

# The City of Berry Est 1867

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111 Main Street • P.O. Box 215 • Berry Ky. 41003 • (859) 234-3185-711TDD • 859-234-3185 FAX • cityofberry@kih.net

June 24, 2014

RECEIVED AND FILED  
DATE June 30, 2014  
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ALISON LUNDERGAN GRIMES  
SECRETARY OF STATE  
COMMONWEALTH OF KENTUCKY  
BY Kandice Adkinson

Office of Secretary of State  
Honorable Alison L. Grimes  
700 Capital Avenue, Suite 152  
Frankfort, KY 40601

Dear Secretary Grimes:

Please find enclosed a copy of the 2012-2013 audit for the City of Berry which we received June 23, 2014.

Sincerely,



Christine B. Philpot  
City Clerk

**CITY OF BERRY, KENTUCKY**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**CITY OF BERRY, KENTUCKY  
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FOR THE YEAR ENDED JUNE 30, 2013**

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**CITY OF BERRY**

**P.O. Box 215  
108 Main St.  
Berry, KY 41003  
(859) 234-3185**

**CITY OFFICIALS AND OFFICERS**

**MAYOR**

Kenneth H. Abner

**MEMBERS OF COUNCIL**

Patricia Adams  
Alexa Biddle  
Ruth Adams  
Keith Ison

**OFFICERS**

Christine B. Philpot  
City Clerk/Treasurer

Peter Newberry  
City Attorney

Orla Whitaker  
Fire Chief

**CITY OF BERRY, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	<b>Primary Government Activities</b>		
	<b>Governmental</b>	<b>Business-Type</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 8,587	\$ 6,169	\$ 14,756
Accounts receivables, net	6,825	7,270	14,095
Prepaid insurance	692	-	692
Restricted cash	18,425	13,478	31,903
Capital assets, net	101,258	424,948	526,206
<b>Total Assets</b>	<b>\$ 135,787</b>	<b>\$ 451,865</b>	<b>\$ 587,652</b>
<b>Liabilities and Net Position</b>			
Accounts payable	\$ 1,464	\$ 3,261	\$ 4,725
Accrued expenses	1,387	1,329	2,716
Notes payable	8,535	50,000	58,535
<b>Total Liabilities</b>	<b>11,386</b>	<b>54,590</b>	<b>65,976</b>
<b>Net Position</b>			
Net investment in capital assets	92,723	374,948	467,671
Restricted	18,425	13,478	31,903
Unrestricted	13,253	8,849	22,102
<b>Total Net Position</b>	<b>124,401</b>	<b>397,275</b>	<b>521,676</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 135,787</b>	<b>\$ 451,865</b>	<b>\$ 587,652</b>

See accompanying notes to financial statements.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
General government	\$ 51,746	\$ -	\$ -	\$ -	\$ (51,746)
Fire	81,050	-	-	59,280	(21,770)
Street	5,511	-	-	-	(5,511)
Parks and recreation	2,530	-	-	-	(2,530)
<b>Total Governmental Activities</b>	<b>140,837</b>	<b>-</b>	<b>-</b>	<b>59,280</b>	<b>(81,557)</b>
<b>Business-Type Activities</b>					
Wastewater	124,893	71,806	-	97,757	44,670
<b>Total Business-Type Activities</b>	<b>124,893</b>	<b>71,806</b>	<b>-</b>	<b>97,757</b>	<b>44,670</b>
<b>Total Activities</b>	<b>\$ 265,730</b>	<b>\$ 71,806</b>	<b>\$ -</b>	<b>\$ 157,037</b>	<b>\$ (36,887)</b>

