

**REPORT OF THE AUDIT OF THE  
CITY OF BEAVER DAM, KENTUCKY**

**FOR THE YEAR ENDED  
JUNE 30, 2010**

**CITY OF BEAVER DAM, KENTUCKY**

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## INTRODUCTORY SECTION

**City of Beaver Dam, Kentucky  
List of Principal Officials  
As of June 30, 2010**

**City Commission Members:**

Mary Pate  
Larry Morphew  
Sandy Robinson  
Denice Nelson  
Paul Sandefur

Mayor  
Commissioner  
Commissioner  
Commissioner  
Commissioner

**Other Officials:**

Mary Wallace  
Amy Puckett  
Larry Carter  
A.V. Conway II

City Clerk  
City Treasurer  
City Manager  
City Attorney

**FINANCIAL SECTION**

# Buckles, Travis, VanMeter & Hart, PLLC

Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mary Pate, Mayor  
and the Board of City Commissioners of the  
City of Beaver Dam, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Beaver Dam, Kentucky, as of and for the year ended June 30, 2010, 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 Beaver Dam, Kentucky's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the 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 opinions.

City of Beaver Dam, Kentucky, has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

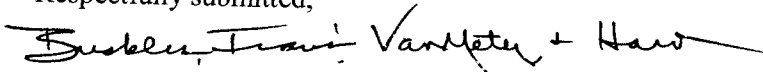
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beaver Dam, Kentucky, as of June 30, 2010, 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 our report dated October 27, 2010, on our consideration of the City of Beaver Dam, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beaver Dam, Kentucky's financial statements as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate 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.

Respectfully submitted,



Buckles, Travis, VanMeter and Hart, PLLC

Certified Public Accountants

October 27, 2010

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
  - Governmental funds
  - Proprietary (enterprise) funds
  - Fiduciary fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**City of Beaver Dam, Kentucky**  
**Statement of Net Assets**  
**June 30, 2010**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 755,424	\$ 1,249,740	\$ 2,005,164
Accounts receivable	18,923	240,556	259,479
Due from other funds	1,252	4,478	5,730
Unbilled revenue	0	79,669	79,669
<b>TOTAL CURRENT ASSETS</b>	<b>775,599</b>	<b>1,574,443</b>	<b>2,350,042</b>
<b>NONCURRENT ASSETS</b>			
Restricted cash and cash equivalents	250,468	0	250,468
Investments – noncurrent	1,000	0	1,000
Capital assets			
Construction in progress	91,604	0	91,604
Land and land improvements	202,871	132,681	335,552
Buildings	268,064	0	268,064
Building improvements	0	62,773	62,773
Office equipment	0	48,972	48,972
Vehicles	511,611	210,375	721,986
Machinery and equipment	497,417	551,087	1,048,504
Utility plants	0	3,848,200	3,848,200
Sewage disposal system	0	2,362,594	2,362,594
Furniture and fixtures	9,716	0	9,716
Infrastructure	2,426,138	0	2,426,138
Less: Accumulated depreciation	(2,328,684)	(2,754,351)	(5,083,035)
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,930,205</b>	<b>4,462,331</b>	<b>6,392,536</b>
<b>TOTAL ASSETS</b>	<b>2,705,804</b>	<b>6,036,774</b>	<b>8,742,578</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	9,816	44,631	54,447
Accrued liabilities	28,098	32,175	60,273
Due to other funds	0	0	0
Customers' deposits	0	36,860	36,860
Notes payable	25,684	27,695	53,379
<b>TOTAL CURRENT LIABILITIES</b>	<b>63,598</b>	<b>141,361</b>	<b>204,959</b>
<b>NONCURRENT LIABILITIES</b>			
Notes payable	257,319	515,658	772,977
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>257,319</b>	<b>515,658</b>	<b>772,977</b>
<b>TOTAL LIABILITIES</b>	<b>320,917</b>	<b>657,019</b>	<b>977,936</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,395,734	3,918,978	5,314,712
Contributed capital	0	2,535,744	2,535,744
Equity transfer	0	30,169	30,169
Restricted for			
MRA	6,191	0	6,191
Cemetery maintenance	163,256	0	163,256
LGEA	80,200	0	80,200
Community pride	821	0	821
Unrestricted	738,685	(1,105,136)	(366,451)
<b>TOTAL NET ASSETS</b>	<b>\$ 2,384,887</b>	<b>\$ 5,379,755</b>	<b>\$ 7,764,642</b>

