

CITY OF CAMPBELLSBURG
AUDITED FINANCIAL STATEMENTS

JUNE 30, 2014

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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, 2014, 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. 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, 2014, 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 36 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 8, 2015, 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 8, 2015

**CITY OF CAMPBELLSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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, 2014 by \$3,411,609 (net position). Of this amount \$479,805 (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 \$140,910 for the year ended June 30, 2014. The decrease of \$32,566 in the governmental funds can be attributed to an increase in expenses and a decrease in revenue for the year.

Overview of the Financial Statements

Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, and the notes to the financial statements. The discussion and analysis serves as an introduction to the City's basis financial statements. The City's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains 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, 2014**

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, 2014**

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, 2014 and 2013 follows:

	2014	2013	2014	2013
	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Business-type Activities</u>
Cash and time deposits	\$ 336,643	\$ 459,802	\$ 225,596	\$ 248,018
Other assets	63,998	279,665	17,326	16,962
Capital assets	1,053,351	789,326	3,457,718	3,581,444
Total Assets	<u>1,453,992</u>	<u>1,528,793</u>	<u>3,700,640</u>	<u>3,846,424</u>
Other liabilities	29,778	44,034	16,000	37,440
Long-term outstanding	640,245	643,953	1,057,000	1,073,000
Total Liabilities	<u>670,023</u>	<u>687,987</u>	<u>1,073,000</u>	<u>1,110,440</u>
Invested in capital assets, net of debt	410,573	355,004	2,384,718	2,493,444
Restricted	19,543	79,840	116,970	116,842
Unrestricted	353,853	405,962	125,952	125,698
Total Net Assets	<u>\$ 783,969</u>	<u>\$ 840,806</u>	<u>\$ 2,627,640</u>	<u>\$ 2,735,984</u>

**CITY OF CAMPBELLSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014**

During the year ended June 30, 2014, 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, 2014 and 2013:

	2014 <u>Governmental Activities</u>	2013 <u>Governmental Activities</u>	2014 <u>Business-type Activities</u>	2013 <u>Business-type Activities</u>
<u>Revenues</u>				
Program revenues				
Charges for services	\$ 48,090	\$ 47,075	\$ 69,362	\$ 68,937
Grants	33,280	9,754	-0-	-0-
General Revenues				
Property taxes	96,903	109,919	-0-	-0-
Insurance premium tax	126,554	115,145	-0-	-0-
Other revenue	73,051	98,502	-0-	-0-
Interest income	529	1,371	661	1,085
Total Revenues	<u>378,407</u>	<u>381,766</u>	<u>70,023</u>	<u>70,022</u>
<u>Expenses</u>				
General Government	268,422	277,534	-0-	-0-
Police	22,618	22,282	-0-	-0-
Fire	27,352	32,005	-0-	-0-
Streets	24,204	7,197	-0-	-0-
Parks & Recreation	12,299	8,547	-0-	-0-
Sanitation	38,364	38,426	-0-	-0-
Operation	-0-	-0-	123,726	125,444
Interest	27,784	29,227	44,571	45,189
Total Expenses	<u>421,043</u>	<u>415,218</u>	<u>168,297</u>	<u>170,633</u>
Transfers	<u>10,070</u>	<u>(1,020)</u>	<u>(10,070)</u>	<u>1,020</u>
Total Transfers	10,070	(1,020)	(10,070)	1,020
Change in Net Position	(32,566)	(34,472)	(108,344)	(99,591)
Beginning Net Position	840,806	875,278	2,735,984	2,835,575
Prior Period Adjustments	(24,271)	-0-	-0-	-0-
Ending Net Position	<u>\$ 783,969</u>	<u>\$ 840,806</u>	<u>\$ 2,627,640</u>	<u>\$ 2,735,984</u>

