

CITY OF CAMPBELLSVILLE, KENTUCKY

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORT

For the Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	9-10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet - Governmental Funds	12
Reconciliation of Combined Balance Sheet – Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	14
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	15
Statement of Net Position – Proprietary Fund	16-17
Combined Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	18
Statement of Cash Flows - Proprietary Fund	19
NOTES TO FINANCIAL STATEMENTS	20-40
REQUIRED SUPPLEMENTARY SCHEDULES	
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Actual and Budgeted - Governmental Fund Type	41
Schedule of City's Proportionate Share of the CERS Non-Hazardous Net Pension Liability	42
Schedule of Non-Hazardous Contributions to CERS	43
Schedule of City's Proportionate Share of the Hazardous CERS Net Pension Liability	44
Schedule of Hazardous Contributions to CERS	45
Schedule of Enterprise's Proportionate Share of the CERS Net Pension Liability	46
Schedule of Contributions to CERS	47
Notes to Required Supplementary Information - CERS	48
Schedule of the City's Proportionate Share of the CERS Non-Hazardous Net OPEB Liability	49

TABLE OF CONTENTS

	<u>Page(s)</u>
Schedule of Non-Hazardous Contributions to CERS - OPEB	50
Schedule of the City's Proportionate Share of the Hazardous CERS Net OPEB Liability	51
Schedule of Hazardous Contributions to CERS - OPEB	52
Schedule of Enterprise's Proportionate Share of the CERS Net OPEB Liability	53
Schedule of Contributions to CERS - OPEB	54
Notes to Required Supplementary Information - CERS - OPEB	55
OTHER SUPPLEMENTARY INFORMATION	
Balance Sheet - Special Revenue Funds	56
Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds	57
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	58-59

INDEPENDENT AUDITORS' REPORT

Honorable Mayor,
City Council and City Clerk of
City of Campbellsville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the business-type activities of City of Campbellsville, Kentucky (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the City of Campbellsville, Kentucky, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the City adopted a new accounting guidance, *GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the City's proportionate share of net pension, and net OPEB liability schedules, and the schedules of pension and OPEB contributions on pages 3 through 8 and pages 41 through 55 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 consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The additional information shown on pages 57 through 58 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The additional information shown on pages 56 through 57 are the responsibility of management and were derived from and relate directly to the underlying accounting and records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards accepted in the United States of America. In our opinion, the information found on pages 56 through 57, is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2019 on our consideration of the City of Campbellsville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Campbellsville, Kentucky's internal control over financial reporting and compliance.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Certified Public Accountants

Campbellsville, Kentucky
February 4, 2019

CITY OF CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
June 30, 2018

The discussion and analysis of the City of Campbellsville's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the fiscal year ending June 30, 2018 by \$24.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City of Campbellsville's basic financial statements. The City of Campbellsville's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Campbellsville's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City of Campbellsville's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Campbellsville is improving or deteriorating. The Statement of Net position combines and consolidates governmental funds' current financial resources (short-term resources available for spending) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the Statement of Net position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

Governmental Activities—Most of the City's basic services are reported here, including the police, fire, rescue, planning and development, parks and recreation, and general administration. Property taxes, occupational tax and insurance premiums, provides revenue for most of these activities.

Business type Activities—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds—governmental and proprietary—utilize different accounting approaches.

Governmental funds—The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government's near term financing decisions. The relationships or difference between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City of Campbellsville maintains three individual governmental funds. They are all combined in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances.

Proprietary funds—The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's budgetary comparative information for the general fund.

THE CITY AS A WHOLE—Government-wide Financial Analysis

The City's combined net position was \$24.8 million as of June 30, 2018 as compared to \$26.7 million at June 30, 2017. Prior year net position for the Governmental Activities was restated as of July 1, 2017 at \$(2,428,067). This was a decrease in net position of \$2,697,832 due to the City implementing GASB Statement No. 75 on July 1, 2017. Prior year net position for the Proprietary Fund was restated as of July 1, 2017 at \$29,147,247. This was a decrease in net position of \$893,697 due to the Company implementing GASB Statement No. 75 on July 1, 2017. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business type activities net position is \$29.2 million. This analysis focuses on the net position and changes in general revenues and significant expenses of the City's governmental and business-type activities.

The largest component of the City's net position (127 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Total restricted assets are 3.2 million, the largest component (3.19 million) related to the debt liabilities of the City.

