

CITY OF CAMPBELLSBURG  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2013

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William A. Talley  
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Kentucky Offices:  
Louisville  
Brandenburg  
Bardstown

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the business-type activities, of the City of Campbellsburg, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit and the report of the other auditor. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the City of Campbellsburg, Kentucky, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-10 and page 37 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Campbellsburg, Kentucky's basic financial statements. The budgetary comparison information – special revenue fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison information – special revenue fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to

the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information – special revenue fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2014, on our consideration of the City of Campbellsburg, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Campbellsburg, Kentucky's internal control over financial reporting and compliance.

Richardson, Pennington & Skinner PSC

Louisville, Kentucky  
January 15, 2014

**CITY OF CAMPBELLSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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, 2013 by \$3,576,790 (net position). Of this amount \$531,660 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$134,063 for the year ended June 30, 2013. The decrease of \$34,472 in the governmental funds can be attributed to an increase in expenses for the year.

**Overview of the Financial Statements**

Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, and the notes to the financial statements. The discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information and 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 position presents information on all of the City's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position 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 position 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, 2013**

In the Statement of Net Position 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 Position 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 Position 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, 2013**

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 Position at June 30, 2013 and 2012 follows:

|  | 2013                               | 2012                               | 2013                                | 2012                                |
|--|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|
|  | <u>Governmental<br/>Activities</u> | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Business-type<br/>Activities</u> |
| Cash and time deposits                     | \$ 459,802                         | \$ 511,098                         | \$ 248,018                          | \$ 238,913                          |
| Other assets                               | 279,665                            | 386,902                            | 16,962                              | 17,241                              |
| Capital assets                             | <u>789,326</u>                     | <u>668,174</u>                     | <u>3,581,444</u>                    | <u>3,705,170</u>                    |
| Total Assets                               | 1,528,793                          | 1,566,174                          | 3,846,424                           | 3,961,324                           |
| Other liabilities                          | 44,034                             | 32,256                             | 37,440                              | 37,749                              |
| Long-term outstanding                      | <u>643,953</u>                     | <u>658,640</u>                     | <u>1,073,000</u>                    | <u>1,088,000</u>                    |
| Total Liabilities                          | <u>687,987</u>                     | <u>690,896</u>                     | <u>1,110,440</u>                    | <u>1,125,749</u>                    |
| Invested in capital assets,<br>net of debt | 355,004                            | 335,662                            | 2,493,444                           | 2,602,170                           |
| Restricted                                 | 79,840                             | 84,234                             | 116,842                             | 116,361                             |
| Unrestricted                               | <u>405,962</u>                     | <u>455,382</u>                     | <u>125,698</u>                      | <u>117,044</u>                      |
| Total Net Assets                           | <u>\$ 840,806</u>                  | <u>\$ 875,278</u>                  | <u>\$ 2,735,984</u>                 | <u>\$ 2,835,575</u>                 |



**CITY OF CAMPBELLSBURG**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2013**

During the year ended June 30, 2013, the construction on the Community Center and the construction of sidewalks was the reason for that change in net position.

A condensed version of the Statement of Activities follows at June 30, 2013 and 2012:

|                        | 2013<br>Governmental<br>Activities | 2012<br>Governmental<br>Activities | 2013<br>Business-type<br>Activities | 2012<br>Business-type<br>Activities |
|------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|
| <u>Revenues</u>        |                                    |                                    |                                     |                                     |
| Program revenues       |                                    |                                    |                                     |                                     |
| Charges for services   | \$ 47,075                          | \$ 42,361                          | \$ 68,937                           | \$ 68,912                           |
| Grants                 | 9,754                              | 7,556                              | -0-                                 | -0-                                 |
| General Revenues       |                                    |                                    |                                     |                                     |
| Property taxes         | 109,919                            | 108,098                            | -0-                                 | -0-                                 |
| Insurance premium tax  | 115,145                            | 108,301                            | -0-                                 | -0-                                 |
| Other revenue          | 98,502                             | 63,552                             | -0-                                 | -0-                                 |
| Interest income        | 1,371                              | 2,238                              | 1,085                               | 818                                 |
| Total Revenues         | <u>381,766</u>                     | <u>332,106</u>                     | <u>70,022</u>                       | <u>69,730</u>                       |
| <u>Expenses</u>        |                                    |                                    |                                     |                                     |
| General Government     | 277,534                            | 229,247                            | -0-                                 | -0-                                 |
| Police                 | 22,282                             | 23,227                             | -0-                                 | -0-                                 |
| Fire                   | 32,005                             | 29,445                             | -0-                                 | -0-                                 |
| Streets                | 7,197                              | 7,656                              | -0-                                 | -0-                                 |
| Parks & Recreation     | 8,547                              | 4,629                              | -0-                                 | -0-                                 |
| Sanitation             | 38,426                             | 34,613                             | -0-                                 | -0-                                 |
| Operation              | -0-                                | -0-                                | 125,444                             | 131,664                             |
| Interest               | 29,227                             | 6,945                              | 45,189                              | 45,788                              |
| Total Expenses         | <u>415,218</u>                     | <u>335,762</u>                     | <u>170,633</u>                      | <u>177,452</u>                      |
| Transfers              | (1,020)                            | -0-                                | 1,020                               | -0-                                 |
| Total Transfers        | <u>(1,020)</u>                     | <u>-0-</u>                         | <u>1,020</u>                        | <u>-0-</u>                          |
| Change in Net Position | (34,472)                           | (3,656)                            | (99,591)                            | (107,722)                           |
| Beginning Net Position | <u>875,278</u>                     | <u>878,934</u>                     | <u>2,835,575</u>                    | <u>2,943,297</u>                    |
| Ending Net Position    | <u>\$ 840,806</u>                  | <u>\$ 875,278</u>                  | <u>\$ 2,735,984</u>                 | <u>\$ 2,835,575</u>                 |