**CITY OF CAMPBELLS BURG
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014**

Capital Assets

At June 30, 2014, the City had \$2,795,291 invested in capital assets, consisting primarily of the sewer system and the Carrollton force main project that was constructed.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 13,718	\$ 19,400	\$ 33,118
Sewer System	-0-	4,867,101	4,867,101
Buildings & Improvements	994,184	-0-	994,184
Machinery & equipment	307,123	23,307	330,430
Infrastructure	181,042	-0-	181,042
Subtotal	<u>1,496,067</u>	<u>4,909,808</u>	<u>6,405,875</u>
Accumulated depreciation	(442,716)	(1,452,090)	(1,894,806)
Capital assets, net	<u>\$ 1,053,351</u>	<u>\$ 3,457,718</u>	<u>\$ 4,511,069</u>

Debt Outstanding

At the year-end debt consisted of \$1,073,000 in outstanding bonds payable for the construction of the Carrollton force main project. In addition there was also debt outstanding consisting of \$642,778 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, 2014**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 336,643	\$ 225,596	\$ 562,239
Accounts receivable (net)	52,879	17,326	70,205
Prepaid expenses	11,119	-0-	11,119
Total current assets	<u>400,641</u>	<u>242,922</u>	<u>643,563</u>
Noncurrent assets:			
Capital assets:			
Land	13,718	19,400	33,118
Other capital assets	1,482,349	4,890,408	6,372,757
Less: Accumulated depreciation	(442,716)	(1,452,090)	(1,894,806)
Total capital assets	<u>1,053,351</u>	<u>3,457,718</u>	<u>4,511,069</u>
Total noncurrent assets	<u>1,053,351</u>	<u>3,457,718</u>	<u>4,511,069</u>
TOTAL ASSETS	<u>\$ 1,453,992</u>	<u>\$ 3,700,640</u>	<u>\$ 5,154,632</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 14,544	\$ -0-	\$ 14,544
Accrued liabilities	10,234	-0-	10,234
Current portion of bond payable	5,000	16,000	21,000
Total current liabilities	<u>29,778</u>	<u>16,000</u>	<u>45,778</u>
Noncurrent liabilities:			
Compensated absences	2,467	-0-	2,467
Bond payable	637,778	1,057,000	1,694,778
Total noncurrent liabilities	<u>640,245</u>	<u>1,057,000</u>	<u>1,697,245</u>
TOTAL LIABILITIES	670,023	1,073,000	1,743,023
NET POSITION			
Invested in capital assets, net of related debt	410,573	2,384,718	2,795,291
Restricted for:			
Streets	19,543	116,970	136,513
Unrestricted	353,853	125,952	479,805
TOTAL NET POSITION	<u>\$ 783,969</u>	<u>\$ 2,627,640</u>	<u>\$ 3,411,609</u>

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

**CITY OF CAMPBELLSBURG
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

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	\$ 268,422	\$ 48,090			\$ (220,332)		\$ (220,332)
Police	22,618		\$ 5,382		(17,236)		(17,236)
Fire	27,352				(27,352)		(27,352)
Streets	24,204			27,898	3,694		3,694
Parks and recreation	12,299				(12,299)		(12,299)
Sanitation	38,364				(38,364)		(38,364)
Interest	27,784				(27,784)		(27,784)
Total governmental activities	421,043	48,090	5,382	27,898	(339,673)	-0-	(339,673)
Business-type activities:							
Sewer	168,297	69,362		-0-		(98,935)	(98,935)
Total business-type activities	\$ 168,297	\$ 69,362	\$ -0-	\$ -0-	\$ -0-	\$ (98,935)	\$ (438,608)
GENERAL REVENUES:							
Property taxes					96,903		96,903
Insurance premium tax					126,554		126,554
Franchise taxes					40,888		40,888
Other taxes					6,524		6,524
Other revenues					25,639		25,639
Interest income					529	661	1,190
Transfers					10,070	(10,070)	-0-
Total general revenues and transfers					307,107	(9,409)	297,698
Change in net position					(32,566)	(108,344)	(140,910)
NET POSITION - BEGINNING AS PREVIOUSLY REPORTED					840,806	2,735,984	3,576,790
PRIOR PERIOD ADJUSTMENT - ERROR (Certificate of Deposit cash balance not reported in prior statements)					4,054	-0-	4,054
PRIOR PERIOD ADJUSTMENT - ERROR (Prior year Due From Others balance overstated in prior statements)					(28,325)	-0-	(28,325)
NET POSITION - BEGINNING AS RESTATED					816,535	2,735,984	3,552,519
NET POSITION - ENDING					\$ 783,969	\$ 2,627,640	\$ 3,411,609