Summary of Net Position
 June 30, 2018

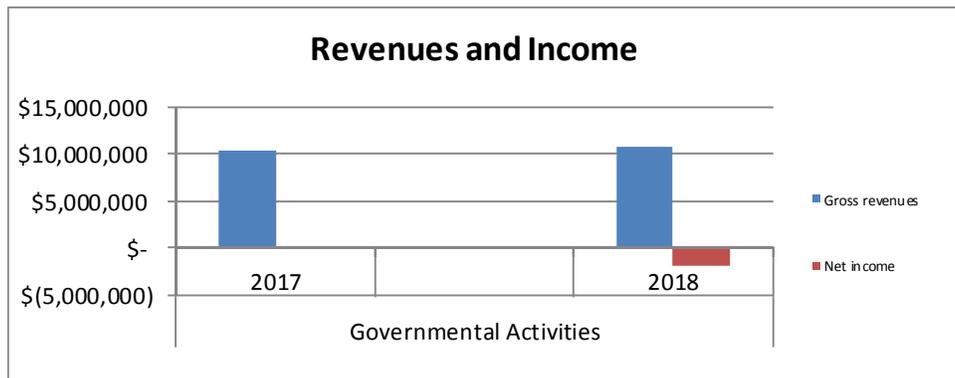
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and Other Assets	\$ 3,560,740	\$ 3,064,336	\$ 4,994,188	\$ 4,668,359	\$ 8,554,928	\$ 7,732,695
Capital Assets	6,093,455	6,461,488	39,113,075	39,563,460	45,206,530	46,024,948
Total Assets	9,654,195	9,525,824	44,107,263	44,231,819	53,761,458	53,757,643
Deferred Outflow s of Resources	5,362,631	2,340,552	498,879	460,541	5,861,510	-
Total Deferred Outflow s	5,362,631	2,340,552	498,879	460,541	5,861,510	-
Liabilities:						
Long-term Liabilities	17,411,214	10,535,652	14,981,582	13,402,096	32,392,796	23,937,748
Other Liabilities	794,303	703,659	1,063,060	1,367,610	1,857,363	2,071,269
Total Liabilities	18,205,517	11,239,311	16,044,642	14,769,706	34,250,159	26,009,017
Deferred Inflow of Resources	951,746	357,300	348,873	130,294	20,759	487,594
Total Deferred Inflow s	951,746	357,300	348,873	130,294	20,759	487,594
Net Position:						
Invested in Capital Assets						
Net of Related Debt	3,289,687	4,482,350	28,265,538	28,385,908	31,555,225	32,868,258
Restricted	-	-	3,198,169	-	3,198,169	-
Unrestricted	(7,661,496)	(4,212,585)	(2,267,537)	1,655,036	(9,929,033)	(2,557,549)
Total Net Position	\$(4,371,809)	\$ 269,765	\$ 29,196,170	\$ 30,040,944	\$ 24,824,361	\$ 30,310,709

Governmental Activities

The City's general revenues increased by \$738,269 compared to the prior year. The majority of the increase is due to an increase in Alcohol Tax receipts of \$303,386 and an increase in Insurance Premium receipts of \$263,251. The following table is a detail of general revenues.

	2018	2017	Increase/ (Decrease)
Taxes	\$ 5,803,650	\$ 5,547,746	\$ 255,904
Franchise fees and Permits	547,696	486,054	61,642
Other Income/(Expense)	652,744	232,021	420,723
Total General Revenue	\$ 7,004,090	\$ 6,265,821	\$ 738,269

The following chart shows the Governmental Activities gross revenues as compared to net income for the years June 30, 2018 and 2017.



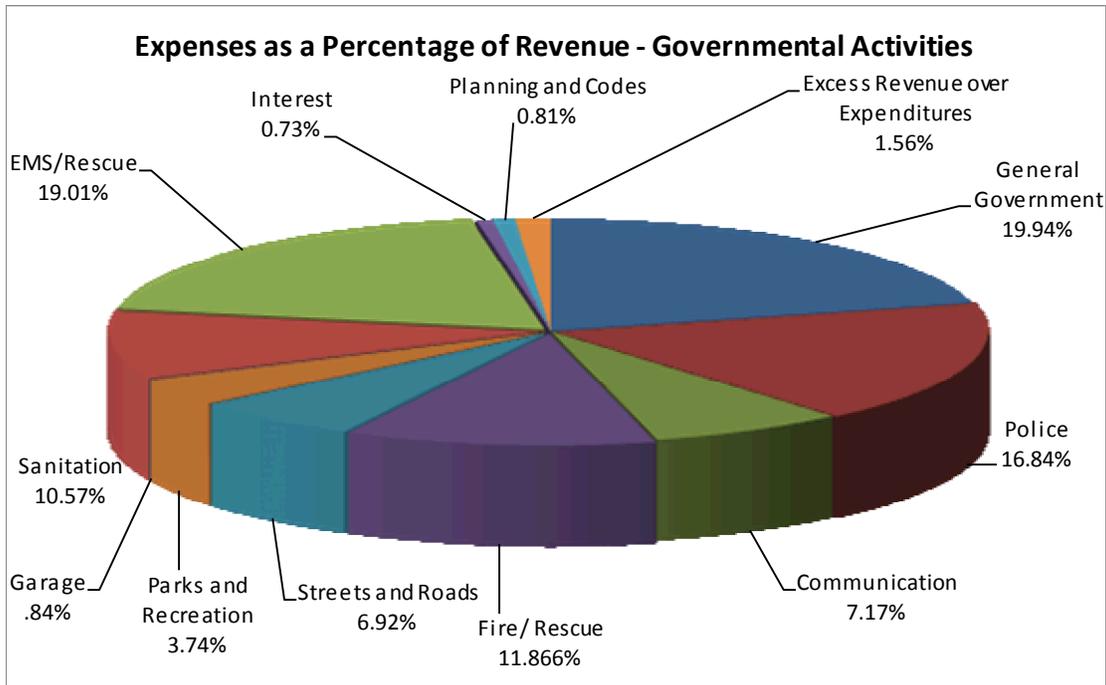
Governmental and Business type activities increased the City's net position by \$73 thousand. The key elements of this increase are as follows:

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program Revenues						
Charges for Services	\$ 2,332,081	\$ 2,631,675	\$ 5,770,013	\$ 5,505,806	\$ 8,102,094	\$ 8,137,481
Operating Grants and Contributions	1,102,212	1,098,400	0	-	1,102,212	1,098,400
Capital Grants and Contributions	298,661	313,938	599,267	2,109,735	897,928	2,423,673
General Revenues						
Taxes	5,803,650	5,547,746	-	-	5,803,650	5,547,746
Franchise Fees/Permits	547,696	486,054	-	-	547,696	486,054
Other Income	652,744	232,021	43,701	37,701	696,445	269,722
TOTAL REVENUES	10,737,044	10,309,834	6,412,981	7,653,242	17,150,025	17,963,076
EXPENSES						
General Government	2,694,581	2,067,234	-	-	2,694,581	2,067,234
Police	2,283,449	1,746,262	-	-	2,283,449	1,746,262
Communication	939,367	742,974	-	-	939,367	742,974
Fire / Rescue	1,493,365	1,230,265	-	-	1,493,365	1,230,265
EMS/Rescue	2,480,575	1,970,880	-	-	2,480,575	1,970,880
Streets and Roads	813,043	717,982	-	-	813,043	717,982
Planning and Codes	105,258	84,362	-	-	105,258	84,362
Recreation and Parks	519,623	388,247	-	-	519,623	388,247
Garage	5,974	87,175	-	-	5,974	-
Sanitation and Landfill	1,267,183	1,095,958	-	-	1,267,183	1,095,958
Interest	78,368	90,431	216,231	24,997	294,599	115,428
Water and Sewer	-	-	4,265,768	4,357,071	4,265,768	4,357,071
Depreciation	-	-	1,882,059	1,195,923	1,882,059	1,195,923
TOTAL EXPENSES	12,680,786	10,221,770	6,364,058	5,577,991	19,044,844	15,799,761
Increase in net assets before transfers	(1,943,742)	88,064	48,923	1,895,251	(1,894,819)	2,163,315
Transfers	-	59,520	-	(59,520)	-	-
Increase in Net Position	(1,943,742)	147,584	48,923	1,835,731	(1,894,819)	2,163,315
Net Position, July 1, restated	(2,428,067)	122,181	29,147,247	28,205,213	26,719,180	28,327,394
Net Position, June 30	\$ (4,371,809)	\$ 269,765	\$29,196,170	\$30,040,944	\$24,824,361	\$30,490,709

The most significant governmental expenses for the City was in providing for public safety, which incurred expenses of \$7.2 million. These expenses were offset by revenues collected from a variety of sources, with the largest being from medic runs, which are \$1.3 million for the fiscal year ending June 30, 2018. The major components of public safety are police, communications, fire/rescue and EMS. Police accounted for \$2.3 million in public safety expense of which \$1.6 million was incurred for salary and benefits. Fire/rescue accounted for \$1.5 million in public safety expense, of which \$713,225 was incurred for salary and benefits. EMS accounted for \$2.5 million in public safety expense of which \$1.59 million was for salary and benefits. Communications accounted for \$939,367 in public safety expenses of which \$606,195 was for salary and benefits.

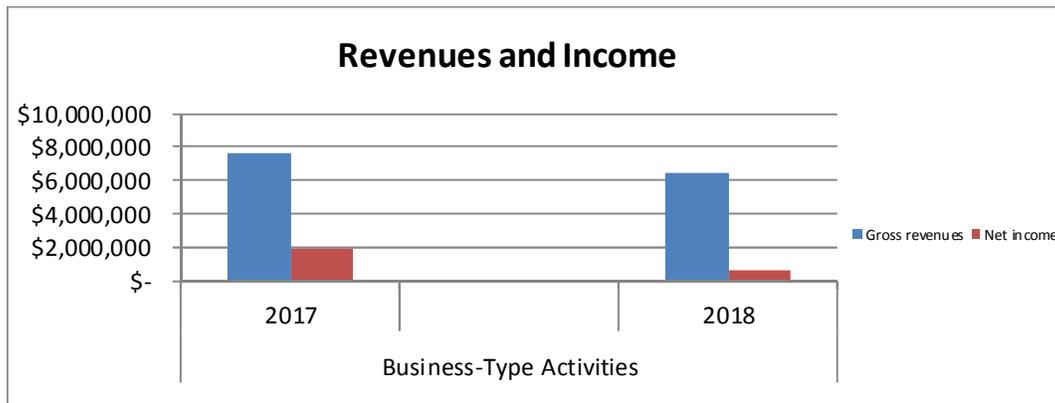
The following pie chart shows the Governmental Activities expenses as a percentage of revenue.



Business-type Activities

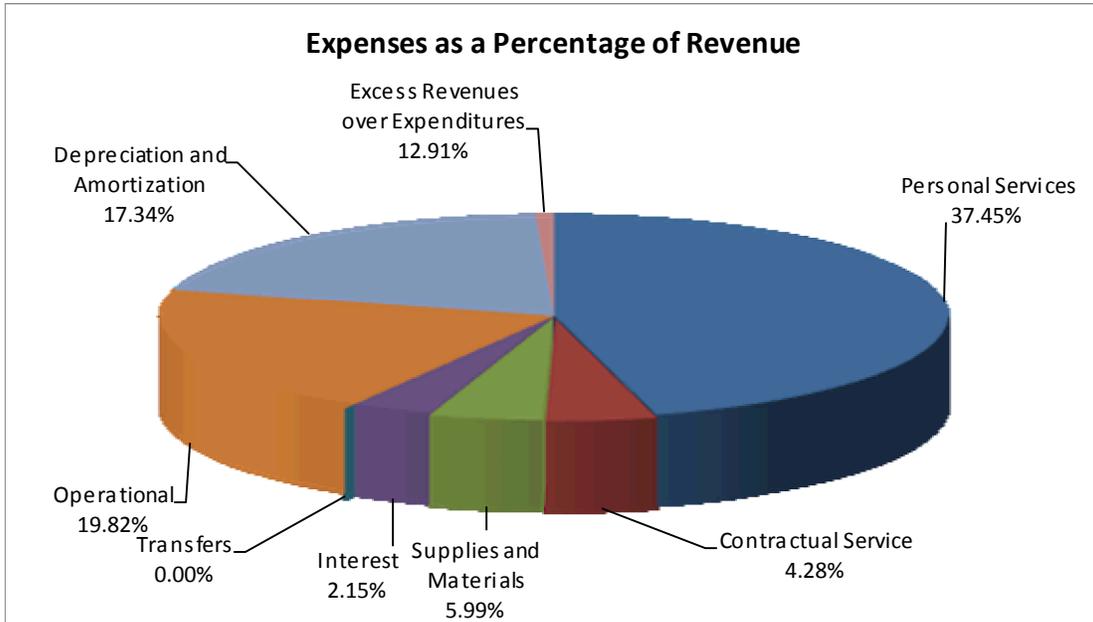
Operating revenues of the City's business-type activities were \$5.77 million for the fiscal year ending June 30, 2018. Operating expenses for the City's business-type activities were \$6.15 million for the year, resulting in net operating expenses over revenues of \$3.8 million before non-operating revenues and expenses, capital contributions, grants and extraordinary income.