**CITY OF CAMPBELLS BURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2013**

**Capital Assets**

At June 30, 2013, the City had \$2,848,448 invested in capital assets, consisting primarily of the sewer system and the Carrollton force main project that was constructed.

|                                       | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>        |
|---------------------------------------|------------------------------------|-------------------------------------|---------------------|
| Land                                  | \$ 13,718                          | \$ 19,400                           | \$ 33,118           |
| Sewer System                          | -                                  | 4,867,101                           | 4,867,101           |
| Buildings & Improvements              | 760,002                            | -                                   | 760,002             |
| Fixed assets held under capital lease | 33,632                             | -                                   | 33,632              |
| Machinery & equipment                 | 271,057                            | 23,307                              | 294,364             |
| Infrastructure                        | 94,950                             | -                                   | 94,950              |
| Subtotal                              | <u>1,173,359</u>                   | <u>4,909,808</u>                    | <u>6,083,167</u>    |
| Accumulated depreciation              | (384,033)                          | (1,328,364)                         | (1,712,397)         |
| Capital assets, net                   | <u>\$ 789,326</u>                  | <u>\$ 3,581,444</u>                 | <u>\$ 4,370,770</u> |

**Debt Outstanding**

At the year-end debt consisted of \$1,088,000 in outstanding bonds payable for the construction of the Carrollton force main project. In addition there was also debt outstanding for a vehicle consisting of \$7,398, and debt outstanding consisting of \$647,778 for the construction of the city's community center.

**Financial Contact**

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

**CITY OF CAMPBELLSBURG  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

|   | PRIMARY GOVERNMENT         |                             |                            |
|---|----------------------------|-----------------------------|----------------------------|
|   | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                      |
| <b>ASSETS</b>                                       |                            |                             |                            |
| Current assets:                                     |                            |                             |                            |
| Cash and cash equivalents                           | \$ 459,802                 | \$ 248,018                  | \$ 707,820                 |
| Accounts receivable (net)                           | 48,742                     | 16,962                      | 65,704                     |
| Prepaid expenses                                    | 10,069                     | -0-                         | 10,069                     |
| Due from others                                     | 220,854                    | -0-                         | 220,854                    |
| Total current assets                                | <u>739,467</u>             | <u>264,980</u>              | <u>1,004,447</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                                | 1,126,009                  | 4,890,408                   | 6,016,417                  |
| Less: Accumulated depreciation                      | (384,033)                  | (1,328,364)                 | (1,712,397)                |
| Total capital assets                                | <u>789,326</u>             | <u>3,581,444</u>            | <u>4,370,770</u>           |
| Total noncurrent assets                             | <u>789,326</u>             | <u>3,581,444</u>            | <u>4,370,770</u>           |
| <b>TOTAL ASSETS</b>                                 | <b><u>\$ 1,528,793</u></b> | <b><u>\$ 3,846,424</u></b>  | <b><u>\$ 5,375,217</u></b> |
| <b>LIABILITIES</b>                                  |                            |                             |                            |
| Current liabilities:                                |                            |                             |                            |
| Accounts payable                                    | \$ 22,903                  | \$ -0-                      | \$ 22,903                  |
| Accrued liabilities                                 | 8,733                      | 22,440                      | 31,173                     |
| Current portion of obligations under capital leases | 7,398                      | -0-                         | 7,398                      |
| Current portion of bond payable                     | 5,000                      | 15,000                      | 20,000                     |
| Total current liabilities                           | <u>44,034</u>              | <u>37,440</u>               | <u>81,474</u>              |
| Noncurrent liabilities:                             |                            |                             |                            |
| Compensated absences                                | 1,175                      | -0-                         | 1,175                      |
| Obligations under capital lease                     | -0-                        | -0-                         | -0-                        |
| Bond payable  | 642,778                    | 1,073,000                   | 1,715,778                  |
| Total noncurrent liabilities                        | <u>643,953</u>             | <u>1,073,000</u>            | <u>1,716,953</u>           |
| <b>TOTAL LIABILITIES</b>                            | <b>687,987</b>             | <b>1,110,440</b>            | <b>1,798,427</b>           |
| <b>NET POSITION</b>                                 |                            |                             |                            |
| Invested in capital assets, net of related debt     | 355,004                    | 2,493,444                   | 2,848,448                  |
| Restricted for:                                     |                            |                             |                            |
| Streets   | 79,840                     | 116,842                     | 196,682                    |
| Unrestricted  | 405,962                    | 125,698                     | 531,660                    |
| <b>TOTAL NET POSITION</b>                           | <b><u>\$ 840,806</u></b>   | <b><u>\$ 2,735,984</u></b>  | <b><u>\$ 3,576,790</u></b> |