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

**City of Beaver Dam, Kentucky**  
**Statement of Activities**  
**Year Ended June 30, 2010**

Functions/Programs:	Program Revenues Received			Net (Expense) Revenue Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
<b>Primary government</b>						
<b>Governmental activities</b>						
General government	\$ 177,215	\$ 11,375	\$ 3,480	\$ 50,000	\$ (112,360)	\$ 0
Public safety						
Police	381,393	0	40,256	10,471	(330,666)	0
Fire	71,880	13,085	225	7,750	(50,820)	0
Parks and recreation	21,648	0	0	0	(21,648)	0
Streets	193,923	0	0	85,869	(108,054)	0
Cemetery	35,535	16,300	0	0	(19,235)	0
Community pride project	0	296	0	0	296	0
<b>Total governmental activities</b>	<u>881,594</u>	<u>41,056</u>	<u>43,961</u>	<u>154,090</u>	<u>(642,487)</u>	<u>0</u>
<b>Business-type activities</b>						
Water utilities	664,083	569,373	0	0	0	(94,710)
Sewer services	1,291,131	1,209,894	0	0	0	(81,237)
Sanitation services	134,055	148,714	0	0	0	14,659
<b>Total business-type activities</b>	<u>2,089,269</u>	<u>1,927,981</u>	<u>0</u>	<u>0</u>	<u>(161,288)</u>	<u>(161,288)</u>
<b>Total primary government</b>	<u>\$ 2,970,863</u>	<u>\$ 1,969,037</u>	<u>\$ 43,961</u>	<u>\$ 154,090</u>	<u>(642,487)</u>	<u>(803,775)</u>
<b>General revenues</b>						
<b>Taxes</b>						
Property taxes						0
Ad-valorem taxes						0
Franchise taxes						0
Insurance premium taxes						0
Occupational licenses						0
Gain/loss on sale of fixed assets						0
Miscellaneous						1,200
Interest income						(3)
Transfers						0
<b>Total general revenues</b>						0
Change in net assets						
Net assets-beginning						734,042
Net assets-ending						(69,733)
						7,834,375
						\$ 7,764,642

Accompanying notes to the financial statements are an integral part of this statement.  
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**FUND FINANCIAL STATEMENTS**

**City of Beaver Dam, Kentucky**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	<u>General Fund</u>	<u>Other Non-major Funds</u>	<u>Total Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 755,424	\$ 0	\$ 755,424
Accounts receivable	18,923	0	18,923
Due from other funds	5,048	988	6,036
Restricted cash and cash equivalents	0	250,468	250,468
Investments – noncurrent	0	1,000	1,000
<b>TOTAL ASSETS</b>	<u>\$ 779,395</u>	<u>\$ 252,456</u>	<u>\$ 1,031,851</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 6,913	\$ 2,903	\$ 9,816
Accrued liabilities	25,918	2,180	28,098
Due to other funds	4,784	0	4,784
<b>TOTAL LIABILITIES</b>	<u>37,615</u>	<u>5,083</u>	<u>42,698</u>
<b>FUND BALANCES</b>			
Reserved for			
Restricted purposes	0	250,468	250,468
Unreserved			
General fund	741,780	0	741,780
Special revenue funds	0	(3,095)	(3,095)
<b>TOTAL FUND BALANCES</b>	<u>741,780</u>	<u>247,373</u>	<u>989,153</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 779,395</u>	<u>\$ 252,456</u>	

Amounts reported for “governmental activities” in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.

1,678,737

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

(283,003)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**

\$ 2,384,887

**City of Beaver Dam, Kentucky**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balances**  
**Governmental Funds**  
**Year End June 30, 2010**

	<u>General Fund</u>	<u>Other Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 675,003	\$ 0	\$ 675,003
Licenses and permits	12,802	0	12,802
Intergovernmental	106,888	85,869	192,757
Charges for services	29,754	16,596	46,350
Miscellaneous	10,442	4,517	14,959
Interest income	7,185	1,843	9,028
<b>TOTAL REVENUES</b>	<u>842,074</u>	<u>108,825</u>	<u>950,899</u>
<b>EXPENDITURES</b>			
General government	171,172	0	171,172
Public safety			
Police	367,195	0	367,195
Fire	25,653	0	25,653
Parks and recreation	15,439	0	15,439
Streets	0	91,513	91,513
Cemetery	0	31,369	31,369
Community pride project	0	0	0
Debt service	25,110	0	25,110
Capital outlay	108,724	19,341	128,065
<b>TOTAL EXPENDITURES</b>	<u>713,293</u>	<u>142,223</u>	<u>855,516</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	128,781	(33,398)	95,383
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan proceeds	0	0	0
Proceeds from sale of assets	0	0	0
Transfers from other funds	0	48,711	48,711
Transfers to other funds	(91,038)	0	(91,038)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(91,038)</u>	<u>48,711</u>	<u>(42,327)</u>
<b>NET CHANGE IN FUND BALANCES</b>	37,743	15,313	53,056
<b>FUND BALANCES - BEGINNING</b>	<u>704,037</u>	<u>232,060</u>	<u>936,097</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 741,780</u>	<u>\$ 247,373</u>	<u>\$ 989,153</u>

Accompanying notes to the financial statements are an integral part of this statement.  
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**City of Beaver Dam, Kentucky**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year Ended June 30, 2010**

Net change in fund balances – total governmental funds	\$	53,056
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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		128,065
Depreciation		(179,253)

In the statement of activities, only the gain (loss) (\$1,203) on the sale or disposal of capital assets is reported, whereas in the governmental funds, the proceeds (\$0) from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the equipment that was sold or disposed of.

(1,203)

Debt repayments are expensed in the governmental funds as a use of current financial resources.

