

CITY OF CAMPBELLSBURG  
AUDITED FINANCIAL STATEMETNS  
JUNE 30, 2011

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

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, 2011, 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, 2011, 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 November 1, 2011 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 34 through 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.

*Richardson, Pennington & Skinner, PSC*

Louisville, Kentucky

November 1, 2011

**CITY OF CAMPBELLSBURG**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

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, 2011 by \$3,882,231 (net assets). Of this amount \$656,888 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$316,245 for the year ended June 30, 2011. The increase of \$19,221 in the governmental funds can be attributed to an increase in income 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 basis 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, 2011**

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, 2011**

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, 2011 and 2010 follows:

	2011 Governmental Activities	2010 Governmental Activities	2011 Business-type Activities	2010 Business-type Activities
Cash and time deposits	\$ 507,858	\$ 572,732	\$ 243,427	\$ 456,514
Other assets	44,869	43,481	17,450	17,663
Capital assets	363,524	288,135	3,822,458	3,508,664
Total Assets	916,251	904,348	4,083,335	3,982,841
Other liabilities	20,756	21,726	37,038	219,568
Long-term outstanding	16,561	22,909	1,103,000	1,117,000
Total Liabilities	37,317	44,635	1,140,038	1,336,568
Invested in capital assets, net of debt	342,220	261,201	2,705,458	2,378,664
Restricted	-0-	78,185	117,665	305,559
Unrestricted	536,714	520,327	120,174	(37,950)
Total Net Assets	\$ 878,934	\$ 859,713	\$ 2,943,297	\$ 2,646,273

**CITY OF CAMPBELLSBURG**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2011**

During the year ended June 30, 2011 the construction in progress of the Carrollton force main project was a significant change in net assets.

A condensed version of the Statement of Activities follows at June 30, 2011 and 2010:

	2011 Governmental Activities	2010 Governmental Activities	2011 Business-type Activities	2010 Business-type Activities
<u>Revenues</u>				
Program revenues				
Charges for services	\$ -0-	\$ -0-	\$ 69,965	\$ 71,146
Grants	-0-	-0-	431,900	-0-
General Revenues				
Property taxes	91,794	90,641	-0-	-0-
Insurance premium tax	80,696	84,850	-0-	-0-
Other revenue	106,398	97,909	-0-	-0-
Interest income	4,226	6,471	1,295	4,029
Total Revenues	<u>283,114</u>	<u>279,871</u>	<u>503,160</u>	<u>75,175</u>
<u>Expenses</u>				
General Government	226,226	195,272	-0-	-0-
Police	28,592	40,904	-0-	-0-
Fire	10,355	22,625	-0-	-0-
Streets	4,499	182	-0-	-0-
Parks & Recreation	745	2,805	-0-	-0-
Sanitation	26,898	30,877	-0-	-0-
Operation	-0-	-0-	124,472	118,690
Interest	1,898	-0-	46,344	46,881
Total Expenses	<u>299,213</u>	<u>292,665</u>	<u>170,816</u>	<u>165,571</u>
Transfers	<u>35,320</u>	<u>-0-</u>	<u>(35,320)</u>	<u>-0-</u>
Total Transfers	35,320	-0-	(35,320)	-0-
Change in Net Assets	19,221	(12,794)	297,024	(90,396)
Beginning Net Assets	859,713	872,507	2,646,273	2,736,669
Ending Net Assets	<u>\$ 878,934</u>	<u>\$ 859,713</u>	<u>\$ 2,943,297</u>	<u>\$ 2,646,273</u>



**CITY OF CAMPBELLS BURG**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2011**

**Capital Assets**

At June 30, 2011, the City had \$3,047,678 invested in capital assets, consisting primarily of the sewer system and the Carrollton force main project that was constructed. As of June 30, 2011, the project was completed and moved to assets to be depreciated.

	Governmental Activities	Business-type Activities	Total
Land	\$ 13,718	\$ 19,400	\$ 33,118
Sewer System	-0-	4,860,754	4,860,754
Buildings & Improvements	269,580	-0-	269,580
Fixed assets held under capital lease	33,632	-0-	33,632
Machinery & equipment	267,794	23,307	291,101
Infrastructure	75,300	-0-	75,300
Subtotal	660,024	4,903,461	5,563,485
Accumulated depreciation	(296,500)	(1,081,003)	(1,377,503)
Capital assets, net	<u>\$ 363,524</u>	<u>\$ 3,822,458</u>	<u>\$ 4,185,982</u>

**Debt Outstanding**

At the year-end debt consisted of \$1,117,000 in outstanding bonds payable for the construction of the Carrollton force main project.