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

**CITY OF CAMPBELLSBURG  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

| FUNCTIONS/PROGRAMS                   | EXPENSES          | PROGRAM REVENUES     |                                    |                                  | NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS |                          |                     |
|--------------------------------------|-------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|
|                                      |                   | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES                         | BUSINESS-TYPE ACTIVITIES | TOTAL               |
| Governmental activities:             |                   |                      |                                    |                                  |   |                          |                     |
| General government                   | \$ 277,534        | \$ 47,075            |                                    |                                  | \$ (230,459)                                    |                          | \$ (230,459)        |
| Police                               | 22,282            |                      | \$ 9,754                           |                                  | (12,528)  |                          | (12,528)            |
| Fire                                 | 32,005            |                      |                                    |                                  | (32,005)  |                          | (32,005)            |
| Streets                              | 7,197             |                      |                                    |                                  | (7,197)   |                          | (7,197)             |
| Parks and recreation                 | 8,547             |                      |                                    |                                  | (8,547)   |                          | (8,547)             |
| Sanitation                           | 38,426            |                      |                                    |                                  | (38,426)  |                          | (38,426)            |
| Interest                             | 29,227            |                      |                                    |                                  | (29,227)  |                          | (29,227)            |
| Total governmental activities        | <u>415,218</u>    | <u>47,075</u>        | <u>9,754</u>                       | <u>-0-</u>                       | <u>(358,389)</u>                                | <u>-0-</u>               | <u>(358,389)</u>    |
| Business-type activities:            |                   |                      |                                    |                                  |   |                          |                     |
| Sewer                                | 170,633           | 68,937               |                                    | -0-                              |   | (101,696)                | (101,696)           |
| Total business-type activities       | <u>\$ 170,633</u> | <u>\$ 68,937</u>     | <u>\$ -0-</u>                      | <u>\$ -0-</u>                    | <u>\$ -0-</u>                                   | <u>\$ (101,696)</u>      | <u>\$ (460,085)</u> |
| GENERAL REVENUES:                    |                   |                      |                                    |                                  |   |                          |                     |
| Property taxes                       |                   |                      |                                    |                                  | 109,919   |                          | 109,919             |
| Insurance premium tax                |                   |                      |                                    |                                  | 115,145   |                          | 115,145             |
| Franchise taxes                      |                   |                      |                                    |                                  | 31,738  |                          | 31,738              |
| Other taxes                          |                   |                      |                                    |                                  | 227   |                          | 227                 |
| Other revenues                       |                   |                      |                                    |                                  | 66,537  |                          | 66,537              |
| Interest income                      |                   |                      |                                    |                                  | 1,371   | 1,085                    | 2,456               |
| Transfers                            |                   |                      |                                    |                                  | (1,020)   | 1,020                    | -0-                 |
| Total general revenues and transfers |                   |                      |                                    |                                  | <u>323,917</u>                                  | <u>2,105</u>             | <u>326,022</u>      |
| Change in net position               |                   |                      |                                    |                                  | (34,472)  | (99,591)                 | (134,063)           |
| NET POSITION - BEGINNING             |                   |                      |                                    |                                  | 875,278   | 2,835,575                | 3,710,853           |
| NET POSITION - ENDING                |                   |                      |                                    |                                  | <u>\$ 840,806</u>                               | <u>\$ 2,735,984</u>      | <u>\$ 3,576,790</u> |

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

**CITY OF CAMPBELLSBURG  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

|                                      | GOVERNMENTAL<br>FUND TYPES                       |                    | TOTALS            |
|--------------------------------------|--|--------------------|-------------------|
|                                      | GENERAL  | SPECIAL<br>REVENUE |                   |
| <b>ASSETS</b>                        |  |                    |                   |
| Cash                                 | \$ 172,046                                       | \$ 78,015          | \$ 250,061        |
| Certificates of deposit              | 207,916  | 1,825              | 209,741           |
| Accounts receivable, net             | 48,742   | -0-                | 48,742            |
| Prepaid expenses                     | 10,069   | -0-                | 10,069            |
|                                      | <b>TOTAL ASSETS</b>                              | <b>\$ 79,840</b>   | <b>\$ 518,613</b> |
| <b>LIABILITIES AND FUND BALANCES</b> |  |                    |                   |
| <b>LIABILITIES</b>                   |  |                    |                   |
| Accounts payable                     | \$ 22,903  | \$ -0-             | \$ 22,903         |
| Accrued liabilities                  | 8,733  | -0-                | 8,733             |
|                                      | <b>TOTAL LIABILITIES</b>                         | -0-                | 31,636            |
| <b>FUND BALANCES</b>                 |  |                    |                   |
| Nonspendable                         | 10,069   | -0-                | 10,069            |
| Restricted for:                      |  |                    |                   |
| Street maintenance                   | -0-  | 79,840             | 79,840            |
| Unassigned                           | 397,068  | -0-                | 397,068           |
|                                      | <b>TOTAL FUND BALANCES</b>                       | 79,840             | 486,977           |
|                                      | <b>TOTAL LIABILITIES &amp;<br/>FUND BALANCES</b> | <b>\$ 79,840</b>   | <b>\$ 518,613</b> |

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

**CITY OF CAMPBELLSBURG  
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET  
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF  
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS  
JUNE 30, 2013**

|   |    |                  |
|---|----|------------------|
| Fund balances - total governmental funds  | \$ | 486,977          |
| 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). |    | 789,326          |
| Due from others governmental asset is not due and receivable in the current period and therefore is not reported in the funds.        |    | 220,854          |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (See Note 9)         |    |                  |
| Compensated absences  | \$ | 1,175            |
| Obligations under capital lease and bonds payable   |    | <u>655,176</u>   |
|   |    | <u>(656,351)</u> |
| Net position of governmental activities (See Pg. 11 & 12)   | \$ | <u>840,806</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, 2013**