Notes payable		25,110
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Change in net assets of governmental activities	\$	25,775
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**City of Beaver Dam, Kentucky**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	Enterprise Funds			
	Water	Sewer	Other Non-major Fund (Sanitation)	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 491,118	\$ 589,476	\$ 169,146	\$ 1,249,740
Accounts receivable	74,809	151,663	14,084	240,556
Unbilled revenue	25,249	54,420	0	79,669
Due from other funds	1,959	1,966	872	4,797
<b>TOTAL CURRENT ASSETS</b>	<u>593,135</u>	<u>797,525</u>	<u>184,102</u>	<u>1,574,762</u>
<b>NONCURRENT ASSETS</b>				
<b>CAPITAL ASSETS</b>				
Land and land improvements	25,490	106,691	500	132,681
Building improvements	31,918	27,127	3,728	62,773
Office equipment	17,316	26,708	4,948	48,972
Vehicles	49,769	75,997	84,609	210,375
Machinery and equipment	292,861	258,226	0	551,087
Utility plants	1,619,241	2,228,959	0	3,848,200
Sewage disposal system	0	2,362,594	0	2,362,594
Accumulated depreciation	(963,900)	(1,713,973)	(76,478)	(2,754,351)
<b>TOTAL NONCURRENT ASSETS</b>	<u>1,072,695</u>	<u>3,372,329</u>	<u>17,307</u>	<u>4,462,331</u>
<b>TOTAL ASSETS</b>	<u>1,665,830</u>	<u>4,169,854</u>	<u>201,409</u>	<u>6,037,093</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	30,082	10,932	3,617	44,631
Accrued liabilities	24,369	6,704	1,102	32,175
Due to other funds	319	0	0	319
Customers' deposits	36,860	0	0	36,860
Notes payable	0	27,695	0	27,695
Capital lease payable	0	0	0	0
<b>TOTAL CURRENT LIABILITIES</b>	<u>91,630</u>	<u>45,331</u>	<u>4,719</u>	<u>141,680</u>
<b>NONCURRENT LIABILITIES</b>				
Notes payable	0	515,658	0	515,658
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>0</u>	<u>515,658</u>	<u>0</u>	<u>515,658</u>
<b>TOTAL LIABILITIES</b>	<u>91,630</u>	<u>560,989</u>	<u>4,719</u>	<u>657,338</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,072,695	2,828,976	17,307	3,918,978
Contributed capital	801,529	1,689,349	44,866	2,535,744
Equity transfer	0	0	30,169	30,169
Unrestricted, (deficit)	(300,024)	(909,460)	104,348	(1,105,136)
<b>TOTAL NET ASSETS</b>	<u>\$ 1,574,200</u>	<u>\$ 3,608,865</u>	<u>\$ 196,690</u>	<u>\$ 5,379,755</u>

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



**City of Beaver Dam, Kentucky**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2010**

	Enterprise Funds			Total
	Water	Sewer	Other Non-major Fund (Sanitation)	
<b>OPERATING REVENUES</b>				
Water collections	\$ 535,163	\$ 0	\$ 0	\$ 535,163
Sewer collections	0	1,186,836	0	1,186,836
Sanitation collections	0	0	143,259	143,259
Public fire protection	8,140	0	0	8,140
Meter charges	6,550	0	0	6,550
Reconnect fees	10,370	0	0	10,370
Tapping charges	0	1,500	0	1,500
Lift station maintenance fee	0	4,000	0	4,000
Penalties	7,185	4,395	2,171	13,751
Miscellaneous	1,965	13,163	3,284	18,412
<b>TOTAL OPERATING REVENUES</b>	<b>569,373</b>	<b>1,209,894</b>	<b>148,714</b>	<b>1,927,981</b>
<b>OPERATING EXPENSES</b>				
Salaries	107,842	96,427	39,048	243,317
Payroll tax expense	7,733	6,877	3,010	17,620
Employee retirement	21,901	14,574	9,231	45,706
Employee insurance	40,385	19,009	15,246	74,640
Advertising	26	538	0	564
Professional fees	40,453	23,339	1,348	65,140
Maintenance and repairs	12,377	21,226	1,718	35,321
Travel	2,530	1,272	1,230	5,032
Utilities	9,656	20,109	0	29,765
Communications and postage	6,167	4,488	1,577	12,232
Insurance and bonds	13,598	17,483	8,570	39,651
Other contractual services	19,632	911,261	28,416	959,309
Water purchased	262,268	413	0	262,681
Technical supplies	10,556	15,670	0	26,226
Uniforms	4,332	1,973	2,437	8,742
Motor fuel and lubricants	10,267	4,134	8,991	23,392
Office supplies	4,893	3,129	519	8,541
Other supplies	7,709	4,686	391	12,786
Dues and subscription	871	0	0	871
Miscellaneous expense	100	0	0	100
Depreciation expense	80,787	117,653	12,323	210,763
<b>TOTAL OPERATING EXPENSES</b>	<b>664,083</b>	<b>1,284,261</b>	<b>134,055</b>	<b>2,082,399</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(94,710)</b>	<b>(74,367)</b>	<b>14,659</b>	<b>(154,418)</b>

**City of Beaver Dam, Kentucky**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets (Concluded)**  
**Proprietary Funds**  
**Year Ended June 30, 2010**

	Enterprise Funds			Totals
	Water	Sewer	Other Non-major Fund (Sanitation)	
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	\$ 7,014	\$ 13,856	\$ 1,383	\$ 22,253
Interest expense	0	(5,716)	0	(5,716)
Lease executory cost	0	(1,154)	0	(1,154)
Gain/loss on disposal of fixed assets	0	1,200	0	1,200
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>7,014</u>	<u>8,186</u>	<u>1,383</u>	<u>16,583</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	(87,696)	(66,181)	16,042	(137,835)
Transfers from other funds	<u>18,525</u>	<u>21,056</u>	<u>2,746</u>	<u>42,327</u>
<b>CHANGES IN NET ASSETS</b>	(69,171)	(45,125)	18,788	(95,508)
<b>NET ASSETS – BEGINNING</b>	<u>1,643,371</u>	<u>3,653,990</u>	<u>177,902</u>	<u>5,475,263</u>
<b>NET ASSETS – ENDING</b>	<u>\$ 1,574,200</u>	<u>\$ 3,608,865</u>	<u>\$ 196,690</u>	<u>\$ 5,379,755</u>