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

**CITY OF CAMPBELLSBURG
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	GOVERNMENTAL FUND TYPES		TOTALS
	GENERAL	SPECIAL REVENUE	
ASSETS			
Cash	\$ 313,031	\$ 19,543	\$ 332,574
Certificates of deposit	4,069	-0-	4,069
Accounts receivable, net	52,879	-0-	52,879
Prepaid expenses	11,119	-0-	11,119
	TOTAL ASSETS	\$ 19,543	\$ 400,641
	\$ 381,098	\$ 19,543	\$ 400,641
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 14,544	\$ -0-	\$ 14,544
Accrued liabilities	10,234	-0-	10,234
	TOTAL LIABILITIES	-0-	24,778
	24,778	-0-	24,778
FUND BALANCES			
Nonspendable	11,119	-0-	11,119
Restricted for:			
Street maintenance	-0-	19,543	19,543
Unassigned	345,201	-0-	345,201
	TOTAL FUND BALANCES	19,543	375,863
	356,320	19,543	375,863
	\$ 381,098	\$ 19,543	\$ 400,641

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, 2014**

Fund balances - total governmental funds	\$	375,863
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).		1,053,351
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (See Note 9)		
Compensated absences	\$ 2,467	
Obligations under bonds payable	<u>642,778</u>	
		<u>(645,245)</u>
Net position of governmental activities (See Pg. 11 & 12)	\$	<u>783,969</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, 2014

	GOVERNMENTAL FUND TYPES		TOTALS
	GENERAL	SPECIAL REVENUE	
REVENUES			
Property taxes	\$ 96,903	\$ -0-	\$ 96,903
Insurance premium tax	126,554	-0-	126,554
Franchise taxes	40,888	-0-	40,888
Bank deposit tax	6,524	-0-	6,524
Business licenses	4,710	-0-	4,710
Sanitation receipts	43,380	-0-	43,380
Interest on investments and deposits	524	5	529
Community center funds	343	-0-	343
Parks and recreation	4,387	-0-	4,387
Miscellaneous	470	28	498
Intergovernment:			
HB 272	717	-0-	717
Grants HB 413	4,665	-0-	4,665
Municipal road aid	-0-	19,322	19,322
Severance tax - LGEA	-0-	1,090	1,090
State grants	-0-	27,898	27,898
TOTAL REVENUES	330,065	48,343	378,408
EXPENDITURES			
General government	232,424	-0-	232,424
Public safety:			
Police department	22,037	-0-	22,037
Fire department	15,000	-0-	15,000
Street department	-0-	20,491	20,491
Parks and recreation	4,799	-0-	4,799
Community center	170	-0-	170
Sanitation	38,364	-0-	38,364
Debt service:			
Principal	12,399	-0-	12,399
Interest	27,784	-0-	27,784
Capital outlay	236,616	86,092	322,708
TOTAL EXPENDITURES	589,593	106,583	696,176
OTHER SOURCES (USES)			
Bond proceeds	192,530	-0-	192,530
Transfers in	12,127	-0-	12,127
Transfers out	-0-	(2,057)	(2,057)
TOTAL OTHER SOURCES (USES)	204,657	(2,057)	202,600
NET CHANGE IN FUND BALANCE	(54,871)	(60,297)	(115,168)
FUND BALANCE AS PREVIOUSLY REPORTED, JULY 1	407,137	79,840	486,977
PRIOR PERIOD ADJUSTMENT - ERROR (Certificate of Deposit cash balance not reported in prior statements)	4,054	-0-	4,054
FUND BALANCE AS RESTATED, JULY 1	411,191	79,840	491,031
FUND BALANCE, JUNE 30	\$ 356,320	\$ 19,543	\$ 375,863

