate Share of the Net Other Postemployment Benefits**  
**Liability of County Employees Retirement Systems**  
**For the Year Ended June 30,**

	<u><b>2018</b></u>	<u><b>2019</b></u>	<u><b>2020</b></u>
Proportionate share of the collective net OPEB liability	0.002621%	0.002585%	0.001969%
Proportionate share of the net OPEB liability	\$ 52,691	\$ 45,896	\$ 33,118
Covered-employee payroll	\$ 63,821	\$ 64,081	\$ 49,660
Proportionate share of net OPEB liability as a percentage of its covered-employee payroll	82.56%	71.62%	66.69%
Plan fiduciary net position as a percentage of total OPEB liability	52.39%	57.62%	60.44%
	<u><b>2021</b></u>	<u><b>2022</b></u>	
Proportionate share of the collective net OPEB liability	0.002072%	0.002157%	
Proportionate share of the net OPEB liability	\$ 50,032	\$ 41,295	
Covered-employee payroll	\$ 53,088	\$ 55,098	
Proportionate share of net OPEB liability as a percentage of its covered-employee payroll	94.24%	74.95%	
Plan fiduciary net position as a percentage of total OPEB liability	51.67%	62.91%	

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

See the accompanying Notes to the Required Supplementary Information.

**City of Campbellsburg**  
**Schedule of Other Postemployment Benefits Contributions**  
**to County Employees Retirement Systems**  
**For the Year Ended June 30,**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Statutorily required contribution for OPEB	\$ 3,732	\$ 4,530	\$ 3,283	\$ 3,019
Less: Contributions	<u>3,732</u>	<u>4,530</u>	<u>3,283</u>	<u>3,019</u>
Contribution deficiency (excess)	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>
Covered employee payroll	\$ 72,460	\$ 92,071	\$ 70,765	\$ 63,821
Contributions as a percentage of its covered employee payroll	5.15%	4.92%	4.64%	4.73%
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Statutorily required contribution for OPEB	\$ 3,012	\$ 2,612	\$ 2,527	\$ 2,623
Less: Contributions	<u>3,012</u>	<u>2,612</u>	<u>2,527</u>	<u>2,623</u>
Contribution deficiency (excess)	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>
Covered employee payroll	\$ 64,081	\$ 49,660	\$ 53,088	\$ 55,098
Contributions as a percentage of its covered employee payroll	4.70%	5.26%	4.76%	4.76%
	<b>2022</b>			
Statutorily required contribution for OPEB	\$ <u>3,544</u>			
Less: Contributions	<u>3,544</u>			
Contribution deficiency (excess)	\$ <u>          </u>			
Covered employee payroll	\$ 61,323			
Contributions as a percentage of its covered employee payroll	5.78%			

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

See the accompanying Notes to the Required Supplementary Information.

**City of Campbellsburg**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2022**

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky. The Mayor is required to submit estimated receipts and proposed expenditures to the City Council by May 1 of each year. The budget, prepared by fund, function, and activity, is required to be adopted by the City Council by July 1. The City may change the original budget by transferring appropriations at the activity level or increasing the total budget. Expenditures may not exceed budgeted appropriations at the activity level. However, budgeted expenditures for the General Fund exceeded the budget for Streets and Maintenance, Recreation and Culture, and Capital Outlay by \$20,863, \$14,044, and \$7,128, respectively.

**Note 2. Pension and OPEB Information**

**Net Pension Liability**

The measurement date is 1 year preceding the fiscal year of the City.

**Net OPEB Liability**

The measurement date is 1 year preceding the fiscal year of the City.

**Contributions**

Contractually required employer contributions reported on the Schedule of Pension Contributions to County Employees Retirement Systems exclude the portion of contributions paid to CERS but allocated to the Insurance Fund of the CERS. The insurance contributions are reported on the Schedule of Other Postemployment Benefits Contributions to County Employees Retirement Systems.

**Payroll**

The City's covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability of County Employees Retirement Systems and the Schedule of Proportionate Share of the Net Other Postemployment Benefits Liability of County Employees Retirement Systems is 1 year prior to the City's fiscal year payroll as reported on the Schedule of Pension Contributions to County Employees Retirement Systems and Schedule of Other Postemployment Benefits Contributions to County Employees Retirement Systems.

**Note 3. Change of Assumptions**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of each fiscal year, for both pension and OPEB:

**June 30, 2021 – Pension and OPEB**

- The initial healthcare trend rate for pre-65 was changed from 6.4% to 6.3%. The initial healthcare trend rate for post-65 was changed from 2.9% to 6.3%.

**June 30, 2020 – Pension and OPEB**

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.4%. The initial healthcare trend rate for post-65 was changed from 5% to 2.9%.

**City of Campbellsburg**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2022**  
*(Continued)*

**Note 3. Change of Assumptions** *(Continued)*

**June 30, 2019 – Pension and OPEB**

- The assumed rate of salary increases was increased from 3.3% to 10.3%.

**June 30, 2018 – Pension and OPEB**

None.

**June 30, 2017 – Pension**

- The assumed rate of return was decreased from 7.5% to 6.25%;
- The assumed rate of inflation was reduced from 3.25% to 2.3%; and
- Payroll growth assumption was reduced from 4% to 2%;

**June 30, 2016 – Pension**

None.