**City of Beaver Dam, Kentucky**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2010**

	Enterprise Funds			Total
	Water	Sewer	Other Non-major Fund (Sanitation)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 564,621	\$ 1,188,194	\$ 148,600	\$ 1,901,415
Cash payments to employees for services	(177,187)	(135,315)	(67,370)	(379,872)
Cash payments to suppliers	(404,010)	(1,043,122)	(54,853)	(1,501,985)
Internal activity – payments to other funds	(1,959)	(1,647)	(872)	(4,478)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	(18,535)	8,110	25,505	15,080
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Operating subsidies and transfers from other funds	18,525	21,056	2,746	42,327
Operating subsidies and transfers to other funds	0	0	0	0
Other receipts and payments	0	1	(2)	(1)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	18,525	21,057	2,744	42,326
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	0	(65,301)	0	(65,301)
Proceeds from sale of capital assets	0	1,200	0	1,200
Repayment of debt	0	(42,202)	0	(42,202)
Interest paid on debt	0	(5,716)	0	(5,716)
Lease executory cost	0	(1,154)	0	(1,154)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	0	(113,173)	0	(113,173)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	7,014	13,856	1,383	22,253
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	7,014	13,856	1,383	22,253
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	7,004	(70,150)	29,632	(33,514)
<b>BALANCES – BEGINNING July 1, 2009</b>	484,114	659,626	139,514	1,283,254
<b>BALANCES – ENDING June 30, 2010</b>	<u>\$ 491,118</u>	<u>\$ 589,476</u>	<u>\$ 169,146</u>	<u>\$ 1,249,740</u>

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

**City of Beaver Dam, Kentucky**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**Year Ended June 30, 2010**

	Enterprise Funds			
	Water	Sewer	Other Non-major Fund (Sanitation)	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Net operating income (loss)	\$ (94,710)	\$(74,367)	\$ 14,659	\$ (154,418)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:				
Depreciation expense	80,787	117,653	12,323	210,763
Changes in assets and liabilities				
Accounts receivable	(2,884)	(20,378)	(114)	(23,376)
Unbilled revenue	(703)	(1,322)	0	(2,025)
Accounts payable	1,425	(13,401)	344	(11,632)
Accrued liabilities	674	1,572	(835)	1,411
Customers' deposits	(1,165)	0	0	(1,165)
Due to other funds	0	0	0	0
Due from other funds	(1,959)	(1,647)	(872)	(4,478)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (18,535)	\$ 8,110	\$ 25,505	\$ 15,080

**City of Beaver Dam, Kentucky**  
**Statement of Net Assets**  
**Fiduciary Fund**  
**June 30, 2010**

		<u>Agency Fund</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents		\$ 16,240
Due from other funds		4,784
	<b>TOTAL CURRENT ASSETS</b>	<u>21,024</u>
<b>LIABILITIES</b>		
Current liabilities		
Payroll liabilities		10,510
Due to other funds		10,514
	<b>TOTAL CURRENT LIABILITIES</b>	<u>21,024</u>
	<b>TOTAL NET ASSETS</b>	<u>\$ 0</u>

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

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

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of the Notes.

**(A) Financial Reporting Entity**

The financial statements of City of Beaver Dam, Kentucky, include the funds, agencies, boards, and entities for which the city is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service.

**(B) Basis of Presentation**

*Government-wide Financial Statements*

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

*Fund Financial Statements*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2010**

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

**(B) Basis of Presentation (Continued)**

- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

*Debt Service Fund*

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the city other than debt service payments made by enterprise funds.

**Proprietary Funds**

*Enterprise Fund*

Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Sanitation, Water, and Sewer Funds. The Water and Sewer Funds are reported as major funds in the current year.

**Fiduciary Funds (Not included in government-wide statements)**

*Agency Funds*

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes one agency fund – Payroll Revolving Account. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2010**

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

**(C) Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item ‘b’ below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objective of this measurement focus is the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.



**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2010**

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

**(D) Cash and Investments**

For the purpose of the Statement of Net Assets and the proprietary fund Statement of Cash Flows, "cash, including time deposits" includes all demand savings accounts, and certificates of deposit of the City.

Investments are carried at cost.

**(E) Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

**(F) Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. The City uses the direct write-off method for uncollectible accounts receivable. Major receivable balances for the governmental activities consist of property taxes. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes and other intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables.

**(G) Inventories**

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the City has therefore chosen to report these items as expenditures/expenses at the time of purchase.

**(H) Restricted Assets**

Restricted assets in the governmental funds consist of cash legally restricted for perpetual care of the cemetery. Proprietary fund restricted assets include cash and investments that are legally restricted as to their use. The proprietary restricted assets are related to debt retirement and utility water deposits.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2010**

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

**(I) Fixed Assets**

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2010.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1970) have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings and improvements	25-50 years
- Furniture and fixtures	5-7 years
- Machinery and equipment	3-20 years
- Utility system	25-50 years
- Infrastructure	25-50 years

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**(J) Compensated Absences**

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2010**

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

**(K) Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of capital lease obligations, notes payable, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary funds is the same in the fund statements as it is in the government-wide statements.