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, 2014**

Net change in fund balances - total governmental funds \$ (115,168)

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

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital outlay	\$	322,708	
Depreciation expense		<u>(58,683)</u>	
			264,025

The amount of bond proceeds are recorded in the governmental funds, but
increase the liabilities in the government-wide statements. This is the amount: (192,530)

The decrease in compensated absences liability does not increase the current
financial resources but is recorded as a decrease to expenses in the
statement of activities.

Difference in compensated absences liability (1,292)

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.

Total payments	\$	40,183	
Interest portion of payments		<u>(27,784)</u>	
			<u>12,399</u>

Change in net position of governmental funds in Statement of Activities (See pg. 12) \$ (32,566)

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, 2014**

ASSETS

Current assets:

Cash and cash equivalents	\$ 225,596
Accounts receivable, net	17,326
Total current assets	242,922

Noncurrent assets:

Capital assets

Land	19,400
Other capital assets, net of depreciation	3,438,318
Total noncurrent assets	3,457,718

TOTAL ASSETS	\$ 3,700,640
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LIABILITIES

Current liabilities:

Current portion of bonds payable	\$ 16,000
Total current liabilities	16,000

Noncurrent liabilities:

Bonds payable	1,057,000
Total noncurrent liabilities	1,057,000

TOTAL LIABILITIES	1,073,000
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NET POSITION

Invested in capital assets, net of related debt	2,384,718
Restricted	116,970
Unrestricted	125,952
	2,627,640

TOTAL NET POSITION	\$ 2,627,640
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The notes to the financial statements are an integral part of this statement.

CITY OF CAMPBELLSBURG
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEWER FUND (BUSINESS-TYPE ACTIVITIES)
FOR THE YEAR ENDED JUNE 30, 2014

Operating Revenues:	
Charges for services	\$ 69,354
Miscellaneous	8
Total operating revenues	69,362
Operating expenses:	
Depreciation	123,726
Total operating expenses	123,726
Operating income (loss)	(54,364)
Non-operating revenues (expenses):	
Interest and investment earnings	661
Transfers out	(10,070)
Interest expense	(44,571)
Net non-operating revenues (expenses)	(53,980)
Change in net position	(108,344)
Total net position at beginning of year	2,735,984
Total net position at end of year	\$ 2,627,640

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, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 68,998
Cash payments to suppliers for goods and services	(22,440)
Net cash provided by operating activities	<u>46,558</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Operating transfers - out to other funds	(10,070)
Net cash used by non-capital financing activities	<u>(10,070)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	661
Bond principal payment	(15,000)
Interest expense	(44,571)
Net cash used for investing activities	<u>(58,910)</u>
Net decrease in cash and cash equivalents	(22,422)
Cash and cash equivalents - beginning of the year	248,018
Cash and cash equivalents - end of the year	<u>\$ 225,596</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (54,364)
Adjustments	
Depreciation	123,726
Net changes in assets and liabilities	
Accounts receivable	(364)
Interest payable	(22,440)
Net cash provided by operating activities	<u>\$ 46,558</u>

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

**CITY OF CAMPBELLSBURG
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014.

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, 2014

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, 2014**

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, 2014**

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, 2014**

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 Balances

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, 2014**

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, 2014**

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 CERTIFICATES OF DEPOSIT

At year-end, the carrying amount of the City's deposits (checking, savings and certificate of deposit accounts) was \$508,815 and the bank balance was \$533,208. 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, 2014 were all certificates of deposit in one financial institution. The carrying amount and bank balances of \$53,424 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, 2014, the allowance for uncollectible accounts for governmental activities was \$-0-.

CITY OF CAMPBELLSBURG
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 and 2013, the Government's contribution rate for nonhazardous employees was 18.89% and 19.55%, 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, 2014 and 2013, the Government's contribution rate for hazardous employees was 35.70% and 37.60%, respectively. The City of Campbellsburg does not have any hazardous employees.