|                                      | GOVERNMENTAL FUND TYPES |                    | TOTALS            |
|--------------------------------------|-------------------------|--------------------|-------------------|
|                                      | GENERAL                 | SPECIAL<br>REVENUE |                   |
| <b>REVENUES</b>                      |                         |                    |                   |
| Property taxes                       | \$ 109,919              | \$ -0-             | \$ 109,919        |
| Insurance premium tax                | 115,145                 | -0-                | 115,145           |
| Franchise taxes                      | 31,738                  | -0-                | 31,738            |
| Bank deposit tax                     | 227                     | -0-                | 227               |
| Business licenses                    | 5,618                   | -0-                | 5,618             |
| Sanitation receipts                  | 41,457                  | -0-                | 41,457            |
| Interest on investments and deposits | 1,314                   | 57                 | 1,371             |
| Community center funds               | 33,326                  | -0-                | 33,326            |
| Miscellaneous                        | 14,217                  | 13                 | 14,230            |
| Intergovernment:                     |                         |                    |                   |
| HB 272                               | 657                     | -0-                | 657               |
| Grants HB 413                        | 8,847                   | -0-                | 8,847             |
| Municipal road aid                   | -0-                     | 17,674             | 17,674            |
| Severance tax - LGEA                 | -0-                     | 1,308              | 1,308             |
| Police incentive                     | 250                     | -0-                | 250               |
| <b>TOTAL REVENUES</b>                | <b>362,715</b>          | <b>19,052</b>      | <b>381,767</b>    |
| <b>EXPENDITURES</b>                  |                         |                    |                   |
| General government                   | 250,647                 | -0-                | 250,647           |
| Public safety:                       |                         |                    |                   |
| Police department                    | 22,076                  | -0-                | 22,076            |
| Fire department                      | 20,000                  | -0-                | 20,000            |
| Street department                    | -0-                     | 4,293              | 4,293             |
| Parks and recreation                 | 1,047                   | -0-                | 1,047             |
| Community center                     | 66                      | -0-                | 66                |
| Sanitation                           | 38,426                  | -0-                | 38,426            |
| Debt service:                        |                         |                    |                   |
| Principal                            | 13,209                  | -0-                | 13,209            |
| Interest                             | 29,227                  | -0-                | 29,227            |
| Capital outlay                       | 151,584                 | 19,153             | 170,737           |
| <b>TOTAL EXPENDITURES</b>            | <b>526,282</b>          | <b>23,446</b>      | <b>549,728</b>    |
| <b>OTHER SOURCES (USES)</b>          |                         |                    |                   |
| Bond proceeds                        | 115,018                 | -0-                | 115,018           |
| Transfers out                        | (1,020)                 | -0-                | (1,020)           |
| <b>TOTAL OTHER SOURCES (USES)</b>    | <b>113,998</b>          | <b>-0-</b>         | <b>113,998</b>    |
| <b>NET CHANGE IN FUND BALANCE</b>    | <b>(49,569)</b>         | <b>(4,394)</b>     | <b>(53,963)</b>   |
| <b>FUND BALANCE, JULY 1</b>          | <b>456,706</b>          | <b>84,234</b>      | <b>540,940</b>    |
| <b>FUND BALANCE, JUNE 30</b>         | <b>\$ 407,137</b>       | <b>\$ 79,840</b>   | <b>\$ 486,977</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, 2013**

|   |                 |                    |
|---|-----------------|--------------------|
| Net change in fund balances - total governmental funds  |                 | \$ (53,963)        |
| Amounts reported for governmental activities in the statement of activities are different because:  |                 |                    |
| <p style="margin-left: 40px;">Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p> |                 |                    |
| Capital outlay  | \$ 170,737      |                    |
| Depreciation expense  | <u>(49,585)</u> | 121,152            |
| <p style="margin-left: 40px;">The amount of bond proceeds are recorded in the governmental funds, but increase the liabilities in the government-wide statements. This is the amount:</p>   |                 |                    |
|   |                 | (115,018)          |
| <p style="margin-left: 40px;">The decrease in compensated absences liability does not increase the current financial resources but is recorded as a decrease to expenses in the statement of activities.</p>  |                 |                    |
| Difference in compensated absences liability  |                 | 148                |
| <p style="margin-left: 40px;">Payments on a capital lease and bonds payable are recorded as an expense in the governmental funds, but is allocated to principal and interest in the government-wide statements.</p>                                 |                 |                    |
| Total payments  | \$ 42,436       |                    |
| Interest portion of payments  | <u>(29,227)</u> | <u>13,209</u>      |
| Change in net position of governmental funds in Statement of Activities (See pg. 12)  |                 | <u>\$ (34,472)</u> |

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



**CITY OF CAMPBELLSBURG  
STATEMENT OF NET ASSETS  
SEWER FUND (BUSINESS-TYPE ACTIVITIES)  
JUNE 30, 2013**

**ASSETS**

Current assets:

|                           |    |         |
|---------------------------|----|---------|
| Cash and cash equivalents | \$ | 248,018 |
| Accounts receivable, net  |    | 16,962  |
| Total current assets      |    | 264,980 |

Noncurrent assets:

Capital assets

|   |  |           |
|---|--|-----------|
| Land                                      |  | 19,400    |
| Other capital assets, net of depreciation |  | 3,562,044 |
| Total noncurrent assets                   |  | 3,581,444 |

|                     |           |                  |
|---------------------|-----------|------------------|
| <b>TOTAL ASSETS</b> | <b>\$</b> | <b>3,846,424</b> |
|---------------------|-----------|------------------|

**LIABILITIES**

Current liabilities:

|                                  |    |        |
|----------------------------------|----|--------|
| Interest payable                 | \$ | 22,440 |
| Current portion of bonds payable |    | 15,000 |
| Total current liabilities        |    | 37,440 |

Noncurrent liabilities:

|                              |  |           |
|------------------------------|--|-----------|
| Bonds payable                |  | 1,073,000 |
| Total noncurrent liabilities |  | 1,073,000 |

|                         |  |                  |
|-------------------------|--|------------------|
| <b>TOTAL LIABILITES</b> |  | <b>1,110,440</b> |
|-------------------------|--|------------------|

**NET POSITION**

|   |  |           |
|---|--|-----------|
| Invested in capital assets, net of related debt |  | 2,493,444 |
| Restricted                                      |  | 116,842   |
| Unrestricted                                    |  | 125,698   |
| Total net position                              |  | 2,735,984 |

|                           |           |                  |
|---------------------------|-----------|------------------|
| <b>TOTAL NET POSITION</b> | <b>\$</b> | <b>2,735,984</b> |
|---------------------------|-----------|------------------|

