

CITY OF CAMPBELLSBURG  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2012

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Jon D. Chesser  
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Kentucky Offices:  
Louisville  
Brandenburg  
Bardstown

**INDEPENDENT AUDITORS' REPORT**

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated January 15, 2013 on our consideration of the City of Campbellsburg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 9 and page 35 be presented to supplement the basic financial statements. Such information, although not 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Campbellsburg, Kentucky's financial statements as a whole. The budgetary comparison information – special revenue fund are presented for purposes of additional analysis and is not a required part of the financial statements. The budgetary comparison information – special revenue fund are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Richardson, Pennington & Skinner, PSC*

Louisville, Kentucky  
January 15, 2013

**CITY OF CAMPBELLSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

This discussion and analysis is intended to be an easily readable analysis of the City of Campbellsburg (City) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the fiscal year ending June 30, 2012 by \$3,710,853 (net assets). Of this amount \$572,426 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$111,378 for the year ended June 30, 2012. The decrease of \$3,656 in the governmental funds can be attributed to an increase in expenses for the year.

**Overview of the Financial Statements**

Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, and the notes to the financial statements. The discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the City's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e., roads, improvements, and sewer lines, etc.) to assess the overall health or financial condition of the City. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but not used vacation leave). Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis of used in prior reporting models.

**CITY OF CAMPBELLSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2012**

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

- Governmental Activities – Most of the City's basic services are reported here, including the police, fire, parks and recreation, and general administration. Property taxes, franchise fees, and insurance premium taxes finance most of these activities.
- Business-type Activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Sewer system is reported here.

**Reporting the City's Most Significant Funds**

**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

- Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Special Revenue Fund.

- Proprietary funds – The City charges customers for the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City enterprise fund is identical to the business-type activities

**CITY OF CAMPBELLSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2012**

that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City maintains one enterprise fund. The City uses enterprise funds to account for its sewer services and garbage collection.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning budgetary comparative information for the general fund and for the special revenue fund.

**The City as a whole – Government-wide financial Analysis**

A condensed version of the Statement of Net Assets at June 30, 2012 and 2011 follows:

	2012	2011	2012	2011
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities
Cash and time deposits	\$ 511,098	\$ 507,858	\$ 238,913	\$ 243,427
Other assets	386,902	44,869	17,241	17,450
Capital assets	668,174	363,524	3,705,170	3,822,458
Total Assets	<u>1,566,174</u>	<u>916,251</u>	<u>3,961,324</u>	<u>4,083,335</u>
Other liabilities	32,256	20,756	37,749	37,038
Long-term outstanding	658,640	16,561	1,088,000	1,103,000
Total Liabilities	<u>690,896</u>	<u>37,317</u>	<u>1,125,749</u>	<u>1,140,038</u>
Invested in capital assets, net of debt	335,662	342,220	2,602,170	2,705,458
Restricted	84,234	-0-	116,361	117,665
Unrestricted	455,382	536,714	117,044	120,174
Total Net Assets	<u>\$ 875,278</u>	<u>\$ 878,934</u>	<u>\$ 2,835,575</u>	<u>\$ 2,943,297</u>

**CITY OF CAMPBELLSBURG**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2012**

During the year ended June 30, 2012 the construction on the Community Center and the construction of the train structure playground was the reason for that change in net assets.

A condensed version of the Statement of Activities follows at June 30, 2012 and 2011:

	2012	2011	2012	2011
	<u>Governmental</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Business-type</u>
	Activities	Activities	Activities	Activities
<u>Revenues</u>				
Program revenues				
Charges for services	\$ 42,361	\$ -0-	\$ 68,912	\$ 69,965
Grants	7,556	-0-	-0-	431,900
General Revenues				
Property taxes	108,098	91,794	-0-	-0-
Insurance premium tax	108,301	80,696	-0-	-0-
Other revenue	63,552	106,398	-0-	-0-
Interest income	2,238	4,226	818	1,295
Total Revenues	<u>332,106</u>	<u>283,114</u>	<u>69,730</u>	<u>503,160</u>
<u>Expenses</u>				
General Government	229,247	226,226	-0-	-0-
Police	23,227	28,592	-0-	-0-
Fire	29,445	10,355	-0-	-0-
Streets	7,656	4,499	-0-	-0-
Parks & Recreation	4,629	745	-0-	-0-
Sanitation	34,613	26,898	-0-	-0-
Operation	-0-	-0-	131,664	124,472
Interest	6,945	1,898	45,788	46,344
Total Expenses	<u>335,762</u>	<u>299,213</u>	<u>177,452</u>	<u>170,816</u>
Transfers	<u>-0-</u>	<u>35,320</u>	<u>-0-</u>	<u>(35,320)</u>
Total Transfers	-0-	35,320	-0-	(35,320)
Change in Net Assets	(3,656)	19,221	(107,722)	297,024
Beginning Net Assets	878,934	859,713	2,943,297	2,646,273
Ending Net Assets	<u>\$ 875,278</u>	<u>\$ 878,934</u>	<u>\$ 2,835,575</u>	<u>\$ 2,943,297</u>

**CITY OF CAMPBELLS BURG**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2012**

**Capital Assets**

At June 30, 2012, the City had \$2,937,832 invested in capital assets, consisting primarily of the sewer system and the Carrollton force main project that was constructed.