The contribution requirements and the amounts contributed to CERS were \$13,633, \$12,611, and \$10,812, respectively for the years ended June 30, 2014, 2013 and 2012.

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, 2014**

NOTE 4 – EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

CERS also provides post-retirement health coverage as follows:

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

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

NOTE 5 – STATE GOVERNMENTAL AID

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

NOTE 6 – INTER-LOCAL AGREEMENT

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

NOTE 7 – 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, 2014**

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

operation of the sewer system. Monthly deposits of \$525 have been paid to a depreciation fund amounting to \$63,000. 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>
			\$ 1,073,000
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
June 30, 2019	41,456	19,000	986,000
	<u>214,417</u>	<u>87,000</u>	
June 30, 2020 - June 30, 2024	194,701	110,000	876,000
June 30, 2025 - June 30, 2029	169,951	135,000	741,000
June 30, 2030 - June 30, 2034	139,756	166,000	575,000
June 30, 2035 - June 30, 2039	102,342	206,000	369,000
June 30, 2040 - June 30, 2044	55,894	255,000	114,000
June 30, 2045 - June 30, 2046	7,013	114,000	\$ -0-
	<u>669,657</u>	<u>986,000</u>	
Totals	<u>\$ 884,074</u>	<u>\$ 1,073,000</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, 2014**

**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>
			\$ 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
June 30, 2019	<u>26,882</u>	<u>5,000</u>	622,778
	136,022	25,000	
June 30, 2020 - June 30, 2024	130,232	85,417	537,361
June 30, 2025 - June 30, 2029	104,338	179,166	358,195
June 30, 2030 - June 30, 2034	62,286	219,166	139,029
June 30, 2035 - June 30, 2037	<u>12,431</u>	<u>139,029</u>	<u>\$ -0-</u>
	309,287	622,778	
Totals	<u>\$ 445,309</u>	<u>\$ 647,778</u>	

NOTE 9 – LONG-TERM DEBT

The summary of long-term liability for the year ended June 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bond payable	\$ 1,088,000	\$ -0-	\$ 15,000	\$ 1,073,000	\$ 16,000
Bond payable	647,778	-0-	5,000	642,778	5,000
Obligation under capital lease	7,398	-0-	7,398	-0-	-0-
Compensated absences	<u>1,175</u>	<u>1,292</u>	<u>-0-</u>	<u>2,467</u>	<u>-0-</u>
Totals	<u>\$ 1,744,351</u>	<u>\$ 1,292</u>	<u>\$ 27,398</u>	<u>\$ 1,718,245</u>	<u>\$ 21,000</u>

CITY OF CAMPBELLSBURG
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 10 – CAPITAL ASSETS AND DEPRECIATION

A summary of changes in general fixed assets follows:

PRIMARY GOVERNMENT	Balance			Balance
	July 1, 2013	Additions	Deductions	June 30, 2014
Governmental activities:				
Nondepreciable assets:				
Land	\$ 13,718	\$ -0-	\$ -0-	\$ 13,718
Total nondepreciable assets	13,718	-0-	-0-	13,718
Depreciable assets:				
Buildings and improvements	\$ 760,002	\$ 234,182	\$ -0-	\$ 994,184
Machinery and equipment	304,689	2,434	-0-	307,123
Infrastructure	94,950	86,092	-0-	181,042
Total depreciable assets	1,159,641	322,708	-0-	1,482,349
Total capital assets	\$ 1,173,359	\$ 322,708	\$ -0-	\$ 1,496,067
Accumulated depreciation:				
Buildings and improvements	\$ (112,689)	\$ (31,224)	\$ -0-	\$ (143,913)
Machinery and equipment	(200,334)	(23,898)	-0-	(224,232)
Infrastructure	(71,010)	(3,561)	-0-	(74,571)
Total accumulated depreciation	(384,033)	(58,683)	-0-	(442,716)
Total depreciable assets, net	775,608	264,025	-0-	1,039,633
Governmental activities capital assets, net	\$ 789,326	\$ 264,025	\$ -0-	\$ 1,053,351
Business-type activities:				
Nondepreciable assets:				
Land	\$ 19,400	\$ -0-	\$ -0-	\$ 19,400
Total nondepreciable assets	19,400	-0-	-0-	19,400
Depreciable assets:				
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
Accumulated depreciation:				
Sewer systems	\$ (1,306,012)	\$ (123,275)	\$ -0-	\$ (1,429,287)
Machinery and equipment	(22,352)	(451)	-0-	(22,803)
Total accumulated depreciation	(1,328,364)	(123,726)	-0-	(1,452,090)
Total depreciable assets, net	3,562,044	(123,726)	-0-	3,438,318
Business-type activities capital assets, net	\$ 3,581,444	\$ (123,726)	\$ -0-	\$ 3,457,718
Total Capital assets	\$ 4,370,770	\$ 140,299	\$ -0-	\$ 4,511,069

