



# **City of Campbellsburg**

## **Audited Financial Statements and Required Supplementary Information**

**June 30, 2019**

## **Jones & Associates CPAs, PSC**

*2808 Palumbo Drive, Suite 101, Lexington, KY 40509 (859) 687-0303*

**Certified Public Accountants**

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# JONES & ASSOCIATES CPAs, PSC

2808 PALUMBO DRIVE, SUITE 101, LEXINGTON, KY 40509

(859) 687-0303

## CERTIFIED PUBLIC ACCOUNTANTS

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

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Campbellsburg, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Campbellsburg, Kentucky, as of June 30, 2019, and the respective changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

**To the Mayor and City Council of Campbellsburg  
City of Campbellsburg  
Independent Auditor's Report  
(Continued)**

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the City's proportionate share of the net employee pension plan and employee other postemployment benefits liability, and the schedule of contributions as listed in the table of contents, 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 inquires 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. Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2020, on our consideration of the City of Campbellsburg'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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Campbellsburg's internal control over financial reporting and compliance.

Respectfully submitted,

*Jones & Associates CPAs, PSC*

Jones & Associates CPAs, PSC  
Certified Public Accountants  
Lexington, Kentucky

February 21, 2020



**City of Campbellsburg  
City Officials  
June 30, 2019**

Shelley Williams-Noe	Mayor
David Gray	Council Member
Lorraine Hawkins	Council Member
Toni Jackson	Council Member
Justin Lindsey	Council Member
Bradley Lyons	Council Member
John Suter	Council Member
Kim Jewell	City Clerk

Note: List of officials who were in office as of June 30, 2019.

## Financial Statements

## Government-wide Financial Statements

**City of Campbellsburg**  
**Statement of Net Position**  
**June 30, 2019**

**Assets**

Current assets	
Cash and cash equivalents	\$ 123,462
Restricted cash and cash equivalents	102,812
Accounts receivable	<u>39,832</u>

Total current assets	\$ <u>266,106</u>
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Noncurrent assets	
Investments	\$ 29,378
Capital assets, net	<u>975,983</u>

Total noncurrent assets	\$ <u>1,005,361</u>
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<b>Total assets</b>	<b>\$ <u><u>1,271,467</u></u></b>
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**Deferred outflows of resources**

Employee pension plan	\$ 28,584
Employee other postemployment benefits	<u>12,518</u>

<b>Total deferred outflows of resources</b>	<b>\$ <u><u>41,102</u></u></b>
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**Liabilities**

Current liabilities	
Accounts payable	\$ 19,923
Payroll related liabilities	7,688
Note payable	5,215
Lease payable	<u>5,000</u>

Total current liabilities	\$ <u>37,826</u>
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Noncurrent liabilities	
Note payable	\$ 21,402
Lease payable	612,917
Net employee pension plan liability	157,495
Net employee other postemployment benefits liability	<u>45,896</u>

Total noncurrent liabilities	\$ <u>837,710</u>
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<b>Total liabilities</b>	<b>\$ <u><u>875,536</u></u></b>
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**Deferred inflows of resources**

Employee pension plan	\$ 17,600
Employee other postemployment benefits	<u>9,397</u>

<b>Total deferred inflows of resources</b>	<b>\$ <u><u>26,997</u></u></b>
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**City of Campbellsburg**  
**Statement of Net Position**  
**June 30, 2019**  
*(Continued)*

**Net position**

Net investment in capital assets	\$	331,449
Restricted		102,812
Unrestricted		<u>(24,225)</u>

<b>Total net position</b>	\$	<u><u>410,036</u></u>
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The accompanying notes are an integral part of the financial statements.

**City of Campbellsburg  
Statement of Activities  
For the Year Ended June 30, 2019**

Functions/programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contri- butions	Capital Grants and Contri- butions	Govern- mental Activities
<b>Governmental activities</b>					
General government	\$ 264,046	\$	\$	\$	\$ (264,046)
Protections to persons and property	67,774				(67,774)
Recreation and culture	46,540	10,812			(35,728)
Streets and maintenance	49,569		33,495		(16,074)
<b>Total governmental activities</b>	<b>\$ 427,929</b>	<b>\$ 10,812</b>	<b>\$ 33,495</b>	<b>\$</b>	<b>\$ (383,622)</b>
<b>General revenues</b>					
Taxes					
Real property taxes					\$ 86,282
Motor vehicle taxes and licenses					17,098
Insurance taxes					152,201
Franchise fees					31,486
Telecommunications					795
Other taxes					3,591
Other revenues					57,639
<b>Total general revenues</b>					<b>\$ 349,092</b>
<b>Change in net position</b>					<b>\$ (34,530)</b>
<b>Net position - Beginning (restated)</b>					<b>444,566</b>
<b>Net position - Ending</b>					<b>\$ 410,036</b>

The accompanying notes are an integral part of the financial statements.

## Fund Financial Statements

**City of Campbellsburg**  
**Balance Sheet - Governmental Funds**  
**June 30, 2019**

	<b>General Fund</b>	<b>Municipal Road Aid Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 123,462	\$	\$ 123,462
Restricted cash and cash equivalents	39,733	63,079	102,812
Investments	29,378		29,378
Accounts receivable	39,832		39,832
<b>Total assets</b>	<b>\$ 232,405</b>	<b>\$ 63,079</b>	<b>\$ 295,484</b>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 19,923	\$	\$ 19,923
Payroll related payables	7,688		7,688
<b>Total liabilities</b>	<b>\$ 27,611</b>	<b>\$</b>	<b>\$ 27,611</b>
<b>Fund balances</b>			
Restricted	\$ 39,733	\$ 63,079	\$ 102,812
Unassigned	165,061		165,061
<b>Total fund balances</b>	<b>\$ 204,794</b>	<b>\$ 63,079</b>	<b>\$ 267,873</b>
<b>Total liabilities and fund balances</b>	<b>\$ 232,405</b>	<b>\$ 63,079</b>	<b>\$ 295,484</b>

The accompanying notes are an integral part of the financial statements.