	Governmental Activities	Business-type Activities	Total
Land	\$ 13,718	\$ 19,400	\$ 33,118
Sewer System	-0-	4,867,101	4,867,101
Buildings & Improvements	589,265	-0-	589,265
Fixed assets held under capital lease	33,632	-0-	33,632
Machinery & equipment	271,057	23,307	294,364
Infrastructure	94,950	-0-	94,950
Subtotal	<u>1,002,622</u>	<u>4,909,808</u>	<u>5,912,430</u>
Accumulated depreciation	<u>(334,448)</u>	<u>(1,204,638)</u>	<u>(1,539,086)</u>
Capital assets, net	<u>\$ 668,174</u>	<u>\$ 3,705,170</u>	<u>\$ 4,373,344</u>

**Debt Outstanding**

At the year-end debt consisted of \$1,103,000 in outstanding bonds payable for the construction of the Carrollton force main project. In addition there was also debt outstanding for a vehicle consisting of \$14,496, and debt outstanding consisting of \$653,889 for the construction of the city's community center.

**Financial Contact**

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City Clerk at 8142 Main Street, Campbellsburg, Kentucky 40011.

**CITY OF CAMPBELLSBURG  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 511,098	\$ 238,913	\$ 750,011
Accounts receivable (net)	39,673	17,241	56,914
Prepaid expenses	11,356	-0-	11,356
Due from others	335,873	-0-	335,873
Total current assets	<u>898,000</u>	<u>256,154</u>	<u>1,154,154</u>
Noncurrent assets:			
Capital assets:			
Land	13,718	19,400	33,118
Fixed assets held under capital leases	33,632	-0-	33,632
Other capital assets	955,272	4,890,408	5,845,680
Less: Accumulated depreciation	<u>(334,448)</u>	<u>(1,204,638)</u>	<u>(1,539,086)</u>
Total capital assets	<u>668,174</u>	<u>3,705,170</u>	<u>4,373,344</u>
Total noncurrent assets	<u>668,174</u>	<u>3,705,170</u>	<u>4,373,344</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,566,174</u></b>	<b><u>\$ 3,961,324</u></b>	<b><u>\$ 5,527,498</u></b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 15,496	\$ -0-	\$ 15,496
Accrued liabilities	5,691	22,749	28,440
Current portion of obligations under capital leases	7,097	-0-	7,097
Current portion of bond payable	<u>5,972</u>	<u>15,000</u>	<u>20,972</u>
Total current liabilities	34,256	37,749	72,005
Noncurrent liabilities:			
Compensated absences	1,324	-0-	1,324
Obligations under capital lease	7,399	-0-	7,399
Bond payable	<u>647,917</u>	<u>1,088,000</u>	<u>1,735,917</u>
Total noncurrent liabilities	<u>656,640</u>	<u>1,088,000</u>	<u>1,744,640</u>
<b>TOTAL LIABILITIES</b>	<b>690,896</b>	<b>1,125,749</b>	<b>1,816,645</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	335,662	2,602,170	2,937,832
Restricted for:			
Streets	84,234	116,361	200,595
Unrestricted	<u>455,382</u>	<u>117,044</u>	<u>572,426</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 875,278</u></b>	<b><u>\$ 2,835,575</u></b>	<b><u>\$ 3,710,853</u></b>

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

CITY OF CAMPBELLSBURG  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities:							
General government	\$ 229,247	\$ 42,361			\$ (186,886)		\$ (186,886)
Police	23,227		\$ 7,556		(15,671)		(15,671)
Fire	29,445				(29,445)		(29,445)
Streets	7,656				(7,656)		(7,656)
Parks and recreation	4,629				(4,629)		(4,629)
Sanitation	34,613				(34,613)		(34,613)
Interest	6,945				(6,945)		(6,945)
Total governmental activities	335,762	42,361	7,556	-0-	(285,845)	-0-	(285,845)
Business-type activities:							
Sewer	177,452	68,912		-0-		(108,540)	(108,540)
Total business-type activities	\$ 177,452	\$ 68,912	\$ -0-	\$ -0-	\$ -0-	\$ (108,540)	\$ (394,385)
GENERAL REVENUES:							
					108,098		108,098
					108,301		108,301
					23,564		23,564
					135		135
					39,853		39,853
					2,238	818	3,056
					282,189	818	283,007
					(3,656)	(107,722)	(111,378)
					878,934	2,943,297	3,822,231
					\$ 875,278	\$ 2,835,575	\$ 3,710,853