	Primary Governmental Activities		
	Governmental Activities	Business-Type Activities	Total
<b>Change in Net Position</b>			
Net (Expense) Revenue	\$ (81,557)	\$ 44,670	\$ (36,887)
<b>General Revenues</b>			
Property tax	15,756	-	15,756
Licenses and other taxes			
Franchise	5,189	-	5,189
Insurance premiums	23,337	-	23,337
Inter-governmental	29,771	-	29,771
Investment income	27	10	37
Other income	2,862	-	2,862
<b>Total General Revenues</b>	<b>76,942</b>	<b>10</b>	<b>76,952</b>
<b>Change in Net Position</b>	<b>(4,615)</b>	<b>44,680</b>	<b>40,065</b>
<b>Net Position, Beginning (restated)</b>	<b>129,016</b>	<b>352,595</b>	<b>481,611</b>
<b>Net Position, Ending</b>	<b>\$ 124,401</b>	<b>\$ 397,275</b>	<b>\$ 521,676</b>

CITY OF BERRY, KENTUCKY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General Fund	Other Governmental Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 8,587	\$ -	\$ 8,587
Cash and cash equivalents-restricted	-	18,425	18,425
Accounts receivable, net	6,825	-	6,825
Prepaid insurance	692	-	692
<b>Total Assets</b>	<b>\$ 16,104</b>	<b>\$ 18,425</b>	<b>\$ 34,529</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,464	\$ -	\$ 1,464
Accrued expenses	1,387	-	1,387
<b>Total Liabilities</b>	<b>2,851</b>	<b>-</b>	<b>2,851</b>
<b>Fund Balances</b>			
Reserved	-	18,425	18,425
Unreserved	13,253	-	13,253
<b>Total Fund Balances</b>	<b>13,253</b>	<b>18,425</b>	<b>31,678</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 16,104</b>	<b>\$ 18,425</b>	<b>\$ 34,529</b>

See accompanying notes to financial statements.

CITY OF BERRY, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013

<b>Total Fund Balance - Total Governmental Funds</b>	<b>\$ 31,678</b>
Amounts reported for <i>government activities</i> in the Statement of Net Position are different because:	
Notes payable	(8,535)
Capital assets of \$339,372 net accumulated depreciation of (\$238,114) are not financial resources and, therefore, are not reported in the funds. See Note 3 for details.	<u>101,258</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 124,401</u></u></b>



**CITY OF BERRY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property tax	\$ 15,756	\$ -	\$ 15,756
Licenses and other taxes			
Franchise	5,189	-	5,189
Insurance premiums	23,337	-	23,337
Inter-governmental	22,000	7,771	29,771
Investment	25	2	27
Other revenues	2,862	-	2,862
<b>Total Revenues</b>	<b>69,169</b>	<b>7,773</b>	<b>76,942</b>
<b>EXPENDITURES</b>			
General and administration department	50,283	-	50,283
Fire department	77,022	-	77,022
Street department	5,024	487	5,511
Parks and recreation department	1,409	-	1,409
<b>Total Expenditures</b>	<b>133,738</b>	<b>487</b>	<b>134,225</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from grants	59,280	-	59,280
<b>Total Other Financing Sources (Uses)</b>	<b>59,280</b>	<b>-</b>	<b>59,280</b>
<b>Net Change in Fund Balance</b>	<b>(5,289)</b>	<b>7,286</b>	<b>1,997</b>
<b>Fund Balance, Beginning</b>	<b>18,542</b>	<b>11,139</b>	<b>29,681</b>
<b>Fund Balance, Ending</b>	<b>\$ 13,253</b>	<b>\$ 18,425</b>	<b>\$ 31,678</b>

See accompanying notes to the financial statements.

**CITY OF BERRY, KENTUCKY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

**Net Changes in Fund Balances - Total Governmental Funds** **\$ 1,997**

Amounts reported for *government activities* in the Statement of Activities are different because:

Government funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$0) exceeds depreciation (\$6,612) in the current period, excluding amounts recorded in the internal service funds.