**(L) Equity Classifications**

*Government-wide Statements*

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

**(M) Property Tax**

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 November 15. All unpaid taxes at that time are subject to a 10% penalty and 12% interest per year. The City bills and collects its own property tax.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2010**

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

**(N) Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

**(O) Expenditures/ Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Government Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund – By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**(P) Nonexchange Transactions**

The recognition of, respectively, assets, liabilities, and expense/expenditures resulting from nonexchange transactions of the City of Beaver Dam are as follows:

- 1) Imposed nonechange revenues – Property taxes are assessed January 1 of each year. The City does not have an enforceable legal claim to the taxes until one year from that date. However, tax bills are mailed October of the year they are assessed and collected before the end of that fiscal year; therefore, the asset/revenue is recognized when it is received.

The city imposes a 6.9 percent insurance premium tax on insurance premiums sold within the City limits for casualty, automobile, inland marine and fire and allied perils. The tax is due no later than thirty (30) days after the end of each calendar quarter. The City is unable to accrue taxes due as of the end of the fiscal year because they have no means of knowing how much revenue has been earned; therefore the asset/revenue is recognized when it is received.

- 2) Government-mandated nonexchange transactions – The City receives Municipal Road Aid and Local Government Economic Assistance funds from the state of Kentucky. These funds are required to be spent for specific purposes. Resources are recognized as revenues when received and expenses/expenditures when paid.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2010**

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

**(P) Nonexchange Transactions (Continued)**

- 3) Voluntary nonexchange transactions – The City receives various grants from federal and state agencies. Eligibility requirements have been met at the time the funds are received; therefore, the asset/revenue is recognized when it is received.

**(Q) Budgetary Information**

Annual budgets are adopted on an accrual basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The City is required to submit estimated receipts and proposed expenditures to the city commissioners by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the city commission by July 1.

The City may change the original budget by transferring appropriations at the activity level; however, the City may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local governmental unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

**(A) Fund Accounting Requirements**

The city complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<b>Fund</b>	<b>Required By</b>
Road Fund	State Law
LGEA Fund	State Law

**(B) Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain Commonwealth of Kentucky or political subdivision debt obligations, or surety bonds. As required by Kentucky Revised Statutes 66.480(1)(d) and 41.240(4), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

Investments of the City consists of one share of Ohio County Industrial Foundation stock stated at cost.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2010**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**(C) Debt Restrictions and Covenants – General Obligation Debt**

Kentucky Revised Statutes limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10 percent of net assessed valuation. For the year ended June 30, 2010, the City incurred no such additional debt.

**(D) Fund Equity Restrictions – Deficit Prohibition**

Kentucky Revised Statutes prohibits the creation of a deficit fund balance in any individual fund. The City complied with this statute in all material respects for the year ended June 30, 2010.

**NOTE 3 – CASH AND INVESTMENTS**

At year-end, the carrying amount of the City's cash and investments was \$2,271,872 and the bank balance was \$2,292,100. Of the total bank balance, \$573,983 was covered by federal depository insurance and the remaining balance of \$1,718,117 would require collateralization. As of June 30, 2010, \$2,527,836 was pledged with securities held by the pledging banks' trust departments but not in the name of the City.

The deposits in excess of insurance coverage must be fully collateralized. All balances held are considered acceptable and compliant per Kentucky Revised Statutes, however, to be considered fully collateralized by Governmental Accounting Standards, any securities held in a pledging financial institution must be held in the City's name.

**Custodial Credit Risk-Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government follows the requirements of KRS 41.240 (4) and does not have a deposit policy for custodial risk.

**NOTE 4- RESTRICTED ASSETS**

Restricted assets consisted of the following as of June 30, 2010:

<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>
Governmental:	
MRA Fund	\$ 6,191
Cemetery Fund	163,256
LGEA Fund	80,200
Community Pride Fund	821
	<u>\$ 250,468</u>

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2010**

**NOTE 5 – ACCOUNTS RECEIVABLE**

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of property tax receivables.

**NOTE 6 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts: theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The City manages these various risks of loss as follows:

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

- 1) For the fiscal year ended June 30, 2010, City of Beaver Dam, Kentucky, was a member of the Kentucky League of Cities Insurance Service (KLCIS). KLCIS is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**NOTE 7 – ACCOUNTS PAYABLE**

Payables in the general fund and other major governmental funds are composed of payables to vendors.

Payables of business-type activities are composed of payables to vendors and taxing authorities.

**NOTE 8 – JOINT VENTURE**

The City of Beaver Dam, Kentucky, has entered into a joint venture with the City of Hartford, Kentucky, to form a joint planning and zoning commission. The City of Beaver Dam contributes \$3,500 annually toward the operating expenses of the commission. Complete financial information for the Planning and Zoning Commission can be obtained from Nancy Hoover, Planning and Zoning Administrator at 309 West 2<sup>nd</sup> Street, P.O. Box 408, Beaver Dam, KY 42320. The City does not have an equity interest in this organization.