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

**CITY OF CAMPBELLSBURG  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	TOTALS
<b>ASSETS</b>			
Cash	\$ 220,260	\$ 82,419	\$ 302,679
Certificates of deposit	206,604	1,815	208,419
Accounts receivable, net	39,673	-0-	39,673
Prepaid expenses	11,356	-0-	11,356
	<b>TOTAL ASSETS</b>	<b>\$ 84,234</b>	<b>\$ 562,127</b>
	<b>\$ 477,893</b>	<b>\$ 84,234</b>	<b>\$ 562,127</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 15,496	\$ -0-	\$ 15,496
Accrued liabilities	5,691	-0-	5,691
	<b>TOTAL LIABILITIES</b>	-0-	21,187
	21,187	-0-	21,187
<b>FUND BALANCES</b>			
Nonspendable	11,356	-0-	11,356
Restricted for:			
Street maintenance	-0-	84,234	84,234
Unassigned	445,350	-0-	445,350
	<b>TOTAL FUND BALANCES</b>	84,234	540,940
	456,706	84,234	540,940
	<b>\$ 477,893</b>	<b>\$ 84,234</b>	<b>\$ 562,127</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>			

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

CITY OF CAMPBELLSBURG  
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET  
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF  
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS  
JUNE 30, 2012

Fund balances - total governmental funds	\$	540,940
Amounts reported for governmental activities in the statement of net assets (Pg. 10) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (see Note 11).		668,174
Due from others governmental asset is not due and receivable in the current period and therefore is not reported in the funds.		335,873
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (See Note 9)		
Compensated absences	\$	1,324
Obligations under capital lease and bonds payable		<u>668,385</u>
		<u>(669,709)</u>
Net assets of governmental activities (See Pg. 10 & 11)	\$	<u><u>875,278</u></u>

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

**CITY OF CAMPBELLSBURG**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	GOVERNMENTAL FUND TYPES		TOTALS
	GENERAL	SPECIAL REVENUE	
<b>REVENUES</b>			
Property taxes	\$ 108,098	\$ -0-	\$ 108,098
Insurance premium tax	108,301	-0-	108,301
Franchise taxes	23,564	-0-	23,564
Bank deposit tax	135	-0-	135
Business licenses	4,500	-0-	4,500
Sanitation receipts	37,861	-0-	37,861
Interest on investments and deposits	2,103	135	2,238
Community center funds	1,645	-0-	1,645
Miscellaneous	16,471	3,014	19,485
Intergovernment:			
HB 272	727	-0-	727
Grants HB 413	5,654	-0-	5,654
Municipal road aid	-0-	17,670	17,670
Severance tax - LGEA	-0-	1,053	1,053
Police incentive	1,175	-0-	1,175
<b>TOTAL REVENUES</b>	<b>310,234</b>	<b>21,872</b>	<b>332,106</b>
<b>EXPENDITURES</b>			
General government	200,389	-0-	200,389
Public safety:			
Police department	22,792	-0-	22,792
Fire department	17,500	-0-	17,500
Street department	-0-	5,220	5,220
Parks and recreation	879	-0-	879
Community center	10,217	-0-	10,217
Sanitation	34,613	-0-	34,613
Debt service:			
Principal	7,919	-0-	7,919
Interest	6,945	-0-	6,945
Capital outlay	322,948	19,650	342,598
<b>TOTAL EXPENDITURES</b>	<b>624,202</b>	<b>24,870</b>	<b>649,072</b>
<b>OTHER SOURCES (USES)</b>			
Bond proceeds	319,127	-0-	319,127
<b>TOTAL OTHER SOURCES (USES)</b>	<b>319,127</b>	<b>-0-</b>	<b>319,127</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>5,159</b>	<b>(2,998)</b>	<b>2,161</b>
<b>FUND BALANCE, JULY 1</b>	<b>451,547</b>	<b>87,232</b>	<b>538,779</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 456,706</b>	<b>\$ 84,234</b>	<b>\$ 540,940</b>

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

**CITY OF CAMPBELLSBURG  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds		\$ 2,161
Amounts reported for governmental activities in the statement of activities are different because:		
<p style="margin-left: 40px;">Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$ 342,598	
Depreciation expense	<u>(37,948)</u>	304,650
<p style="margin-left: 40px;">The amount of bond proceeds are recorded in the governmental funds, but increase the liabilities in the government-wide statements. This is the amount:</p>		
		(319,127)
<p style="margin-left: 40px;">The decrease in compensated absences liability does not increase the current financial resources but is recorded as a decrease to expenses in the statement of activities.</p>		
Difference in compensated absences liability		741
<p style="margin-left: 40px;">Payments on a capital lease and bonds payable are recorded as an expense in the governmental funds, but is allocated to principal and interest in the government-wide statements.</p>		
Total payments	\$ 14,864	
Interest portion of payments	<u>(6,945)</u>	<u>7,919</u>
Change in net assets of governmental funds in Statement of Activities (See pg. 11)		<u>\$ (3,656)</u>

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

**CITY OF CAMPBELLSBURG  
STATEMENT OF NET ASSETS  
SEWER FUND (BUSINESS-TYPE ACTIVITIES)  
JUNE 30, 2012**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 238,913
Accounts receivable, net	17,241
Total current assets	256,154

Noncurrent assets:

Capital assets

Land	19,400
Other capital assets, net of depreciation	3,685,770
Total noncurrent assets	3,705,170

<b>TOTAL ASSETS</b>	<b>\$ 3,961,324</b>
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**LIABILITIES**

Current liabilities:

Interest payable	\$ 22,749
Current portion of bonds payable	15,000
Total current liabilities	37,749

Noncurrent liabilities:

Bonds payable	1,088,000
Total noncurrent liabilities	1,088,000

<b>TOTAL LIABILITIES</b>	<b>\$ 1,125,749</b>
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**NET ASSETS**

Invested in capital assets, net of related debt	2,602,170
Restricted	116,361
Unrestricted	117,044
Total net assets	2,835,575

<b>TOTAL NET ASSETS</b>	<b>\$ 2,835,575</b>
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The notes to the financial statements are an integral part of this statement.

