

# **CITY OF BARDSTOWN, KENTUCKY**

Audited Financial Statements

For the Year Ended June 30, 2012



**Peercy and Gray, PSC**

**Certified Public Accountants**

2300 Hursbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

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**PEEROY AND GRAY, PSC**

**Certified Public Accountants**

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Louisville, Kentucky 40299

Phone: (502) 493-1090

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**INDEPENDENT AUDITORS' REPORT**

To the City Council  
City of Bardstown, Kentucky  
220 North Fifth Street  
Bardstown, Kentucky 40004

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2012, on our consideration of the City of Bardstown, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

To the City Council  
City of Bardstown, Kentucky  
November 6, 2012

with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bardstown, Kentucky's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Perry and Gray, PSC". The signature is written in a cursive, flowing style.

November 6, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



OLD KENTUCKY HOME  
DOORWAY

# City of Bardstow

WILLIAM S. SHECKLES, MAYOR  
220 N. 5TH ST.  
BARDSTOWN, KENTUCKY 40004  
TEL. NO. 877/348-5947  
FAX. NO. 502/348-2433



ART TREASURES IN  
ST. JOSEPH CATHEDRAL

## Management's Discussion and Analysis Annual Financial Statements For the Fiscal Year Ended June 30, 2012

The Management Discussion and Analysis of the financial performance of the City of Bardstow provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. Please review the MDA in conjunction with the auditor's transmittal letter and the City of Bardstow Audited Financial Statements. Should anyone have questions or desire additional information, please contact Mike Abell at [mabell@bardstowncable.net](mailto:mabell@bardstowncable.net).

### Financial Highlights

- As of June 30, 2012, the City's Net Assets (assets minus liabilities) totaled \$72,243,000.
- Net Assets include Capital Assets, net of related debt, of \$63,182,000, \$7,765,000 in restricted resources (restricted to specific projects by law, regulation, or contractual agreement), and unrestricted resources of \$1,296,000. The decrease in Unrestricted Resources from FY 11 to FY 12 represents use of those funds as construction financing for 3 major capital projects described below pending draw down of Kentucky Infrastructure Authority (KIA) loan funds in FY 2013.
- City Liabilities on June 30, 2012 totaled \$16,715,000, of which \$8,513,000 is long term and \$8,202,000 is current, including FY 13 bond payments of \$1,670,000, accounts payable, internal balances, deferred revenue, and other liabilities.
- There was significant Capital Asset and pending long-term debt activity during the fiscal year. Previously the City refinanced its long term debt, changing it from revenue backed to general obligation backed debt, though internally the City did commit to pay the debt from utility revenues. The City had also obtained approval of three KIA loans totaling \$7,280,000 for a major water plant project, a major water main extension and automated meter reading project, and a sewer force main project. No loan draws were made in FY 2012, though there were significant expenditures made on the projects using unrestricted reserves, delaying the loan draws and the incurring of interest costs.

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- The City paid \$1,650,000 toward its bonded debt in FY 12 as scheduled, leaving a year-end balance of \$10,715,000. The debt is being paid from combined utility system revenues, though it is general obligation debt that refinanced earlier revenue bonds.
- The Unassigned (formerly called Unreserved) Fund Balance for the General Fund, as of June 30, was \$236,000, double the 2011 figure, a year during which Unreserved Funds had been used to finance the major Streetscape project. The Unassigned Fund Balance can now be grown for future special projects.
- The national recession continues to affect the City, though not as severely as elsewhere. Property tax revenue was flat, but Occupational License Fee collections did increase from last year's level during the first 7 months of the fiscal year as the local economy experienced some recovery. Effective 1-1-2012 the fee was changed and the increase in revenue during the last 5 months of the fiscal year was significant. For the year the fee generated 53% more revenue than the year before, a total of \$1,233,000.
- The City's Indirect Cost Allocation Plan was unchanged in FY 2012. This plan allocates city overhead costs to all departments, including utility departments, based on the revenue of each department as a percent of total revenue.

**TABLE 1:**  
**City of Bardstown**  
**Assets, Liabilities, and Net Assets**  
**3-Year Review**

<b>Assets</b>	<b>FY 10</b>	<b>FY 11</b>	<b>FY 12</b>
<b>Capital Assets</b>			
Governmental Activities	8,181,000	10,114,000	9,237,000
Business-type Activities	<u>66,711,000</u>	<u>62,426,000</u>	<u>65,014,000</u>
<b>Total Capital Assets</b>	74,892,000	72,540,000	74,251,000
<b>Current &amp; Other Assets</b>			
Governmental Activities	4,665,000	4,773,000	5,482,000
Business-type Activities	<u>9,562,000</u>	<u>11,350,000</u>	<u>9,225,000</u>
<b>Total Current &amp; Other Assets</b>	14,227,000	16,123,000	14,707,000
<b>Total Assets</b>			
Governmental Activities	12,846,000	14,887,000	14,719,000
Business-type Activities	<u>76,273,000</u>	<u>73,776,000</u>	<u>74,239,000</u>
<b>Total Assets</b>	89,119,000	88,663,000	88,958,000



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**TABLE 1:**  
**City of Bardstown**  
**Assets, Liabilities, and Net Assets**  
**3-Year Review (Continued)**

<b>Liabilities</b>	<b>FY 10</b>	<b>FY 11</b>	<b>FY 12</b>
<b>Current &amp; Other Liabilities</b>			
Governmental Activities	3,011,000	2,743,000	3,338,000
Business-type Activities	<u>5,870,000</u>	<u>4,796,000</u>	<u>4,864,000</u>
<b>Total Current &amp; Other Liabilities</b>	8,881,000	7,539,000	8,202,000
<b>Long-term Liabilities</b>			
Business-type Activities	<u>14,929,000</u>	<u>10,116,000</u>	<u>8,513,000</u>
<b>Total Long-term Liabilities</b>	14,929,000	10,116,000	8,513,000
<b>Total Liabilities</b>			
Governmental Activities	3,011,000	2,743,000	3,338,000
Business-type Activities	<u>20,799,000</u>	<u>14,912,000</u>	<u>13,377,000</u>
<b>Total Liabilities</b>	23,810,000	17,655,000	16,715,000
<b>Net Assets</b>			
Governmental Activities	9,835,000	12,145,000	11,380,000
Business-type Activities	<u>55,474,000</u>	<u>58,864,000</u>	<u>60,863,000</u>
<b>Total Net Assets</b>	65,309,000	71,009,000	72,243,000
<b>Net Assets, Details</b>			
<b>Invested in Capital Assets</b>			
Governmental Activities	7,796,000	10,115,000	9,237,000
Business-type Activities	<u>42,285,000</u>	<u>46,877,000</u>	<u>53,945,000</u>
<b>Total Capital Assets (net of debt)</b>	50,081,000	56,992,000	63,182,000
<b>Restricted Net Assets</b>			
Governmental Activities	1,307,000	1,112,000	1,047,000
Business-type Activities	<u>9,383,000</u>	<u>6,576,000</u>	<u>6,718,000</u>
<b>Total Restricted Net Assets</b>	10,690,000	7,688,000	7,765,000
<b>Unrestricted Net Assets</b>			
Governmental Activities	732,000	918,000	1,096,000
Business-type Activities	<u>3,806,000</u>	<u>5,411,000</u>	<u>200,000</u>
<b>Total Unrestricted Net Assets</b>	4,538,000	6,329,000	1,296,000

Parity coverage for the General Obligation Bonds, paid from Combined Utilities Fund revenues, remains above the required coverage of 1.4 as Table 2 demonstrates.

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**Table 2**  
**CITY OF BARDSTOWN, KENTUCKY**  
**COMBINED UTILITIES REVENUE BONDS**  
**HISTORICAL COVERAGE ANALYSIS**

	2010	2011	2012
Net Income	\$3,500,041	\$5,723,006	\$3,749,589
Less Contributed Capital Assets	(10,745)	(191,644)	(142,220)
Add Back:			
Depreciation	2,523,641	2,580,704	2,769,711
Interest Expense	886,804	594,403	316,130
Transfers Out	1,565,966	1,930,467	1,434,806
Total Revenues Available for Debt Service	<u>\$ 8,465,707</u>	<u>\$ 10,636,936</u>	<u>\$ 8,128,016</u>
Annual Parity Debt Service in years presented	\$2,598,470	\$1,899,563	\$1,899,563
<b>Coverage</b>	<b>3.26</b>	<b>5.60</b>	<b>4.28</b>

## Overview of the Financial Statements

The City provides governmental services, primarily funded by taxes and intergovernmental revenues, and business-type services, funded by user fees and charges. Governmental activities include services such as police, fire, recreation, streets and street lighting, prevention of drug and alcohol abuse, cemetery operation and maintenance, planning and zoning, industrial development, historic preservation, and the administrative and oversight functions necessary to provide all of the above. Business-type activities include electric, water, sewer, cable, Internet and garbage services.

The audited financial statements include three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. The audited Financial Statements also include other supplemental information and the Budget and Actual statements, which are required to demonstrate the City's compliance with state law regarding the budgeting of public funds.

## **Government-wide Financial Statements**

The government-wide financial statements (Government-wide Statement of Net Assets and Government-wide Statement of Activities) are designed to provide readers with a broad overview of the City of Bardstown's finances in a manner similar to that used in the private sector. They report the financial condition on both governmental and business-type activities as of June 30; the City's short-term and long-term assets and liabilities; and how the City's Net Assets changed during the 2012 fiscal year. The revenues and expenditures of the past year are summarized. Governmental service (General Fund) costs continue to exceed tax revenue. Transfers from the business-type activities of the City fund the deficit. The change in the occupational license fee, effective 1-1-2012, significantly helped to address the General Fund needs.

## **Governmental Fund Statements**

The next two financial statements report only on governmental services:

- Balance Sheet/Governmental Funds
- Statement of Revenues, Expenditures, and Changes in Fund Balances/Governmental Funds.

The Balance Sheet lists the resources available as of June 30 to pay current liabilities and to continue governmental operations into the following fiscal year. Capital assets and long-term debt are not included in this report, but are included in the Government-wide Statement of Net Assets. The Balance Sheet is intended to demonstrate current, as opposed to long-term, financial strength and/or weakness.

The Statement of Revenues, Expenditures, and Changes in Fund Balances provides some of the most important data necessary to choose the level of governmental service. It also provides insight into the level of taxation and/or fees needed for those services.

Management presents the following observations about the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance, primarily related to the General Fund.