(6,612)

**Change in Net Position of Governmental Activities** **\$ (4,615)**

**CITY OF BERRY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Total Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Governmental Revenues</b>					
Property tax	\$ 14,469	\$ -	\$ 14,469	\$ 15,756	\$ 1,287
Licenses and other taxes					
Franchise	6,400	-	6,400	5,189	(1,211)
Insurance premiums	24,400	-	24,400	23,337	(1,063)
Intergovernmental	16,250	-	16,250	29,771	13,521
Investment	73	-	73	27	(46)
Other income	17,736	-	17,736	2,862	(14,874)
<b>Total Revenues</b>	<b>79,328</b>	<b>-</b>	<b>79,328</b>	<b>76,942</b>	<b>(2,386)</b>
<b>Governmental Expenditures</b>					
General government	43,518	-	43,518	51,746	(8,228)
Fire	6,996	-	6,996	21,770	(14,774)
Street	5,900	-	5,900	5,511	389
Parks and recreation	6,625	-	6,625	2,530	4,095
<b>Total Expenditures</b>	<b>63,039</b>	<b>-</b>	<b>63,039</b>	<b>81,557</b>	<b>(18,518)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from notes payable	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>16,289</b>	<b>-</b>	<b>16,289</b>	<b>(4,615)</b>	<b>20,904</b>
<b>Fund Balance, Beginning</b>	<b>37,694</b>	<b>-</b>	<b>37,694</b>	<b>129,016</b>	<b>(91,322)</b>
<b>Fund Balance, Ending</b>	<b>\$ 53,983</b>	<b>\$ -</b>	<b>\$ 53,983</b>	<b>\$ 124,401</b>	<b>\$ (70,418)</b>

**CITY OF BERRY, KENTUCKY**  
**STATEMENT OF REVENUES, ENCUMBRANCES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Revisions	Revised Budget	Total Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES</b>					
<b>General and Administration</b>					
Salaries	\$ 10,660	\$ -	\$ 10,660	\$ 11,216	\$ (556)
Professional services	6,520	-	6,520	6,200	320
Insurance	7,200	-	7,200	5,393	1,807
Utilities	2,900	-	2,900	12,193	(9,293)
Office supplies	1,700	-	1,700	-	1,700
Repairs and maintenance	1,750	-	1,750	550	1,200
Telephone and internet	838	-	838	-	838
Miscellaneous	-	-	-	1,029	(1,029)
Advertising	1,600	-	1,600	2,239	(639)
Miscellaneous	4,900	-	4,900	12,926	(8,026)
Capital outlay	-	-	-	-	-
<b>Total General &amp; Administration</b>	<b>38,068</b>	<b>-</b>	<b>38,068</b>	<b>51,746</b>	<b>(13,678)</b>
<b>Fire Department</b>					
Salaries	1,996	-	1,996	1,996	-
Insurance	1,800	-	1,800	1,170	630
Maintenance and repairs	-	-	-	5,911	(5,911)
Vehicle expense	1,300	-	1,300	340	960
Utilities	900	-	900	4,260	(3,360)
Supplies	400	-	400	8,093	(7,693)
Telephone	600	-	600	-	600
Capital outlay	-	-	-	-	-
<b>Total Fire Department</b>	<b>6,996</b>	<b>-</b>	<b>6,996</b>	<b>21,770</b>	<b>(14,774)</b>
<b>Street Department</b>					
Maintenance and repairs	4,000	-	4,000	-	4,000
Street lights	5,450	-	5,450	5,511	(61)
Vehicle expense	800	-	800	-	800
Insurance	600	-	600	-	600
Professional services	500	-	500	-	500
Capital outlay	-	-	-	-	-
<b>Total Street Department</b>	<b>11,350</b>	<b>-</b>	<b>11,350</b>	<b>5,511</b>	<b>5,839</b>
<b>Parks and Recreation</b>					
Materials and supplies	900	-	900	1,121	(221)
Maintenance and repairs	1,500	-	1,500	1,409	91
Insurance	400	-	400	-	400
Utilities	-	-	-	-	-
Restrooms	525	-	525	-	525
Capital outlay	-	-	-	-	-
<b>Total Parks and Recreation</b>	<b>\$ 3,325</b>	<b>\$ -</b>	<b>\$ 3,325</b>	<b>\$ 2,530</b>	<b>\$ 795</b>

See accompanying notes to the financial statements.