**CITY OF CAMPBELLSBURG**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**SEWER FUND (BUSINESS-TYPE ACTIVITIES)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Operating Revenues:	
Charges for services	\$ 68,900
Miscellaneous	12
Total operating revenues	68,912
Operating expenses:	
Operations and maintenance	8,029
Depreciation	123,635
Total operating expenses	131,664
Operating income (loss)	(62,752)
Non-operating revenues (expenses):	
Interest and investment earnings	818
Interest expense	(45,788)
Net non-operating revenues (expenses)	(44,970)
Change in net assets	(107,722)
Total net assets at beginning of year	2,943,297
Total net assets at end of year	\$ 2,835,575

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

**CITY OF CAMPBELLSBURG  
STATEMENT OF CASH FLOWS  
SEWER FUND (BUSINESS-TYPE ACTIVITIES)  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 69,121
Cash payments to suppliers for goods and services	(8,318)
Net cash used by operating activities	60,803
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of assets	(6,347)
Net cash used by capital and related financing activities	(6,347)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	818
Bond principal payment	(14,000)
Interest expense	(45,788)
Net cash used for investing activities	(58,970)
Net decrease in cash and cash equivalents	(4,514)
Cash and cash equivalents - beginning of the year	243,427
Cash and cash equivalents - end of the year	\$ 238,913
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (62,752)
Adjustments	
Depreciation	123,635
Net changes in assets and liabilities	
Accounts receivable	209
Other	(289)
Net cash used by operating activities	\$ 60,803

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

**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Campbellsburg, Kentucky is incorporated and operates under a Mayor-Council form of government and provides traditional municipal services. As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements present the activities of the City (the Primary Government) and its component units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. FASB guidance issued subsequent to this date is not followed.

The accounting reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of these Notes. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2012.

Reporting Entity

City of Campbellsburg, Kentucky is a city in which citizens elect the mayor and six council members. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Due to restrictions of the Commonwealth of Kentucky relating to the issuance of municipal debt, the City created the Campbellsburg Public Properties Corporation for non-general obligation financing. Financing services provided by this Corporation are solely for the benefit of the primary government. The board of this blended component unit is the same as the primary government. This Corporation is blended into the City's primary government although retaining legal identity.

BASIC FINANCIAL STATEMENTS

Basic financial statements consist of the following:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the basic financial statements.

**CITY OF CAMPBELLSBURG**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information of all the nonfiduciary activities of the Primary Government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities for the City include general government, public safety (police and fire), public improvements, parks and recreation, and general administrative support services. The business-type activities of the City include the Sewer System.

The statement of activities demonstrates the degree to which expenses of a given function are offset by program revenues. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and 2) grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City allocates certain indirect costs to be included in the program expense reported for individual functions and activities in the government-wide statement of activities.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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, as are the proprietary funds and the fiduciary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**CITY OF CAMPBELLSBURG**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as 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. The City in general considers revenues available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatched interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

For the governmental funds financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales tax, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met.

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

A similar reconciliation is included on the statement of revenues, expenditures and changes in fund balances for the governmental funds. These adjustments reflect the transition from the modified accrual accounting for governmental funds to the accrual basis of accounting for the statement of activities. Capital outlay is replaced with depreciation expense.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing activities. The principal operating revenues of the City's utilities are charges to the customers for services. Operating expenses for proprietary funds include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**CITY OF CAMPBELLSBURG**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental fund:

- The General Fund is the City's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other funds.

The City reports the following major proprietary fund:

- The Sewer Fund accounts for the activities of providing sewer service to the citizens of the City. The services are provided and billed by Carrolton Utilities.

Use of Estimates

The preparation of basic financial statements in accordance with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, traffic lights and signals, street lights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$1,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the City are depreciated using a straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 to 50
Improvements other than buildings	10 to 40
Infrastructure	15 to 75
Utility Systems	20 to 40
Machinery and equipment	5 to 15

As a result of the implementation of GASB 34, the City is accounting for infrastructure assets on its financial statements. The government-wide financial statements include those infrastructure assets that were either completed during the current fiscal year or considered construction in progress at current fiscal year-end. However, the government-wide financial statements do not reflect those infrastructure assets completed prior to July 1, 2001.

Net Assets and Fund Equity

In the government-wide financial statements and proprietary funds financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. The City's restricted net assets are temporarily restricted (ultimately expendable) assets. All other net assets are considered unrestricted.

It is the policy of the City to spend restricted funds when both restricted and unrestricted funds are available. Once restricted funds are spent then committed, assigned and unassigned funds are spent in that order.