**City of Campbellsburg**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2019**

	<b>General Fund</b>	<b>Municipal Road Aid Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Taxes	\$ 291,453	\$	\$ 291,453
Charges for services	10,812		10,812
Miscellaneous	59,083		59,083
Intergovernmental	13,165	21,757	34,922
Interest	313	19	332
<b>Total revenues</b>	<b>\$ 374,826</b>	<b>\$ 21,776</b>	<b>\$ 396,602</b>
<b>Expenditures</b>			
General government	\$ 254,716	\$	\$ 254,716
Protection to persons and property	52,755		52,755
Debt service	31,882		31,882
Capital outlay	6,764		6,764
Recreation and culture	7,158		7,158
Streets and maintenance	371	25,627	25,998
<b>Total expenditures</b>	<b>\$ 353,646</b>	<b>\$ 25,627</b>	<b>\$ 379,273</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 21,180</b>	<b>\$ (3,851)</b>	<b>\$ 17,329</b>
<b>Net change in fund balances</b>	<b>\$ 21,180</b>	<b>\$ (3,851)</b>	<b>\$ 17,329</b>
<b>Fund balances - Beginning</b>	<b>183,614</b>	<b>66,930</b>	<b>250,544</b>
<b>Fund balances - Ending</b>	<b>\$ 204,794</b>	<b>\$ 63,079</b>	<b>\$ 267,873</b>

The accompanying notes are an integral part of the financial statements.

**City of Campbellsburg**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances -**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2019**

<b>Net change in fund balances - total governmental funds</b>	\$ 17,329
Revenue recorded as a receivable in the prior fiscal year in the Statement of Activities	(3,203)
Workers compensation recorded as a payable in the Statement of Activities in the in the prior fiscal year	1,917
Compensated absences not reported in the prior fiscal year on the fund basis	5,009
Governmental funds report capital outlays as expenditures, but in the Statement of Activities, the cost is reported as an asset and is allocated over the estimated useful life and reported as depreciation expense Depreciation expense	(57,406)
Payments for long-term debt are recognized as expenditures in the governmental funds. However, these are not recognized in the Statement of Activities but are a reduction of debt principal on the Statement of Net Position Payment on long-term debt	10,067
Employee pension plan and employee other postemployment benefits contributions are recognized as expenditures in the governmental funds. However, pension expense in the Statement of Activities is primarily the result of changes in the components of the net employee pension plan and employee other postemployment benefits liability over the current and future periods Employee pension plan expense Employee other postemployment benefits expense	(5,796) (2,447)
<b>Change in net position of governmental activities</b>	<b>\$ <u>(34,530)</u></b>

The accompanying notes are an integral part of the financial statements.

**City of Campbellsburg**  
**Reconciliation of Fund Balances - Governmental Funds**  
**to Net Position of Governmental Activities**  
**June 30, 2019**

<b>Fund balances</b>	\$ 267,873
Assets	
Capital assets and infrastructure assets not recognized in governmental funds	975,983
Deferred outflows of resources not recognized in governmental funds	
Employee pension plan	28,584
Employee other postemployment benefits	12,518
Liabilities	
Long-term debt not recognized in governmental funds	(644,534)
Net employee pension plan liability not recognized in governmental funds	(157,495)
Net employee other postemployment benefits liability not recognized in governmental funds	(45,896)
Deferred inflows of resources not recognized in governmental funds	
Employee pension plan	(17,600)
Employee other postemployment benefits	(9,397)
<b>Net position of governmental activities</b>	<b>\$ <u>410,036</u></b>

The accompanying notes are an integral part of the financial statements.

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies**

**Nature of Operations**

The City of Campbellsburg, Kentucky (City), is classified as a home rule city of the Commonwealth of Kentucky. The City, located in Henry County, operates under a Mayor-Council form of government as authorized by its charter and derives significantly all of its income from taxes.

The accounting policies of the City conform to generally accepted accounting principles (GAAP), as applicable to governmental entities. The Governmental Accounting Standards Board (GASB), is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the more significant policies will be presented.

**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 by the GASB. 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 including, but 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 these criteria, the reporting entity does not include any component units.

**Government-wide and Fund Financial Statements**

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. Both the government-wide and fund financial statements categorize primary activities as governmental. Governmental activities are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses (including depreciation) are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function and include charges for services and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants are capital specific. Taxes and other items not identifiable with a program are reported as general revenues.

Amounts paid to acquire fixed assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities, including

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

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

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

long-term assets as well as long-term debt and obligations, are included in the Statement of Net Position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. They 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 are recorded when a liability is incurred, as under accrual accounting, except debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, intergovernmental revenue, 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 cash is received by the government. Intergovernmental revenues received for specific purposes or projects are recognized when the applicable eligibility requirements are met. Revenues received before the eligibility requirements are met are reported as deferred revenue.

The financial statements of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts comprised of its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses as appropriate.

The City reports the following major governmental funds:

General Fund: is the primary operating unit of the City and accounts for the revenues and expenditures not specifically provided for in other funds. Most of the essential governmental services such as police and fire protection, community services, and general administration are reported in this fund.

Municipal Road Aid Fund: accounts for monies received under the Municipal Road Aid Program. Expenditures are restricted to transportation and road related costs.

The City reports no non-major governmental funds.

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

A reconciliation between fund balances in the governmental funds and the net position reported in the government-wide statements is presented. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and the accrual basis of accounting. In addition, capital assets, long-term debt, deferred inflows, deferred outflows, net pension liability, and net other postemployment benefits liability are added to the governmental funds to compile a long-term view of the governmental activities column.

The focus of governmental fund measurement (in the fund financial statements) is on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources)

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

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

**Reconciliation of Government-wide and Fund Financial Statements** *(Continued)*

rather than on net income. The balance sheet contains only current assets and liabilities. The reported fund balance (net current assets) is a measure of available resources.

A similar reconciliation is included for the Statement of Revenues, Expenditures, and Changes in Fund Balances for the governmental funds. These adjustments reflect the transition from the modified accrual basis of accounting for governmental fund financial statements to the accrual basis of accounting for the government-wide statements.

**Assets, Liabilities, Deferred Inflows and Outflows, and Fund Balance and Net Position**

**A. Cash and Cash Equivalents and Investments**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months or less of the date acquired by the City. Investments of the City consist of certificates of deposit, which are stated at cost.

**B. Accounts Receivable**

Accounts receivable consists of property and other taxes as well as amounts due from other governmental entities. Since management considers all of these receivables to be collectible at year-end, no provision has been made for uncollectible accounts.