- The June 30 Fund Balance, \$2,088,680, includes an Unassigned Balance of \$235,569, an increase over the 6-30-11 figure. The City will grow this item for future special projects. The remainder of the Fund Balance is restricted, assigned, or nonspendable.
- The Statement of Revenues and Expenditures shows that the General Fund expenditures exceeded revenues by \$1.5 million. Much of that amount represents the utility departments' share of general city overhead (indirect costs) and is properly funded by transfers from the

utility departments. The change to the Occupational License Fee ordinance generated some \$429,000 in new revenue for the General Fund and enabled the City to decrease the traditional subsidy transfer from the combined utility fund from \$500,000 in FY 11 to \$375,000 in FY 12 and to a budgeted amount of \$200,000 in FY 13.

The Budgetary and Comparison Schedule - Major Funds reports on the City's compliance with budget adoption and execution requirements. The City operated within its adopted budget.

Management concludes its comments on the Major Governmental Fund Statements by noting that actions taken in the past few years, and especially in July of 2011, have significantly addressed the General Fund's structural deficit. That decision to change the Net Profit & Occupational License Fee Ordinance effective 1-1-2012 is having the most impact on the structural deficit. The City formerly exempted the first \$15,000 in profits and earnings from the fee and further exempted profits or earnings in excess of \$75,000. The first exemption has been removed and earnings and profits up to \$100,000 became subject to the fees effective 1-1-2012.

## **Proprietary Fund Statements**

The three primary statements reporting on the proprietary or business-type activities are:

- Statement of Net Assets – Proprietary Funds
- Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds
- Statement of Cash Flows – Proprietary Funds.

The Statement of Net Assets shows, for the Utility Operating Fund, \$200,000 in Unrestricted Net Assets, a large drop from 2011's \$5,411,000. However, that drop was due to the use of those reserves to provide construction financing for 3 major projects described elsewhere in this report. When approved loan funds are drawn down in FY 13, the unrestricted reserve balance will again be equal to about 20% of the FY 2012 Utility Operating Fund expenses, better than the desired 16.7%, or two months coverage of operating expenses. This enhances the City's ability to fund much needed capital projects. The required reserve funds (Depreciation, Operations and Maintenance, and Bond Sinking Fund) are fully funded.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds shows Income from Operations for the Utility Operating Fund of \$3,459,000, a drop from the prior year as mild weather resulted in lower electric and water sales, while fixed costs did not change.

The Statement of Cash Flows – Proprietary Funds reports Cash and Cash Equivalents of \$88,000 as of June 30, 2012 an anticipated decrease of \$4,588,000 as available funds were used for

construction financing. Loan draws in FY 13 will replenish the cash balance for the fiscal year ended June 30, 2013.

The Governmental Activities—Internal Service Fund, included in the last column in the Proprietary Fund statements represents the City's Employee Health Insurance Fund, a self-insured plan. This Fund reports on the City's attempt to control the ever-increasing cost of employee health insurance. The City, like most employers, has experienced serious cost increases in the provision of health insurance coverage for its employees. To combat these increases, the City became a self-insured entity several years ago and continuously modifies its plan to contain the ever-increasing cost of employee health care. Management believes the plan changes are leading to permanent cost containment, as evidenced by its below industry average yearly increase in expenditures. Management projects that future increases will not exceed the industry-wide growth rate.

### **Program Revenues**

Revenue from service charges, or Program Revenue, funds all of the City's business-type activities, the utility services or departments and the self-insured employee health insurance program. Similar charges, or Program Revenue, fund only a small portion of the expenses of the governmental activities or departments. The balance of the governmental activity expense is funded by General Revenue (taxes, grants, etc.) and by transfers from the business-type activities.

### **Governmental Activities**

**Table 3** shows a 3-year history of Expenses, Program and Grant revenues, and finally Net Expenses for each governmental program. These net expenses should be funded from tax revenues and investment income, but as the table shows, a portion is still funded via a transfer from the Combined Utilities Fund. The table also shows the Tax, Investment, and Miscellaneous Revenue generated to partially fund the Net Expenses of the governmental activities. The City allocates general overhead expenses to all departments. The accounting of the Utility Departments' share of those expenses is recorded as the "Transfer-Net" line on Table 3. However, a part of that transfer from the utility operations is to cover the costs of governmental services not funded by General Fund revenues. The change to the Occupational License Fee ordinance enabled the city to reduce this particular transfer in FY 12 and to significantly reduce it in the FY 13 Budget.

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**Table 3: Governmental Activities, Program Expenses, by Function (Department), Three-year Comparison**

	FY 10			FY 11			FY 12		
	Expenses	Total P. Rev	Net Exp.	Expenses	Total P. Rev	Net Exp.	Expenses	Total P. Rev	Net Exp.
General Government	\$ 1,076,907	\$ 184,584	\$ 892,323	\$ 951,697	\$ 49,202	\$ 902,495	\$ 926,162	\$ 96,510	\$ 829,652
Finance	656,560	48,315	608,245	705,089	29,516	675,573	738,341	66,786	671,555
Public Safety	2,726,932	570,884	2,156,048	2,767,102	610,521	2,156,581	3,499,260	811,601	2,687,659
Fire	987,320	153,377	833,943	858,549	215,941	642,608	966,761	79,952	886,809
Recreation	516,220	179,810	336,410	498,056	188,312	309,744	505,661	196,134	309,527
Risk Management	78,905	-	78,905	68,907	-	68,907	71,509	508	71,001
Prevention Center	184,491	163,626	20,865	188,522	194,724	(6,202)	183,572	144,648	38,924
Streets	670,173	219,532	450,641	650,947	2,334,176	(1,683,229)	913,673	245,601	668,072
Cemetery	22,340	47,580	(25,240)	27,954	36,325	(8,371)	25,019	61,025	(36,006)
	<b>\$ 6,919,848</b>	<b>\$ 1,567,708</b>	<b>\$ 5,352,140</b>	<b>\$ 6,716,823</b>	<b>\$ 3,658,717</b>	<b>\$ 3,058,106</b>	<b>\$ 7,829,958</b>	<b>\$ 1,702,765</b>	<b>\$ 6,127,193</b>

**Governmental Activities, General Revenues**

Property Taxes	2,052,728	2,068,368	2,042,221
Restaurant Tax	417,212	405,271	411,229
Business License Fees	679,998	803,807	1,233,019
Interest & Invest. Earnings	23,780	17,932	14,454
Misc.	172,970	141,839	186,030
<b>Total Gen. Revenues</b>	<b>3,346,688</b>	<b>3,437,217</b>	<b>3,886,953</b>
<b>Transfers-Net</b>	<b>1,565,966</b>	<b>1,930,467</b>	<b>1,475,991</b>
Change in Net Assets	(439,486)	2,309,578	(764,249)
Net Assets, Beginning of Year	10,274,522	9,835,036	12,144,614
Net Assets, End of Year	<b>\$ 9,835,036</b>	<b>\$ 12,144,614</b>	<b>\$ 11,380,365</b>

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**Table 4: Program Revenue & Expense, Business-type Activities, 3-Year Comparison**

Activity	FY 10			FY 11			FY 12		
	Charges for Service	Expenses	Net Revenue	Charges for Service	Expenses	Net Revenue	Charges for Service	Expenses	Net Revenue
Electric	\$ 13,225,370	\$ 11,402,491	\$ <b>1,822,879</b>	\$ 14,569,335	\$ 12,670,680	\$ <b>1,898,655</b>	\$ 14,367,044	\$ 13,727,174	\$ <b>639,870</b>
Water	4,066,317	3,964,347	<b>101,970</b>	4,798,983	3,909,517	<b>889,466</b>	4,355,734	4,004,575	<b>351,159</b>
Sewer	3,067,439	2,372,526	<b>694,913</b>	3,184,641	2,533,133	<b>651,508</b>	3,605,880	2,623,743	<b>982,137</b>
Cable TV	4,723,452	5,056,590	<b>(333,138)</b>	5,037,196	5,355,658	<b>(318,462)</b>	5,594,326	5,622,324	<b>(27,998)</b>
Internet	1,842,522	708,238	<b>1,134,284</b>	2,005,736	907,874	<b>1,097,862</b>	2,253,634	880,601	<b>1,373,033</b>
Garbage	1,357,545	1,357,927	<b>(382)</b>	1,411,010	1,189,856	<b>221,154</b>	1,452,638	1,312,839	<b>139,799</b>
Interest Exp	-	886,804	<b>(886,804)</b>		594,403	<b>(594,403)</b>		316,130	<b>(316,130)</b>
<b>Totals</b>	<b>\$28,282,645</b>	<b>\$25,748,923</b>	<b>\$ 2,533,722</b>	<b>\$31,006,901</b>	<b>\$27,161,121</b>	<b>\$ 3,845,780</b>	<b>\$31,629,256</b>	<b>\$28,487,386</b>	<b>\$ 3,141,870</b>

**General Revenues, Business-type Activities**

Interest & Invest. Earnings	221,586	97,407	64,015
Grants & Contributions	755,745	1,241,644	142,220
System Development Charges	127,833	127,306	72,244
Other	8,110	8,110	13,110
Less Net Transfers	<u>(1,565,966)</u>	<u>(1,930,467)</u>	<u>(1,434,806)</u>
Change in Net Assets	2,081,030	3,389,780	1,998,653
<b>Net Assets, Beginning</b>	<b><u>53,393,209</u></b>	<b><u>55,474,239</u></b>	<b><u>58,864,019</u></b>
<b>Net Assets, Ending</b>	<b><u><u>\$55,474,239</u></u></b>	<b><u><u>\$58,864,019</u></u></b>	<b><u><u>\$60,862,672</u></u></b>

## **Business-type Activities**

**Table 4** presents a 3-year history of program revenues and expenses for the Business-type Activities, the utility services. Revenues increased by some 2% but expenses increased by nearly 5%. Cable costs will increase due to the programming fees and the need to convert to digital. The programming fee increases are beyond the city's control and must be passed on to the consumers if the City is to operate the cable service in the black. The conversion to digital is critical to the operation of the up to date type service customers expect. Garbage revenue increased by nearly 3%, but expenses increased by 10% at the landfill tipping fee was increased.

### **Summary and Pending Actions**

The City's finances are sound, but there is a continuing effort to lessen the dependence on business activity revenue to provide governmental services. The City is also working to structure its utility rates so that new customers pay for the increased infrastructure needed to serve them. The most significant actions taken during FY 12 that will affect the City in the future include:

1. Further progress by the Cities of Bardstown and Bloomfield toward completion of those improvements necessary to implement Bardstown's agreement to treat Bloomfield's waste water, an agreement that will result in increased utilization of Bardstown's excess treatment capacity and additional sewer department revenue for debt service.
2. Significant expansion of the area served by the city's cable-internet system, including expansion to the Fairfield and Chaplin areas and the added use of "fiber to the home" technology in the Chaplin area. The latter approach will allow less densely populated areas of the County to be served in the future.
3. The completion of nearly \$8,000,000 in water plant, industrial park water line, and sewer force main projects. The City provided construction financing for all three projects from unrestricted reserve funds. The KIA had approved loans for all three and the city will, in FY 13, draw down those loan funds, which will total some \$7,000,000. Once the loan funds are drawn down the City's unrestricted reserve will be back up to an amount that will allow self-funding of some anticipated future projects.