**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, 2011**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 507,858	\$ 243,427	\$ 751,285
Accounts receivable (net)	32,877	17,450	50,327
Prepaid expenses	11,992	-0-	11,992
Total current assets	<u>552,727</u>	<u>260,877</u>	<u>813,604</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	612,674	4,884,061	5,496,735
Less: Accumulated depreciation	(296,500)	(1,081,003)	(1,377,503)
Total capital assets	<u>363,524</u>	<u>3,822,458</u>	<u>4,185,982</u>
Total noncurrent assets	<u>363,524</u>	<u>3,822,458</u>	<u>4,185,982</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 916,251</b></u>	<u><b>\$ 4,083,335</b></u>	<u><b>\$ 4,999,586</b></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 9,815	\$ -0-	\$ 9,815
Accrued liabilities	4,133	23,038	27,171
Current portion of obligations under capital leases	6,808	-0-	6,808
Current portion of bond payable	-0-	14,000	14,000
Total current liabilities	<u>20,756</u>	<u>37,038</u>	<u>57,794</u>
Noncurrent liabilities:			
Compensated absences	2,065	-0-	2,065
Obligations under capital lease	14,496	-0-	14,496
Bond payable	-0-	1,103,000	1,103,000
Total noncurrent liabilities	<u>16,561</u>	<u>1,103,000</u>	<u>1,119,561</u>
<b>TOTAL LIABILITIES</b>	<b>37,317</b>	<b>1,140,038</b>	<b>1,177,355</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	342,220	2,705,458	3,047,678
Restricted for:			
Streets	87,232	117,665	204,897
Unrestricted	<u>449,482</u>	<u>120,174</u>	<u>569,656</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$ 878,934</b></u>	<u><b>\$ 2,943,297</b></u>	<u><b>\$ 3,822,231</b></u>

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, 2011**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities:							
General government	\$ 226,226	\$ 9,610			\$ (216,616)	\$	\$ (216,616)
Police	28,592		2,970		(25,622)		(25,622)
Fire	10,355				(10,355)		(10,355)
Streets	4,499				(4,499)		(4,499)
Parks and recreation	745				(745)		(745)
Sanitation	26,898				(26,898)		(26,898)
Interest	1,898				(1,898)		(1,898)
Total governmental activities	299,213	9,610	2,970	-0-	(286,633)	-0-	(286,633)
Business-type activities:							
Sewer	170,816	69,965		431,900		331,049	331,049
Total business-type activities	\$ 170,816	\$ 69,965	\$ -0-	\$ 431,900	\$ -0-	\$ 331,049	\$ 44,416
GENERAL REVENUES:							
					91,794		91,794
					80,696		80,696
					20,144		20,144
					73,674		73,674
					4,226	1,295	5,521
					35,320	(35,320)	-0-
			Total general revenues and transfers		305,854	(34,025)	271,829
Change in net assets							
					19,221	297,024	316,245
NET ASSETS - BEGINNING							
					859,713	2,646,273	3,505,986
NET ASSETS - ENDING							
					\$ 878,934	\$ 2,943,297	\$ 3,822,231

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

**CITY OF CAMPBELLSBURG  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	GOVERNMENTAL FUND TYPES		TOTALS
	GENERAL	SPECIAL REVENUE	
<b>ASSETS</b>			
Cash	\$ 215,096	\$ 85,432	\$ 300,528
Certificates of deposit	205,530	1,800	207,330
Accounts receivable, net	32,877	-0-	32,877
Prepaid expenses	11,992	-0-	11,992
<b>TOTAL ASSETS</b>	<u>\$ 465,495</u>	<u>\$ 87,232</u>	<u>\$ 552,727</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 9,815	\$ -0-	\$ 9,815
Accrued liabilities	4,133	-0-	4,133
<b>TOTAL LIABILITIES</b>	13,948	-0-	13,948
<b>FUND BALANCES</b>			
Nonspendable	11,992	-0-	11,992
Restricted for:			
Street maintenance	-0-	87,232	87,232
Unassigned	439,555	-0-	439,555
<b>TOTAL FUND BALANCES</b>	<u>451,547</u>	<u>87,232</u>	<u>538,779</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<u>\$ 465,495</u>	<u>\$ 87,232</u>	<u>\$ 552,727</u>