**C. Capital Assets and Depreciation**

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or estimated historical cost and reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. However, the City elected not to report major general infrastructure assets retroactively. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with costs of \$1,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method over the estimated useful life of the asset. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and any resulting gain or loss is recorded.

All reported capital assets are depreciated with the exception of land. Depreciation on capital assets is calculated using the following useful lives:

Building and improvements	10 – 40 years
Machinery and equipment	5 – 15 years
Infrastructure	15 – 40 years

**D. Property Tax**

Taxes are levied on October 1 and are due and payable on or before December 31. All unpaid taxes become delinquent January 1 of the following year and attach as an enforceable lien on property as of each April

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

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

**Assets, Liabilities, Deferred Inflows and Outflows, and Fund Balance and Net Position** *(Continued)*

**D. Property Tax** *(Continued)*

15. The Henry County Property Valuation Administrator bills the City's property taxes and the City collects them. No allowance for delinquent taxes is recorded due to the immateriality of uncollectible taxes.

The Constitution of the Commonwealth of Kentucky sets absolute tax rates on the value of taxable property based on the population of the City. For the year ended June 30, 2019, the City had a tax rate of \$0.2030 per \$100 for real estate, \$0.3128 per \$100 for tangibles, and \$0.2750 per \$100 for motor vehicles.

**E. Insurance License Tax**

The City levies a 12% license fee on the first year premiums for life insurance and on the premiums for all other types of insurance actually collected for policies on risks located in the City, excluding those received for insuring employers against personal injuries to their employees, or death caused thereby, under the provisions of the Workers Compensation Act, or health insurance provided for state employees under KRS 18A.225(2). Insurance license fees are payable to the City within 30 days after the end of each quarter.

**F. Compensated Absences**

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. The City accrues a liability for compensated absences which have been earned and are payable to employees.

In accordance with this policy, the City has accrued a liability in the government-wide financial statements for vacation benefits, which have been earned but not taken by employees. For governmental funds, the entire liability for compensated absences is considered current because all vacation benefits could be used in the current year. Upon termination, accumulated vacation will be paid to the employee.

It is the City's policy to permit its employees to accumulate earned but unused sick leave benefits. There is no liability for unpaid accumulated sick leave because the City does not have a policy to pay any amounts when employees separate from service.

**G. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. As a result, debt proceeds are reported as other financing sources and payment of principal and interest as expenditures.

**H. Deferred Outflows and Deferred Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for Deferred Outflows of Resources. Deferred Outflows of Resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the Statement of Net Position reports a separate section for Deferred Inflows of

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

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

**Assets, Liabilities, Deferred Inflows and Outflows, and Fund Balance and Net Position** *(Continued)*

**H. Deferred Outflows and Deferred Inflows of Resources** *(Continued)*

Resources. Deferred Inflows of Resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**I. Fund Balance and Net Position**

*Government-wide Financial Statements*

The net position classifications are defined as follows:

- *Invested in capital assets, net of related debt:* This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets;
- *Restricted:* This component consists of funds with external constraints placed on net position imposed by creditors (such as through debt covenants), contributors, or laws, or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation; and
- *Unrestricted net position:* This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources before unrestricted resources.

*Fund Financial Statements*

Governmental fund equity is classified as fund balances. Fund balances are further defined as follows:

- *Nonspendable:* Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- *Restricted:* Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- *Committed:* Amounts constrained to specific purposes by the City itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City takes the action to remove or change the constraint;
- *Assigned:* Amounts the City intends to use for a specific purpose (such as encumbrances); intent can be expressed by the City Council or by an official or body to which the City delegates authority; and
- *Unassigned:* Amounts that are available for any purpose.

**J. Pension**

For purposes of measuring the net pension liability, deferred outflows and inflows of resources, and pension expense, information about the pension plan's fiduciary net position of the County Employees Retirement System (CERS) and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.



**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

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

**Assets, Liabilities, Deferred Inflows and Outflows, and Fund Balance and Net Position** *(Continued)*

**K. Other Postemployment Benefits**

For purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows and inflows of resources, and OPEB expense, information about the fiduciary net positions of the Kentucky Retirement Systems' Insurance Fund (Insurance Fund) and additions to or deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. The Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms.

**L. Expenditures and Expenses**

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, governmental fund expenditures are classified by character as current expenditures and capital outlay expenditures. Governmental funds report expenditures of financial resources.

**M. Interfund Transactions**

During the course of operations, transactions may occur between funds within the City that may result in transfers being recorded. Interfund transfers are eliminated in the Statement of Net Position.

**Budgeting**

The City follows the procedures established by the Department for Local Government pursuant to Section 91A.050 of the Kentucky Revised Statutes in establishing budgetary data.

**Estimates**

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

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

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to July 1 of each fiscal year, the Mayor and City Clerk submit an annual proposed operating budget to the City Council for review. The operating budget includes proposed expenditures and means of financing them. Public hearings are held to obtain taxpayer comments. The budget is legally enacted through the passage of an ordinance.

Once adopted, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. The City adopts a budget for all funds on a basis consistent with GAAP.

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
(Continued)

**Note 3. Deposits, Restricted Cash, and Investments**

**Deposits**

The City maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by Kentucky Revised Statutes. 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.

**A. Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution's failure, the City's deposits may not be returned. The City does not have a formal deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). At May 3, 2019 and June 30, 2019, the City's deposits were uncollateralized by as much as \$25,329 and \$11,547, respectively.

**Restricted Cash**

Restricted cash consists of the following:

Municipal road aid	\$	63,079
Volunteer fire department savings		34,169
Community center		3,694
Health savings		1,870
Total restricted cash	\$	<u>102,812</u>

The municipal road aid accounts are for the allocation of funds from the state which are for design, right-of-way acquisitions, relocation of utilities, construction, and other municipal road expenditures. The City accumulates funds for the volunteer fire department, which are given to the fire department as needed to support their operations. The community center funds are for repairs and maintenance to the Community Center. The health savings account is for payment of employee benefits.

**Investments**

Kentucky Revised Statutes authorize local governmental units to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state chartered banks insured by federal agencies, and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies. Investing is performed in accordance with all applicable state statutes.