The following graph shows the business-type activities gross revenues as compared to net income for the years ended June 30, 2018 and 2017.



The City's water and sewer system's most significant expenses were \$2.25 million in salaries and benefits.

The following pie chart shows the Water Company's expenses as a percentage of Revenue.



General Fund Budgetary Highlights

General Fund revenues exceeded budget by \$.5 million, of which \$.1 million represents occupational tax revenue. Budgeted expenditures decreased by \$.4 million. Of this, general government expenses were \$.35 million lower than budget, Fire/Rescue expenses exceeded budget by \$5,000 and Sanitation and Landfill expenses exceeded budget by \$49,000.

The city budget included a \$.87 million contingency.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2018, the City had \$31,555,225 net invested in a broad range of capital assets, as compared to \$32,868,258 in fiscal year 2017, including police, fire and rescue equipment, buildings, park facilities, and water and sewer lines.

Debt

At year-end, the City had \$13,651,306 in General Obligation Bonds, Notes and Capital Lease Obligations outstanding as compared to \$13,156,692 at June 30, 2017.

CURRENT ECONOMIC EVENTS

Currently, there is an increase of 2% for the City's hazardous retirement contribution match requirement and a 3% increase in the city's non-hazardous retirement contribution requirement compared to the fiscal year ended June 30, 2018.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Mayor, Brenda Allen, at the City of Campbellsville, 110 South Columbia, Suite B, Campbellsville, KY 42718 or phone (270) 465-7011.

CITY OF CAMPBELLSVILLE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,972,002	\$ 878,661	\$ 2,850,663
Accounts receivable, net of allowance	1,445,790	691,431	2,137,221
Other	81,333	-	81,333
Inventory	-	225,927	225,927
Restricted assets			
Cash and cash equivalents	61,615	3,198,169	3,259,784
Total current assets	3,560,740	4,994,188	8,554,928
Noncurrent assets:			
Land and construction in progress	2,528,363	764,606	3,292,969
Other capital assets, net of depreciation	3,565,092	38,348,469	41,913,561
Total noncurrent assets	6,093,455	39,113,075	45,206,530
Total assets	9,654,195	44,107,263	53,761,458
Deferred outflows of resources			
Bond Discount	14,900	-	14,900
CERS - OPEB	1,158,765	247,922	1,406,687
CERS - OPEB Contributions	266,620	89,221	355,841
CERS - Pension	3,242,022	972,960	4,214,982
CERS - Pension Contributions	680,324	231,975	912,299
Total deferred outflows of resources	5,362,631	1,542,078	6,904,709

See accompanying notes to financial statements.

CITY OF CAMPBELLSVILLE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business Type Activities	Total
Liabilities:			
Current liabilities:			
Accounts payable - trade	\$ 105,884	\$ 106,189	\$ 212,073
Accounts payable from restricted assets	39,466	-	39,466
Accrued payroll and related expenses	334,609	111,852	446,461
Customer deposits	-	148,943	148,943
Interest payable	-	54,376	54,376
Current portion of capital leases	178,096	-	178,096
Current portion of notes payable	96,248	441,131	537,379
Current portion of bonds payable	40,000	121,800	161,800
Current portion of compensated absences	-	78,769	78,769
Total current liabilities	<u>794,303</u>	<u>1,063,060</u>	<u>1,857,363</u>
Noncurrent liabilities:			
Noncurrent portion of capital leases	622,258	-	622,258
Noncurrent portion of notes payable	1,162,167	6,680,606	7,842,773
Noncurrent portion of bonds payable	705,000	3,604,000	4,309,000
Noncurrent portion of compensated absences	-	240,174	240,174
Net OPEB liability	3,920,765	1,139,381	5,060,146
Net pension liability	11,001,024	3,317,421	14,318,445
Total noncurrent liabilities	<u>17,411,214</u>	<u>14,981,582</u>	<u>32,392,796</u>
Total liabilities	<u>18,205,517</u>	<u>16,044,642</u>	<u>34,250,159</u>
Deferred inflows of resources			
CERS - OPEB	231,372	59,656	291,028
CERS - Pension	951,746	348,873	1,300,619
Total deferred inflows of resources	<u>1,183,118</u>	<u>408,529</u>	<u>1,591,647</u>
Net position:			
Net investment in capital assets	3,289,687	28,265,538	31,555,225
Restricted for:			
Debt service	-	3,191,980	3,191,980
Employee benefits	-	6,189	6,189
Unrestricted	<u>(7,661,496)</u>	<u>(2,267,537)</u>	<u>(9,929,033)</u>
Total net position	<u>\$ (4,371,809)</u>	<u>\$29,196,170</u>	<u>\$24,824,361</u>

See accompanying notes to financial statements.