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, 2011**

Fund balances - total governmental funds	\$ 538,779
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).	363,524
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	\$ 2,065
Obligations under capital lease	<u>21,304</u>
	<u>(23,369)</u>
Net assets of governmental activities (See Pg. 10 & 11)	<u><u>\$ 878,934</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, 2011**

	GOVERNMENTAL FUND TYPES		TOTALS
	GENERAL	SPECIAL REVENUE	
<b>REVENUES</b>			
Property taxes	\$ 91,794	\$ -0-	\$ 91,794
Insurance premium tax	80,696	-0-	80,696
Franchise taxes	20,144	-0-	20,144
Business licenses	9,610	-0-	9,610
Sanitation receipts	39,652	-0-	39,652
Interest on investments and deposits	3,909	317	4,226
Miscellaneous	17,212	-0-	17,212
Intergovernment:			
HB 272	736	-0-	736
Grants HB 413	2,234	-0-	2,234
Municipal road aid	-0-	15,248	15,248
Severance tax - LGEA	-0-	1,557	1,557
Police incentive	5	-0-	5
<b>TOTAL REVENUES</b>	<b>265,992</b>	<b>17,122</b>	<b>283,114</b>
<b>EXPENDITURES</b>			
General government	209,131	-0-	209,131
Public safety:			
Police department	25,832	-0-	25,832
Fire department	2,831	-0-	2,831
Street department	-0-	2,096	2,096
Parks and recreation	745	-0-	745
Sanitation	26,898	-0-	26,898
Debt service:			
Principal	5,630	-0-	5,630
Interest	1,898	-0-	1,898
Capital outlay	99,373	5,979	105,352
<b>TOTAL EXPENDITURES</b>	<b>372,338</b>	<b>8,075</b>	<b>380,413</b>
<b>OTHER SOURCES (USES)</b>			
Transfers in	35,320	-0-	35,320
Transfers out	-0-	-0-	-0-
<b>TOTAL OTHER SOURCES (USES)</b>	<b>35,320</b>	<b>-0-</b>	<b>35,320</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(71,026)</b>	<b>9,047</b>	<b>(61,979)</b>
<b>FUND BALANCE, JULY 1</b>	<b>522,573</b>	<b>78,185</b>	<b>600,758</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 451,547</b>	<b>\$ 87,232</b>	<b>\$ 538,779</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, 2011**

Net change in fund balances - total governmental funds \$ (61,979)

Amounts reported for governmental activities in the statement of activities  
are different because:

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.

Capital outlay	\$	105,352	
Depreciation expense		<u>(29,963)</u>	
			75,389

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.

Difference in compensated absences liability	181
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Payments on a capital lease are recorded as an expense in the  
governmental funds, but is allocated to principal and interest in  
the government-wide statements.

Total payment	\$	7,528	
Interest portion of payment		<u>(1,898)</u>	
			<u>5,630</u>

Change in net assets of governmental funds in Statement of Activities (See pg. 11)	\$	<u>19,221</u>
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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, 2011**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 243,427
Accounts receivable, net	17,450
Total current assets	<u>260,877</u>

Noncurrent assets:

Capital assets	
Land	19,400
Other capital assets, net of depreciation	3,803,058
Total noncurrent assets	<u>3,822,458</u>

<b>TOTAL ASSETS</b>	<b>\$ <u>4,083,335</u></b>
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**LIABILITIES**

Current liabilities:

Accounts payable	\$ -0-
Interest payable	23,038
Current portion of bonds payable	14,000
Total current liabilities	<u>37,038</u>

Noncurrent liabilities:

Bonds payable	1,103,000
Total noncurrent liabilities	<u>1,103,000</u>

<b>TOTAL LIABILITIES</b>	<b>\$ 1,140,038</b>
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**NET ASSETS**

Invested in capital assets, net of related debt	2,705,458
Restricted	117,665
Unrestricted	<u>120,174</u>

<b>TOTAL NET ASSETS</b>	<b>\$ <u>2,943,297</u></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, 2011**