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

**CITY OF CAMPBELLSBURG**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**SEWER FUND (BUSINESS-TYPE ACTIVITIES)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

|   |              |
|---|--------------|
| Operating Revenues:                     |              |
| Charges for services                    | \$ 68,930    |
| Miscellaneous                           | 7            |
| Total operating revenues                | 68,937       |
| Operating expenses:                     |              |
| Operations and maintenance              | 1,718        |
| Depreciation                            | 123,726      |
| Total operating expenses                | 125,444      |
| Operating income (loss)                 | (56,507)     |
| Non-operating revenues (expenses):      |              |
| Interest and investment earnings        | 1,085        |
| Transfers in                            | 1,020        |
| Interest expense                        | (45,189)     |
| Net non-operating revenues (expenses)   | (43,084)     |
| Change in net position                  | (99,591)     |
| Total net position at beginning of year | 2,835,575    |
| Total net position at end of year       | \$ 2,735,984 |

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, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |           |
|---|-----------|
| Cash received from customers                      | \$ 69,216 |
| Cash payments to suppliers for goods and services | (2,027)   |
| Net cash provided by operating activities         | 67,189    |

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

|   |       |
|---|-------|
| Operating transfers - out to other funds          | 1,020 |
| Net cash used by non-capital financing activities | 1,020 |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|  |          |
|--|----------|
| Interest on investments                | 1,085    |
| Bond principal payment                 | (15,000) |
| Interest expense                       | (45,189) |
| Net cash used for investing activities | (59,104) |

|   |       |
|---|-------|
| Net increase in cash and cash equivalents | 9,105 |
|---|-------|

|   |            |
|---|------------|
| Cash and cash equivalents - beginning of the year | 238,913    |
| Cash and cash equivalents - end of the year       | \$ 248,018 |

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

|   |             |
|---|-------------|
| Operating loss                            | \$ (56,507) |
| Adjustments                               |             |
| Depreciation                              | 123,726     |
| Net changes in assets and liabilities     |             |
| Accounts receivable                       | 279         |
| Other                                     | (309)       |
| Net cash provided by operating activities | \$ 67,189   |

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, 2013**

**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, 2013.

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, 2013**

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

The government-wide financial statements consist of the statement of net position 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 position 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, 2013**

**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 position reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and 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, 2013**

**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, 2013**

**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 Position and Fund Equity

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

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



**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013**

**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, 2013**

**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 position.

**NOTE 2 – CASH AND INVESTMENTS**

At year-end, the carrying amount of the City's deposits (checking and savings accounts) was \$439,161 and the bank balance was \$458,112. Of the bank balance, all deposits were covered by federal depository insurance or by collateral held in the pledging bank's trust department or by its agent in the City's name.

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

Investments at June 30, 2013 were all certificates of deposit in one financial institution. The carrying amount and bank balances of \$268,659 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, 2013, the allowance for uncollectible accounts for governmental activities was \$-0-.

**CITY OF CAMPBELLSBURG**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 4 – EMPLOYEE RETIREMENT BENEFITS**

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

Nonhazardous covered employees are required to contribute 5% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6% of their salary to the plan. For the year ended June 30, 2013 and 2012, the Government's contribution rate for nonhazardous employees was 19.55% and 18.96%, respectively.

Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. For the year ended June 30, 2013 and 2012, the Government's contribution rate for hazardous employees was 37.60% and 35.76%, respectively. The City of Campbellsburg does not have any hazardous employees.

The contribution requirements and the amounts contributed to CERS were \$12,611, \$10,812, and \$10,990, respectively for the years ended June 30, 2013, 2012 and 2011.

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

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

**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013**

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

CERS also provides post-retirement health coverage as follows:

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

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

**NOTE 5 – STATE GOVERNMENTAL AID**

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

**NOTE 6 – INTER-LOCAL AGREEMENT**

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

**NOTE 7 – 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

**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 7 – CITY OF CAMPBELLSBURG SEWER SYSTEM REVENUE BONDS,  
SERIES 2006 (CONTINUED)**

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:

| <u>For the year ending,</u>   | <u>Interest</u>   | <u>Principal</u>    | <u>Outstanding</u> |
|-------------------------------|-------------------|---------------------|--------------------|
|                               |                   |                     | \$ 1,088,000       |
| June 30, 2014                 | 44,880            | 15,000              | 1,073,000          |
| June 30, 2015                 | 44,261            | 16,000              | 1,057,000          |
| June 30, 2016                 | 43,601            | 17,000              | 1,040,000          |
| June 30, 2017                 | 42,900            | 17,000              | 1,023,000          |
| June 30, 2018                 | 42,199            | 18,000              | 1,005,000          |
|                               | <u>217,841</u>    | <u>83,000</u>       |                    |
| June 30, 2019 - June 30, 2023 | 199,032           | 105,000             | 900,000            |
| June 30, 2024 - June 30, 2028 | 175,313           | 130,000             | 770,000            |
| June 30, 2029 - June 30, 2033 | 146,315           | 159,000             | 611,000            |
| June 30, 2034 - June 30, 2038 | 110,468           | 197,000             | 414,000            |
| June 30, 2039 - June 30, 2043 | 66,001            | 245,000             | 169,000            |
| June 30, 2044 - June 30, 2046 | 13,984            | 169,000             | \$ -0-             |
|                               | <u>711,113</u>    | <u>1,005,000</u>    |                    |
| Totals                        | <u>\$ 928,954</u> | <u>\$ 1,088,000</u> |                    |

**NOTE 8 – CITY OF CAMPBELLSBURG FINANCING PROGRAM REVENUE BONDS,  
2012 SERIES A**

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

**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 8 – CITY OF CAMPBELLSBURG FINANCING PROGRAM REVENUE BONDS,  
2012 SERIES A (CONTINUED)**

| <u>For the year ending,</u>   | <u>Interest</u>   | <u>Principal</u>  | <u>Outstanding</u> |
|-------------------------------|-------------------|-------------------|--------------------|
|                               |                   |                   | \$ 647,778         |
| June 30, 2014                 | 27,655            | 5,000             | 642,778            |
| June 30, 2015                 | 27,518            | 5,000             | 637,778            |
| June 30, 2016                 | 27,370            | 5,000             | 632,778            |
| June 30, 2017                 | 27,207            | 5,000             | 627,778            |
| June 30, 2018                 | 27,045            | 5,000             | 622,778            |
|                               | <u>136,795</u>    | <u>25,000</u>     |                    |
| June 30, 2019 - June 30, 2023 | 132,383           | 60,417            | 562,361            |
| June 30, 2024 - June 30, 2028 | 111,290           | 169,166           | 393,195            |
| June 30, 2029 - June 30, 2033 | 71,459            | 212,083           | 181,112            |
| June 30, 2034 - June 30, 2037 | 21,037            | 181,112           | \$ -0-             |
|                               | <u>336,169</u>    | <u>622,778</u>    |                    |
| Totals                        | <u>\$ 472,964</u> | <u>\$ 647,778</u> |                    |