**CITY OF CAMPBELLSBURG**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budget Policy and Practice

In accordance with the City policies, prior to June 1, the Mayor submits to the City Council a proposed operating budget in the form of an ordinance for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The City budget is submitted in summary form. Public hearings are conducted to obtain taxpayer comment. The approved budget ordinance is then published. Budgets for the General Fund, the Special Revenue Fund and the Proprietary Fund are adopted. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) and appropriations lapse at the end of each fiscal year. The budget was not amended during the year.

Compensated Absences

Each full-time employee is granted sick leave at the rate of one day per month and each part-time employee at one-half of the full-time rate. Unused sick leave can be accumulated. A portion of vacation time not taken during the year is accumulated. The City accrues a liability for compensated absences which meet the following criteria:

1. The City's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the City has accrued a liability for vacation pay which has been earned but not taken by City employees.

The City has not accrued a liability for sick leave which has been earned but not taken by City employees that did not meet the above criteria.

Statement of Cash Flows, Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the City considers all highly liquid investments (certificates of deposit) to be cash equivalents.

**CITY OF CAMPBELLSBURG**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Long-Term Liabilities

In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**NOTE 2 – CASH AND INVESTMENTS**

At year-end, the carrying amount of the City's deposits (checking and savings accounts) was \$486,215 and the bank balance was \$495,743. Of the bank balance, all deposits were covered by federal depository insurance or by collateral held in the pledging bank's trust department or by its agent in the City's name.

The City maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the City and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution on its loan committee, which approval must be reflected in the minutes of the board of committee, and (c) an official record of the depository institution.

Investments at June 30, 2012 were all certificates of deposit in one financial institution. The carrying amount and bank balances of \$266,388 were the same amount for the certificates of deposit, and the total investment was covered by federal depository insurance and by collateral held by its agent in the City's name.

**NOTE 3 – RECEIVABLES AND PAYABLES**

Outstanding balances between funds are reported as interfund receivables/interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

All receivables are shown net of an allowance for uncollectible accounts and estimated refunds due. As of June 30, 2012 the allowance for uncollectible accounts for governmental activities was \$-0-.

**CITY OF CAMPBELLSBURG**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 4 – EMPLOYEE RETIREMENT BENEFITS**

The Government contributes to the Commonwealth of Kentucky's County Employees' Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county and school board and any additional eligible local agencies electing to participate in the System. Beginning October 27, 1975, all eligible full-time employees of the Government were required to participate in CERS. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601, or by telephone at (502) 696-8800.

Nonhazardous covered employees are required to contribute 5% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6% of their salary to the plan. For the year ended June 30, 2012 and 2011, the Government's contribution rate for nonhazardous employees was 18.96% and 16.93%, respectively.

Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. For the year ended June 30, 2012 and 2011, the Government's contribution rate for hazardous employees was 35.76% and 33.25%, respectively.

The contribution requirements and the amounts contributed to CERS were \$303,181, \$272,485, and \$276,325, respectively for the years ended June 30, 2012, 2011 and 2010.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 4 – EMPLOYEE RETIREMENT BENEFITS (CONTINUED)**

CERS also provides post-retirement health coverage as follows:

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

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

**NOTE 5 – STATE GOVERNMENTAL AID**

The Special Revenue Fund accounts for the allocation of Municipal Road Aid funds from the state which are for design, right-of-way acquisitions, relocation of utilities, construction and other municipal road expenditures. Funds received by the City from the Municipal Road Aid program were expended as required. The Local Government Economic Assistance and the Coal and Mineral Severance Tax received from the state are both accounted for in the Special Revenue Fund.

**NOTE 6 – INTER-LOCAL AGREEMENT**

The City signed an inter-local agreement on September 27, 2005 providing for a regional sewer system with the City of Carrollton providing sewer service to the City of Campbellsburg.

**NOTE 7 – GRANTS**

The City was awarded the following grants from the Commonwealth of Kentucky. These grants are for the construction of the force main to Carrollton project. The project number is SX21103002. Details of the grants are as follows:

Grant ID #145T-2005 executed March 22, 2006 from infrastructure for economic development for tobacco/coal producing counties which is managed by the Kentucky Infrastructure Authority. The full amount of \$750,000 was received in the prior year.

Grant ID#343N-2007 from infrastructure for economic development fund for 2007 in the amount of \$1,000,000. The full amount of \$1,000,000 was received in the prior year.

**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 7 – GRANTS (CONTINUED)**

On September 6, 2006, the City was awarded a wastewater grant from the United States Department of Agriculture – Rural Utilities Service. The amount is \$495,000 or 13.83% of development costs, whichever is the lesser. At June 30, 2012 \$495,000 had been requested and received.