Operating Revenues:	
Charges for services	\$ 69,965
Total operating revenues	<u>69,965</u>
Operating expenses:	
Operations and maintenance	1,925
Depreciation	<u>122,547</u>
Total operating expenses	124,472
Operating income (loss)	(54,507)
Non-operating revenues (expenses):	
Interest and investment earnings	1,295
Federal grant income	331,900
State grant income	100,000
Transfers out	(35,320)
Interest expense	<u>(46,344)</u>
Net non-operating revenues (expenses)	351,531
Change in net assets	297,024
Total net assets at beginning of year	<u>2,646,273</u>
Total net assets at end of year	<u><u>\$ 2,943,297</u></u>

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, 2011**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 70,178
Cash payments to suppliers for goods and services	(185,455)
Net cash used by operating activities	<u>(115,277)</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Operating transfers - out to other funds	(35,320)
Net cash used by non-capital financing activities	<u>(35,320)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of assets	(436,341)
Federal and state grant proceeds received	431,900
Net cash used by capital and related financing activities	<u>(4,441)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments	1,295
Bond principal payment	(13,000)
Interest expense	(46,344)
Net cash used for investing activities	<u>(58,049)</u>

Net decrease in cash and cash equivalents	(213,087)
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Cash and cash equivalents - beginning of the year	456,514
Cash and cash equivalents - end of the year	<u>\$ 243,427</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH USED  
BY OPERATING ACTIVITIES**

Operating loss	\$ (54,507)
Adjustments	
Depreciation	122,547
Net changes in assets and liabilities	
Accounts receivable	213
Accounts payable	(183,262)
Other	(268)
Net cash used by operating activities	<u>\$ (115,277)</u>

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, 2011**

**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, 2011.

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, 2011**

**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, 2011**

**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, 2011**

**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, 2011**

**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.

**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

**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, 2011**

**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.

Statutes authorize the City to invest in certificates of deposit, repurchase agreements, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the City can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Investments at June 30, 2011, were all certificates of deposit in one financial institution. The carrying amount and bank balances of \$265,070 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, 2011 the allowance for uncollectible accounts for governmental activities was \$-0-.

**CITY OF CAMPBELLSBURG**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 4 – THE COUNTY EMPLOYEE’S RETIREMENT SYSTEM**

By Ordinance of the City Council, effective July 1992, beginning July 1, 1993, electing employees and all new employees of the City are entitled to benefits provided under the County Employees Retirement System (CERS) of the state of Kentucky. Regular full-time employees are required to participate. CERS issues a stand-alone financial report, which may be obtained from the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description for Non-Hazardous and Hazardous Employees - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the State legislature.

Contributions for Non-Hazardous - For the year ended, June 30, 2011 and 2010, plan members were required to contribute 5% of their annual creditable compensation. 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 preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2011 and 2010, participating employers contributed 16.93% and 16.16%, respectively, of each employee’s creditable compensation. The actuarially determined rate set by the Board for the Year ended June 30, 2011 and 2010, was 16.93% and 16.16%, respectively, of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Contributions for Hazardous - For the year ended, June 30, 2011 and 2010, plan members were required to contribute 8% of their annual creditable compensation. The State was required to contribute at an actuarially determined rate. Per Kentucky Revised Statue 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 preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For

**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 4 – THE COUNTY EMPLOYEE’S RETIREMENT SYSTEM (CONTINUED)**

the years ended June 30, 2011 and 2010, participating employers contributed 33.25% and 32.97%, respectively, of each employee’s creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2011 and 2010, was 33.25% and 32.97%, respectively, of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The City’s current year payroll (non-hazardous employees) was \$91,628. Contributions were made based on \$64,916 of eligible gross wages of non-hazardous employees . The City made the required contributions for the fiscal year amounting to \$10,990. \$8,585 and \$5,807 was contributed for the year ending June 30, 2010 and June 30, 2009, respectively.

**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, 2011**

**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, 2011 \$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 depreciation 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:

For the year ending,	Interest	Principal	Outstanding
			\$ 1,117,000
June 30, 2012	46,076	14,000	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
	224,317	77,000	
June 30, 2017 - June 30, 2021	207,076	95,000	945,000
June 30, 2022 - June 30, 2026	185,419	120,000	825,000
June 30, 2027 - June 30, 2031	158,607	146,000	679,000
June 30, 2032 - June 30, 2036	125,731	181,000	498,000
June 30, 2037 - June 30, 2041	84,976	225,000	273,000
June 30, 2042 - June 30, 2046	34,403	273,000	\$ -0-
	796,212	1,040,000	
Totals	<u>\$ 1,020,529</u>	<u>\$ 1,117,000</u>	