**NOTE 9 – LONG-TERM DEBT**

The summary of long-term liability for the year ended June 30, 2013 is as follows:

|                                | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Withi<br/>One Year</u> |
|--------------------------------|------------------------------|------------------|-------------------|---------------------------|-------------------------------|
| Bond payable                   | \$ 1,103,000                 | \$ -0-           | \$ 15,000         | \$ 1,088,000              | \$ 15,000                     |
| Bond payable                   | 653,889                      | -0-              | 6,111             | 647,778                   | 5,000                         |
| Obligation under capital lease | 14,496                       | -0-              | 7,098             | 7,398                     | 7,398                         |
| Compensated absences           | 1,324                        | -0-              | 149               | 1,175                     | -0-                           |
| Totals                         | <u>\$ 1,772,709</u>          | <u>\$ -0-</u>    | <u>\$ 28,358</u>  | <u>\$ 1,744,351</u>       | <u>\$ 27,398</u>              |

**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013**

**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

\$ 7,398  
\$ 7,398

Required minimum future capital lease payments are estimated as follows:

| Year ending<br><u>June 30,</u>              |                 |
|---|-----------------|
| 2014  | \$ 7,528        |
| 2015  | -0-             |
| 2016  | -0-             |
| 2017  | -0-             |
| 2018  | <u>-0-</u>      |
| Net minimum lease payments                  | 7,528           |
| Less amount representing interest           | <u>(130)</u>    |
| Present value of net minimum lease payments | <u>\$ 7,398</u> |

**NOTE 11 – CAPITAL ASSETS AND DEPRECIATION**

Depreciation expense is charged to functions as follows:

Governmental Activities

|                      |                  |
|----------------------|------------------|
| General Government   | \$ 26,595        |
| Police               | 581              |
| Fire                 | 12,005           |
| Streets              | 2,904            |
| Parks and Recreation | <u>7,500</u>     |
|                      | <u>\$ 49,585</u> |

**CITY OF CAMPBELLSBURG**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

A summary of changes in general fixed assets follows:

| <b>PRIMARY GOVERNMENT</b>                           | <b>Balance</b>      |                     |                   | <b>Balance</b>       |
|---|---------------------|---------------------|-------------------|----------------------|
|   | <b>July 1, 2012</b> | <b>Additions</b>    | <b>Deductions</b> | <b>June 30, 2013</b> |
| <b>Governmental activities:</b>                     |                     |                     |                   |                      |
| <b>Nondepreciable assets:</b>                       |                     |                     |                   |                      |
| Land  | \$ 13,718           | \$ -0-              | \$ -0-            | \$ 13,718            |
| Total nondepreciable assets                         | 13,718              | -0-                 | -0-               | 13,718               |
| <b>Depreciable assets:</b>                          |                     |                     |                   |                      |
| Buildings and improvements                          | \$ 589,265          | \$ 170,737          | \$ -0-            | \$ 760,002           |
| Machinery and equipment                             | 271,057             | -0-                 | -0-               | 271,057              |
| Asset held under capital lease                      | 33,632              | -0-                 | -0-               | 33,632               |
| Infrastructure                                      | 94,950              | -0-                 | -0-               | 94,950               |
| Total depreciable assets                            | 988,904             | 170,737             | -0-               | 1,159,641            |
| Total capital assets                                | \$ 1,002,622        | \$ 170,737          | \$ -0-            | \$ 1,173,359         |
| <b>Accumulated depreciation:</b>                    |                     |                     |                   |                      |
| Buildings and improvements                          | \$ (88,636)         | \$ (24,053)         | \$ -0-            | \$ (112,689)         |
| Machinery and equipment                             | (158,750)           | (16,920)            | -0-               | (175,670)            |
| Asset held under capital lease                      | (17,937)            | (6,727)             | -0-               | (24,664)             |
| Infrastructure                                      | (69,125)            | (1,885)             | -0-               | (71,010)             |
| Total accumulated depreciation                      | (334,448)           | (49,585)            | -0-               | (384,033)            |
| Total depreciable assets, net                       | 654,456             | 121,152             | -0-               | 775,608              |
| <b>Governmental activities capital assets, net</b>  | <b>\$ 668,174</b>   | <b>\$ 121,152</b>   | <b>\$ -0-</b>     | <b>\$ 789,326</b>    |
| <b>Business-type activities:</b>                    |                     |                     |                   |                      |
| <b>Nondepreciable assets:</b>                       |                     |                     |                   |                      |
| Land  | \$ 19,400           | \$ -0-              | \$ -0-            | \$ 19,400            |
| Total nondepreciable assets                         | 19,400              | -0-                 | -0-               | 19,400               |
| <b>Depreciable assets:</b>                          |                     |                     |                   |                      |
| Sewer systems                                       | 4,867,101           | -0-                 | -0-               | 4,867,101            |
| Machinery and equipment                             | 23,307              | -0-                 | -0-               | 23,307               |
| Total depreciable assets                            | 4,890,408           | -0-                 | -0-               | 4,890,408            |
| Total capital assets                                | \$ 4,909,808        | \$ -0-              | \$ -0-            | \$ 4,909,808         |
| <b>Accumulated depreciation:</b>                    |                     |                     |                   |                      |
| Sewer systems                                       | \$ (1,182,737)      | \$ (123,275)        | \$ -0-            | \$ (1,306,012)       |
| Machinery and equipment                             | (21,901)            | (451)               | -0-               | (22,352)             |
| Total accumulated depreciation                      | (1,204,638)         | (123,726)           | -0-               | (1,328,364)          |
| Total depreciable assets, net                       | 3,685,770           | (123,726)           | -0-               | 3,562,044            |
| <b>Business-type activities capital assets, net</b> | <b>\$ 3,705,170</b> | <b>\$ (123,726)</b> | <b>\$ -0-</b>     | <b>\$ 3,581,444</b>  |
| <b>Total Capital assets</b>                         | <b>\$ 4,373,344</b> | <b>\$ (2,574)</b>   | <b>\$ -0-</b>     | <b>\$ 4,370,770</b>  |