**NOTE 8 – CITY OF CAMPBELLSBURG SEWER SYSTEM REVENUE BONDS, SERIES 2006**

For the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the sewer system of the City in accordance with plans and specifications proposed by Tetra Tech, Inc. On June 15, 2007 the City issued revenue bonds in the amount of \$1,155,000. The bonds mature annually from January 1, 2009 to January 1, 2046 in varying amounts from \$12,000 to \$58,000. Interest at 4.125% per annum is payable January 1 and July 1. The bonds are payable from and secured by the gross revenue derived from the operation of the sewer system. Monthly deposits of \$525 were paid to a deprecation fund until the amount of \$63,000 had been accumulated. Also, 1/6 of the six month interest payment and 1/12 of the annual principal payment is to be deposited in a sinking fund. A summary of the bond principal and interest payments to maturity are as follows:

<u>For the year ending,</u>	<u>Interest</u>	<u>Principal</u>	<u>Outstanding</u>
			\$ 1,103,000
June 30, 2013	45,499	15,000	1,088,000
June 30, 2014	44,880	15,000	1,073,000
June 30, 2015	44,261	16,000	1,057,000
June 30, 2016	43,601	17,000	1,040,000
June 30, 2017	42,900	17,000	1,023,000
	<u>221,141</u>	<u>80,000</u>	
June 30, 2018 - June 30, 2022	203,157	100,000	923,000
June 30, 2023 - June 30, 2027	180,469	125,000	798,000
June 30, 2028 - June 30, 2032	152,585	152,000	646,000
June 30, 2033 - June 30, 2037	118,265	189,000	457,000
June 30, 2038 - June 30, 2042	75,694	235,000	222,000
June 30, 2043 - June 30, 2046	23,142	222,000	\$ -0-
	<u>753,312</u>	<u>1,023,000</u>	
Totals	<u>\$ 974,453</u>	<u>\$ 1,103,000</u>	

**CITY OF CAMPBELLSBURG**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 9 – CITY OF CAMPBELLSBURG FINANCING PROGRAM REVENUE BONDS, 2012 SERIES A**

For the purpose of financing the acquisition and construction of the Campbellsburg Station which is a multi-purpose facility including a custom playground, community center and enhanced parking area for the downtown core, the city has issued bonds on March 29, 2012 in the amount of \$655,000. Principal and interest at approximately 4% per annum is payable on a monthly basis. A general obligation pledge to assess sufficient taxes to comply with the obligation to pay lease payments on the lease is included.

<u>For the year ending,</u>	<u>Interest</u>	<u>Principal</u>	<u>Outstanding</u>
			\$ 653,889
June 30, 2013	28,757	5,972	647,917
June 30, 2014	27,655	5,000	642,917
June 30, 2015	27,518	5,000	637,917
June 30, 2016	27,370	5,000	632,917
June 30, 2017	27,207	5,000	627,917
	<u>138,507</u>	<u>25,972</u>	
June 30, 2018 - June 30, 2022	133,594	35,417	592,500
June 30, 2023 - June 30, 2027	117,645	159,166	433,334
June 30, 2028 - June 30, 2032	80,307	207,083	226,251
June 30, 2033 - June 30, 2037	31,668	226,251	-0-
	<u>363,214</u>	<u>627,917</u>	
Totals	<u>\$ 501,721</u>	<u>\$ 653,889</u>	

**NOTE 10 – LONG-TERM DEBT**

The summary of long-term liability for the year ended June 30, 2012 is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Bond payable	\$ 1,117,000	\$ -0-	\$ 14,000	\$ 1,103,000	\$ 15,000
Bond payable	-0-	655,000	1,111	653,889	5,972
Obligation under capital lease	21,304	-0-	6,808	14,496	7,097
Compensated absences	2,065	-0-	741	1,324	-0-
Totals	<u>\$ 1,140,369</u>	<u>\$ 655,000</u>	<u>\$ 22,660</u>	<u>\$ 1,772,709</u>	<u>\$ 28,069</u>

**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 11 – CAPITAL LEASES PAYABLE**

A summary of leases payable follows:

5 year lease payable to Leasing One Corporation due on the 1<sup>st</sup> of November each year in installments of \$7,528 at a fixed interest rate of 4.163% for a Ford F-250

\$ 14,496  
\$ 14,496

Required minimum future capital lease payments are estimated as follows:

Year ending <u>June 30,</u>	
2013	\$ 7,528
2014	7,528
2015	-0-
2016	-0-
2017	<u>-0-</u>
Net minimum lease payments	15,056
Less amount representing interest	<u>(560)</u>
Present value of net minimum lease payments	<u>\$ 14,496</u>

**NOTE 12 – CAPITAL ASSETS AND DEPRECIATION**

Depreciation expense is charged to functions as follows:

Governmental Activities

General Government	\$ 19,311
Police	506
Fire	11,945
Streets	2,436
Parks and Recreation	<u>3,750</u>
	<u>\$ 37,948</u>

**CITY OF CAMPBELLSBURG**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 12 – CAPITAL ASSETS AND DEPRECIATION (CONTINUED)**

A summary of changes in general fixed assets follows:

<b>PRIMARY GOVERNMENT</b>	<b>Balance</b>			<b>Balance</b>			
	<b>July 1, 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>July 1, 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2012</b>
<b>Governmental activities:</b>							
Nondepreciable assets:							
Land	\$ 13,718	\$ -0-	\$ -0-	\$ 13,718			\$ 13,718
Total nondepreciable assets	13,718	-0-	-0-	13,718			13,718
Depreciable assets:							
Buildings and improvements	\$ 269,580	\$ 319,685	\$ -0-	\$ 589,265			\$ 589,265
Machinery and equipment	267,794	3,263	-0-	271,057			271,057
Asset held under capital lease	33,632	-0-	-0-	33,632			33,632
Infrastructure	75,300	19,650	-0-	94,950			94,950
Total depreciable assets	646,306	342,598	-0-	988,904			988,904
Total capital assets	\$ 660,024	\$ 342,598	\$ -0-	\$ 1,002,622			\$ 1,002,622
Accumulated depreciation:							
Buildings and improvements	\$ (75,802)	\$ (12,834)	\$ -0-	\$ (88,636)			\$ (88,636)
Machinery and equipment	(141,699)	(17,051)	-0-	(158,750)			(158,750)
Asset held under capital lease	(11,210)	(6,727)	-0-	(17,937)			(17,937)
Infrastructure	(67,789)	(1,336)	-0-	(69,125)			(69,125)
Total accumulated depreciation	(296,500)	(37,948)	-0-	(334,448)			(334,448)
Total depreciable assets, net	349,806	304,650	-0-	654,456			654,456
<b>Governmental activities capital assets, net</b>	<b>\$ 363,524</b>	<b>\$ 304,650</b>	<b>\$ -0-</b>	<b>\$ 668,174</b>			<b>\$ 668,174</b>
<b>Business-type activities:</b>							
Nondepreciable assets:							
Land	\$ 19,400	\$ -0-	\$ -0-	\$ 19,400			\$ 19,400
Total nondepreciable assets	19,400	-0-	-0-	19,400			19,400
Depreciable assets:							
Sewer systems	4,860,754	6,347	-0-	4,867,101			4,867,101
Machinery and equipment	23,307	-0-	-0-	23,307			23,307
Total depreciable assets	4,884,061	6,347	-0-	4,890,408			4,890,408
Total capital assets	\$ 4,903,461	\$ 6,347	\$ -0-	\$ 4,909,808			\$ 4,909,808
Accumulated depreciation:							
Sewer systems	\$ (1,059,567)	\$ (123,170)	\$ -0-	\$ (1,182,737)			\$ (1,182,737)
Machinery and equipment	(21,436)	(465)	-0-	(21,901)			(21,901)
Total accumulated depreciation	(1,081,003)	(123,635)	-0-	(1,204,638)			(1,204,638)
Total depreciable assets, net	3,803,058	(117,288)	-0-	3,685,770			3,685,770
<b>Business-type activities capital assets, net</b>	<b>\$ 3,822,458</b>	<b>\$ (117,288)</b>	<b>\$ -0-</b>	<b>\$ 3,705,170</b>			<b>\$ 3,705,170</b>
<b>Total Capital assets</b>	<b>\$ 4,185,982</b>	<b>\$ 187,362</b>	<b>\$ -0-</b>	<b>\$ 4,373,344</b>			<b>\$ 4,373,344</b>

**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 12 – FORCE MAIN TO CARROLLTON PROJECT**

On April 23, 1999, the City entered into an agreed order with the Commonwealth of Kentucky Division of Water. The City placed a surcharge, which is still in place, on all users of City utilities to help cover the cost of this agreed order. This agreed order was superseded by Agreed Order No. 98179 dated August 13, 2001. The City has entered into a contract with Salmon Construction for the construction of a force main to connect to the City of Carrollton regional wastewater treatment center. The cost of this project is budgeted at \$3,580,000 and is to be financed as follows:

Local Contribution	\$ 180,000
KIA TDF Grant	750,000
KIA TDF Grant	1,000,000
Rural Development Grant	495,000
Rural Development Loan	1,155,000

The total completed cost in prior years on Phase I of the project was \$2,883,528 and on Phase II of the project was \$773,826. This project has been completed.

**NOTE 13 - RISK MANAGEMENT**

The City of Campbellsburg is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City currently carries property and general liability insurance through the Selective Insurance Company. Workman's Compensation insurance is carried through the Kentucky League of Cities. The City reports all of its risk management activities in its General Fund.

**NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used by the City in estimating its fair value disclosures for financial instruments:

- Cash and cash equivalents and certificates of deposit: The carrying amounts reported in the statement of net assets approximate fair values because of the short maturities of those instruments.

**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The estimated fair values of the City's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 483,623	\$ 483,623
Certificates of deposit	<u>266,388</u>	<u>266,388</u>
	<u>\$ 750,011</u>	<u>\$ 750,011</u>