CITY OF CAMPBELLSVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Functions/Programs	Expense	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities:							
General government	\$ 2,694,581	\$ 4,408	\$ 261,885	\$ 233,243	\$ (2,195,045)	\$ -	\$ (2,195,045)
Public safety:							
Police	2,283,449	3,050	113,547	-	(2,166,852)	-	(2,166,852)
Communication	939,367	-	-	-	(939,367)	-	(939,367)
Fire/ rescue	1,493,365	2,570	50,997	65,418	(1,374,380)	-	(1,374,380)
EMS	2,480,575	1,270,091	497,208	-	(713,276)	-	(713,276)
Streets and roads	813,043	-	-	-	(813,043)	-	(813,043)
Planning and codes	105,258	-	-	-	(105,258)	-	(105,258)
Recreation and parks	519,623	-	178,575	-	(341,048)	-	(341,048)
Garage	5,974	-	-	-	(5,974)	-	(5,974)
Sanitation and landfill	1,267,183	1,051,962	-	-	(215,221)	-	(215,221)
Interest on long-term debt	78,368	-	-	-	(78,368)	-	(78,368)
Total governmental activities	12,680,786	2,332,081	1,102,212	298,661	(8,947,832)	-	(8,947,832)
Business-type activities							
Water	4,481,999	4,188,388	-	585,034	-	291,423	291,423
Sewer	1,882,059	1,581,625	-	14,233	-	(286,201)	(286,201)
Total business-type activities	6,364,058	5,770,013	-	599,267	-	5,222	5,222
Total government	\$ 19,044,844	\$ 8,102,094	\$ 1,102,212	\$ 897,928	(8,947,832)	5,222	(8,942,610)
General Revenues							
Taxes:							
					1,283,048	-	1,283,048
					2,845,832	-	2,845,832
					1,674,770	-	1,674,770
					547,696	-	547,696
					-	36,991	36,991
					60,164	6,710	66,874
					592,580	-	592,580
					7,004,090	43,701	7,047,791
					(1,943,742)	48,923	(1,894,819)
					(2,428,067)	29,147,247	26,719,180
					\$ (4,371,809)	\$ 29,196,170	\$ 24,824,361

See accompanying notes to financial statements.

CITY OF CAMPBELLSVILLE, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

	General	Special Revenue	Totals - Memorandum Only June 30, 2018
Assets and resources:			
Cash and cash equivalents	\$ 1,972,002	\$ -	\$ 1,972,002
Receivables (net of allowances)			
Accounts, general	1,445,790	-	1,445,790
State of Kentucky	8,771	-	8,771
Other	47,781	24,781	72,562
Interfund receivable	24,781	-	24,781
Restricted cash	61,615	-	61,615
Total assets and resources	\$ 3,560,740	\$ 24,781	\$ 3,585,521
Liabilities and fund balance:			
Accounts payable	\$ 105,884	\$ -	\$ 105,884
Accrued payroll and related expenses	334,609	-	334,609
Accounts payable from restricted assets	39,466	-	39,466
Interfund Payable	-	24,781	24,781
Total liabilities	479,959	24,781	504,740
Fund balance			
Unassigned fund balance	3,080,781	-	3,080,781
Total fund balance	3,080,781	-	3,080,781
Total liabilities and fund balance	\$ 3,560,740	\$ 24,781	\$ 3,585,521

See accompanying notes to financial statements.

CITY OF CAMPBELLSVILLE, KENTUCKY
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balance per fund financial statements	\$ 3,080,781
--	--------------

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

Capital assets are not reported in this fund financial statement because they are not current financial resource, but they are reported in the statement of net position.

Capital Assets, Net	\$ 6,093,455	6,093,455
---------------------	--------------	-----------

Deferred outflows, deferred inflows and certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.

Deferred Outflows	5,362,631	
Deferred Inflows	(1,183,118)	
Net OPEB liability	(3,920,765)	
Net pension liability	(11,001,024)	
Long-Term Debt Payable	<u>(2,803,769)</u>	<u>(13,546,045)</u>

Net position for governmental activities	<u><u>\$ (4,371,809)</u></u>
--	------------------------------

CITY OF CAMPBELLSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2018

	Governmental Fund Types		Totals - Memorandum Only June 30,
	General	Special Revenue	2018
Revenues			
Taxes			
Occupational tax	\$ 2,845,832	\$ -	\$ 2,845,832
Property	1,283,048	-	1,283,048
Insurance premium	1,674,770	-	1,674,770
Franchise fees/permits	547,696	-	547,696
Intergovernmental revenues	1,090,100	310,773	1,400,873
Charges for services	2,332,081	-	2,332,081
Other Income	599,580	-	599,580
Total revenues	<u>10,373,107</u>	<u>310,773</u>	<u>10,683,880</u>
Expenditures			
General government	2,409,217	230,165	2,639,382
Public safety:			
Police	1,959,083	42,344	2,001,427
Communication	794,032	-	794,032
Fire/ rescue	1,172,042	67,210	1,239,252
Planning and codes	85,578	-	85,578
Streets and roads	760,827	-	760,827
Recreation and parks	455,013	-	455,013
Garage	4,569	-	4,569
Sanitation and landfill	1,125,183	-	1,125,183
EMS	2,036,146	-	2,036,146
Debt service			
Principal retirement	294,237	-	294,237
Interest and fiscal charges	77,472	-	77,472
Total expenditures	<u>11,173,399</u>	<u>339,719</u>	<u>11,513,118</u>
Excess revenues over (under) expenditures	(800,292)	(28,946)	(829,238)
Other financing sources (uses)			
Bond Proceeds	745,000	-	745,000
Capital lease proceeds	372,972	-	372,972
Bond Issuance Costs	(30,000)	-	(30,000)
Transfers in	-	28,946	28,946
Transfers out	(28,946)	-	(28,946)
Sale of fixed assets	202,500	-	202,500
Total other financing sources (uses)	<u>1,261,526</u>	<u>28,946</u>	<u>1,290,472</u>
Excess of revenues and other sources over (under) expenditures and other uses	461,234	-	461,234
Fund balances - beginning of year	<u>2,619,547</u>	<u>-</u>	<u>2,619,547</u>
Fund balances - end of year	<u>\$ 3,080,781</u>	<u>\$ -</u>	<u>\$ 3,080,781</u>

See accompanying notes to financial statements.