CITY OF BERRY, KENTUCKY  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2013

**Assets**

**Current Assets**

Cash and cash equivalents	\$	6,169
Accounts receivables, net		7,270
<b>Total Current Assets</b>		<u><b>13,439</b></u>

**Non-Current Assets**

Restricted cash		13,478
Capital assets, net of accumulated depreciation		424,948
<b>Total Non-Current Assets</b>		<u><b>438,426</b></u>

<b>Total Assets</b>	<b>\$</b>	<u><u><b>451,865</b></u></u>
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**Liabilities and Net Position**

**Current Liabilities**

Accounts payable	\$	3,261
Accrued expenses		1,329
<b>Total Current Liabilities</b>		<u><b>4,590</b></u>

**Non-Current Liabilities**

Revenue bonds payable, non-current		50,000
<b>Total Non-Current Liabilities</b>		<u><b>50,000</b></u>

<b>Total Liabilities</b>		<u><b>54,590</b></u>
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**Net Position**

Net investment in capital assets		374,948
Restricted		13,478
Unrestricted		8,849
<b>Total Net Position</b>		<u><b>397,275</b></u>

<b>Total Liabilities and Net Position</b>	<b>\$</b>	<u><u><b>451,865</b></u></u>
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**CITY OF BERRY, KENTUCKY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>Operating Revenues</b>	
Charges for services	\$ 64,302
Other income	7,504
<b>Total Operating Revenues</b>	<u><b>71,806</b></u>
<b>Operating Expenses</b>	
Salaries	19,440
Insurance	5,947
Professional services	6,200
Advertising	2,239
Maintenance and repairs	550
Trash	16,317
Utilities and telephone	17,703
Depreciation	49,957
Miscellaneous	6,540
<b>Total Operating Expenses</b>	<u><b>124,893</b></u>
<b>Operating Loss</b>	<u><b>(53,087)</b></u>
<b>Non-Operating Revenues (Expenses)</b>	
Interest income	10
<b>Total Non-Operating Revenue (Expenses)</b>	<u><b>10</b></u>
<b>Loss Before Capital Contributions and Transfers</b>	<u><b>(53,077)</b></u>
Grant revenues	<u><b>97,757</b></u>
<b>Change in Net Position</b>	<b>44,680</b>
<b>Total Net Position, Beginning</b>	<u><b>352,595</b></u>
<b>Total Net Position, Ending</b>	<u><u><b>\$ 397,275</b></u></u>

See accompanying notes to the financial statements.

**CITY OF BERRY, KENTUCKY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<b>Cash Flows From Operating Activities</b>	
Cash received from customers	\$ 65,356
Cash received from other sources	7,504
Cash payments to employees	(18,849)
Cash payments to suppliers for goods and services	(54,798)
	<b>(787)</b>
 <b>Cash Flows From Capital and Related Financing Activities</b>	
Cash received from bond issue	50,000
Cash received from grants	97,757
Acquisition and construction of capital assets	(140,808)
Prior period adjustments	(5,404)
	<b>1,545</b>
 <b>Cash Flows From Investing Activities</b>	
Cash received from interest income	10
	<b>10</b>
 <b>Net Increase in Cash and Cash Equivalents</b>	
	<b>768</b>
 <b>Cash and Cash Equivalents, Beginning of Year</b>	
	<b>18,879</b>
 <b>Cash and Cash Equivalents, End of Year</b>	
	<b>\$ 19,647</b>
 <b>Reconciliation of operating loss to net cash used by operating activities</b>	
Operating loss	\$ (53,087)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	49,957
Changes in assets and liabilities:	
(Increase) decrease in customer accounts receivable	1,054
Increase (decrease) in accounts payable	542
Increase (decrease) in accrued expenses	747
	<b>52,300</b>
 <b>Net Cash Used by Operating Activities</b>	
	<b>\$ (787)</b>

See accompanying notes to the financial statements.

**CITY OF BERRY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

The City of Berry operates under a Mayor-Commission form of government. The City's major operations include police protection, parks, and recreation and general administrative services. The City also operates a sewer system for its citizens. The citizens of Berry elect a mayor-at-large and four city commission members. The accompanying financial statements present the City's primary government unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the City (as distinct from a legal relationship).