**Note 4. Risk Management**

The City is exposed to various forms of losses associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omission, etc. Each of these risk areas is covered through participation in a public entity risk pool with the exception of the errors and omissions bond, which is covered through the purchase of commercial insurance. The City retains no risk of loss through participation in the risk pool. For insured programs, there have been no significant reductions in insurance coverage, nor have settlement

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

**Note 4. Risk Management** *(Continued)*

amounts exceeded insurance coverage for the current year or three years prior. The City has purchased certain policies that are retrospectively rated such as worker's compensation insurance.

**Note 5. Capital Assets**

Capital asset activity for governmental activities for the year ended June 30, 2019 is as follows:

	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending Balance</b>
Land	\$ 13,718	\$	\$	\$ 13,718
Buildings and improvements	1,147,880			1,147,880
Infrastructure	196,394			196,394
Machinery and equipment	341,696		71,617	270,079
Total capital assets	\$ 1,699,688	\$	\$ 71,617	\$ 1,628,071
Less: Accumulated depreciation	666,299	57,406	71,617	652,088
Capital assets, net	\$ 1,033,389	\$ (57,406)	\$	\$ 975,983

Depreciation was charged to government functions as follows:

General government	\$ 23,549
Protection to persons and property	15,019
Recreation and culture	7,500
Streets and maintenance	11,338
Total	\$ 57,406

**Note 6. Restatement of Beginning Net Position**

Beginning net position was restated as follows:

Net position, beginning of year	\$ 443,922
Understatement of deferred outflows	311
Overstatement of deferred inflows	333
Net position, beginning of year, restated	\$ 444,566

Liabilities were overstated by \$333 and assets were understated by \$311. As a result, net position was understated by \$644.

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

**Note 7. Long-Term Debt**

The following reflects the long-term liability activity for the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
United Citizens Loan	\$ 31,669	\$	\$ 5,052	\$ 26,617	\$ 5,215
2012 Series A Lease	622,917		5,000	617,917	5,000
	<u>\$ 654,586</u>	<u>\$</u>	<u>\$ 10,052</u>	<u>\$ 644,534</u>	<u>\$ 10,215</u>

Principal and interest are due as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>
2020	\$ 25,423	\$ 10,215
2021	25,121	10,367
2022	24,809	20,940
2023	24,131	35,685
2024	22,939	34,826
2025 – 2029	96,258	179,167
2030 – 2034	56,673	219,167
2035 – 2037	10,643	134,167
Total	<u>\$ 285,997</u>	<u>\$ 644,534</u>

Interest expense for the year ended June 30, 2019 was \$27,728.

**United Citizens Loan**

The City entered into a note payable on April 11, 2018 in the amount of \$32,505. The proceeds of the note were used to finance the acquisition of a new police cruiser and associated equipment. Interest is charged at the rate of 2.880% per annum. Payments of principal and interest of \$493 are made on a monthly basis, with the last payment due on April 11, 2024.

**2012 Series A Lease**

The City entered into a capital lease on March 29, 2012 in the amount of \$655,000. The proceeds of the lease were used to finance the acquisition and construction of the Campbellsburg Station, which is a multi-purpose facility including a custom playground, community center, and enhanced parking area for the downtown core. Interest is charged at rates of 3.00 – 4.25% per annum. Payments of principal and interest are made on a monthly basis. The lease is a full obligation of the City and, as such, the City's full faith, credit, and revenue are pledged. Additionally, the lease is secured by the personal property of the Campbellsburg Station.

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

**Note 8. Employee Retirement System**

**General Information**

**A. Plan Description**

Employees of the City are provided a defined benefit pension plan through the CERS, a cost sharing multiply-employer defined benefit pension plan administered by the Kentucky Retirement Systems (KRS). The KRS was created by state statute under Kentucky Revised Statute Section 61.645. The KRS Board of Trustees (Board) is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can be obtained by writing the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646, or it may be found at the KRS website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

The City classifies all their covered employees as non-hazardous.

**B. Benefits Provided**

Kentucky Revised Statute Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Benefits are determined by a formula using the member's highest 5 consecutive year average compensation and the member's years of service credit. Members vest with 5 years of service credit. Service-related disability benefits are provided after 5 years of service.

	<b><u>Participation Date</u></b>	<b><u>Unreduced Benefit</u></b>	<b><u>Reduced Benefit</u></b>
Tier 1	Before September 1, 2008	27 years of service or 65 years old and 4 years of service	At least 5 year of service and 55 years old or 25 years of service and any age
Tier 2	After September 1, 2008 but before December 31, 2013	At least 5 years of service and 65 years old or age 57+ and sum of service years plus age equal to 87+	At least 10 years of service and 60 years old
Tier 3	After December 31, 2013	At least 5 years of services and 65 years old or age 57+ and sum of service years plus age equal to 87+	Not available

Cost of living adjustments (COLA) are provided at the discretion of the General Assembly. Effective July 1, 2009, COLA for retirees are set by statute at 1.5% each July 1.

**C. Contributions**

The contribution requirements of Plan members and the City are established by state statute. Employees who began participating in the KRS prior to September 1, 2008 contribute 5% of their creditable compensation to the KRS. Those who began on or after September 1, 2008, contribute a total of 6% of all their creditable compensation to the KRS. One percent of each employee's contribution is deposited to the KRS Pension Fund 401(h) account for the payment of health benefits. If a member terminates their employment and applies to take a refund, the member is entitled to a full refund of contributions and interest in their account; however, the 1% contributed to the 401(h) account is non-refundable and is forfeited. Plan members who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

**Note 8. Employee Retirement System** *(Continued)*

**General Information** *(Continued)*

**C. Contributions** *(Continued)*

defined benefit plan and a defined contribution plan.

Employer contribution rates for the fiscal year ending 2019 were adopted by the Board based on actuarially recommended rates. For the year ended June 30, 2019, the City's covered payroll was \$49,660. Covered payroll refers to the payroll on which contributions to a pension plan are based. The required pension contribution rate for the year ended June 30, 2019 was 16.22%. The City contributed \$8,055, or 100% of the required contributions, to the Plan for the year ended June 30, 2019.

**Net Pension Liability**

At June 30, 2019, the City reported a liability of \$157,495 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, based on an expected total pension liability calculated as of that date using standard roll forward techniques applied to the total pension liability determined by an actuarial valuation as of June 30, 2017. The City's proportion of the net pension liability was based on a projection of their long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportion at June 30, 2019 and June 30, 2018 was 0.002586% and 0.002621%, respectively.