**NOTE 9 – JOINTLY GOVERNED ORGANIZATION**

The City in conjunction with Ohio County, City of Centertown and City of Hartford, created the Ohio County Regional Wastewater District. The Ohio County Regional Wastewater District is a joint sewer agency created to own, manage, control and operate a comprehensive wastewater treatment facility within Ohio County, Kentucky. The District's board is comprised of two members of each participating municipality. The District completed construction during 2008 and began facility operations at that time.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2010**

**NOTE 10 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Non-Depreciable Assets				
Construction in progress	\$ 0	\$ 91,604	\$ 0	\$ 91,604
Land	202,871	0	0	202,871
Total Non-Depreciable Assets	202,871	91,604	0	294,475
Capital Assets				
Buildings	268,064	0	0	268,064
Furniture and fixtures	9,716	0	0	9,716
Vehicles	508,002	3,609	0	511,611
Machinery and equipment	496,350	13,511	(12,444)	497,417
Infrastructure	2,406,797	19,341	0	2,426,138
Total Capital Assets Being Depreciated	3,688,929	36,461	(12,444)	3,712,946
Less Accumulated Depreciation for				
Buildings	(148,394)	(7,086)	0	(155,480)
Furniture and fixtures	(7,925)	(1,791)	0	(9,716)
Vehicles	(444,079)	(37,441)	0	(481,520)
Machinery and equipment	(401,571)	(36,083)	11,241	(426,413)
Infrastructure	(1,158,703)	(96,852)	0	(1,255,555)
Total Accumulated Depreciation	(2,160,672)	(179,253)	11,241	(2,328,684)
Governmental Activities Capital Assets, Net	<u>\$ 1,731,128</u>	<u>\$ (51,188)</u>	<u>\$ (1,203)</u>	<u>\$ 1,678,737</u>
<u>Governmental Activities</u>				
Depreciation Expense				
General government				\$ 6,043
Police				14,198
Fire				46,227
Streets				102,410
Cemetery				4,166
Parks and recreation				6,209
Total Depreciation Expense – Governmental Activities				<u>\$ 179,253</u>



**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2010**

**NOTE 10 – CAPITAL ASSETS (CONTINUED)**

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities</u>				
Non-Depreciable Assets				
Construction in progress	\$ 0	\$ 0	\$ 0	\$ 0
Capital Assets				
Utility plants				
Waterworks	1,619,241	0	0	1,619,241
Wastewater treatment plant	2,228,959	0	0	2,228,959
Sewage disposal system	2,297,293	65,301	0	2,362,594
Land and land improvements	132,681	0	0	132,681
Machinery and equipment	558,561	0	(7,474)	551,087
Vehicles	210,375	0	0	210,375
Building improvements	62,773	0	0	62,773
Office equipment	48,972	0	0	48,972
Total Capital Assets Being Depreciated	<u>7,158,855</u>	<u>65,301</u>	<u>(7,474)</u>	<u>7,216,682</u>
Less Accumulated Depreciation for				
Utility plants				
Waterworks	(681,903)	(42,616)	0	(724,519)
Wastewater treatment plant	(756,069)	(50,319)	0	(806,388)
Sewage disposal system	(552,178)	(47,858)	0	(600,036)
Land and land improvements	(2,949)	(416)	0	(3,365)
Machinery and equipment	(335,818)	(47,112)	7,474	(375,456)
Vehicles	(154,633)	(19,548)	0	(174,181)
Building improvements	(20,325)	(2,316)	0	(22,641)
Office equipment	(47,187)	(578)	0	(47,765)
Total Accumulated Depreciation	<u>(2,551,062)</u>	<u>(210,763)</u>	<u>7,474</u>	<u>(2,754,351)</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,607,793</u>	<u>\$ (145,462)</u>	<u>\$ 0</u>	<u>\$ 4,462,331</u>
<u>Business-Type Activities</u>				
Depreciation Expense				
Water				\$ 80,787
Sewer				117,653
Sanitation				12,323
Total Depreciation Expense – Business-Type Activities				<u>\$ 210,763</u>

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2010**

**NOTE 11 – LONG-TERM DEBT**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental activities have two notes payable outstanding: 1) Note issued October 23, 2003, for purchase of a fire truck and 2) Note issued March 1, 2008, for the purchase of land for a park.

Business-type activities have one note payable outstanding.

**Governmental Activities:**

As of June 30, 2010, the governmental long-term debt of the financial reporting entity consisted of the following:

	<u>Current Portion</u>	<u>Noncurrent Portion</u>	<u>Total</u>
1) Kentucky League of Cities – Variable interest rate, maturity date – October 23, 2013	\$ 16,720	\$ 34,732	\$ 51,452
2) Kentucky League of Cities – 3.75% interest rate, maturity date – March 1, 2028	8,340	223,211	231,551
Total notes payable	<u>\$ 25,060</u>	<u>\$ 257,943</u>	<u>\$ 283,003</u>

**Business-type Activities:**

As of June 30, 2010, the long-term debt payable from proprietary fund resources consisted of the following:

	<u>Current Portion</u>	<u>Noncurrent Portion</u>	<u>Total</u>
1) Kentucky Infrastructure Authority – 1% interest rate, maturity date – June 1, 2028	\$ 27,420	\$ 515,933	\$ 543,353
Total notes payable	<u>\$ 27,420</u>	<u>\$ 515,933</u>	<u>\$ 543,353</u>

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2010**

**NOTE 11 – LONG-TERM DEBT (CONTINUED)**

**Changes in Long-term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Governmental Activities:</u></b>					
Kentucky League of Cities	\$ 68,222	\$ 0	\$ 16,770	\$ 51,452	\$ 16,959
Kentucky League of Cities	239,891	0	8,340	231,551	8,725
Governmental activities					
Long-term liabilities	<u>\$ 308,113</u>	<u>\$ 0</u>	<u>\$ 25,110</u>	<u>\$ 283,003</u>	<u>\$ 25,684</u>
<b><u>Business-type Activities:</u></b>					
Capital lease obligation	\$ 14,782	\$ 0	\$ 14,782	\$ 0	\$ 0
KY Infrastructure Authority	570,773	0	27,420	543,353	27,695
Business-type activities					
Long-term liabilities	<u>\$ 585,555</u>	<u>\$ 0</u>	<u>\$ 42,202</u>	<u>\$ 543,353</u>	<u>\$ 27,695</u>