**CITY OF CAMPBELLSBURG
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 10 – CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Depreciation expense is charged to functions as follows:

<u>Governmental Activities</u>	
General Government	\$ 34,537
Police	581
Fire	12,352
Streets	3,713
Parks and Recreation	<u>7,500</u>
	<u>\$ 58,683</u>
<u>Business-type Activities</u>	
Sewer	<u>123,726</u>
	<u>\$ 123,726</u>

NOTE 11 - 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 12 - 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 Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 508,815	\$ 508,815
Certificates of deposit	<u>53,424</u>	<u>53,424</u>
	<u>\$ 562,239</u>	<u>\$ 562,239</u>

**CITY OF CAMPBELLSBURG
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 13 - 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, 2014 by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes. Committed fund balances are reported pursuant to ordinances passed by the City Council, the City's highest level of decision making authority.
- Assigned - includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balances.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. In the Special Revenue Fund, the unassigned classification is only used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

NOTE 14 - 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.

**CITY OF CAMPBELLSBURG
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 14 - MULTIEMPLOYER PENSION PLAN (CONTINUED)

The cities participation in this plan for the fiscal year ended June 30, 2014, 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 2014 for the plan's year-end at June 30, 2014. 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 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 Plan Number</u>	<u>Pension Protection Act Zone Status 2014</u>	<u>FIP/RP Status Pending/ Implemented</u>	<u>City Contributions 2014</u>	<u>Surcharge Imposed</u>	<u>Expiration Date of Collective- Bargaining Agreement</u>
County Employees Retirement System	61-1431278	Not applicable	Not applicable	\$ 13,633	No	Not applicable

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

Governmental Funds

Fund Balance at the beginning of the fiscal year ending June 30, 2014 has been adjusted to correct an error in regards to a certificate of deposit balance of \$4,054 being excluded from the balance sheet and instead reported in fund balance in a prior year (see Page 15). The error had no effect on net income for the prior fiscal year ending June 30, 2013.

Government-wide statements

Net Position at the beginning of the fiscal year ending June 30, 2014 has been adjusted to correct an error in regards to a certificate of deposit balance of \$4,054 being excluded from the statement of activities and instead reported in net position in a prior year. In addition, a Due from Others balance on a receivable was overstated by \$28,325 and instead reported in net position in a prior year (see Page 12). The errors had no effect on net income for the prior fiscal year ending June 30, 2013.