**A. Actuarial Methods and Assumptions**

The total pension liability, net pension liability, and sensitivity information as of June 30, 2018, were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. Subsequent to the actuarial valuation date (June 30, 2017), but prior to the measurement date, the Board reviewed investment trends, inflation, and payroll growth historical trends. Based on this review, the Board has made no changes in actuarial assumptions since June 30, 2017. The actual assumptions are:

Inflation	2.30%
Salary increases	3.05%
Investment rate of return	6.25%

However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2018 is determined using these updated benefit provisions.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

**Note 8. Employee Retirement System** *(Continued)*

**Net Pension Liability** *(Continued)*

**A. Actuarial Methods and Assumptions** *(Continued)*

with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again by the Board's actuary when the next experience investigation is conducted.

The long-term expected rate of return on plan investments for the June 30, 2018 valuation was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Long-term Expected Real Rate of Return</u></b>	<b><u>Target Allocation</u></b>
U.S. equity	14.50%	17.50%
International equity	13.75%	17.50%
Global bonds	3.00%	4.00%
Global credit	3.75%	2.00%
High yield	5.75%	7.00%
Emerging market debt	6.00%	5.00%
Illiquid private credit	8.50%	10.00%
Real estate	9.00%	5.00%
Absolute return	5.00%	10.00%
Real return	7.00%	10.00%
Private equity	6.50%	10.00%
Cash	1.50%	2.00%
Total		<u>100.00%</u>

**B. Discount Rate**

The projection of cash flows used to determine the 2018 discount rate of 6.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

**C. Sensitivity Analysis**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.25%) or one percentage-point higher (7.25%) than the current rate:

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

**Note 8. Employee Retirement System** *(Continued)*

**Net Pension Liability** *(Continued)*

**C. Sensitivity Analysis** *(Continued)*

	<b><u>Discount Rate</u></b>		<b>Proportionate Share of Net Pension Liability</b>
1% decrease	5.25%	\$	198,270
Current discount rate	6.25%		157,495
1% Increase	7.25%		123,333

**Pension Expense (Income) and Deferred Outflows and Inflows of Resources Related to Pensions**

**A. Pension Expense**

The City recognized pension expense of \$13,851 for non-hazardous classifications.

**B. Plan Fiduciary Net Position**

Detailed information about the Plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018.

**C. Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		<b><u>Deferred Outflows of Resources</u></b>		<b><u>Deferred Inflows of Resources</u></b>
Difference between expected and actual experience	\$	5,137	\$	2,305
Change in assumptions		15,392		
Net difference between projected and actual earnings on investments				1,888
Changes in proportion and difference between employer contributions and proportionate share of contributions				13,407
Contributions subsequent to the measurement date		8,055		
<b>Total</b>	<b>\$</b>	<b><u>28,584</u></b>	<b>\$</b>	<b><u>17,600</u></b>

The deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense as follows:



**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

**Note 8. Employee Retirement System** *(Continued)*

**Pension Expense (Income) and Deferred Outflows and Inflows of Resources Related to Pensions**  
*(Continued)*

**C. Deferred Outflows and Inflows of Resources** *(Continued)*

<b><u>Year Ended June 30,</u></b>		
2020	\$	2,786
2021		3,038
2022		(2,051)
2023		(845)

**D. Deferred Compensation Plan**

The City also offers all its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). The plan, administered by the Kentucky Public Employees' Deferred Compensation Authority, permits employees to defer a portion of their salary into a retirement plan.

**Note 9. Other Postemployment Benefits**

**General Information**

**A. Plan Description**

The CERS also contains an OPEB plan. Employees covered under this plan are provided with other postemployment benefits through the CERS Non-hazardous and Hazardous Insurance Fund, a cost-sharing, multiple-employer defined benefit OPEB plan that covers all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, county, city, and any additional eligible local agencies electing to participate. Participation in the insurance program is optional and requires the completion of the proper forms at the time of retirement and each year during open enrollment in order to obtain insurance coverage. The KRS provides access to group health insurance coverage through the Kentucky Employees Health Plan for recipients until they reach age 65 and/or become Medicare eligible. After a retired or disabled retired member becomes eligible for Medicare, coverage is available through a Medicare eligible plan offered by the KRS. OPEB may be extended to beneficiaries of plan members under certain circumstances. The Insurance Fund is administered by the CERS. Kentucky Revised Statute Section 61.645 grants the authority to the CERS Board of Trustees to establish and amend the benefit terms. Section 61.701 provides for the administration of the Insurance Fund.

The KRS issues a publicly available financial report that can be obtained by writing the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646, or it may be found at the KRS website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**B. Benefits Provided**

The Insurance Fund provides healthcare benefits through payment of insurance premiums for retirees. The percentage of premiums paid is determined by a retiree's date of participation in the plan.

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

**Note 9. Other Postemployment Benefits (Continued)**

**General Information** *(Continued)*

**B. Benefits Provided (Continued)**

	<b><u>Participation Date</u></b>	<b><u>Benefit Eligibility</u></b>	<b><u>Benefit</u></b>
Tier 1	Before July 1, 2003	Recipient of a retirement allowance	Years of Service:  Less than 4 years 4 – 9 years 10 – 14 years 15 – 19 years 20 or more years Percentage of premium paid by KRS: 0% 25% 50% 75% 100%
Tier 2	After July 1, 2003 but before September 1, 2008	Recipient of a retirement allowance with at least 120 months of service at retirement	Monthly contribution of \$10 for each year of earned service increased by 1.50% each July 1
Tier 3	After September 1, 2008	Recipient of a retirement allowance with at least 180 months of service at retirement	Monthly contribution of \$10 for each year of earned service increased by 1.50% each July 1

The benefit amount as of July 1, 2017 for Tier 2 and Tier 3 members is \$13.18 per year of service. Upon a retiree's death, the surviving spouse of Tier 2 and Tier 3 members may continue coverage but will be responsible for 100% of the premiums. Tier 1 surviving spouses will continue to receive the retiree's benefits. There are also benefits for disability and death while in service.