**CITY OF CAMPBELLSBURG**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 9 – LONG-TERM DEBT**

The summary of long-term liability for the year ended June 30, 2011 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bond payable	\$ 1,130,000	\$ -0-	\$ 13,000	\$ 1,117,000	\$ 14,000
Obligation under capital lease	26,934	-0-	5,630	21,304	6,808
Compensated absences	2,246	-0-	181	2,065	-0-
Totals	<u>\$ 1,159,180</u>	<u>\$ -0-</u>	<u>\$ 18,811</u>	<u>\$ 1,140,369</u>	<u>\$ 20,808</u>

**NOTE 10 – 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

\$ 21,304  
\$ 21,304

Required minimum future capital lease payments are estimated as follows:

Year ending <u>June 30,</u>	
2012	\$ 7,528
2013	7,528
2014	7,528
2015	-0-
2016	<u>-0-</u>
Net minimum lease payments	22,584
Less amount representing interest	<u>(1,280)</u>
Present value of net minimum lease payments	<u>\$ 21,304</u>

**CITY OF CAMPBELLSBURG**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 11 – CAPITAL ASSETS AND DEPRECIATION**

A summary of changes in general fixed assets follows:

<b>PRIMARY GOVERNMENT</b>	<b>Balance July 1, 2010</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2011</b>
<b>Governmental activities:</b>				
Nondepreciable assets:				
Land	\$ 13,718	\$ -0-	\$ -0-	\$ 13,718
Total nondepreciable assets	13,718	-0-	-0-	13,718
Depreciable assets:				
Buildings and improvements	\$ 257,471	\$ 12,109	\$ -0-	\$ 269,580
Machinery and equipment	178,630	93,243	4,079	267,794
Asset held under capital lease	33,632	-0-	-0-	33,632
Infrastructure	75,300	-0-	-0-	75,300
Total depreciable assets	545,033	105,352	4,079	646,306
Total capital assets	\$ 558,751	\$ 105,352	\$ 4,079	\$ 660,024
Accumulated depreciation:				
Buildings and improvements	\$ (68,501)	\$ (7,301)	\$ -0-	\$ (75,802)
Machinery and equipment	(130,417)	(15,361)	(4,079)	(141,699)
Asset held under capital lease	(4,484)	(6,726)	-0-	(11,210)
Infrastructure	(67,214)	(575)	-0-	(67,789)
Total accumulated depreciation	(270,616)	(29,963)	(4,079)	(296,500)
Total depreciable assets, net	274,417	75,389	-0-	349,806
<b>Governmental activities capital assets, net</b>	<b>\$ 288,135</b>	<b>\$ 75,389</b>	<b>\$ -0-</b>	<b>\$ 363,524</b>
<b>Business-type activities:</b>				
Nondepreciable assets:				
Land	\$ 19,400	\$ -0-	\$ -0-	\$ 19,400
Construction in progress	-0-	-0-	-0-	-0-
Total nondepreciable assets	19,400	-0-	-0-	19,400
Depreciable assets:				
Sewer systems	4,424,413	436,341	-0-	4,860,754
Machinery and equipment	23,307	-0-	-0-	23,307
Total depreciable assets	4,447,720	436,341	-0-	4,884,061
Total capital assets	\$ 4,467,120	\$ 436,341	\$ -0-	\$ 4,903,461
Accumulated depreciation:				
Sewer systems	\$ (937,922)	\$ (121,645)	\$ -0-	\$ (1,059,567)
Machinery and equipment	(20,534)	(902)	-0-	(21,436)
Total accumulated depreciation	(958,456)	(122,547)	-0-	(1,081,003)
Total depreciable assets, net	3,489,264	313,794	-0-	3,803,058
<b>Business-type activities capital assets, net</b>	<b>\$ 3,508,664</b>	<b>\$ 313,794</b>	<b>\$ -0-</b>	<b>\$ 3,822,458</b>
<b>Total Capital assets</b>	<b>\$ 3,796,799</b>	<b>\$ 389,183</b>	<b>\$ -0-</b>	<b>\$ 4,185,982</b>

**CITY OF CAMPBELLSBURG**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 11 – CAPITAL ASSETS AND DEPRECIATION (CONTINUED)**

Depreciation expense is charged to functions as follows:

Governmental Activities

General Government	\$ 17,346
Police	2,690
Fire	7,524
Street	<u>2,403</u>
	<u>\$ 29,963</u>

**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 \$465,426. The total completed in the current year of Phase II of the project was an additional \$308,400 bringing to a total for Phase II of the project of \$773,826.