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 95,000	\$ 95,000	\$ 96,903	\$ 1,903
Insurance premium taxes	100,000	100,000	126,554	26,554
Franchise taxes	42,000	42,000	40,888	(1,112)
Bank deposit tax	1,500	1,500	6,524	5,024
Business licenses	2,000	2,000	4,710	2,710
Sanitation receipts	40,000	40,000	43,380	3,380
Interest on investments and deposits	500	500	524	24
Community center funds	-0-	-0-	343	343
Parks and recreation	-0-	-0-	4,387	4,387
Miscellaneous income	2,000	2,000	470	(1,530)
Intergovernment:				
HB 272	720	720	717	(3)
Grants HB 413	7,000	7,000	4,665	(2,335)
TOTAL REVENUES	<u>290,720</u>	<u>290,720</u>	<u>330,065</u>	<u>39,345</u>
EXPENDITURES				
General government	302,857	302,857	232,424	(70,433)
Public safety				
Police department	3,350	3,350	22,037	18,687
Fire department	20,000	20,000	15,000	(5,000)
Parks and recreation	7,000	7,000	4,799	(2,201)
Community center	-0-	-0-	170	170
Sanitation	54,826	54,826	38,364	(16,462)
Debt service	40,000	40,000	40,183	183
Capital outlay	22,528	22,528	236,616	214,088
TOTAL EXPENDITURES	<u>450,561</u>	<u>450,561</u>	<u>589,593</u>	<u>139,032</u>
OTHER SOURCES (USES)				
Bond proceeds	200,000	200,000	192,530	(7,470)
Transfers in	-0-	-0-	12,127	12,127
TOTAL OTHER SOURCES (USES)	<u>200,000</u>	<u>200,000</u>	<u>204,657</u>	<u>4,657</u>
NET CHANGE IN FUND BALANCE	40,159	40,159	(54,871)	(95,030)
FUND BALANCE AS PREVIOUSLY REPORTED, JULY 1	407,137	407,137	407,137	-0-
PRIOR PERIOD ADJUSTMENT - ERROR (Certificate of Deposit cash balance not reported in prior statements)	<u>4,054</u>	<u>4,054</u>	<u>4,054</u>	<u>-0-</u>
FUND BALANCE AS RESTATED, JULY 1	<u>411,191</u>	<u>411,191</u>	<u>411,191</u>	<u>-0-</u>
FUND BALANCE, JUNE 30	<u>\$ 451,350</u>	<u>\$ 451,350</u>	<u>\$ 356,320</u>	<u>\$ (95,030)</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance -</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u>
				<u>(Under)</u>
REVENUES				
Interest on investments and deposits	\$ 5	\$ 5	\$ 5	\$ -0-
Miscellaneous	78	78	28	(50)
Intergovernment:				
Municipal road aid	18,975	15,940	19,322	3,382
Severance tax - LGEA	1,500	1,500	1,090	(410)
State grants	26,228	26,228	27,898	1,670
TOTAL REVENUES	46,786	43,751	48,343	4,592
EXPENDITURES				
Street department	-0-	20,000	20,491	491
Capital outlay	66,728	83,733	86,092	2,359
TOTAL EXPENDITURES	66,728	103,733	106,583	2,850
OTHER SOURCES (USES)				
Transfers out	-0-	-0-	(2,057)	(2,057)
NET CHANGE IN FUND BALANCE	(19,942)	(59,982)	(60,297)	(315)
FUND BALANCE, JULY 1	79,840	79,840	79,840	-0-
FUND BALANE, JUNE 30	\$ 59,898	\$ 19,858	\$ 19,543	\$ (315)

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, 2014, 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 8, 2015.

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 8, 2015

**CITY OF CAMPBELLSBURG
LIST OF COUNCIL MEMBERS
JUNE 30, 2014**

<u>NAME</u>	<u>POSITION</u>	<u>ADDRESS</u>	<u>TERM EXPIRES</u>
Rex Morgan	Mayor	Campbellsburg, KY 40011	December 31, 2014
Susie Tipton	City Clerk & Treasurer	Campbellsburg, KY 40011	
Lorraine Hawkins	Member	Campbellsburg, KY 40011	December 31, 2014
Jason Stanley	Member	Campbellsburg, KY 40011	December 31, 2014
Andy Murray	Member	Campbellsburg, KY 40011	December 31, 2014
Sharen Clem	Member	Campbellsburg, KY 40011	December 31, 2014
Shelley Noe	Member	Campbellsburg, KY 40011	December 31, 2014
David Gray	Member	Campbellsburg, KY 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, 2014

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 8, 2015