**C. Contributions**

OPEB contributions are actuarially determined and set by the Board. The actuarially determined contribution rate for the year ended June 30, 2019 was 5.26% of covered payroll. Contributions paid to the OPEB plan for the year ended June 30, 2019 were \$2,612. However, the fully insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to all participants, there is an implicit employer subsidy for the non-Medicare eligible retirees. To account for the employer provided OPEB benefit in accordance with GASB Statement No. 75, employer contributions need to be adjusted to reflect the cost of the implicit subsidy. For the year ended June 30, 2019, the implicit subsidy on contributions was \$740.

**Net OPEB Liability**

At June 30, 2019, the City reported a liability of \$45,896 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The City's proportion of the net OPEB liability was based on the employers' contributions as a percent of total contributions to the plan for the year ended June 30, 2018. This method is expected to be reflective of the employers' long-

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

**Note 9. Other Postemployment Benefits** *(Continued)*

**Net OPEB Liability** *(Continued)*

term contribution effort. The City's proportion at June 30, 2019 and June 30, 2018 was 0.002585% and 0.002621%, respectively.

**A. Actuarial Methods and Assumptions**

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.05%, average
Investment rate of return	6.25%
Healthcare cost trend rates:	
Pre-65	Initial trend starting at 7.00% on January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Post-65	Initial trend starting at 5.00% on January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 5 years

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate total liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of insurance premium for spouses and children of all active members who die in the line of duty. The total liability as of June 30, 2018 is determined using these updated benefit provisions.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

**Note 9. Other Postemployment Benefits (Continued)**

**Net OPEB Liability (Continued)**

**A. Actuarial Methods and Assumptions (Continued)**

<b><u>Asset Class</u></b>	<b><u>Long-term Expected Real Rate of Return</u></b>	<b><u>Target Allocation</u></b>
U.S. equity	14.50%	17.50%
International equity	13.75%	17.50%
Global bonds	3.00%	4.00%
Global credit	3.75%	2.00%
High yield	5.50%	7.00%
Emerging market debt	6.00%	5.00%
Illiquid private credit	8.50%	10.00%
Real estate	9.00%	5.00%
Absolute return	5.00%	10.00%
Real return	7.00%	10.00%
Private equity	6.50%	10.00%
Cash	1.50%	2.00%
Total		100.00%

**B. Discount Rate**

The discount rate used to measure the total OPEB liability was 5.85% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that contributions will be made at statutorily required rates, actuarially determined. Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**C. Sensitivity Analysis**

The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate for each classification:

	<b><u>Discount Rate</u></b>	<b><u>Proportionate Share of Net OPEB Liability</u></b>
1% decrease	4.85%	\$ 59,612
Current discount rate	5.85%	45,896
1% increase	6.85%	34,213

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

**Note 9. Other Postemployment Benefits (Continued)**

**OPEB Expense (Income) and Deferred Outflows and Inflows of Resources Related to OPEB**

**A. OPEB Expense**

The City recognized OPEB expense of \$5,059 for non-hazardous classifications.

**B. Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018.

**C. Deferred Outflows and Inflows of Resources**

At June 30, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference between expected and actual experience	\$	\$ 5,349
Change in assumptions	9,166	106
Net difference between projected and actual earnings on plan investments		3,161
Changes in proportion and difference between employer contributions and proportionate share of contributions		781
Contributions subsequent to the measurement date (includes the implicit subsidy of \$740 per KRS)	3,352	
<b>Total</b>	<b>\$ <u>12,518</u></b>	<b>\$ <u>9,397</u></b>

The amount reported above as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2020. Other amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized as an expense in the following measurement periods:

<b><u>Year Ended June 30,</u></b>	
2020	\$ 11
2021	11
2022	11
2023	625
2024	(550)
Thereafter	(341)

**City of Campbellsburg**  
**Notes to the Financial Statements**  
**June 30, 2019**  
*(Continued)*

**Note 9. Other Postemployment Benefits** *(Continued)*

**OPEB Expense (Income) and Deferred Outflows and Inflows of Resources Related to OPEB**  
*(Continued)*

**D. Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	<b><u>Proportionate Share of Net OPEB Liability</u></b>
1% decrease	\$ 34,170
Current discount rate	45,896
1% increase	59,718

**Note 10. Subsequent Events**

The City has evaluated and considered the need to recognize or disclose subsequent events through February 21, 2020, the date which the financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended June 30, 2019, have not been evaluated by the City.

Required Supplementary Information

**City of Campbellsburg  
Budgetary Comparison -  
Major Governmental Funds  
For the Year Ended June 30, 2019**

	<b>General Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts Original</b>	<b>Final</b>	<b>Actual Amounts (Budgetary Basis)</b>	
<b>Revenues</b>				
Taxes	\$ 297,634	\$ 297,634	\$ 291,453	\$ (6,181)
Charges for services	11,500	11,500	10,812	(688)
Miscellaneous	54,251	54,251	59,083	4,832
Intergovernmental			13,165	13,165
Interest			313	313
<b>Total revenues</b>	<b>\$ 363,385</b>	<b>\$ 363,385</b>	<b>\$ 374,826</b>	<b>\$ 11,441</b>
<b>Expenditures</b>				
General government	\$ 272,714	\$ 271,589	\$ 254,716	\$ 16,873
Protection to persons and property	31,860	54,016	52,755	1,261
Debt service	31,883	31,883	31,882	1
Capital outlay	7,500	7,500	6,764	736
Recreation and culture	44,383	12,500	7,158	5,342
Streets and maintenance			371	(371)
<b>Total expenditures</b>	<b>\$ 388,340</b>	<b>\$ 377,488</b>	<b>\$ 353,646</b>	<b>\$ 23,842</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (24,955)</b>	<b>\$ (14,103)</b>	<b>\$ 21,180</b>	<b>\$ 35,283</b>
<b>Net change in fund balance</b>	<b>\$ (24,955)</b>	<b>\$ (14,103)</b>	<b>\$ 21,180</b>	<b>\$ 35,283</b>
<b>Fund balance - Beginning</b>	<b>110,208</b>	<b>110,208</b>	<b>183,614</b>	<b>73,406</b>
<b>Fund balance - Ending</b>	<b>\$ 85,253</b>	<b>\$ 96,105</b>	<b>\$ 204,794</b>	<b>\$ 108,689</b>