**Annual Debt Service Requirements**

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2010, are as follows:

**Governmental Activities**

<b>Notes Payable: Fiscal Year Ending June 30,</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2011	\$ 25,684	\$ 6,200	\$ 31,884
2012	26,258	5,398	31,656
2013	26,900	4,557	31,457
2014	9,982	3,993	13,975
2015	10,441	3,789	14,230
2016-2020	59,841	15,550	75,391
2021-2025	74,929	8,843	83,772
2026-2028	48,968	1,416	50,384
	<u>\$ 283,003</u>	<u>\$ 49,746</u>	<u>\$ 332,749</u>

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2010**

**NOTE 11 – LONG-TERM DEBT (CONTINUED)**

**Business-type Activities**

Note Payable: Fiscal Year Ending June 30,	Sewer Fund		
	Principal	Interest	Total
2011	\$ 27,695	\$ 5,364	\$ 33,059
2012	27,973	5,087	33,060
2013	28,253	4,806	33,059
2014	28,537	4,523	33,060
2015	28,823	4,237	33,060
2016-2020	148,506	16,793	165,299
2021-2025	156,100	9,198	165,298
2026-2028	97,466	1,713	99,179
	<u>\$ 543,353</u>	<u>\$ 51,721</u>	<u>\$ 595,074</u>

**NOTE 12 – INTERFUND TRANSACTIONS AND BALANCES**

**Operating Transfers and Interfund Receivables and Payable**

	Interfund Debits	Interfund Credits
General Fund	\$ 96,086	\$ 4,784
Cemetery Fund	501	16,500
MRA Fund	487	32,211
Payroll Fund	4,784	10,513
Sanitation Fund	872	2,746
Sewer Fund	1,966	21,057
Water Fund	1,959	18,844
	<u>\$ 106,655</u>	<u>\$ 106,655</u>

**NOTE 13 – DEFERRED COMPENSATION**

The commission voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.275 to provide administration of tax shelter supplementary retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Continued)**  
**June 30, 2010**

**NOTE 14 – EMPLOYEE RETIREMENT SYSTEM**

The City of Beaver Dam is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

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

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate 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 certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2010, plan members were required to contribute 5.00% of wages for non-hazardous job classifications and 8.00% of wages for hazardous job classifications. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.535(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding 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 contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2010, participating employers contributed 16.16% of each employee's wages for non-hazardous classifications and 32.97% for hazardous job classifications, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution (employee and employer) and the actual percentage contributed for the City for the current and pervious two years are as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 110,742	100%
2009	\$ 87,181	100%
2008	\$ 101,550	100%

**NOTE 15 – CONTINGENCIES**

In the normal course of operations, the City participates in various federal and state grant programs from year to year. The grant programs are often subject to additional audits by agents of the granting agency, the purpose of such is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**City of Beaver Dam, Kentucky**  
**Notes to Basic Financial Statements (Concluded)**  
**June 30, 2010**

**NOTE 16 – SUBSEQUENT EVENTS**

City of Beaver Dam's management has evaluated and considered the need to recognize or disclose subsequent events through October 27, 2010, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2010, have not been evaluated by management.

**NOTE 17 – BUDGET VIOLATIONS**

During the current fiscal year, the City incurred line item expenditures in excess of budget. These expenditures were within the general fund.

**NOTE 18 – CONCENTRATIONS OF CREDIT RISK**

The City extends credit to all citizens who live within the City limits and who utilize the utility system. Credit losses may be minimal and are generally within management's expectations.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Beaver Dam, Kentucky**  
**Budgetary Comparison Schedule – Major Fund**  
**Required Supplementary Information**  
**Year Ended June 30, 2010**

	General Fund			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final
				Budget
REVENUES				
Taxes	\$ 631,000	\$ 631,000	\$ 675,003	\$ 44,003
Licenses and permits	12,500	12,500	12,802	302
Intergovernmental revenue	185,700	185,700	106,888	(78,812)
Charges for services	16,500	16,500	29,754	13,254
Miscellaneous	10,000	10,000	10,442	442
Interest	9,000	9,000	7,185	(1,815)
TOTAL REVENUES	864,700	864,700	842,074	(22,626)
EXPENDITURES				
General government	253,975	253,975	171,172	82,803
Public safety				
Police	431,000	431,000	367,195	63,805
Fire	45,400	45,400	25,653	19,747
Parks and recreation	300,470	300,470	15,439	285,031
Debt service	25,000	25,000	25,110	(110)
Capital outlay	0	0	108,724	(108,724)
TOTAL EXPENDITURES	1,055,845	1,055,845	713,293	342,552
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(191,145)	(191,145)	128,781	319,926
OTHER FINANCING SOURCES (USES)				
Loan proceeds	0	0	0	0
Proceeds from sale of asset	0	0	0	0
Transfers out to other funds	(76,000)	(76,000)	(91,038)	(15,038)
TOTAL OTHER FINANCING SOURCES (USES)	(76,000)	(76,000)	(91,038)	(15,038)
NET CHANGE IN FUND BALANCE	(267,145)	(267,145)	37,743	304,888
FUND BALANCE – BEGINNING	(34,840)	(34,840)	704,037	738,877
FUND BALANCE – ENDING	\$ (301,985)	\$ (301,985)	\$ 741,780	\$ 1,043,765