CITY OF CAMPBELLVILLE, KENTUCKY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Net change in total fund balances per fund financial statements \$ 461,234

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

Capital outlays are reported as expenditures in the fund financial statements because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year.

Depreciation Expense	\$ (779,702)	
Capital Outlays	<u>554,006</u>	(225,696)

The Proceeds from debt are not reported in this fund financial statement but they are presented as liabilities in the statement of net assets.

Proceeds from Long-Term Debt (net of bond discount)	(1,103,072)	(1,103,072)
---	-------------	-------------

In the statement of activities the net gain on the sale/disposal of assets is reported, whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net assets differs from the change in fund balances by the cost of the assets sold/disposed.

Actual Proceeds from Sale of Assets	(202,500)	
Gain/(Loss) on Sale/Disposal of Assets	<u>60,164</u>	(142,336)

Generally, expenditures in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

Net OPEB liability	(1,222,933)	
Net pension liability	(2,185,640)	
Deferred outflows of resources	3,007,179	
Deferred inflows of resources	<u>(825,818)</u>	(1,227,212)

Debt service payments are recognized as expenditures of current financial resources in the governmental fund financial statement but are reductions of liabilities in the statement of net assets.

Note Payments	90,736	
Lease Payments	<u>202,605</u>	293,341

Rounding		<u>(1)</u>
----------	--	------------

Change in net assets of governmental activities		<u><u>\$ (1,943,742)</u></u>
---	--	------------------------------

CITY OF CAMPBELLSVILLE, KENTUCKY
 PROPRIETARY FUND
 CAMPBELLSVILLE MUNICIPAL WATER AND SEWER SYSTEM
 STATEMENT OF NET POSITION
 June 30, 2018

Assets:	
Current assets:	
Cash and cash equivalents	\$ 878,661
Accounts receivable - trade (net of allowance)	691,431
Inventory	225,927
Restricted cash and cash equivalents	3,198,169
Total current assets	4,994,188
Noncurrent assets:	
Land and construction in progress	764,606
Capital assets net of accumulated depreciation	38,348,469
Total noncurrent assets	39,113,075
Total assets	44,107,263
Deferred outflows of resources:	
CERS - OPEB	247,922
CERS - OPEB contributions	89,221
CERS - Pension	972,960
CERS - Pension contributions	231,975
Total deferred outflows of resources	1,542,078
Liabilities:	
Current liabilities:	
Accounts payable - trade	106,545
Accrued payroll and related expenses	111,496
Customer deposits	148,943
Accrued interest	54,376
Current portion of notes payable	441,131
Current portion of bonds payable	121,800
Current portion of compensated absences	78,769
Total current liabilities	1,063,060
Noncurrent liabilities:	
Noncurrent portion of notes payable	6,680,606
Noncurrent portion of bonds payable	3,604,000
Noncurrent portion of compensated absences	240,174
Net OPEB liability	1,139,381
Net pension liability	3,317,421
Total noncurrent liabilities	14,981,582
Total liabilities	16,044,642

See accompanying notes to financial statements.

CITY OF CAMPBELLSVILLE, KENTUCKY
 PROPRIETARY FUND
 CAMPBELLSVILLE MUNICIPAL WATER AND SEWER SYSTEM
 STATEMENT OF NET POSITION, CONTINUED
 June 30, 2018

Deferred inflows of resources:	
CERS - OPEB	\$ 59,656
CERS - pension	<u>348,873</u>
Total deferred inflows of resources	408,529
Net position	
Net investment in capital assets	28,265,538
Restricted for:	
Debt service	3,191,980
Employee benefits	6,189
Unrestricted	<u>(2,267,537)</u>
Total net position	<u><u>\$ 29,196,170</u></u>

See accompanying notes to financial statements.

CITY OF CAMPBELLVILLE, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION - PROPRIETARY FUND
 For the Year Ended June 30, 2018

	Business-Type Activities Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 4,033,475	\$ 1,580,984	\$ 5,614,459
Service charges and other	154,913	641	155,554
Total operating revenues	<u>4,188,388</u>	<u>1,581,625</u>	<u>5,770,013</u>
Operating expenses:			
Personal service	1,987,476	953,124	2,940,600
Contractual service	156,548	134,830	291,378
Supplies and materials	245,515	54,087	299,602
Operational	967,592	365,495	1,333,087
Depreciation and amortization	908,637	374,523	1,283,160
Total operating expenses	<u>4,265,768</u>	<u>1,882,059</u>	<u>6,147,827</u>
Operating income (loss)	(77,380)	(300,434)	(377,814)
Non-operating revenues(expenses):			
Interest revenue	36,991	-	36,991
Interest expense and fiscal charges	(216,231)	-	(216,231)
Gain/(loss) on disposition of assets	6,710	-	6,710
Operating transfers out	-	-	-
Total non-operating revenue (expenses)	<u>(172,530)</u>	<u>-</u>	<u>(172,530)</u>
Net income (loss) before capital contributions and grants	(249,910)	(300,434)	(550,344)
Capital contributions	98,155	14,233	112,388
Grants	486,879	-	486,879
Total capital contributions and grants	<u>585,034</u>	<u>14,233</u>	<u>599,267</u>
Change in net position	335,124	(286,201)	48,923
Net position - beginning of year, Restated	<u>25,223,146</u>	<u>3,924,101</u>	<u>29,147,247</u>
Net position - end of year	<u>\$ 25,558,270</u>	<u>\$ 3,637,900</u>	<u>\$ 29,196,170</u>

See accompanying notes to financial statements.