**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.

**CITY OF CAMPBELLSBURG**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**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.

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	\$ 486,215	\$ 486,215
Certificates of deposit	<u>265,070</u>	<u>265,070</u>
	<u>\$ 751,285</u>	<u>\$ 751,285</u>

**NOTE 15 - FUND BALANCES**

The City of Campbellsburg has implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the fiscal year ending June 30, 2011. 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, 2011 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, 2011**

	<u>Budgeted Amounts</u>			<u>Variance -</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
<b>REVENUES</b>				
Property taxes	\$ 72,500	\$ 72,500	\$ 91,794	\$ 19,294
Insurance premium taxes	111,000	111,000	80,696	(30,304)
Franchise taxes	19,000	19,000	20,144	1,144
Business licenses	3,000	3,000	9,610	6,610
Sanitation receipts	35,000	35,000	39,652	4,652
Interest on investments and deposits	7,000	7,000	3,909	(3,091)
Miscellaneous income	3,000	3,000	17,212	14,212
Intergovernment:				
HB 272	736	736	736	-0-
Grants HB 413	10,000	10,000	2,234	(7,766)
Police incentive	-0-	-0-	5	5
<b>TOTAL REVENUES</b>	<u>261,236</u>	<u>261,236</u>	<u>265,992</u>	<u>4,756</u>
<b>EXPENDITURES</b>				
General government	220,173	220,173	209,131	(11,042)
Public safety				
Police department	6,800	6,800	25,832	19,032
Fire department	30,000	30,000	2,831	(27,169)
Parks and recreation	-0-	-0-	745	745
Sanitation	15,300	15,300	26,898	11,598
Debt service	-0-	-0-	7,528	7,528
Capital outlay	8,200	8,200	99,373	91,173
<b>TOTAL EXPENDITURES</b>	<u>280,473</u>	<u>280,473</u>	<u>372,338</u>	<u>91,865</u>
<b>OTHER SOURCES (USES)</b>				
Transfers in	-0-	-0-	35,320	35,320
<b>TOTAL OTHER SOURCES (USES)</b>	<u>-0-</u>	<u>-0-</u>	<u>35,320</u>	<u>35,320</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(19,237)</u>	<u>(19,237)</u>	<u>(71,026)</u>	<u>(51,789)</u>
<b>FUND BALANCE, JULY 1</b>	<u>522,573</u>	<u>522,573</u>	<u>522,573</u>	<u>-0-</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ 503,336</u></u>	<u><u>\$ 503,336</u></u>	<u><u>\$ 451,547</u></u>	<u><u>\$ (51,789)</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 BALANCE-**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budgeted Amounts</b>			<b>Variance -</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Over</b>
				<b>(Under)</b>
<b>REVENUES</b>				
Interest on investments and deposits	\$ -0-	\$ -0-	\$ 317	\$ 317
Intergovernment:				
Municipal road aid	17,201	17,201	15,248	(1,953)
Severance tax - LGEA	-0-	-0-	1,557	1,557
<b>TOTAL REVENUES</b>	<b>17,201</b>	<b>17,201</b>	<b>17,122</b>	<b>(79)</b>
<b>EXPENDITURES</b>				
Street department	15,000	15,000	2,096	(12,904)
Capital outlay	-0-	-0-	5,979	5,979
<b>TOTAL EXPENDITURES</b>	<b>15,000</b>	<b>15,000</b>	<b>8,075</b>	<b>(6,925)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>2,201</b>	<b>2,201</b>	<b>9,047</b>	<b>6,846</b>
<b>FUND BALANCE, JULY 1</b>	<b>78,185</b>	<b>78,185</b>	<b>78,185</b>	<b>-0-</b>
<b>FUND BALANE, JUNE 30</b>	<b>\$ 80,386</b>	<b>\$ 80,386</b>	<b>\$ 87,232</b>	<b>\$ 6,846</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, 2011, which collectively comprise the City of Campbellsburg, Kentucky's basic financial statements and have issued our report thereon dated November 1, 2011. 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.



Louisville, Kentucky  
November 1, 2011

**CITY OF CAMPBELLSBURG  
LIST OF COUNCIL MEMBERS  
JUNE 30, 2011**

<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	
Jennifer Bratton	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, 2011**

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  
November 1, 2011