**City of Campbellsburg**  
**Budgetary Comparison - Major Governmental Funds**  
**For the Year Ended June 30, 2019**  
*(Continued)*

	<b>Municipal Road Aid Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts Original</b>	<b>Final</b>	<b>Actual Amounts (Budgetary Basis)</b>	
<b>Revenues</b>				
Intergovernmental	\$ 20,470	\$ 17,406	\$ 21,757	\$ 4,351
Interest		12	19	7
<b>Total revenues</b>	<u>\$ 20,470</u>	<u>\$ 17,418</u>	<u>\$ 21,776</u>	<u>\$ 4,358</u>
<b>Expenditures</b>				
Streets and maintenance	\$ 25,500	\$ 25,500	\$ 25,627	\$ (127)
<b>Total expenditures</b>	<u>\$ 25,500</u>	<u>\$ 25,500</u>	<u>\$ 25,627</u>	<u>\$ (127)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (5,030)</u>	<u>\$ (8,082)</u>	<u>\$ (3,851)</u>	<u>\$ 4,231</u>
<b>Net change in fund balance</b>	\$ (5,030)	\$ (8,082)	\$ (3,851)	\$ 4,231
<b>Fund balance - Beginning</b>	<u>70,401</u>	<u>61,076</u>	<u>66,930</u>	<u>5,854</u>
<b>Fund balance - Ending</b>	<u>\$ 65,371</u>	<u>\$ 52,994</u>	<u>\$ 63,079</u>	<u>\$ 10,085</u>

The accompanying notes are an integral part of the financial statements.

**City of Campbellsburg**  
**Schedule of Proportionate Share of the Net Pension Liability of County**  
**Employees Retirement Systems of Kentucky Retirement Systems**

<b>Year ended June 30,</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
City's proportion of the collective net pension liability	0.003159%	0.003931%	0.003094%	0.002621%	0.002586%
City's proportionate share of the net pension liability	\$ 102,000	\$ 169,047	\$ 152,322	\$ 153,415	\$ 157,495
City's covered employee payroll	\$ 72,460	\$ 92,071	\$ 70,765	\$ 63,821	\$ 64,081
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	140.77%	183.61%	215.25%	240.38%	245.77%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%

**Notes:**

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll reported on the Schedule of Pension Contributions to County Employees Retirement Systems of Kentucky Retirement Systems.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

See the accompanying Notes to Required Supplementary Information.

**City of Campbellsburg**  
**Schedule of Pension Contributions to County Employees Retirement**  
**Systems of Kentucky Retirement Systems**

<b>Year ended June 30,</b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Statutorily required contributions for pension	\$ 9,956	\$ 11,739	\$ 8,789	\$ 8,903	\$ 9,279	\$ 8,055
Less: City's contributions	<u>9,956</u>	<u>11,739</u>	<u>8,789</u>	<u>8,903</u>	<u>9,279</u>	<u>8,055</u>
Contribution deficiency (excess)	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>
City's covered employee payroll	\$ 72,460	\$ 92,071	\$ 70,765	\$ 63,821	\$ 64,081	\$ 49,660
Contributions as a percentage of its covered employee payroll	13.74%	12.75%	12.42%	13.95%	14.48%	16.22%

**Notes:**

The City's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll, reported on the Schedule of Proportionate Share of the Net Pension Liability of County Employees Retirement Systems of Kentucky Retirement Systems.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

See the accompanying Notes to Required Supplementary Information.

**City of Campbellsburg**  
**Schedule of Proportionate Share of the Net Other Postemployment Benefits**  
**Liability of County Employees Retirement Systems of Kentucky Retirement Systems**

<b>Year ended June 30,</b>	<b><u>2018</u></b>	<b><u>2019</u></b>
City's proportion of the collective net OPEB liability	0.002621%	0.002585%
City's proportionate share of the net OPEB liability	\$ 52,691	\$ 45,896
City's covered-employee payroll	\$ 63,821	\$ 64,081
City's proportionate share of net OPEB liability as a percent of its covered-employee payroll	82.56%	71.62%
Plan fiduciary net position as a percent of total OPEB liability	52.39%	57.62%

**Notes:**

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the Schedule of Other Postemployment Benefits Contributions to County Employees Retirement Systems of Kentucky Retirement Systems.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

See the accompanying Notes to Required Supplementary Information.

**City of Campbellsburg**  
**Schedule of Other Postemployment Benefits Contributions to County**  
**Employees Retirement Systems of Kentucky Retirement Systems**

<b>Year ended June 30,</b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Statutorily required contribution for OPEB	\$ 3,732	\$ 4,530	\$ 3,283	\$ 3,019	\$ 3,012	\$ 2,612
Less: City's contributions	<u>3,732</u>	<u>4,530</u>	<u>3,283</u>	<u>3,019</u>	<u>3,012</u>	<u>2,612</u>
Contribution deficiency (excess)	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>
City's covered employee payroll	\$ 72,460	\$ 92,071	\$ 70,765	\$ 63,821	\$ 64,081	\$ 49,660
Contributions as a percentage of its covered employee payroll	5.15%	4.92%	4.64%	4.73%	4.70%	5.26%

**Note:**

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the Schedule of Proportionate Share of the Net Other Postemployment Benefits Liability of County Employees Retirement Systems of Kentucky Retirement Systems.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

See the accompanying Note to Required Supplementary Information.

**City of Campbellsburg**  
**Notes to the Required Supplementary Information**  
**June 30, 2019**

**Note 1. Budgetary Information**

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

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

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

**Note 2. Employee Pension Plan**

**Changes of Assumptions Used in Determining Net Pension Liability**

The following are changes in assumptions used in determining the net pension liability as reflected in the actuarial valuation of each fiscal year.

**June 30, 2015**

- The assumed investment rate of return was reduced from 7.75% to 7.50%, net of pension plan investment expense, including inflation;
- The assumed rate of inflation was reduced from 3.50% to 3.25%;
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%;
- The assumed rate of salary increases was reduced from 4.50% to 4.00%, average, including inflation;
- The mortality table used was RP-2000 Combined Mortality Table projected with Scale BB to 2013; and
- The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

**June 30, 2016**

None.