The change to the Net Profits and Occupational License Fee ordinance, approved in late FY 2011 with an effective date of 1-1-2012 did lessen the General Fund's structural deficit and will have an even larger impact in FY 13, the first full fiscal year under the change.



## **BASIC FINANCIAL STATEMENTS**

**CITY OF BARDSTOWN, KENTUCKY**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 3,716,290	\$ 88,486	\$ 3,804,776
Investments	669,474	0	669,474
Accrued interest	47,510	795	48,305
Receivables, net	155,949	2,295,923	2,451,872
Internal balances	343,062	2,106,106	2,449,168
Inventory	9,066	1,061,760	1,070,826
Prepaid items	0	14,560	14,560
<b>Total Current Assets</b>	<b>4,941,351</b>	<b>5,567,630</b>	<b>10,508,981</b>
<b>Noncurrent Assets:</b>			
Restricted cash and investments	276,436	3,657,567	3,934,003
Land held for resale	264,101	0	264,101
Capital assets, net (Note 5)	9,236,623	65,014,204	74,250,827
<b>Total Noncurrent Assets</b>	<b>9,777,160</b>	<b>68,671,771</b>	<b>78,448,931</b>
<b>Total Assets</b>	<b>14,718,511</b>	<b>74,239,401</b>	<b>88,957,912</b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	3,052,156	120,312	3,172,468
Internal balances	62,559	2,386,609	2,449,168
Accrued taxes	23,570	17,149	40,719
Other liabilities	199,861	597,028	796,889
Deferred revenue	0	139,738	139,738
Bonds payable	0	1,603,432	1,603,432
<b>Total Current Liabilities</b>	<b>3,338,146</b>	<b>4,864,268</b>	<b>8,202,414</b>
<b>Noncurrent liabilities (Note 6):</b>			
Bonds payable	0	8,512,461	8,512,461
<b>Total Noncurrent Liabilities</b>	<b>0</b>	<b>8,512,461</b>	<b>8,512,461</b>
<b>Total Liabilities</b>	<b>\$ 3,338,146</b>	<b>\$ 13,376,729</b>	<b>\$ 16,714,875</b>

*The accompanying notes are an integral part of these financial statements.*

**CITY OF BARDSTOWN, KENTUCKY**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS (CONTINUED)**  
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 9,236,623	\$ 53,945,049	\$ 63,181,672
Restricted for:			
Infrastructure	0	226,393	226,393
Inventory, prepaids and land held for resale	818,969	0	818,969
Revenue bond reserves	0	2,755,731	2,755,731
Construction fund	0	3,035,798	3,035,798
Special projects	228,387	699,808	928,195
Unrestricted	1,096,386	199,893	1,296,279
Total Net Assets	<u>\$ 11,380,365</u>	<u>\$ 60,862,672</u>	<u>\$ 72,243,037</u>

*The accompanying notes are an integral part of these financial statements.*

**CITY OF BARDSTOWN, KENTUCKY**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
June 30, 2012

Programs Activities	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
General government	\$ (926,162)	\$ 0	\$ 96,510	\$ 0	\$ (829,652)	\$ 0	\$ (829,652)
Finance	(738,341)	66,786	0	0	(671,555)	0	(671,555)
Public safety	(3,499,260)	390,726	420,875	0	(2,687,659)	0	(2,687,659)
Fire	(966,761)	0	79,952	0	(886,809)	0	(886,809)
Recreation	(505,661)	92,934	103,200	0	(309,527)	0	(309,527)
Risk management	(71,509)	0	508	0	(71,001)	0	(71,001)
Community Center	(183,572)	0	144,648	0	(38,924)	0	(38,924)
Streets	(913,673)	1,460	244,141	0	(668,072)	0	(668,072)
Cemetery	(25,019)	61,025	0	0	36,006	0	36,006
<b>Total Governmental Activities</b>	<b>(7,829,958)</b>	<b>612,931</b>	<b>1,089,834</b>	<b>0</b>	<b>(6,127,193)</b>	<b>0</b>	<b>(6,127,193)</b>
<b>Business-Type Activities:</b>							
Electric	(13,727,174)	14,367,044	0	0	0	639,870	639,870
Water	(4,004,575)	4,355,734	94,601	0	0	445,760	445,760
Sewer system	(2,623,743)	3,605,880	47,619	0	0	1,029,756	1,029,756
Cable TV	(5,622,324)	5,594,326	0	0	0	(27,998)	(27,998)
Garbage	(1,312,839)	1,452,638	0	0	0	139,799	139,799
Internet	(880,601)	2,253,634	0	0	0	1,373,033	1,373,033
Interest expense	(316,130)	0	0	0	0	(316,130)	(316,130)
<b>Total Business-Type Activities</b>	<b>(28,487,386)</b>	<b>31,629,256</b>	<b>142,220</b>	<b>0</b>	<b>0</b>	<b>3,284,090</b>	<b>3,284,090</b>
<b>Total Government</b>	<b>\$ (36,317,344)</b>	<b>\$ 32,242,187</b>	<b>\$ 1,232,054</b>	<b>\$ 0</b>	<b>\$ (6,127,193)</b>	<b>\$ 3,284,090</b>	<b>\$ (2,843,103)</b>

*The accompanying notes are an integral part of these financial statements.*

**CITY OF BARDSTOWN, KENTUCKY**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (CONTINUED)**  
June 30, 2012

	<u>Net (Expenses) Revenue and Changes in Net Assets</u>		
	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General Revenues:			
Taxes:			
Property taxes	\$ 2,042,221	\$ 0	\$ 2,042,221
Business and occupational licenses	1,233,019	0	1,233,019
Restaurant tax	411,229	0	411,229
Interest and investment earnings	14,454	64,015	78,469
System Development Charges	0	72,244	72,244
Other	186,030	13,110	199,140
Transfers	1,475,991	(1,434,806)	41,185
	<u>5,362,944</u>	<u>(1,285,437)</u>	<u>4,077,507</u>
Change in Net Assets	(764,249)	1,998,653	1,234,404
Net Assets - Beginning	<u>12,144,614</u>	<u>58,864,019</u>	<u>71,008,633</u>
Net Assets - Ending	<u>\$ 11,380,365</u>	<u>\$ 60,862,672</u>	<u>\$ 72,243,037</u>

*The accompanying notes are an integral part of these financial statements.*

**CITY OF BARDSTOWN, KENTUCKY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
June 30, 2012

	General	E911 Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 3,436,974	87,613	\$ 38,759	\$ 3,563,346
Investments	0	0	669,474	669,474
Restricted investments	0	0	276,436	276,436
Accrued interest receivable	0	17,085	30,425	47,510
Accounts receivable	155,230	0	0	155,230
Inventory	9,066	0	0	9,066
Land held for resale	264,101	0	0	264,101
Internal balances	343,062	0	0	343,062
<b>Total Assets</b>	<b>4,208,433</b>	<b>104,698</b>	<b>1,015,094</b>	<b>5,328,225</b>
<b>Liabilities</b>				
Accounts payable	2,977,974	16,766	0	2,994,740
Accrued payroll	199,861	0	0	199,861
Payroll taxes payable	23,570	0	0	23,570
Internal balances	0	10,144	11,230	21,374
<b>Total Liabilities</b>	<b>3,201,405</b>	<b>26,910</b>	<b>11,230</b>	<b>3,239,545</b>
<b>Fund Balances</b>				
Nonspendable	771,459	17,085	30,425	818,969
Restricted				
Roads	0	0	37,509	37,509
Cemetery	0	0	135,816	135,816
Assigned				
Land Acquisition and Industrial Dev	0	0	508,277	508,277
Public safety	0	60,703	56,359	117,062
Cemetery	0	0	235,478	235,478
Unassigned	235,569	0	0	235,569
<b>Total Fund Balances</b>	<b>1,007,028</b>	<b>77,788</b>	<b>1,003,864</b>	<b>2,088,680</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,208,433</b>	<b>\$ 104,698</b>	<b>\$ 1,015,094</b>	<b>\$ 5,328,225</b>

*The accompanying notes are an integral part of these financial statements.*

**CITY OF BARDSTOWN, KENTUCKY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)**  
June 30, 2012

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the statement of net assets are different because :	
Total Fund Balances - Total Governmental Funds	\$ 2,088,680
Allocation of internal service fund balances	55,062
Capital assets (net of depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds	<u>9,236,623</u>
Net Assets of Governmental Activities	<u><u>\$ 11,380,365</u></u>

*The accompanying notes are an integral part of these financial statements.*

**CITY OF BARDSTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
Year Ended June 30, 2012

	General	E911 Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 3,603,676	\$ 0	\$ 0	\$ 3,603,676
Business licenses	28,401	0	0	28,401
Fines and forfeitures	54,392	0	0	54,392
Intergovernmental	547,589	298,104	244,141	1,089,834
Charges for services	256,676	295,230	61,025	612,931
Interest	9,018	0	5,436	14,454
Other	123,746	250	62,034	186,030
<b>Total Revenues</b>	<b>4,623,498</b>	<b>593,584</b>	<b>372,636</b>	<b>5,589,718</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	846,759	0	1,228	847,987
Finance	738,031	0	0	738,031
Public safety	2,120,741	782,403	7,882	2,911,026
Fire	966,356	0	0	966,356
Recreation	450,671	0	0	450,671
Risk management	68,857	0	0	68,857
Community Center	183,477	0	0	183,477
Streets	488,617	0	0	488,617
Cemetery	0	0	22,778	22,778
Capital outlay	271,816	0	0	271,816
<b>Total Expenditures</b>	<b>6,135,325</b>	<b>782,403</b>	<b>31,888</b>	<b>6,949,616</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Expenditures Before Other</b>				
Sources (Uses)	(1,511,827)	(188,819)	340,748	(1,359,898)
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,958,611	198,712	0	2,157,323
Transfers out	(356,897)	0	(324,435)	(681,332)
<b>Total Other Financing Sources (Uses)</b>	<b>1,601,714</b>	<b>198,712</b>	<b>(324,435)</b>	<b>1,475,991</b>
<b>Net Change in Fund Balance</b>	<b>89,887</b>	<b>9,893</b>	<b>16,313</b>	<b>116,093</b>
<b>Fund Balances, Beginning of Year</b>	<b>917,141</b>	<b>67,895</b>	<b>987,551</b>	<b>1,972,587</b>
<b>Fund Balances, End of Year</b>	<b>\$ 1,007,028</b>	<b>\$ 77,788</b>	<b>\$ 1,003,864</b>	<b>\$ 2,088,680</b>