**Reporting Entity**

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has no component unit.

**Basis of Accounting/Measurement Focus**

The accounts of the City are organized on the basis of funds, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that is comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**Government-Wide Financial Statements**

The City Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.



**CITY OF BERRY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2013**

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

***Government-Wide Financial Statements - Continued***

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. In addition, the City applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide Financial Statements. The City has presented all major funds that met those requirements.

***Governmental Fund Financial Statements***

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net Position and changes in net Position presented in the Government-Wide Financial Statements. The City has presented all major funds that met those requirements.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in the net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City are property tax, insurance premium tax, occupational license revenue, business license revenue, franchise fee revenue, intergovernmental revenues, interest, and other taxes. Fine and permit revenues are not susceptible to accrual because they are not measurable until received. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

***Proprietary Fund Financial Statements***

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**CITY OF BERRY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2013**

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

**Budgeting**

The City Council adopts an annual budget for the General, Special Revenues, and Enterprise Funds. Any revisions that alter the budget must be approved by the City Council. For 2013, the original budget was approved in June 2012. The budget for the General and Special Revenue Funds is presented in the Statements of Revenues Expenditures, Encumbrances, and Changes in Fund Balance - Budget and Actual. All annual appropriations lapse at fiscal year-end. Budgets for all funds are adopted on a consistent basis with generally accepted accounting principles.

**Cash and Cash Equivalents**

Deposits consist of checking accounts and certificates of deposit and are stated at fair value. Deposits are fully collateralized. For the purposes of the Statement of Cash Flows, the City considers all highly liquid cash deposits and cash equivalents with a maturity of three months or less when purchased and non-negotiable certificates of deposit to be cash equivalents. There were no non-cash investing, capital and financing activities during the year.

**Receivable and Allowance for Doubtful Amounts**

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowance for doubtful amounts. Governmental fund type receivables consist primarily of amounts due from the federal government. Interest and investment revenue receivable in all funds consist of revenue due on each investment. Taxes receivable in governmental funds represent taxes subject to accrual, primarily property taxes that are collected within sixty days after year-end. Utilities receivable in enterprise funds represents sewer charges due at year-end, net of an allowance for doubtful amounts. The doubtful amounts are based on collection experience and a review of the status of existing receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**Capital Assets**

Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The City defines capital assets as assets with an individual cost of more than \$500, and an estimated useful life of more than two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized. When assets are retired or otherwise disposed of, the costs are removed from the asset accounts and a gain or loss is recorded. In the Fund Financial Statements, capital assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	15 years
Equipment	5-10 years
Water and Sewer System Utility Plants	25-40 years
Infrastructure	15-40 years
<u>Business-Type Activity</u>	
Sewer System	40 years

**CITY OF BERRY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2013**

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

**Restricted Assets**

When both restricted (if any) and unrestricted resources are available for use, it is the City's policy to use unrestricted resources first, and then restricted resources as they are needed. Fund balances are further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

**Internal Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term inter-fund loans are reported as "inter-fund receivables and payables." Long-term inter-fund loans (non-current portion) are reported as "advances from and to other funds." Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**Property Tax Calendar**

Property taxes for fiscal year 2013 were levied in November 2012, respectively, on the assessed valuation of property located in the City of Berry as of the preceding January 1, the lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

- |                                    |                           |
|------------------------------------|---------------------------|
| 1. Due date for payment of taxes   | Upon receipt              |
| 2. Face value amount payment dates | November 1 to December 31 |
| 3. 20% penalty delinquent date     | January 1                 |

These taxes are collected by the City Clerk. Vehicle taxes are collected by the County Clerk of Harrison County and are due and collected in the birth month of the licensee.

**Expenditures/Expenses**

In the Government-Wide Financial Statements, expenses are classified by function. In the Fund Financial Statements, government fund expenditures are classified by character current, debt service, and capital outlay. The City's policy regarding the allocation of indirect expenses is to reflect such expenses as a separate program. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reclassifications**

Certain presentations of accounts previously reported have been reclassified in these financial statements. Such reclassifications had no effect on net income or fund balances as previously reported.