**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 12 - RISK MANAGEMENT**

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

**NOTE 13 - 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 position 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<br/>Amount</u> | <u>Fair Value</u> |
|---------------------------|----------------------------|-------------------|
| Financial assets:         |                            |                   |
| Cash and cash equivalents | \$ 439,161                 | \$ 439,161        |
| Certificates of deposit   | <u>268,659</u>             | <u>268,659</u>    |
|                           | <u>\$ 707,820</u>          | <u>\$ 707,820</u> |

**NOTE 14 - FUND BALANCES**

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

- Nonspendable - includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2013 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.

**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 14 - FUND BALANCES (CONTINUED)**

- 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.

**NOTE 15 - MULTIEMPLOYER PENSION PLAN**

The City contributes to a multiemployer defined benefit pension plan for all employees through County Employee's Retirement System (CERS). It is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county and school board and any additional eligible local agencies electing to participate in the System. The risks of participating in this multiemployer plan differs from those of single-employer plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, then the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the government chooses to stop participating in some of its multiemployer plans, then it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The cities participation in this plan for the fiscal year ended June 30, 2013, is outlined in the following table. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2013 for the plan's year-end at June 30, 2013. The zone status is based on information that the City of Campbellsburg, Kentucky received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a

**CITY OF CAMPBELLSBURG  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 15 - MULTIEMPLOYER PENSION PLAN (CONTINUED)**

rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plans are subject. The pension plan protection zone status, FIP/RP status pending/implemented, and the expiration date of the collective-bargaining agreement are not applicable to the City of Campbellsburg, Kentucky.

| <u>Pension Fund</u>                | <u>EIN/Pension<br/>Plan Number</u> | <u>Pension Protection<br/>Act Zone Status<br/>2013</u> | <u>FIP/RP Status<br/>Status<br/>Pending/<br/>Implemented</u> | <u>City<br/>Contributions<br/>2013</u> | <u>Surcharge<br/>Imposed</u> | <u>Expiration<br/>Date of<br/>Collective-<br/>Bargaining<br/>Agreement</u> |
|------------------------------------|------------------------------------|--|--|--|------------------------------|--|
| County Employees Retirement System | 61-1431278                         | Not applicable   | Not applicable   | \$ 12,611                              | No                           | Not applicable   |

**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, 2013**

|                                      | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | <u>Variance -</u>             |
|--------------------------------------|-------------------------|-------------------|-------------------|-------------------------------|
|                                      | <u>Original</u>         | <u>Final</u>      |                   | <u>Over</u><br><u>(Under)</u> |
| <b>REVENUES</b>                      |                         |                   |                   |                               |
| Property taxes                       | \$ 97,500               | \$ 97,500         | \$ 109,919        | \$ 12,419                     |
| Insurance premium taxes              | 120,000                 | 120,000           | 115,145           | (4,855)                       |
| Franchise taxes                      | 20,000                  | 20,000            | 31,738            | 11,738                        |
| Bank deposit tax                     | -0-                     | -0-               | 227               | 227                           |
| Business licenses                    | 2,000                   | 2,000             | 5,618             | 3,618                         |
| Sanitation receipts                  | 40,000                  | 40,000            | 41,457            | 1,457                         |
| Interest on investments and deposits | 1,000                   | 1,000             | 1,314             | 314                           |
| Community center funds               | -0-                     | -0-               | 33,326            | 33,326                        |
| Miscellaneous income                 | 3,000                   | 3,000             | 14,217            | 11,217                        |
| Intergovernment:                     |                         |                   |                   |                               |
| HB 272                               | 736                     | 736               | 657               | (79)                          |
| Grants HB 413                        | 5,000                   | 5,000             | 8,847             | 3,847                         |
| Police incentive                     | -0-                     | -0-               | 250               | 250                           |
| <b>TOTAL REVENUES</b>                | <u>289,236</u>          | <u>289,236</u>    | <u>362,715</u>    | <u>73,479</u>                 |
| <b>EXPENDITURES</b>                  |                         |                   |                   |                               |
| General government                   | 251,780                 | 251,780           | 250,647           | (1,133)                       |
| Public safety                        |                         |                   |                   |                               |
| Police department                    | 24,970                  | 24,970            | 22,076            | (2,894)                       |
| Fire department                      | 20,000                  | 20,000            | 20,000            | -0-                           |
| Parks and recreation                 | 3,000                   | 3,000             | 1,047             | (1,953)                       |
| Community center                     | -0-                     | -0-               | 66                | 66                            |
| Sanitation                           | 40,260                  | 40,260            | 38,426            | (1,834)                       |
| Debt service                         | -0-                     | -0-               | 42,436            | 42,436                        |
| Capital outlay                       | 13,028                  | 13,028            | 151,584           | 138,556                       |
| <b>TOTAL EXPENDITURES</b>            | <u>353,038</u>          | <u>353,038</u>    | <u>526,282</u>    | <u>173,244</u>                |
| <b>OTHER SOURCES (USES)</b>          |                         |                   |                   |                               |
| Bond proceeds                        | -0-                     | -0-               | 115,018           | 115,018                       |
| <b>TOTAL OTHER SOURCES (USES)</b>    | <u>-0-</u>              | <u>-0-</u>        | <u>113,998</u>    | <u>113,998</u>                |
| <b>NET CHANGE IN FUND BALANCE</b>    | (63,802)                | (63,802)          | (49,569)          | 14,233                        |
| <b>FUND BALANCE, JULY 1</b>          | <u>456,706</u>          | <u>456,706</u>    | <u>456,706</u>    | <u>-0-</u>                    |
| <b>FUND BALANCE, JUNE 30</b>         | <u>\$ 392,904</u>       | <u>\$ 392,904</u> | <u>\$ 407,137</u> | <u>\$ 14,233</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, 2013**