*The accompanying notes are an integral part of these financial statements.*



**CITY OF BARDSTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES-GOVERNMENTAL FUNDS (CONTINUED)**  
Fiscal Year Ended June 30, 2012

	<u>Total Governmental Funds</u>
Net Change in Fund Balances-Total Governmental Funds	\$ 116,093
Amounts reported for governmental activities in the statement of activities are different because :	
Depreciation expense reported in statement of activities	(746,749)
Capital outlay reported in governmental expenditures	271,816
Book Value of Disposed Assets	(403,025)
Change in net assets - self insurance fund	<u>(2,384)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (764,249)</u></u>

*The accompanying notes are an integral part of these financial statements.*

**CITY OF BARDSTOWN, KENTUCKY**  
**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS**  
June 30, 2012

	Business-Type Activities				Governmental Activities
	Enterprise Funds				Internal Service Fund
	Utility Operating Fund	Debt Service Reserve	Total Non-Major Enterprise Funds	Total Enterprise Funds	Self- Insurance Fund
Assets					
Current Assets:					
Cash and cash equivalents	\$ 88,486	\$ 0	\$ 0	\$ 88,486	\$ 152,944
Accrued interest	0	0	795	795	0
Receivables (net of allowance for doubtful accounts, \$129,171)	2,295,923	0	0	2,295,923	719
Prepaid expenses	14,560	0	0	14,560	0
Internal balances	0	0	2,106,106	2,106,106	0
Inventory-parts and supplies	1,061,760	0	0	1,061,760	0
<b>Total Current Assets</b>	<b>3,460,729</b>	<b>0</b>	<b>2,106,901</b>	<b>5,567,630</b>	<b>153,663</b>
Noncurrent Assets:					
Restricted Assets:					
Cash	0	8,206	2,797,816	2,806,022	0
Investments	0	0	851,545	851,545	0
<b>Total Restricted Assets</b>	<b>0</b>	<b>8,206</b>	<b>3,649,361</b>	<b>3,657,567</b>	<b>0</b>
Capital Assets:					
Land	1,050,015	0	0	1,050,015	0
Construction in Progress	0	0	953,262	953,262	0
Distribution systems	77,886,654	0	0	77,886,654	0
Plant and buildings	18,549,817	0	0	18,549,817	0
Vehicles and Equipment	5,261,159	0	0	5,261,159	0
Less accumulated depreciation	(38,686,703)	0	0	(38,686,703)	0
<b>Capital Assets, Net of Accumulated Depreciation</b>	<b>64,060,942</b>	<b>0</b>	<b>953,262</b>	<b>65,014,204</b>	<b>0</b>
<b>Total Noncurrent Assets</b>	<b>64,060,942</b>	<b>8,206</b>	<b>4,602,623</b>	<b>68,671,771</b>	<b>0</b>
<b>Total Assets</b>	<b>\$ 67,521,671</b>	<b>\$ 8,206</b>	<b>\$ 6,709,524</b>	<b>\$ 74,239,401</b>	<b>\$ 153,663</b>

*The accompanying notes are an integral part of these financial statements.*

**CITY OF BARDSTOWN, KENTUCKY**  
**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS (CONTINUED)**  
June 30, 2012

	Business-Type Activities			Governmental Activities	
	Enterprise Funds			Internal Service Fund	
	Utility Operating Fund	Debt Service Reserve	Total Non-Major Enterprise Funds	Total Enterprise Funds	Self- Insurance Fund
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 120,312	\$ 0	\$ 0	\$ 120,312	\$ 57,416
Accrued taxes	17,149	0	0	17,149	0
Internal balances	2,386,609	0	0	2,386,609	41,185
Customer deposits	372,855	0	0	372,855	0
Accrued payroll	224,173	0	0	224,173	0
Deferred revenue	139,738	0	0	139,738	0
Bonds, notes, and loans payable	0	1,603,432	0	1,603,432	0
<b>Total Current Liabilities</b>	<b>3,260,836</b>	<b>1,603,432</b>	<b>0</b>	<b>4,864,268</b>	<b>98,601</b>
<b>Noncurrent Liabilities:</b>					
Bonds, notes, and loans payable	0	9,045,000	0	9,045,000	0
Unamortized issuance costs	0	(177,119)	0	(177,119)	0
Unamortized deferred refunding costs	0	(355,420)	0	(355,420)	0
<b>Total Noncurrent Liabilities</b>	<b>0</b>	<b>8,512,461</b>	<b>0</b>	<b>8,512,461</b>	<b>0</b>
<b>Total Liabilities</b>	<b>3,260,836</b>	<b>10,115,893</b>	<b>0</b>	<b>13,376,729</b>	<b>98,601</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	64,060,942	(10,115,893)	0	53,945,049	0
<b>Restricted for:</b>					
Bond reserves	0	8,206	2,747,525	2,755,731	0
System capacity reserve	0	0	226,393	226,393	0
Construction Fund	0	0	3,035,798	3,035,798	0
Other purposes	0	0	699,808	699,808	55,062
Unrestricted	199,893	0	0	199,893	0
<b>Total Net Assets</b>	<b>64,260,835</b>	<b>(10,107,687)</b>	<b>6,709,524</b>	<b>60,862,672</b>	<b>55,062</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 67,521,671</b>	<b>\$ 8,206</b>	<b>\$ 6,709,524</b>	<b>\$ 74,239,401</b>	<b>\$ 153,663</b>

*The accompanying notes are an integral part of these financial statements.*

**CITY OF BARDSTOWN, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –**  
**PROPRIETARY FUNDS**  
Year Ended June 30, 2012

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Utility Operating Fund	Debt Service Reserve	Total Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Operating Revenues:					
Charges for services	\$ 30,647,719	\$ 0	\$ 0	\$ 30,647,719	\$ 961,870
Utility surcharge	763	0	0	763	0
Connection fees	165,289	0	0	165,289	0
Intergovernmental	28,057	0	0	28,057	0
System development charges	0	0	72,244	72,244	0
Contract services	307,868	0	0	307,868	0
Penalties	375,657	0	0	375,657	0
Miscellaneous	103,903	0	5,000	108,903	0
<b>Total Operating Revenues</b>	<b>31,629,256</b>	<b>0</b>	<b>77,244</b>	<b>31,706,500</b>	<b>961,870</b>
Operating Expenses:					
Purchases for resale	15,881,182	0	0	15,881,182	0
Personal services	4,397,531	0	0	4,397,531	0
Contractual services	966,760	0	950	967,710	0
Materials and supplies	1,467,217	0	0	1,467,217	0
Maintenance and repairs	763,718	0	0	763,718	0
Other expenses	2,010,777	0	0	2,010,777	923,130
Depreciation	2,683,121	0	0	2,683,121	0
<b>Total Operating Expenses</b>	<b>28,170,306</b>	<b>0</b>	<b>950</b>	<b>28,171,256</b>	<b>923,130</b>
<b>Income (Loss) from Operations</b>	<b>3,458,950</b>	<b>0</b>	<b>76,294</b>	<b>3,535,244</b>	<b>38,740</b>
Nonoperating Revenues (Expenses):					
Investment earnings	33,812	199	30,004	64,015	61
Lease revenue	8,110	0	0	8,110	0
Interest expense	0	(316,130)	0	(316,130)	0
<b>Total Nonoperating Revenues (Expenses)</b>	<b>41,922</b>	<b>(315,931)</b>	<b>30,004</b>	<b>(244,005)</b>	<b>61</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>3,500,872</b>	<b>(315,931)</b>	<b>106,298</b>	<b>3,291,239</b>	<b>38,801</b>
Capital contributions	142,220	0	0	142,220	0
Transfers in	600,000	1,899,563	35,000	2,534,563	0
Transfers out	(3,969,369)	0	0	(3,969,369)	(41,185)
<b>Change in Net Assets</b>	<b>273,723</b>	<b>1,583,632</b>	<b>141,298</b>	<b>1,998,653</b>	<b>(2,384)</b>
<b>Net Assets, Beginning of Year</b>	<b>63,987,112</b>	<b>(11,691,319)</b>	<b>6,568,226</b>	<b>58,864,019</b>	<b>57,446</b>
<b>Net Assets, End of Year</b>	<b>\$ 64,260,835</b>	<b>\$ (10,107,687)</b>	<b>\$ 6,709,524</b>	<b>\$ 60,862,672</b>	<b>\$ 55,062</b>

*The accompanying notes are an integral part of these financial statements.*

**CITY OF BARDSTOWN, KENTUCKY**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
Year Ended June 30, 2012

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Fund
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 30,891,385	\$ 962,807
Cash received from grants	60,878	0
Cash payments to suppliers for good and services	(23,165,759)	(870,136)
Cash payments to employees for services	(4,402,762)	0
Other operating cash receipts	656,013	0
	<u>4,039,755</u>	<u>92,671</u>
<b>Cash Flows From NonCapital Financing Activities</b>		
Transfers to other funds	(1,434,806)	(41,185)
	<u>(1,434,806)</u>	<u>0</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of capital assets	(5,358,203)	0
Principal paid on capital debt	(1,583,433)	0
Interest paid on capital debt	(316,130)	0
Contributed capital	142,220	0
Other receipts	8,110	0
	<u>(7,107,436)</u>	<u>0</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from disposition and acquisition of investments	(148,803)	0
Interest and dividends	64,015	61
	<u>(84,788)</u>	<u>61</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(4,587,275)</b>	<b>51,547</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>4,675,761</b>	<b>101,397</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 88,486</b>	<b>\$ 152,944</b>

*The accompanying notes are an integral part of these financial statements.*

**CITY OF BARDSTOWN, KENTUCKY**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)**  
Year Ended June 30, 2012

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:		
Income from operations	\$ 3,535,244	\$ 38,740
Adjustments to reconcile operating income from operations to net cash provided by operating activities:		
Depreciation	2,769,711	0
Change in assets and liabilities:		
(Increase) Decrease in receivables, net	(2,243,637)	937
(Increase) in inventory	(70,151)	0
Increase in accounts and other payables	47,333	52,994
Increase in customer deposits	946	0
Increase in deferred revenues	5,540	0
Decrease in accrued payroll	(5,231)	0
Net Cash Provided by Operating Activities	<u>\$ 4,039,755</u>	<u>\$ 92,671</u>

*The accompanying notes are an integral part of these financial statements.*

# CITY OF BARDSTOWN, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### *Note 1 – Summary of Significant Accounting Policies*

#### Reporting Entity

The City of Bardstown is a municipal corporation governed by an elected mayor and six-member council. The accompanying financial statements of the City include the funds, agencies boards and entities for which the City is considered to be financially accountable. Blended component units are legally separate entities, but are, in substance, part of the City's operations. The City does not have any blended component units.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the City's operations include how the budget is adopted, whether debt is secured by general obligation of the City, the City's duty to cover any deficits that may occur and supervision over the accounting functions.