**CITY OF BERRY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2013**

**NOTE 2 – CASH AND INVESTMENTS**

Under Kentucky Revised Statute 66.480 the City is allowed to invest in obligations of the U.S. Treasury and U.S. Agencies, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The City of Berry's deposits and investments at June 30, 2013 were substantially covered by federal depository insurance or by collateral held by the custodial banks in the City's name. The carrying amount of the City's cash accounts were \$46,155 and the bank balance was \$48,205. Cash and investments, both restricted and unrestricted, at June 30, 2013 consisted of the following:

<u>Account</u>	<u>Interest Bearing</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Festival		\$ 1,439	\$ -	\$ 1,439
Fireman's Fund		511	-	511
General	Yes	2,322	-	2,322
Payroll	Yes	1,756	-	1,756
Petty Cash		274	-	274
Road Department	Yes	18,425	-	18,425
State Aid Fire Department	Yes	2,287	-	2,287
CDBG		-	6,460	6,460
Sinking Fund	Yes	-	3,897	3,897
Depreciation Fund	Yes	-	3,121	3,121
Wastewater O&M	Yes	-	2,598	2,598
Wastewater Rumpke	Yes	-	3,065	3,065
<b>Total</b>		<b>\$ 27,014</b>	<b>\$ 19,141</b>	<b>\$ 46,155</b>

**Interest Rate Risk:** Is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as means of managing its exposure to fair value losses arising from increasing interest rates. Management believes the City is not exposed to significant interest rate risk on investments.

**Credit Risk:** Is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The City does not have a policy regarding the types of authorized investments that would ensure preservation of assets, only certificates of deposit and money market accounts are permitted. Management believes the City is not exposed to a significant credit risk.

**Custodial Credit Risk:** Is the risk that the City's deposits may not be returned in the event of bank failure. The City maintains its deposits with a financial institution insured by Federal Deposit Insurance Corporation (FDIC). As of June 30, 2013, the City's bank accounts in the amount of \$48,205 were covered by FDIC insurance or by securities pledged at market.

**Concentration of Credit Risk:** Is the risk of loss attributed to the magnitude of investment in a single issuer. Management does not believe the City is exposed to a significant concentration of credit risk. Based on the consistency of the amounts with prior years and no significant change in the customer base or local economic conditions, in my opinion, the allowance at year end appears adequate for any potential losses.

**NOTE 3 – ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment for the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to receivable. At June 30, 2013 accounts receivable was \$14,295 and the allowance for doubtful accounts was \$200.

**CITY OF BERRY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2013**

**NOTE 4 – CAPITAL ASSETS**

Depreciation expense was charged to the Governmental functions as follows:

	2013
General government	\$ 1,463
Fire	4,028
Recreation	1,123
<b>Total Depreciation Expense</b>	<b>\$ 6,614</b>

	Balance as of July 1, 2012	Additions	Deletions	Balance as of June 30, 2013
<b>Governmental Activities</b>				
Land & improvements	\$ 32,303	\$ -	\$ -	\$ 32,303
Buildings & improvements	120,458	-	-	120,458
Vehicles	17,200	-	-	17,200
Equipment	169,412	-	-	169,412
<b>Total</b>	<b>339,373</b>	<b>-</b>	<b>-</b>	<b>339,373</b>
<b>Less Accumulated Depreciation</b>				
Buildings & improvements	43,554	3,861	-	47,415
Vehicles	15,701	1,500	-	17,201
Equipment	172,247	1,253	-	173,500
<b>Totals</b>	<b>231,502</b>	<b>6,614</b>	<b>-</b>	<b>238,116</b>
<b>General Capital Assets, Net</b>	<b>\$ 107,871</b>	<b>\$ 6,614</b>	<b>\$ -</b>	<b>\$ 101,257</b>
<b>Business-Type Activities</b>				
Plant & sewer system	\$ 1,498,724	\$ 140,808	\$ -	\$ 1,639,532
Vehicle & equipment	40,404	-	-	40,404
<b>Total</b>	<b>1,539,128</b>	<b>140,808</b>	<b>-</b>	<b>1,679,936</b>
<b>Less Accumulated Depreciation</b>	<b>1,205,032</b>	<b>49,957</b>	<b>-</b>	<b>1,254,989</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 284,138</b>	<b>\$ 49,957</b>	<b>\$ -</b>	<b>\$ 424,947</b>
<b>Total Capital Assets, Net</b>	<b>\$ 392,009</b>	<b>\$ 56,571</b>	<b>\$ -</b>	<b>\$ 526,204</b>