**June 30, 2017**

- The assumed investment rate of return was reduced from 7.50% to 6.25%;
- The assumed rate of salary increases was reduced from 4.00% to 3.05%, average, including inflation; and
- The assumed rate of inflation was reduced from 3.25% to 2.30%.

**June 30, 2018**

None.

**Method and Assumptions Used in Calculations of Actuarially Determined Contributions**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2018:

**City of Campbellsburg**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2019**  
*(Continued)*

**Note 2. Employee Pension Plan** *(Continued)*

**Method and Assumptions Used in Calculations of Actuarially Determined Contributions** *(Continued)*

Valuation date	June 30, 2016
Experience study	July 1, 2008 – June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	27 years, closed
Payroll growth rate	4.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary increase	4.00%, average
Investment rate of return	7.50%

The mortality table used for active members is RP-2000 Combined Mortality Tables projected with Scale BB to 2013 (multiplied to 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

**Changes in Benefit Provisions**

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2018 is determined using these updated benefit provisions.

**Note 3. Employee Other Postemployment Benefits Plan**

**Changes of Assumptions Used in Determining Net Other Postemployment Benefit Liability**

The following are changes in assumptions used in determining the net other postemployment benefit liability as reflected in the actuarial valuation of each fiscal year.

**June 30, 2017**

- The assumed investment rate of return was reduced from 7.50% to 6.25%;
- The assumed rate of inflation was reduced from 3.25% to 2.30%;
- The payroll growth rate was reduced from 4.00% to 2.00%;
- The single discount rate was reduced from 6.89% to 5.84% for nonhazardous classifications; and
- The assumed rate of salary increases was reduced from 4.00% to 3.05%, average.

**City of Campbellsburg**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2019**  
*(Continued)*

**Note 3. Employee Other Postemployment Benefits Plan** *(Continued)*

**Method and Assumptions Used in Calculations of Actuarially Determined Contributions**

**June 30, 2018**

- The single discount rate was increased from 5.84% to 5.85% for nonhazardous classifications.

The following actuarial methods and assumptions, were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2018:

Valuation date	June 30, 2016
Experience study	July 1, 2008 – June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	27 years, closed
Payroll growth rate	4.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary increase	4.00%, average
Investment rate of return	7.50%
Healthcare cost trend rates:	
Pre-65	7.50%, decreasing gradually to an ultimate rate of 5.00% over a period of five years
Post-65	5.50%, decreasing gradually to an ultimate rate of 5.00% over a period of two years

The mortality table used for active members is RP-2000 Combined Mortality Tables projected with Scale BB to 2013 (multiplied to 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

**Changes in Benefit Provisions**

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of insurance premiums for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.



Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
the Financial Statements Performed in Accordance with  
*Government Auditing Standards*

# JONES & ASSOCIATES CPAs, PSC

2808 PALUMBO DRIVE, SUITE 101, LEXINGTON, KY 40509

(859) 687-0303

## CERTIFIED PUBLIC ACCOUNTANTS

Campbellsburg City Council  
City of Campbellsburg  
Campbellsburg, KY

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Campbellsburg, Kentucky as of and for the year ended June 30, 2019, and related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 21, 2020.

#### **Internal Control over Financial Reporting**

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material *weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency: 2019 – 02.

Our consideration of internal control was for the limited purpose described in a preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness. We consider the following deficiency described in the accompanying Schedule of Findings to be a material weakness: 2019 – 01.

#### **Compliance and Other Matters**

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

**Campbellsburg City Council  
City of Campbellsburg  
Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of the Financial Statements  
Performed in Accordance with *Government Auditing Standards*  
(Continued)**

**Compliance and Other Matters (Continued)**

the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of Campbellsburg, Kentucky's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Their responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

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

Respectfully submitted,

*Jones & Associates CPAs, PSC*

Jones & Associates CPAs, PSC  
Certified Public Accountants  
Lexington, Kentucky

February 21, 2020

**City of Campbellsburg  
Schedule of Findings  
June 30, 2019**

**INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:**

**Finding Number 2019 – 01**

Condition:	The City cannot fully segregate the record-keeping, custodial, and authorization functions of its internal controls due to the size of its staff.
Cause:	The City does not employ enough individuals to fully segregate the record-keeping, custodial, and authorization functions of its internal controls.
Effect:	The risk of errors or fraud occurring and not being prevented or detected in a timely manner increases when accounting functions are not adequately segregated, and sufficient controls are not in place.
Criteria:	Generally accepted accounting principles require that management design internal control to provide reasonable assurance that unauthorized acquisition, use, or disposition of assets will be prevented or timely detected and corrected. A fundamental concept in a good system of internal control is segregation of duties.
Recommendation:	We realize that the City cannot fully segregate duties with the number of employees available. However, management and the board should be aware of this issue and continue to develop policies and procedures that segregate accounting functions as much as possible. This policy should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets.
Response:	We are implementing and following steps and procedures to make sure no fraud or errors occur.

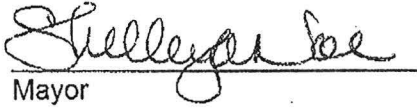
**Finding Number 2019 – 02**

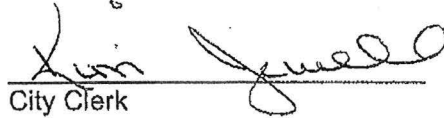
Condition:	We are required to give consideration to the City's ability to prepare financial statements and related note disclosures, as well as the oversight of the financial reporting process by those charged with governance.
Cause:	The City does not prepare all financial statements and related note disclosures.
Effect:	As a result of the above conditions, the City does not have controls in place that would assure the preparation of the financial statements and related note disclosures in accordance with GAGAS.
Criteria:	Such preparation would require the City to maintain appropriate technical knowledge to prepare the financial statements with all related note disclosures.
Recommendation:	As with many small entities, the City engages the auditor to assist with preparation of the financial statements and note disclosures. Once drafted, the financial statements are submitted to the City for approval. While this practice is common and practical, we must inform those charged with governance of this finding.
Response:	The city officials are not qualified or trained to prepare these statements.

Certificate of Compliance –  
Local Government Economic Assistance Program

**Certificate of Compliance**  
**Local Government Economic Assistance Program**  
**City of Campbellsburg, Kentucky**  
**For the Fiscal Year Ended June 30, 2019**

The City of Campbellsburg hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
City Clerk