The Bardstown Cemetery is governed by a board that is appointed by the City Council. The mayor appoints the Sexton to maintain records and provide daily management of the facility. The Public Works Director of the City also provides technical assistance and grounds maintenance. The Cemetery Committee recommends rate revisions to the City Council for approval.

The City does not have any discretely presented component units.

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all the activities of the primary government. Interfund activity, which duplicates revenues or expenses, has been eliminated from these statements, except for those transactions and balances between governmental and business-type activities. Governmental activities and business-type activities are reported separately to highlight the differences in funding and operations. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, on the other hand, rely mostly on fees and charges that are designed to recover the costs of operations, including the cost of capital.

The Statement of Activities outlines the direct expenses of each of the City's major functions and the program revenues generated by those programs. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund statements include separate statements for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF BARDSTOWN, KENTUCKY**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2012

***Note 1 – Summary of Significant Accounting Policies (Continued)***

*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 fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The E 911 Fund is a joint city-county venture. See footnote number 11 for more information on this fund.

The City reports the following major proprietary funds:

The Combined Utilities Operating Fund reports the major segments of the utilities operations, which are presented as *Other Supplementary Information*. The City's utilities include operation of the electric distribution, water treatment and distribution, wastewater treatment, garbage pickup, cable TV, and Internet services.

The Debt Service Reserve Fund accounts for the accumulation of resources for the payment of general long-term debt principal and interest. Debt Service is provided through annual transfers from the Combined Utility Operating Fund in the amount of the debt service requirement for the year.



**CITY OF BARDSTOWN, KENTUCKY**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2012

*Note 1 – Summary of Significant Accounting Policies (Continued)*

*Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)*

Health insurance for all city employees is funded through a Self-Insurance Fund. This fund is reported as an internal service fund within the proprietary fund statements.

Commercial accounting standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent commercial accounting guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the transfers between the Utilities Fund and the General Fund. Interfund balances at June 30 represent amounts due for obligations paid from the City's consolidated accounts payable account. These balances are generally repaid within the subsequent month.

Transfers during fiscal year 2012 include both operating transfers and increases to restricted funds. A total of \$1,021,406 was allocated to the General Fund from the Combined Utility Operating Fund to cover administrative costs, using an indirect cost allocation. During fiscal year 2012, the Combined Utility Operating Fund also transferred \$1,899,563 for the annual debt service payments.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's utilities are charges to the customers for services. Principal operating revenues of the internal service fund are the premiums charged to individual departments and the employees for insurance coverage. The employees pay a set amount each month. The departments' premiums are based on claims paid and administrative fees charged by third party administrators. The City's utilities also recognize as operating revenue tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise (utility) funds include the cost of sales and services, personnel, administrative expenses, and depreciation on capital assets. Operating expenses of the Internal Service (Self-insurance) fund include medical claims and third party administrative fees. All revenues and expenses not meeting the above definitions are reported as nonoperating revenues and expenses.

**CITY OF BARDSTOWN, KENTUCKY**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2012

*Note 1 – Summary of Significant Accounting Policies (Continued)*

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the City are certificates of deposits, which are reported at cost since the redemption terms do not consider market rates. State statutes (KRS 66.480) authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds that meet prescribed ratings, repurchase agreements, and the State Treasurer's Investment Pool.

Receivables and Payables

Activity between funds that are representative of lending/borrowing transactions outstanding at the end of the fiscal year are designated as internal balances.

All trade and property tax receivables, including those for the utilities, are shown net of an allowance for uncollectible. Trade accounts that are classified as inactive have been included in the allowance for uncollectible. Property taxes are secured by a lien on the property, but uncollected amounts are fully reserved as of June 30, 2012.

Cash Equivalents

For purposes of the statement of cash flows for proprietary fund types, all highly liquid investments (including restricted assets) with maturity of three months or less when purchased are considered to be cash equivalents.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

In fiscal year 2002, the development costs for Wilson Industrial Park were reclassified to the balance sheet as an inventory. The lots will be sold to industrial or manufacturing entities that locate their facilities in the Park.

Restricted Assets

Certain proceeds of the City's combined utilities fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Surplus funds in any of the reserves may only be used to fund principal or interest payments on outstanding debt.

**CITY OF BARDSTOWN, KENTUCKY**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2012

*Note 1 – Summary of Significant Accounting Policies (Continued)*

*Assets, Liabilities and Net Assets or Equity (Continued)*

Restricted Assets (Continued)

The Operations and Maintenance Reserve reflects resources that have been set aside to subsidize potential deficiencies from the utility operations that could adversely affect debt service payments.

The Construction Fund accounts for the proceeds of grants, loans, proceeds of revenue bond issues and related funds that are restricted for use on construction projects.

The City is required to make monthly transfers from the Utility Operating Fund into the Debt Service Reserve Fund, which then makes the principal and interest payments for the outstanding bonds. These funds are held in reserve until all outstanding bonds are retired.

A city ordinance requires the City to set aside \$500,000 in the Depreciation Reserve to provide funding for future improvements to the utility system or emergency repairs necessary to maintain current service levels.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City's network of streets was inventoried and valued during the fiscal year ending June 30, 2002. Estimated historical costs were based on current replacement costs discounted to the date of the last major renovation or construction of the street.

The City of Bardstown was established in 1780, with the first justices for the local government appointed in 1785. The justices appointed surveyors to manage the roads and ensure that the roads were "cleared, ditched, and in good repair". A portion of the streets in Bardstown has been in existence for over 220 years. However, historical cost estimates were only discounted back to 1980, in accordance with provisions of GASB Statement 34.

The City has established a capitalization policy to recognize capital assets as assets with an initial, individual cost per the schedule on the following page and an estimated useful life in excess of two years. Such assets are recorded at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Department staff completed a comprehensive review of capital assets during the fiscal year ended June 30, 2002. The results of this inventory were compiled in a capital asset management database to bring perpetual inventory records current with the physical inventory

**CITY OF BARDSTOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

*Note 1 – Summary of Significant Accounting Policies (Continued)*

Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Capitalization Threshold</u>	<u>Useful Life</u>
Land Improvements	\$ 25,000	10-20 years
Building Improvements	\$ 25,000	10-20 years
Machinery & Equipment	\$ 10,000	3-20 years
Vehicles, Passenger	\$ 10,000	3-7 years
Vehicles, Heavy Trucks	\$ 10,000	7-20 years
Construction Equipment	\$ 10,000	7-10 years
Technical Equipment	\$ 10,000	5-7 years
Software	\$ 10,000	2-5 years
Infrastructure	\$ 25,000	10-50 years

Compensated Absences

The City stopped granting sick leave hours in 2004. However, those with accumulated sick leave retained the hours accumulated. Unused sick leave is only paid to those employees who retire from City service who have more than 240 hours of accumulated sick leave and who have not used more than 480 hours of sick leave during the ten year period immediately preceding the date of retirement. Management has determined that these restrictions will result in actual payments that are immaterial to total assets in the fund financial statements.

The City replaced the granting of 96 sick leave hours per year with the granting of 60 Personal Leave hours per year. Accumulated Personal Leave is paid to the employee upon termination of service with proper notice. Earned vacation hours must be used within one year of the earning thereof and is also paid to the employee upon termination of service with proper notice. The liability for these compensated absences is recorded as a current liability in the government-wide statements. Liabilities are calculated using the employee's current rate of pay and the total hours of accumulated leave

Accumulated vacation leave must be used within one year, so there is no long-term debt for these benefits. Any employee whose employment with the City ends in retirement or with the employee giving proper notice and being in good standing, shall be compensated for all unused vacation. The liability for these compensated absences is recorded as current liabilities in the government-wide statements. Liabilities are calculated using the employee's current rate of pay and the total hours of accumulated leave.

**CITY OF BARDSTOWN, KENTUCKY**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2012

*Note 1 – Summary of Significant Accounting Policies (Continued)*

*Assets, Liabilities and Net Assets or Equity (Continued)*

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable unamortized issuance costs and the unamortized deferred amounts from refunding issues.

Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable. Nonspendable includes amounts that must be maintained intact legally or contractually.

Spendable amounts include the following:

Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed-amounts constrained for a specific purpose by the City using its highest level of decision-making authority. For resources considered committed, the City issues an ordinance that can only be changed with another corresponding ordinance

Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the general fund, amounts constrained, by intent, to be used for a specific purpose by the City official given authority to assign amounts. For the resources considered assigned, the City has designated the Chief Financial Officer to carry out the intent of the City Council.

Unassigned-for the general fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other governmental funds, the amount expended in excess of resources that are nonspendable, restricted, committed or assigned.

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

**CITY OF BARDSTOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

***Note 1 – Summary of Significant Accounting Policies (Continued)***

***Reconciliation of Government-Wide and Fund Financial Statements***

The governmental fund balance sheet includes reconciliation between fund balances in the governmental funds and net assets reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. The self-insurance fund balances are reported within the governmental activities for the government-wide statements. 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. The change in net assets for the self-insurance fund is added to the governmental activities, and principal payments on long-term debt are eliminated from the operating costs.

***Note 2 – Stewardship, Compliance, and Accountability***

***Budgetary Information***

Annual budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles. Proprietary fund budgets are adopted on the modified accrual basis of accounting. All annual appropriations lapse at fiscal year end. The Mayor submits the proposed budget to the Council no later than June 1. Council revises and adopts the budget no later than June 30. The budget ordinance establishes authorized appropriations at the department level of control. Amendments are adopted during the year as necessary to comply with KRS 91A.030.

***Note 3 – Deposits and Investments***

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 or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the City's deposits may not be returned. The City does have a deposit policy for custodial credit risk and follows the requirements of KRS 41.240(4). On June 30, 2012, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**CITY OF BARDSTOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

**Note 4 – Property Tax**

Property taxes include amounts levied against all real and public utility property, plus tangible personal property that is located within the city limits. All property taxes are levied as of July 1 based on the assessment values as of the previous January 1. Property taxes are due by November 1. After that date, a 10% penalty is imposed. If bills are not paid by December 1, all delinquent accounts bear interest at 12% per annum until paid. Liens are filed for all delinquent property taxes in May of the following year. Assessed values are established by the County Property Valuation Administration at 100% of appraised market value. The City’s tax rate applicable to the 2012 fiscal year was \$.1888 per \$100 of assessed valuation for real estate and \$.1888 for personal property.