CITY OF CAMPBELLSVILLE, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Cash received from customers	\$ 5,830,217
Cash payments to employees for services	(2,561,902)
Customer deposits received	1,756
Customer deposits returned	-
Cash payments to suppliers for goods and services	(2,134,510)
Net cash provided/(used) by operating activities	<u>1,135,561</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets and construction in progress	(832,776)
Grants received	743,038
Disposal of capital assets net of gain	6,710
Increase in debt	270,979
Principal paid on bonds and notes	(600,995)
Interest paid on debt	(216,440)
Contributed capital	112,388
Transfers	-
Net cash provided/(used) by capital and related financing activities	<u>(517,096)</u>
Cash flows from investing activities:	
Interest	36,991
Net cash provided/(used) by investing activities	<u>36,991</u>
Net increase/(decrease) in cash and cash equivalents	655,456
Cash and cash equivalents – beginning of year	3,421,374
Cash and cash equivalents – end of year	<u>\$ 4,076,830</u>
Reconciliation of cash and cash equivalents to the statement of net position	
Cash and cash equivalents	\$ 878,661
Restricted cash and cash equivalents	3,198,169
Total cash and cash equivalents	<u>\$ 4,076,830</u>
Reconciliation of operating income (loss) to net cash provided/(used) for operating activities:	
Operating income (loss)	\$ (377,814)
Adjustments to reconcile operating income/(loss) to net cash provided/ (used) for operating activities:	
Depreciation and amortization	1,283,160
Change in Assets and Liabilities:	
(Increase)/decrease in accounts receivable	60,204
(Increase)/decrease in deferred outflows	(832,953)
(Increase)/decrease in inventory	13,264
Increase/(decrease) in accounts payable	(223,707)
Increase/(decrease) in salaries and accrued w/h taxes	12,250
Increase/(decrease) in compensated absences	19,756
Increase/(decrease) in customer deposits	1,756
Increase/(decrease) in net OPEB liability	245,684
Increase/(decrease) in net pension liability	655,726
Increase/(decrease) in deferred inflows	278,235
Total reconciling adjustments	<u>1,513,375</u>
Net cash provided/ (used) by operating activities	<u>\$ 1,135,561</u>

See accompanying notes to financial statements.

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Campbellville, Kentucky operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police, fire and rescue), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting policies and practices used by the City are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements consist of the statement of net position and the statement of activities. For the most part, the effect of inter-fund activity has been removed from these statements. 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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the City's assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

None of the net position is restricted by enabling legislation.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements consist of a series of statements focusing on information about the City's major governmental and proprietary funds. Separate financial statements are provided for governmental funds, and proprietary funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF CAMPBELLSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property taxes are recognized as revenue in the year for which they have been levied, provided they are collected within 60 days after year-end.

The City has the following governmental funds:

The *General Fund* is the main operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the City.

The *Special Revenue Fund* account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specific purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds.

The City has the following major proprietary funds:

Campbellsville Municipal Water and Sewer System

Enterprise Funds are used to account for operations (A) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (B) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Position

Deposits and Investments - The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with an original maturity of three months or less from the date of acquisition. Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, federally insured savings accounts and certificates of deposits. Investments are carried at fair value. Deposits are carried at cost plus accrued interest. At June 30, 2018, the City has no investments.

Property Taxes - Property taxes are assessed on January 1 and levied on the subsequent November 1 for the fiscal year beginning on the levy date, at which time a lien is attached. These taxes are due and payable on November 1. All unpaid taxes levied November 1 become delinquent January 1 of the following year. Property tax is accounted for using the modified accrual basis of accounting.

Accounts Receivable and Unbilled Usage - Accounts receivable are recorded at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

CITY OF CAMPBELLSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Activity between funds outstanding at the end of the fiscal year is referred to as either “due to/from other funds” or “advances to/from other funds”. All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Due From Other Governments - Due from other governments represents various shared revenues, grants, and reimbursements from other governments. Federal grant revenue is recognized when expenditures for the purpose of the grant have been incurred in the government-wide financial statements and as long as it meets the measurable and available criteria in the governmental fund statements.

Allowance for Doubtful Accounts – The Campbellsville Water & Sewer Company’s valuation method of estimating the allowance for doubtful accounts is based upon a percentage (3%) of total sales. The allowance for doubtful accounts for Campbellsville Water and Sewer Company at June 30, 2018 was \$168,368.

Inventories and Prepaid Items - Inventories of materials and supplies in the proprietary fund types are stated at cost (first-in, first-out). Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items.

Restricted Assets - Funds set aside for the payment of City enterprise revenue bonds are classified as restricted assets because their use is restricted by applicable bond indentures. Other restricted assets include funds for customer deposits restricted for application to unpaid customer accounts or for refund to customers. When both restricted 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.

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. All land is reported regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City and its proprietary fund are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements other than buildings	5-40
Equipment	5-20
Meters	10-20
Storm/sanitary sewer	30-75
System infrastructure	20-75

Compensated Absences - The Proprietary Fund (Campbellsville Water and Sewer) employees accumulate a limited amount of earned but unused sick leave hours for subsequent use or for payment upon termination, retirement, or death. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Water Company’s past experience of making termination payments. The compensated absences liability, if any, has been computed based on rates of pay in effect as of June 30, 2018. The entire compensated absence liability is reported on the government-wide financial statements.

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Long-Term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The Campbellsville Municipal Water and Sewer System provide the annual debt service requirements on certain water and sewer revenue bonds issued by the City on behalf of the system to finance system improvements. Since the Campbellsville Municipal Water and Sewer System provides the annual debt service the bonds are considered to be obligations of the Campbellsville Municipal Water and Sewer System and are payable from the sale of water and sewer service provided to customers of the system, and have been reported on the balance sheet of the Campbellsville Municipal Water and Sewer System.