**NOTE 15 - FUND BALANCES**

The City of Campbellsburg has implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable - includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2012 by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes. Committed fund balances are reported pursuant to ordinances passed by the City Council, the City's highest level of decision making authority.
- Assigned - includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balances.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. In the Special Revenue Fund, the unassigned classification is only used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF CAMPBELLSBURG**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 82,500	\$ 103,455	\$ 108,098	\$ 4,643
Insurance premium taxes	120,000	110,505	108,301	(2,204)
Franchise taxes	20,000	19,368	23,564	4,196
Bank deposit tax	-0-	-0-	135	135
Business licenses	3,000	4,500	4,500	-0-
Sanitation receipts	35,000	37,326	37,861	535
Interest on investments and deposits	3,000	1,163	2,103	940
Community center funds	-0-	-0-	1,645	1,645
Miscellaneous income	500	6,864	16,471	9,607
Intergovernment:				
HB 272	736	727	727	-0-
Grants HB 413	2,500	5,654	5,654	-0-
Police incentive	-0-	-0-	1,175	1,175
<b>TOTAL REVENUES</b>	<u>267,236</u>	<u>289,562</u>	<u>310,234</u>	<u>20,672</u>
<b>EXPENDITURES</b>				
General government	251,284	252,338	200,389	(51,949)
Public safety				
Police department	8,300	8,300	22,792	14,492
Fire department	20,000	20,000	17,500	(2,500)
Parks and recreation	-0-	-0-	879	879
Community center	-0-	-0-	10,217	10,217
Sanitation	57,000	66,902	34,613	(32,289)
Debt service	-0-	-0-	14,864	14,864
Capital outlay	47,728	545,584	322,948	(222,636)
<b>TOTAL EXPENDITURES</b>	<u>384,312</u>	<u>893,124</u>	<u>624,202</u>	<u>(268,922)</u>
<b>OTHER SOURCES (USES)</b>				
Bond proceeds	-0-	476,158	319,127	(157,031)
<b>TOTAL OTHER SOURCES (USES)</b>	<u>-0-</u>	<u>476,158</u>	<u>319,127</u>	<u>(157,031)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(117,076)	(127,404)	5,159	132,563
<b>FUND BALANCE, JULY 1</b>	<u>451,547</u>	<u>451,547</u>	<u>451,547</u>	<u>-0-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 334,471</u>	<u>\$ 324,143</u>	<u>\$ 456,706</u>	<u>\$ 132,563</u>

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

**CITY OF CAMPBELLSBURG**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Interest on investments and deposits	\$ -0-	\$ -0-	\$ 135	\$ 135
Miscellaneous	26,228	-0-	3,014	3,014
Intergovernment:				
Municipal road aid	17,300	21,843	17,670	(4,173)
Severance tax - LGEA	-0-	-0-	1,053	1,053
<b>TOTAL REVENUES</b>	<b>43,528</b>	<b>21,843</b>	<b>21,872</b>	<b>29</b>
<b>EXPENDITURES</b>				
Street department	25,000	5,000	5,220	220
Capital outlay	32,750	20,000	19,650	(350)
<b>TOTAL EXPENDITURES</b>	<b>57,750</b>	<b>25,000</b>	<b>24,870</b>	<b>(130)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(14,222)</b>	<b>(3,157)</b>	<b>(2,998)</b>	<b>159</b>
<b>FUND BALANCE, JULY 1</b>	<b>87,232</b>	<b>87,232</b>	<b>87,232</b>	<b>-0-</b>
<b>FUND BALANE, JUNE 30</b>	<b>\$ 73,010</b>	<b>\$ 84,075</b>	<b>\$ 84,234</b>	<b>\$ 159</b>

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

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

Kentucky Offices:  
Louisville  
Brandenburg  
Bardstown

**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**

Mayor and Members of the City Council  
Campbellsburg, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Campbellsburg, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the City of Campbellsburg, Kentucky's basic financial statements and have issued our report thereon dated January 15, 2013. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Campbellsburg, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion the effectiveness of the City of Campbellsburg, KY's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Campbellsburg, Kentucky's internal control over financial reporting.

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

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

that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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.

The auditor suggested that procedures should be implemented requiring approval, recordkeeping and reconciliation to be completed by different employees to obtain proper segregation of duties. Management's response was that due to the limited size of the administrative staff proper segregation of duties was not possible, but steps would be taken to segregate duties as much as possible.

City of Campbellsburg, Kentucky's response to the findings identified in our audit is described above. We did not audit City of Campbellsburg, Kentucky's response and, accordingly, we express no opinion on it.

### Compliance and Other Matters

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

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

*Richardson, Pennington & Skinner, PSC*

Louisville, Kentucky  
January 15, 2013

**CITY OF CAMPBELLSBURG  
LIST OF COUNCIL MEMBERS  
JUNE 30, 2012**

<u>NAME</u>	<u>POSITION</u>	<u>ADDRESS</u>	<u>TERM EXPIRES</u>
Rex Morgan	Mayor	Campbellsburg, KY 40011	December 31, 2014
Patricia Tindall	City Clerk & Treasurer	Campbellsburg, KY 40011	
Lorraine Hawkins	Member	Campbellsburg, KY 40011	December 31, 2012
Jason Stanley	Member	Campbellsburg, KY 40011	December 31, 2012
John Suter	Member	Campbellsburg, KY 40011	December 31, 2012
Sharen Clem	Member	Campbellsburg, KY 40011	December 31, 2012
Shelley Noe	Member	Campbellsburg, KY 40011	December 31, 2012
Earl Higgins	Member	Campbellsburg, KY 40011	December 31, 2012

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

Kentucky Offices:  
Louisville  
Brandenburg  
Bardstown

**CITY OF CAMPBELLSBURG**

**AUDITORS' CERTIFICATION**

**JUNE 30, 2012**

We certify that as part of our examination of the basic financial statements we examined those local government economic assistance funds granted to the City of Campbellsburg, and that those funds were expended for the purpose intended.

*Richardson, Pennington & Skinner, PSC*

Louisville, Kentucky  
January 15, 2013