**Note 5 – Capital Assets**

Capital asset activity for the year ended June 30, 2012, was as follows:

	Primary Government			Balance 6/30/12
	Balance 7/1/11	Additions/ Completions	Retirements/ Adjustments	
Governmental activities:				
Capital assets not depreciated				
Land	\$ 521,278	77,300	(2,700)	\$ 595,878
Capital assets depreciated				
Buildings and improvements	3,534,821		(867,302)	2,667,519
Improvements other than buildings	2,255,024		(1,051,809)	1,203,215
Vehicles	2,025,096	128,009	(545,932)	1,607,173
Equipment	2,751,491	10,900	(1,116,634)	1,645,757
Infrastructure	15,962,672	55,607		16,018,279
Total assets depreciated at historical cost	26,529,104	194,516	(3,581,677)	23,141,943
Buildings and improvements	(1,614,751)	(84,324)	455,017	(1,244,058)
Improvements other than buildings	(2,129,099)	(24,110)	1,048,478	(1,104,731)
Vehicles	(1,777,398)	(126,592)	563,281	(1,340,709)
Equipment	(1,891,828)	(136,893)	1,114,576	(914,145)
Infrastructure	(9,522,725)	(374,830)		(9,897,555)
Total accumulated depreciation	(16,935,801)	(746,749)	3,181,352	(14,501,198)
Depreciable capital assets, net	9,593,303	(552,233)	(400,325)	8,640,745
Governmental activities capital assets, net	\$ 10,114,581	\$ (474,933)	\$ (403,025)	\$ 9,236,623

**CITY OF BARDSTOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

**Note 5 – Capital Assets (Continued)**

	Primary Government			Balance 6/30/12
	Balance 7/1/11	Additions/ Completions	Retirements/ Adjustments	
Business-type activities:				
Capital assets not depreciated				
Land	\$ 1,012,993	37,022		\$ 1,050,015
Construction in Progress	3,849,125		(2,895,863)	953,262
	<u>\$ 4,862,118</u>	<u>37,022</u>	<u>(2,895,863)</u>	<u>\$ 2,003,277</u>
Capital assets depreciated				
Plant facilities	16,635,076		(2,800)	16,632,276
Other improvements	1,943,343		(25,802)	1,917,541
Vehicles	1,350,199	228,070	(336,487)	1,241,782
Equipment	4,310,860	457,102	(748,585)	4,019,377
Infrastructure	70,445,268	7,531,872	(90,486)	77,886,654
Total assets depreciable at historical cost	94,684,746	8,217,044	(1,204,160)	101,697,630
Plant facilities	(10,032,635)	(438,910)	2,800	(10,468,745)
Other improvements	(1,021,074)	(82,427)	25,802	(1,077,699)
Vehicles	(1,146,685)	(124,995)	336,486	(935,194)
Equipment	(2,378,496)	(342,552)	748,586	(1,972,462)
Infrastructure	(22,542,262)	(1,780,827)	90,486	(24,232,603)
Total accumulated depreciation:	<u>(37,121,152)</u>	<u>(2,769,711)</u>	<u>1,204,160</u>	<u>(38,686,703)</u>
Depreciable capital assets, net	<u>57,563,594</u>	<u>5,447,333</u>		<u>63,010,927</u>
Business-type activities capital assets, net	<u>\$ 62,425,712</u>	<u>\$5,484,355</u>	<u>\$ (2,895,863)</u>	<u>\$ 65,014,204</u>



**CITY OF BARDSTOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

**Note 5 – Capital Assets (Continued)**

Depreciation expense was charged to governmental functions as follows:

Streets	\$ 424,722
Protection to persons and property	184,517
General government	77,961
Recreation	54,704
Cemetery	2,241
Risk Management	<u>2,604</u>
Total governmental depreciation expense	<u><u>\$ 746,749</u></u>

Depreciation expense was charged to business-type activities as follows:

Electric	\$ 336,960
Water	1,106,704
Sewer system	834,732
Cable TV	349,580
Garbage	40,526
Internet	<u>101,209</u>
Total business-type depreciation expense	<u><u>\$ 2,769,711</u></u>

**CITY OF BARDSTOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

**Note 6 – Long-Term Liabilities**

The City of Bardstown, Kentucky issued General Obligation Bonds, Series 2010, dated July 7, 2010 in the amount of \$14,030,000. Semiannual interest payments at a variable rate from 1.0% to 3.2% are due on December and June 1 of each year. Principal is due annually on December 1. The bonds mature in 2020. The purpose of this bond issue was to refund the City’s outstanding Combined Utilities Revenue Bonds, Series 1997 and advanced refunding of the City’s outstanding Combined Utilities Revenue Bonds, Series 2001.

Principal and interest requirements to retire the City’s long-term obligations are as follows:

	Revenue Bonds	
	Principal	Interest
Business-Type Activities		
2013	\$ 1,670,000	\$ 232,962
2014	1,045,000	218,081
2015	1,060,000	200,950
2016	1,085,000	179,500
2017	1,105,000	155,390
2018-2021	4,750,000	297,355
Total Business-Type Activities	\$10,715,000	\$ 1,284,238

Changes during fiscal year 2012 and balances as of June 30, 2012, including the current portions, of the debt were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES:</b>					
General Obligation Bonds, Series 2010	12,365,000		(1,650,000)	10,715,000	1,670,000
	12,365,000		(1,650,000)	10,715,000	1,670,000
Less:					
Unamortized issuance costs	221,399		(22,140)	199,259	22,140
Deferred amount on refunding	444,275		(44,427)	399,848	44,428
Total bonds and notes payable	11,699,326		(1,583,433)	10,115,893	1,603,432
Business-type activities					
Long-term liabilities	\$ 11,699,326	\$ 0	\$(1,583,433)	\$ 10,115,893	\$ 1,603,432

**CITY OF BARDSTOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2012

***Note 7 – Pensions and Other Post Employment Benefits***

The City has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The City’s contribution rate for nonhazardous employees was 18.96 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent 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. The City’s contribution rate for hazardous employees was 35.76 percent.

The City’s contributions for the fiscal years ending June 30 are as follows:

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous-duty</u>
2012	\$ 764,331	\$ 544,514
2011	\$ 642,907	\$ 444,477
2010	\$ 595,619	\$ 442,581

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 (members 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 BARDSTOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2012

***Note 7 – Pensions and Other Post Employment Benefits***

CERS also provides postretirement health care coverage. 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 Member</u>	
	<u>% Paid by Insurance Fund</u>	<u>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%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

The City also provides a 401K plan for its employees who elect to participate. The City does not match any portion of the 401K contributions.

**CITY OF BARDSTOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

***Note 8 – Contingencies***

The City participates in several federally assisted programs and is a recipient of several federal and state grants. These programs and grants are subject to a variety of financial and compliance audits by the grantors or their representatives. As of June 30, 2012, the audits of these grants and programs were complete through 2011 and the City's compliance with applicable requirements has been established. The City's compliance with applicable requirements for 2012 will be established at a future date.

The City is party to several pending civil suits that normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of these proceedings cannot be predicted, due to the insurance coverage maintained by the City, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

***Note 9 – Risk Management***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. The City contracts with the Kentucky League of Cities Insurance Services (KLCIS), a local government risk pool for insurance coverage for these risks. KLCIS was formed for the primary purpose of managing and funding third-party liability claims against its members. As a member of KLCIS, the City is required to make annual contributions sufficient to produce the funds necessary to fund the administrative expenses and the claims and claims expenses, and any deficiencies in the cumulative reserves.

Coverage by KLCIS consists of \$2,000,000 in general liability insurance with \$5,000 deductible. Coverage for property risk is \$40,234,788 per occurrence with deductible of \$1,000, per occurrence on all perils. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in recent years.

In July 1998, the City initiated a self-insured health insurance plan to provide employees with traditional health care insurance that covers hospitalization and major medical expenses within specified limits.

The plan is administered by a third-party administrator. The City pays the administrator a monthly fixed fee for various claim administration services, plus premiums for excess coverage insurance to insure claims that exceed \$30,000 per participant. Monthly payments also include a specified amount to set aside funds for payment of claims that do not exceed the \$30,000 amount. The third party administrator pays these claims from the funds set aside by the City and bills the City for additional funds if funds on hand are not sufficient to pay claims.

All remaining funds in the Self-Insurance fund are reserved for claims. The stop-loss insurance company requires the City to reserve 25% of estimated claims for the subsequent year and federal law limits the reserves to no more than five months of average claim experience.

**CITY OF BARDSTOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2012

***Note 9 – Risk Management (Continued)***

Changes in the fund’s claims liability amounts are:

	2011	2012
Balance at Beginning of Year	170,721	45,607
Current year claims	633,089	632,846
Claims paid	(758,203)	(621,037)
Balance at End of Year	\$ 45,607	\$ 57,416

***Note 10 – Related Organizations***

The City of Bardstown participates with the County to provide a variety of services with joint funding from both organizations. All entities operate independently with separate management personnel. In most cases, the city and county contribute equal funding for operations. The following table outlines these organizations and the city’s contribution during fiscal year 2012.

<b>Organization</b>	<b>Contribution</b>
Planning Commission	\$ 51,145
Nelson County Economic Development Agency	48,235
Nelson County Chamber of Commerce	6,000
Nelson County Airport	4,800
Bardstown Main Street	5,000
Bardstown Industrial Development	6,310

In addition, the City has assisted the Bardstown Industrial Development Corporation (BIDC) with development of the Wilson Industrial Park. The City funded the land purchase and infrastructure improvements, including electric service, streets, water, and sewer services. BIDC funded initial planning and survey costs in addition to the continuing costs of marketing the developed industrial sites. BIDC and the City split proceeds from land sales based on the respective contributions.

**CITY OF BARDSTOWN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012

***Note 11 – Joint Venture***

The joint city-county Emergency 911 Dispatch operation changed significantly during FY 08. The Interlocal Cooperation Agreement, approved by the City, the County, and the Kentucky Governor's Office of Local Development in 2006 created the Nelson County E911 Board and agreed that the Board will have management control of the dispatching operation, including the authority to set and enforce priorities, selection, supervision, and termination of personnel, and additional broad authority. Prior to FY 08, there were two separate dispatch centers, one operated and controlled by the City, and one operated and controlled by the County. On December 1 of FY 08, the two were combined into one, located in a building separate from both city and county headquarters. At that point the independence of the Board became reality and the funding formula was changed. Formerly, the County paid 33% of the cost of the City operated center and all the costs of the ambulance center. Effective 12-1-08, the Board and the operation are funded by the E-911 fees, with any shortfall to be paid 60% by the County and 40% by the city.