|                                      | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Variance -<br/>Over<br/>(Under)</u> |
|--------------------------------------|-------------------------|------------------|------------------|--|
|                                      | <u>Original</u>         | <u>Final</u>     |                  |  |
| <b>REVENUES</b>                      |                         |                  |                  |  |
| Interest on investments and deposits | \$ 100                  | \$ 100           | \$ 57            | \$ (43)                                |
| Miscellaneous                        | 0-                      | 0-               | 13               | 13                                     |
| Intergovernment:                     |                         |                  |                  |  |
| Municipal road aid                   | 17,000                  | 17,000           | 17,674           | 674                                    |
| Severance tax - LGEA                 | 3,000                   | 3,000            | 1,308            | (1,692)                                |
| <b>TOTAL REVENUES</b>                | <u>20,100</u>           | <u>20,100</u>    | <u>19,052</u>    | <u>(1,048)</u>                         |
| <b>EXPENDITURES</b>                  |                         |                  |                  |  |
| Street department                    | 11,000                  | 11,000           | 4,293            | (6,707)                                |
| Capital outlay                       | 35,000                  | 35,000           | 19,153           | (15,847)                               |
| <b>TOTAL EXPENDITURES</b>            | <u>46,000</u>           | <u>46,000</u>    | <u>23,446</u>    | <u>(22,554)</u>                        |
| <b>NET CHANGE IN FUND BALANCE</b>    | (25,900)                | (25,900)         | (4,394)          | 21,506                                 |
| <b>FUND BALANCE, JULY 1</b>          | <u>84,234</u>           | <u>84,234</u>    | <u>84,234</u>    | <u>-0-</u>                             |
| <b>FUND BALANE, JUNE 30</b>          | <u>\$ 58,334</u>        | <u>\$ 58,334</u> | <u>\$ 79,840</u> | <u>\$ 21,506</u>                       |

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of the City of Campbellsburg, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Campbellsburg, Kentucky's basic financial statements and have issued our report thereon dated January 15, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Campbellsburg, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Campbellsburg, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Campbellsburg, Kentucky's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

- Due to the limited number of personnel, the City has not established an adequate segregation of duties. Individuals in the accounting department have the ability to initiate transactions, record the transactions, and reconcile the related accounting records. We also recognize this judgment is affected by certain circumstances beyond the City's control such as budgetary constraints. However, the lack of adequate segregation of duties is hereby noted as a significant deficiency pursuant to professional auditing standards.
- Management's response to the above mentioned finding was that due to a limited staff and budgetary constraints a proper segregation of duties was impossible. However, to mitigate any potential issues the city requires two party signatures on all checks that are issued.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Campbellsburg, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Campbellsburg, Kentucky's Response to Findings**

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

### **Purpose of this Report**

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

*Richardson, Pennington & Skinner, PSC*

Louisville, Kentucky  
January 15, 2014



**CITY OF CAMPBELLSBURG  
LIST OF COUNCIL MEMBERS  
JUNE 30, 2013**

| <u>NAME</u>      | <u>POSITION</u>           | <u>ADDRESS</u>             | <u>TERM EXPIRES</u> |
|------------------|---------------------------|----------------------------|---------------------|
| Rex Morgan       | Mayor                     | Campbellsburg, KY<br>40011 | December 31, 2014   |
| Susie Tipton     | City Clerk &<br>Treasurer | Campbellsburg, KY<br>40011 |                     |
| Lorraine Hawkins | Member                    | Campbellsburg, KY<br>40011 | December 31, 2014   |
| Jason Stanley    | Member                    | Campbellsburg, KY<br>40011 | December 31, 2014   |
| Mark Murray      | Member                    | Campbellsburg, KY<br>40011 | December 31, 2014   |
| Sharen Clem      | Member                    | Campbellsburg, KY<br>40011 | December 31, 2014   |
| Shelley Noe      | Member                    | Campbellsburg, KY<br>40011 | December 31, 2014   |
| Earl Higgins     | Member                    | Campbellsburg, KY<br>40011 | December 31, 2014   |

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

Kentucky Offices:  
Louisville  
Brandenburg  
Bardstown

**CITY OF CAMPBELLSBURG**

**AUDITORS' CERTIFICATION**

**JUNE 30, 2013**

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

*Richardson, Pennington & Skinner, PSC*

Louisville, Kentucky  
January 15, 2014

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

Kentucky Offices:  
Louisville  
Brandenburg  
Bardstown

Mayor and City Council Members  
City of Campbellsburg  
Campbellsburg, Kentucky

We have audited the financial statements of City of Campbellsburg for the year ended June 30, 2013, and have issued our report thereon dated January 15, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and *Government Auditing Standards*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated November 1, 2013. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Campbellsburg are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2012 fiscal year. We noted no transactions entered into by the Entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable assets. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to

the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 15, 2014.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

This information is intended solely for the use of the mayor and city council of the City of Campbellsburg and is not intended to be and should not be used by anyone other than these specified parties.

*Richardson, Pennington & Skinner, PSC*

Louisville, Kentucky  
January 17, 2014