**City of Beaver Dam, Kentucky**  
**Combining Balance Sheet**  
**Governmental Funds**  
**Year Ended June 30, 2010**

	<u>Special Revenue Funds</u>				
	<u>MRA Fund</u>	<u>Cemetery Fund</u>	<u>LGEA Fund</u>	<u>Community Pride Fund</u>	<u>Total Non-major Funds</u>
<b>ASSETS</b>					
Due from other funds	\$ 487	\$ 501	\$ 0	\$ 0	\$ 988
Restricted cash and cash equivalents	6,191	163,256	80,200	821	250,468
Investments – noncurrent	0	1,000	0	0	1,000
<b>TOTAL ASSETS</b>	<u>\$ 6,678</u>	<u>\$ 164,757</u>	<u>\$ 80,200</u>	<u>\$ 821</u>	<u>\$ 252,456</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 2,733	\$ 170	\$ 0	\$ 0	\$ 2,903
Accrued liabilities	1,031	1,149	0	0	2,180
<b>TOTAL LIABILITIES</b>	<u>3,764</u>	<u>1,319</u>	<u>0</u>	<u>0</u>	<u>5,083</u>
<b>FUND BALANCES</b>					
Reserved for restricted purposes	6,191	163,256	80,200	821	250,468
Unreserved					
Special revenue funds	(3,277)	182	0	0	(3,095)
<b>TOTAL FUND BALANCES</b>	<u>2,914</u>	<u>163,438</u>	<u>80,200</u>	<u>821</u>	<u>247,373</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 6,678</u>	<u>\$ 164,757</u>	<u>\$ 80,200</u>	<u>\$ 821</u>	<u>\$ 252,456</u>

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

**City of Beaver Dam, Kentucky**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2010**

	<b>Special Revenue Funds</b>				
	<b>MRA Fund</b>	<b>Cemetery Fund</b>	<b>LGEA Fund</b>	<b>Community Pride Fund</b>	<b>Total Non-major Funds</b>
<b>REVENUES</b>					
Intergovernmental	\$ 55,553	\$ 0	\$ 30,316	\$ 0	\$ 85,869
Charges for services	0	16,300	0	296	16,596
Miscellaneous	1,657	2,820	0	40	4,517
Interest income	81	1,390	372	0	1,843
<b>TOTAL REVENUES</b>	<b>57,291</b>	<b>20,510</b>	<b>30,688</b>	<b>336</b>	<b>108,825</b>
<b>EXPENDITURES</b>					
Streets	91,513	0	0	0	91,513
Police	0	0	0	0	0
Cemetery	0	31,369	0	0	31,369
Community pride project	0	0	0	0	0
Capital outlay	19,341	0	0	0	19,341
<b>TOTAL EXPENDITURES</b>	<b>110,854</b>	<b>31,369</b>	<b>0</b>	<b>0</b>	<b>142,223</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(53,563)</b>	<b>(10,859)</b>	<b>30,688</b>	<b>336</b>	<b>(33,398)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	32,211	16,500	0	0	48,711
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>32,211</b>	<b>16,500</b>	<b>0</b>	<b>0</b>	<b>48,711</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(21,352)</b>	<b>5,641</b>	<b>30,688</b>	<b>336</b>	<b>15,313</b>
<b>FUND BALANCES - BEGINNING</b>	<b>24,266</b>	<b>157,797</b>	<b>49,512</b>	<b>485</b>	<b>232,060</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 2,914</b>	<b>\$ 163,438</b>	<b>\$ 80,200</b>	<b>\$ 821</b>	<b>\$ 247,373</b>

**OTHER REPORTS**

**Report On Internal Control Over Financial Reporting and On  
Compliance and Other Matters Based On an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards**

To the Honorable Mary Pate, Mayor  
and the Board of City Commissioners of the  
City of Beaver Dam, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of City of Beaver Dam, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 27, 2010. 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 City of Beaver Dam, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Beaver Dam, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Beaver Dam, Kentucky's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item 10-01 in the accompanying schedule of findings and responses to be a material weakness.

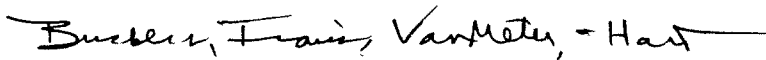
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Beaver Dam, 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.

City of Beaver Dam, Kentucky's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of Beaver Dam, Kentucky's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Buckles, Travis, VanMeter and Hart, PLLC  
Certified Public Accountants  
October 27, 2010

**City of Beaver Dam, Kentucky  
Schedule of Findings and Responses  
Year Ended June 30, 2010**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
<b>Significant Deficiencies</b>		
<b>10-01</b>	<p><b>Condition:</b> Accounting personnel responsible for the accounting and reporting function lacks the professional training and professional experience to apply generally accepted accounting principles in preparing the City's financial statements.</p> <p><b>Criteria:</b> Deficiencies in the design of controls include the above mentioned condition.</p> <p><b>Effect:</b> The City is unable to prepare and present properly adjusted financial statements with full note disclosures throughout the fiscal year and at year-end.</p> <p><b>Cause:</b> The City has chosen not to have the expertise to properly prepare their financial statements and disclosures.</p> <p><b>Recommendation:</b> The City should consider obtaining the professional training and expertise to apply generally accepted accounting principles in preparing the City's financial statements.</p> <p><b>Response:</b> We concur with the recommendation.</p>	None
<b>Noncompliance</b>		
None		