***Note 12 – Subsequent Event***

The City of Bardstown, Kentucky has three loan agreements at fiscal year end June 30, 2012 with the Kentucky Infrastructure Authority totaling \$7.28 million. These loans are for the financing of several water and sewer capital projects. There have been no draws taken from these loans as of June 30, 2012.

Management has evaluated subsequent events through November 6, 2012, the date which the financial statements were available to be issued. No other subsequent events have occurred.

***Note 13 – Change in Accounting Principle***

The City of Bardstown, Kentucky has implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, which has altered the classifications of fund balances on the Balance Sheet-Governmental Funds.

## **OTHER SUPPLEMENTARY INFORMATION**



**CITY OF BARDSTOWN, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULES**  
**REQUIRED SUPPLEMENTARY INFORMATION-MODIFIED ACCRUAL BASIS**  
For The Fiscal Year Ended June 30, 2012

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 3,571,000	\$ 3,571,000	\$ 3,603,676	\$ 32,676
Licenses and permits	25,000	25,000	28,401	3,401
Fines and forfeitures	46,100	46,100	54,392	8,292
Intergovernmental revenues	451,450	513,450	547,589	34,139
Charges for services	239,000	239,000	256,676	17,676
Interest	3,000	3,000	9,018	6,018
Other	17,500	17,500	123,746	106,246
Total Revenues	<u>4,353,050</u>	<u>4,415,050</u>	<u>4,623,498</u>	<u>208,448</u>
Expenditures:				
Current:				
General government	888,400	776,900	846,759	(69,859)
Finance	726,300	726,300	738,031	(11,731)
Public safety	2,080,250	2,058,250	2,120,741	(62,491)
Fire	971,550	996,550	966,356	30,194
Recreation	437,300	439,300	450,671	(11,371)
Risk management	75,500	75,500	68,857	6,643
Community Center	200,000	200,000	183,477	16,523
Streets	344,100	349,100	488,617	(139,517)
Capital outlay	441,500	441,500	271,816	169,684
Total Expenditures	<u>6,164,900</u>	<u>6,063,400</u>	<u>6,135,325</u>	<u>(71,925)</u>
Excess (Deficiency) of Revenues over Expenditures Before Other Financing Sources (Uses)	<u>(1,811,850)</u>	<u>(1,648,350)</u>	<u>(1,511,827)</u>	<u>136,523</u>
Other Financing Sources (Uses):				
Transfers in	2,044,800	2,044,800	1,958,611	(86,189)
Transfers out	<u>(254,641)</u>	<u>(254,641)</u>	<u>(356,897)</u>	<u>(102,256)</u>
Total Other Financing Sources (Uses)	<u>1,790,159</u>	<u>1,790,159</u>	<u>1,601,714</u>	<u>(188,445)</u>
Net Change in Fund Balance	(21,691)	141,809	89,887	(51,922)
Fund Balances, Beginning of Year	<u>130,000</u>	<u>30,000</u>	<u>917,141</u>	<u>887,141</u>
Fund Balances, End of Year	<u>\$ 108,309</u>	<u>\$ 171,809</u>	<u>\$ 1,007,028</u>	<u>\$ 835,219</u>

**CITY OF BARDSTOWN, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULES**  
**REQUIRED SUPPLEMENTARY INFORMATION-MODIFIED ACCRUAL BASIS**  
For The Fiscal Year Ended June 30, 2012

	<b>E 911 FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
			Positive (Negative)	
Revenues:				
Intergovernmental revenues	\$ 298,068	\$ 298,068	\$ 298,104	\$       36
Charges for services	233,280	233,280	295,230	61,950
Other	50,000	50,000	250	(49,750)
Total Revenues	581,348	581,348	593,584	12,236
Expenditures:				
Current:				
Public safety	780,060	780,060	782,403	(2,343)
Excess (Deficiency) of Revenues Over Expenditures				
Before Other Financing Sources (Uses)	(198,712)	(198,712)	(188,819)	9,893
Other Financing Sources (Uses):				
Transfers in	198,712	198,712	198,712	0
Total Other Financing Sources (Uses)	198,712	198,712	198,712	0
Net Change in Fund Balance	0	0	9,893	9,893
Fund Balances, Beginning of Year	0	0	67,895	67,895
Fund Balances, End of Year	0	0	77,788	\$ 77,788

**CITY OF BARDSTOWN, KENTUCKY**  
**COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS**  
 June 30, 2012

	Municipal Road Aid	Land Acquisition and Building	Law Enforcement	Cemetery	Total Other Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 5,640	\$ 4,526	\$ 8,992	\$ 19,601	\$ 38,759
Investments	0	395,000	49,474	225,000	669,474
Restricted Investments	31,869	108,751	0	135,816	276,436
Accrued receivables	28,881	438	46	1,060	30,425
<b>Total Assets</b>	<b>66,390</b>	<b>508,715</b>	<b>58,512</b>	<b>381,477</b>	<b>1,015,094</b>
<b>Liabilities</b>					
Accounts payable	0	0	0	0	0
Due to other funds	0	0	2,107	9,123	11,230
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>2,107</b>	<b>9,123</b>	<b>11,230</b>
<b>Fund Balances</b>					
Nonspendable	28,881	438	46	1,060	30,425
Restricted					
Roads	37,509	0	0	0	37,509
Cemetery	0	0	0	135,816	135,816
Assigned					
Land Acquisition and Industrial Dev.	0	508,277	0	0	508,277
Public safety	0	0	56,359	0	56,359
Cemetery	0	0	0	235,478	235,478
<b>Total Fund Balances</b>	<b>66,390</b>	<b>508,715</b>	<b>56,405</b>	<b>372,354</b>	<b>1,003,864</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 66,390</b>	<b>\$ 508,715</b>	<b>\$ 58,512</b>	<b>\$ 381,477</b>	<b>\$ 1,015,094</b>

**CITY OF BARDSTOWN, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – NON-MAJOR GOVERNMENTAL FUNDS**  
For The Fiscal Year Ended June 30, 2012

	Municipal Road Aid	Land Acquisition and Building	Law Enforcement	Cemetery	Total Nonmajor Funds
<b>Revenues</b>					
Intergovernmental	\$ 244,141	\$ 0	\$ 0	\$ 0	\$ 244,141
Charges for services	0	0	0	61,025	61,025
Interest	482	2,418	450	2,086	5,436
Other	0	35,500	26,434	100	62,034
<b>Total Revenues</b>	<b>244,623</b>	<b>37,918</b>	<b>26,884</b>	<b>63,211</b>	<b>372,636</b>
<b>Expenditures</b>					
<b>Current:</b>					
General government	0	1,228	0	0	1,228
Public safety	0	0	7,882	0	7,882
Cemetery	0	0	0	22,778	22,778
<b>Total Expenditures</b>	<b>0</b>	<b>1,228</b>	<b>7,882</b>	<b>22,778</b>	<b>31,888</b>
<b>Excess (Deficiency) of Revenues Over</b>					
<b>Expenditures</b>	<b>244,623</b>	<b>36,690</b>	<b>19,002</b>	<b>40,433</b>	<b>340,748</b>
<b>Other Financing Uses:</b>					
Transfers out	(241,000)	(67,300)	(13,500)	(2,635)	(324,435)
<b>Total Other Financing Uses</b>	<b>(241,000)</b>	<b>(67,300)</b>	<b>(13,500)</b>	<b>(2,635)</b>	<b>(324,435)</b>
<b>Net Change in Fund Balances</b>	<b>3,623</b>	<b>(30,610)</b>	<b>5,502</b>	<b>37,798</b>	<b>16,313</b>
<b>Fund Balances, Beginning of Year</b>	<b>62,767</b>	<b>539,325</b>	<b>50,903</b>	<b>334,556</b>	<b>987,551</b>
<b>Fund Balances, End of Year</b>	<b>\$ 66,390</b>	<b>\$ 508,715</b>	<b>\$ 56,405</b>	<b>\$ 372,354</b>	<b>\$ 1,003,864</b>

**CITY OF BARDSTOWN, KENTUCKY**  
**COMBINING BALANCE SHEET –**  
**NON-MAJOR PROPRIETARY FUNDS**  
June 30, 2012

	Depreciation Reserve	Operating and Maintenance Reserve	Construction Fund	Water and Wastewater Enhancement Fund	Lagoon Cleaning Fund	Total Non-Major Enterprise Funds
Assets						
Current Assets:						
Accrued interest	\$ 478	\$ 0	\$ 0	\$ 0	\$ 317	\$ 795
Due from other funds	0	23,570	2,082,536	0	0	2,106,106
Construction in Progress	0	0	953,262	0	0	953,262
Total Current Assets	<u>478</u>	<u>23,570</u>	<u>3,035,798</u>	<u>0</u>	<u>317</u>	<u>3,060,163</u>
Noncurrent Assets:						
Restricted Assets:						
Cash	0	2,571,423	0	226,393	0	2,797,816
Investments	512,054	0	0	0	339,491	851,545
Total Noncurrent Assets	<u>512,054</u>	<u>2,571,423</u>	<u>0</u>	<u>226,393</u>	<u>339,491</u>	<u>3,649,361</u>
Total Assets	<u><u>512,532</u></u>	<u><u>2,594,993</u></u>	<u><u>3,035,798</u></u>	<u><u>226,393</u></u>	<u><u>339,808</u></u>	<u><u>6,709,524</u></u>
Net Assets						
Restricted for:						
Bond reserves	152,532	2,594,993	0	0	0	2,747,525
System capacity reserve	0	0	0	226,393	0	226,393
Construction Fund	0	0	3,035,798	0	0	3,035,798
Other purposes	360,000	0	0	0	339,808	699,808
Total Net Assets	<u>512,532</u>	<u>2,594,993</u>	<u>3,035,798</u>	<u>226,393</u>	<u>339,808</u>	<u>6,709,524</u>
Total Liabilities and Net Assets	<u><u>\$ 512,532</u></u>	<u><u>\$ 2,594,993</u></u>	<u><u>\$ 3,035,798</u></u>	<u><u>\$ 226,393</u></u>	<u><u>\$ 339,808</u></u>	<u><u>\$ 6,709,524</u></u>

**CITY OF BARDSTOWN, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS – NON-MAJOR PROPRIETARY FUNDS**  
For The Fiscal Year Ended June 30, 2012