**June 30, 2015 – Pension**

- The assumed rate of return was decreased from 7.75% to 7.5%;
- The assumed rate of inflation was reduced from 3.5% to 3.25%;
- The assumed rate of wage inflation was reduced from 1% to 0.75%;
- Payroll growth assumption was reduced from 4.5% to 4%;
- Mortality rates were based on the 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 (setback 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; and
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

**June 30, 2014 – Pension**

None.

**June 30, 2013 – Pension**

- The assumed rate of return was 7.75%;
- The assumed rate of inflation was 3.5%;
- The assumed rate of wage inflation was 1%;
- Payroll growth assumption was 4.5%; and
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

# Jones & Associates CPAs, PSC

## Certified Public Accountants



121 Prosperous Place, Suite 2A, Lexington, KY 40509 (859) 687-0303

To the Mayor and City Council of  
City of Campbellsburg, Kentucky

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

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Campbellsburg, Kentucky, as of and for the year ended June 30, 2022, and related notes to the financial statements, which collectively comprise the City of Campbellsburg, Kentucky's basic financial statements and have issued our report thereon dated May 12, 2023.

#### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Campbellsburg, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Campbellsburg, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Campbellsburg, 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the following deficiency described in the accompanying Schedule of Findings to be a material weakness: 2022 – 01.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Campbellsburg, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we did not express such an opinion.

**To the Mayor and City Council of  
City of Campbellsburg, Kentucky  
Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of the Financial Statements  
Performed in Accordance with *Government Auditing Standards*  
(Continued)**

**Report on Compliance and Other Matters (Continued)**

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of Campbellsburg, Kentucky's Response to Finding**

The City of Campbellsburg, Kentucky's response to the finding identified in our audit is described in the accompanying Schedule of Findings. Their response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

Respectfully submitted,

*Jones & Associates CPAs, PSC*

Jones & Associates CPAs, PSC  
Certified Public Accountants  
Lexington, Kentucky

May 12, 2023

**City of Campbellsburg  
Schedule of Findings  
June 30, 2022**

**Internal Control – Material Weaknesses and Significant Deficiencies**

**Finding Number 2022 – 01**

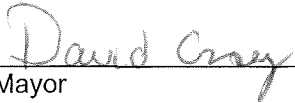
Condition:	The City cannot fully segregate the record-keeping, custodial, and authorization activities of its accounting function due to the size of its staff.
Cause:	The City cannot employ enough individuals to fully segregate the record-keeping, custodial, and authorization functions of its internal controls due to budget constraints.
Effect:	The risk of errors or fraud occurring and not being prevented or detected in a timely manner increases when accounting functions are not adequately segregated and sufficient controls are not in place.
Criteria:	Generally accepted accounting principles require that management design internal controls to provide reasonable assurance that unauthorized acquisition, use, or disposition of assets will be prevented or timely detected and corrected. A fundamental concept in a good system of internal control is segregation of duties.
Recommendation:	We realize that the City cannot fully segregate duties with the number of employees available. We recommend that management and the Council remain aware of this issue and continue to develop policies and procedures that segregate accounting functions as much as possible. This policy should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, signing checks, and handling any related assets.
Response:	The City will strive to separate the responsibilities of City employees as allowable under current budget constraints.

Certificate of Compliance –  
Local Government Economic Assistance Program



**Certificate of Compliance**  
**Local Government Economic Assistance Program**  
**City of Campbellsburg, Kentucky**  
**For the Fiscal Year Ended June 30, 2022**

The City of Campbellsburg, Kentucky hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
City Clerk



# CITY OF CAMPBELLSBURG

8142 MAIN STREET | POST OFFICE BOX 67 | CAMPBELLSBURG, KENTUCKY 40011

OFFICE: (502) 532-6050 | FAX: (502) 532-0039

May 9, 2023

To Whom It May Concern:

The City of Campbellsburg respectfully submits the following corrective action plan for the year ended June 30, 2022.

**Name and address of independent public accounting firm:** Jones & Associates CPAs, PSC, 121 Prosperous Place, Suite 2A, Lexington, KY 40509

**Audit Period:** Year Ended June 30, 2022

The findings from the June 30, 2022 Schedule of Findings are discussed below, along with our responses to those findings.

## Findings:

### Internal Control – Significant Deficiency and Material Weaknesses

#### Finding Number 2022 – 01

**Recommendation:** We realize that the City cannot fully segregate duties with the number of employees available. We recommend that management and the Council remain aware of this issue and continue to develop policies and procedures that segregate accounting functions as much as possible. This policy should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, signing checks, and handling any related assets.

**Response:** *The City will strive to separate the responsibilities of City employees as allowable under current budget constraints.*

**Status:** In Progress

**Implementation Date:** May 9, 2023

If there are questions regarding this corrective action plan, please contact Kim Boyer, City Clerk, City of Campbellsburg, Campbellsburg, Kentucky, 40011.

Sincerely,

A handwritten signature in blue ink that reads 'David Gray'. The signature is written in a cursive style.

David Gray  
Mayor