**CITY OF BERRY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2013**

**NOTE 5 – GENERAL FUND DEBT**

The following is a summary of debt transactions for the year:

	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>	<b>Amount Due Within 1 Year</b>
Revenue Bonds - Water and Sewer	\$ -	\$ 50,000	\$ -	\$ 50,000	\$ -
Notes Payable - General	14,000	-	5,465	8,535	8,535
<b>Total</b>	<b>\$ 14,000</b>	<b>\$ 50,000</b>	<b>\$ 5,465</b>	<b>\$ 58,535</b>	<b>\$ 8,535</b>

**General Obligations**

In October 2011, the City borrowed funds from Farmers National Bank to increase its level of operational cash. The interest rate is at 5.0%. Principal and interest payments are as follows:

<b>Year ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 6,000	\$ 300	\$ 6,300
2015	2,535	50	2,585
Thereafter	-	-	-
<b>Total</b>	<b>\$ 8,535</b>	<b>\$ 350</b>	<b>\$ 8,885</b>

**Business-Type Activities – Revenue Bonds Payable**

Sewer bonds with par value of \$50,000 were issued in 2013 and mature annually January 1, with a final maturity scheduled for 2052. Annual interest payments are due annually, with an interest rate of 5%. Assuming the bonds are not called prior to maturity, the minimum obligations of the City's funds at June 30, 2013 for the payment of bond principal and interest are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Annual Requirements</b>
2015	\$ 500	\$ 2,500	\$ 3,000
2016	500	2,475	2,975
2017	500	2,450	2,950
2018	500	2,425	2,925
2019-2023	4,500	11,600	16,100
2024-2028	5,000	10,375	15,375
2029-2033	5,000	9,125	14,125
2034-2038	7,000	7,725	14,725
2039-2043	7,500	5,875	13,375
2044-2048	9,500	3,850	13,350
2049-2052	9,500	1,300	10,800
<b>Totals</b>	<b>\$ 50,000</b>	<b>\$ 59,700</b>	<b>\$ 109,700</b>

**CITY OF BERRY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2013**

**NOTE 6 – BOND ORDINANCE REQUIREMENTS**

**Business-Type Activities – Revenue Bonds Payable**

The revenue bond ordinance requires that the following reserves be created and maintained:

Sinking Fund Reserve - this reserve is required to receive a monthly transfer of one-sixth of the next interest payment and one-twelfth of the net principal. The reserve has a balance of \$3,897 and \$7,154 at June 30, 2013 and 2012, respectively. Reserve requirements were met during the year ending June 30, 2013.

Depreciation Reserve - this reserve is required to receive a monthly transfer of \$20 until a balance of \$2,400 is maintained. This reserve is for balancing depreciation in the system. The reserve has a balance of \$3,121 and \$1,785 as of June 30, 2013 and 2012, respectively. Reserve requirements were met for the year ending June 30, 2013.

**NOTE 7 – RISK MANAGEMENT**

The City of Berry is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the City also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past four fiscal years.

**NOTE 8 – CONTRACTS**

The City entered into an agreement with Rumpke Waste & Recycling Services for the period of August 1, 2012 through July 31, 2013 for residential solid waste collection services at a rate of \$12.95 per unit per month.

**NOTE 9 – SUBSEQUENT EVENTS**

The City has evaluated and considered the need to recognize or disclose subsequent events through April 28, 2014; which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2013, have not been evaluated by the City.