	Depreciation Reserve	Operating and Maintenance Reserve	Construction Fund	Water and Wastewater Enhancement	Lagoon Cleaning Fund	Total Non-Major Enterprise Funds
Operating Revenues:						
System development charges	0	0	0	72,244	0	72,244
Miscellaneous	0	0	5,000	0	0	5,000
Total Operating Revenues	0	0	5,000	72,244	0	77,244
Operating Expenses:						
Contractual services	0	0	950	0	0	950
Total Operating Expenses	0	0	950	0	0	950
Income (Loss) from Operations	0	0	4,050	72,244	0	76,294
Nonoperating Revenues (Expenses):						
Investment earnings	1,858	27,009	0	0	1,137	30,004
Total Nonoperating Revenues (Expenses)	1,858	27,009	0	0	1,137	30,004
Income (Loss) Before Contributions and Transfers	1,858	27,009	4,050	72,244	1,137	106,298
Transfers in	0	0	0	0	35,000	35,000
Change in Net Assets	1,858	27,009	4,050	72,244	36,137	141,298
Net Assets, Beginning of Year	510,674	2,567,984	3,031,748	154,149	303,671	6,568,226
Net Assets, End of Year	\$ 512,532	\$ 2,594,993	\$ 3,035,798	\$ 226,393	\$ 339,808	\$ 6,709,524

**CITY OF BARDSTOWN, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND**  
**NET ASSETS – COMBINED UTILITIES OPERATING DEPARTMENTS**  
For The Fiscal Year Ended June 30, 2012

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Cable TV</u>	<u>Garbage</u>	<u>Internet</u>	<u>Total Operating</u>
<b>Operating Revenues:</b>							
Charges for services	\$ 14,069,120	\$ 4,171,975	\$ 3,535,604	\$ 5,269,666	\$ 1,391,137	\$ 2,210,217	\$ 30,647,719
Utility surcharge	763	0	0	0	0	0	763
Connection fees	0	40,025	16,175	66,461	0	42,628	165,289
Contract services	149,012	0	11,016	147,840	0	0	307,868
Intergovernmental revenues	0	0	0	0	28,057	0	28,057
Penalties	107,433	105,100	41,309	104,530	17,285	0	375,657
Miscellaneous	40,716	38,634	1,776	5,829	16,159	789	103,903
<b>Total Operating Revenues</b>	<u>14,367,044</u>	<u>4,355,734</u>	<u>3,605,880</u>	<u>5,594,326</u>	<u>1,452,638</u>	<u>2,253,634</u>	<u>31,629,256</u>
<b>Operating Expenses:</b>							
Purchases for resale	12,364,976	0	0	3,516,206	0	0	15,881,182
Personal services	606,486	1,572,622	572,443	775,364	664,111	206,505	4,397,531
Contractual services	113,011	92,362	168,119	156,336	327,668	109,264	966,760
Materials and supplies	57,265	583,968	206,774	380,276	102,362	136,572	1,467,217
Maintenance and repairs	141,353	259,491	186,471	110,876	58,002	7,525	763,718
Other expenses	107,123	451,170	654,254	351,034	127,670	319,526	2,010,777
Depreciation	336,960	1,044,962	834,732	332,232	33,026	101,209	2,683,121
<b>Total Operating Expenses</b>	<u>13,727,174</u>	<u>4,004,575</u>	<u>2,622,793</u>	<u>5,622,324</u>	<u>1,312,839</u>	<u>880,601</u>	<u>28,170,306</u>
<b>Income From Operations</b>	<u>\$ 639,870</u>	<u>\$ 351,159</u>	<u>\$ 983,087</u>	<u>\$ (27,998)</u>	<u>\$ 139,799</u>	<u>\$ 1,373,033</u>	<u>\$ 3,458,950</u>

**CITY OF BARDSTOWN, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND**  
**NET ASSETS – COMBINED UTILITIES OPERATING DEPARTMENTS (CONTINUED)**  
For The Fiscal Year Ended June 30, 2012

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Cable TV</u>	<u>Garbage</u>	<u>Internet</u>	<u>Total Operating</u>
Nonoperating Revenues:							
Interest and investment revenue	\$ 33,812	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,812
Lease revenue	0	8,110	0	0	0	0	8,110
<b>Total Nonoperating Revenue</b>	<u>33,812</u>	<u>8,110</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>41,922</u>
Income Before Contributions and Transfers	673,682	359,269	983,087	(27,998)	139,799	1,373,033	3,500,872
Capital contributions	0	94,601	47,619	0	0	0	142,220
Transfers in	0	0		600,000	0	0	600,000
Transfers out	<u>(832,973)</u>	<u>(778,079)</u>	<u>(1,334,106)</u>	<u>(270,560)</u>	<u>(47,055)</u>	<u>(706,596)</u>	<u>(3,969,369)</u>
<b>Change in Net Assets</b>	<u>\$ (159,291)</u>	<u>\$ (324,209)</u>	<u>\$ (303,400)</u>	<u>\$ 301,442</u>	<u>\$ 92,744</u>	<u>\$ 666,437</u>	273,723
Net Assets, Beginning of Year							<u>63,987,112</u>
Net Assets, End of Year							<u>\$ 64,260,835</u>



**CITY OF BARDSTOWN, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
June 30, 2012

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of The Interior</u>		
National Parks Service		
Passed-Through The Commonwealth's Tourism, Arts and Heritage Cabinet - Kentucky Heritage Council		
Historic Preservation Fund Grants-in-Aid		
Surveys for 35 Properties and NR Nominations for 30 Properties-Staff Support and Local CLG CLG Administration		
	21-11-21924	\$ 17,242
(CFDA #15.904)		
Passed-Through The University of Kentucky Research Foundation		
Save America's Treasurers (ARRA)		
Rural Heritage Development Initiative Design Guidelines		
	21-08-AP-4116	9,039
(CFDA #15.929)		
Total U.S. Department of The Interior		<u>\$ 26,281</u>
 <u>U.S. Department of Justice</u>		
Direct Program:		
Gang Resistance - Education and Training		
Public Safety Partnership and Community Policing Grants-Secure Our Schools		
	2009CKWX0687	
(CFDA #16.737)		
		\$ 7,615
Total U.S. Department of Justice		<u>\$ 7,615</u>
 <u>Environmental Protection Agency</u>		
Passed Through Kentucky Infrastructure Authority		
Capitalization Grants for Clean Water State Revolving Funds (ARRA)		
Federally Assisted Wastewater Revolving Loan Fund		
Program Bardstown-Bloomfield Sewer Connection		
	KIA Loan #A10-14	
(CFDA #66.458)		
		1,701,164
Total Environmental Protection Agency		<u>\$ 1,701,164</u>

**CITY OF BARDSTOWN, KENTUCKY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
June 30, 2012

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-Through Foundation for a Healthy Kentucky		
Drug-Free Communities Support Program and Grants		
PATH Coalition's Drug-Free Community		
Support Project (CFDA #93.276)	5H79SP012390-09	\$ 104,299
Passed-Through University of Kentucky Research Foundation		
Cardiovascular Diseases Research		
Smoke-Free Nelson County Initiative (CFDA #93.837)	2010COM025	2,500
Total U.S. Department of Health and Human Services		<u>\$ 106,799</u>
<u>U.S. Department of Homeland Security</u>		
Passed-Through Commonwealth Office of Homeland Security		
Homeland Security Grant Program		
Narrowband Upgrade (CFDA #97.067)	Unavailable	\$ 35,000
Mobile Data Computers (CFDA #97.067)	Unavailable	6,381
Total U.S. Department of Homeland Security		<u>\$ 41,381</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 1,883,240</u></u>

**CITY OF BARDSTOWN, KENTUCKY**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2012

***Note 1 - Basis of Schedule***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the city of Bardstown, Kentucky and is presented on a cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

***Note 2 - Determination of Major Program***

The Type A program for the City is any program for which total expenditures of federal awards exceed \$300,000 for fiscal year 2012 or where deemed high risk. The Type A program was:

- Federally Assisted Wastewater Revolving Loan Fund Program Bardstown-Bloomfield Sewer Connection (CFDA #66.458)

***Note 3 - Noncash Expenditures***

There were no noncash expenditures of federal awards for fiscal year 2012.

**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**



**PEERCY AND GRAY, PSC**

**Certified Public Accountants**

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

To the City Council  
City of Bardstown, Kentucky  
220 North Fifth Street  
Bardstown, Kentucky 40004

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bardstown, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

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

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  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements for the year ended June 30, 2012, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the City of Bardstown, Kentucky in a separate letter dated November 6, 2012.

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

*Perry and Gray, PSC*

November 6, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**



**PEERCY AND GRAY, PSC**

**Certified Public Accountants**

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

**Report On Compliance With Requirements  
That Could Have A Direct And Material Effect On Each Major Program  
And On Internal Control Over Compliance In Accordance With OMB Circular A-133**

**Independent Auditor's Report**

To the City Council  
City of Bardstown, Kentucky  
220 North Fifth Street  
Bardstown, Kentucky 40004

Compliance

We have audited the compliance of the City of Bardstown, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The City of Bardstown, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Bardstown, Kentucky's management. Our responsibility is to express an opinion on the City of Bardstown, Kentucky's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bardstown, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Bardstown, Kentucky's compliance with those requirements.

In our opinion, the City of Bardstown, Kentucky complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.



Report On Compliance With Requirements  
That Could Have A Direct And Material Effect On Each Major Program  
And On Internal Control Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of the City of Bardstown, Kentucky is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Bardstown, Kentucky's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bardstown, Kentucky's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

*Perry and Gray, PSC*  
November 6, 2012

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CITY OF BARDSTOWN, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2012

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City Bardstown, Kentucky.
2. There were no deficiencies relating to the internal control of the audit of the financial statements that are reported in the Independent Auditor's Report.
3. There were no instances of noncompliance material to the financial statements of the City of Bardstown, Kentucky that were disclosed during the audit.
4. There were no significant deficiencies relating to the audit of the major federal awards programs that were reported in the Independent Auditor's Report.
5. The auditors' report on compliance for the audit of the major federal awards programs for the City of Bardstown, Kentucky expresses an unqualified opinion.
6. There were no audit findings of noncompliance relative to the major federal awards programs for the City of Bardstown, Kentucky reported in Part C of this schedule.
7. The program tested as the major program was: Federally Assisted Wastewater Revolving Loan Fund Program Bardstown-Bloomfield Sewer Connection (CFDA #66.458)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City of Bardstown, Kentucky was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

None

**D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

There were no findings or questioned costs in the prior year audit.