Postemployment Benefits Other Than OPEBs (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Balance Reserves

Beginning with fiscal year 2011, the City implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance- amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balances- 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 fund balance- 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 fund balance- amounts the City intends to use for specific purpose (such as encumbrances); intent can be expressed by the City or by an official or body to which the City delegates the authority;
- Unassigned fund balances- amounts that are available for any purpose; positive amounts are reported only in the General Fund.

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

Statement of Cash Flows—Cash Equivalents - For purposes of the statement of cash flows for the proprietary funds, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase they have a maturity date no longer than three months.

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2: BUDGET AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The City of Campbellsville does not use encumbrance accounting.

Budgets were adopted for the following funds in accordance with generally accepted accounting principles (GAAP), compliance with federal and state programs and in accordance with the laws and regulations of the City:

General Fund
Special Revenue

A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General Fund is included in the required supplemental information. Budget comparisons for the budgeted non-major funds are included in other supplemental information. The Community Development Block Grant Fund has been budgeted over the life of the projects and, therefore, their financial activity has been omitted from the budget statement.

NOTE 3: DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy is to have all deposits secured by pledged securities.

At June 30, 2018, the carrying amount of the City's cash and cash equivalents (cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less) was \$2,033,617 while the bank statements totaled \$2,146,013. Of the total bank balances, \$574,971 was insured by FDIC; collateral agreements were executed and collateral, with a FMV of \$2,257,119, was pledged and held by the pledging bank's trust departments in the City's name for the purpose of securing the remainder of the deposits.

At June 30, 2018, the carry amount of the Water Company's cash and cash equivalents was \$4,076,830, while the bank statements totaled \$4,112,117. Of the total bank balances, \$500,100 was insured by FDIC; collateral agreements were executed and collateral, with a FMV of \$3,206,942 was pledged and held by the pledging bank's trust departments in the Water Company's name and a \$1,000,000 letter of credit from Federal Home Loan Bank of Cincinnati to secure the remainder of the deposits.

Due to the nature of the accounts and certain limitations on the use of the funds, each bank account within the following funds is considered to be restricted.

A detail of the City's restricted cash is reported as follows:

	<u>Business Type</u>	<u>Governmental</u>
Debt Reserve Account	\$ 1,630,817	\$ -
Construction Account	606,908	-
Depreciation Replacement Account	599,631	-
USDA Reserve	203,453	-
Customer Performance Deposit	122,001	-
Customer Escrow Security Deposit	29,040	-
Flexible Spending Account	2,372	13,543
HRA Insurance Account	3,817	7,665
Bond Escrow Account	-	29,284
Bond Escrow Account	-	11,123
Industrial Park area Water Tank Account	30	-
WTP Improvements Project	100	-
	<u>\$ 3,198,169</u>	<u>\$ 61,615</u>

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 4: CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets tangible in nature, with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. In the proprietary fund, a \$2,000 capitalization level is used for water and sewer line extensions. Assets are reported as historical cost or estimated historical cost of purchased or constructed. Donated capital assets are reported at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed.

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance at Beginning of Year	Transfers and Additions	Transfers and Deductions	Balance at End of Year
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 2,660,133	\$ 10,000	\$ 141,770	\$ 2,528,363
Construction In Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	2,660,133	10,000	141,770	2,528,363
Capital Assets Being Depreciated				
Buildings and Improvements	4,215,185	150,000	-	4,365,185
General Equipment and Vehicles	10,902,335	394,005	2,425	11,293,915
Total Capital Assets Being Depreciated	15,117,520	544,005	2,425	15,659,100
Less: Accumulated Depreciation				
Buildings and Improvements	3,212,649	128,071	-	3,340,720
General Equipment and Vehicles	8,103,516	651,631	1,859	8,753,288
Total Accumulated Depreciation	11,316,165	779,702	1,859	12,094,008
Total Capital Assets Being Depreciated, Net	3,801,355	(235,697)	566	3,565,092
Governmental Activities Capital Assets - Net	<u>\$ 6,461,488</u>	<u>\$ (225,697)</u>	<u>\$ 142,336</u>	<u>\$ 6,093,455</u>

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 4: CAPITAL ASSETS, CONTINUED

	Balance at Beginning of Year	Transfers and Additions	Transfers and Deductions	Balance at End of Year
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 758,368	\$ -	\$ -	\$ 758,368
Construction In Progress	6,996,488	662,698	7,652,948	6,238
Total Capital Assets, Not Being Depreciated	<u>7,754,856</u>	<u>662,698</u>	<u>7,652,948</u>	<u>764,606</u>
Capital Assets Being Depreciated				
Source of Supply	6,197,901	13,345	-	6,211,246
Buildings & Improvements	10,214,689	8,392	-	10,223,081
Machinery and Equipment	1,008,803	44,881	32,740	1,020,944
Water System	23,854,743	7,658,559	-	31,513,302
Sewer System	16,825,119	104,140	8,918	16,920,341
Total Capital Assets Being Depreciated	<u>58,101,255</u>	<u>7,829,317</u>	<u>41,658</u>	<u>65,888,914</u>
Less: Accumulated Depreciation				
Source of Supply	1,529,626	109,705	-	1,639,331
Buildings & Improvements	2,780,343	119,036	-	2,899,379
Machinery and Equipment	1,146,057	99,102	32,740	1,212,419
Water System	10,571,501	646,791	-	11,218,292
Sewer System	10,265,124	308,525	2,625	10,571,024
Total Accumulated Depreciation	<u>26,292,651</u>	<u>1,283,159</u>	<u>35,365</u>	<u>27,540,445</u>
Total Capital Assets Being Depreciated, Net	<u>31,808,604</u>	<u>6,546,158</u>	<u>6,293</u>	<u>38,348,469</u>
Business-Type Activities Capital Assets - Net	<u>\$ 39,563,460</u>	<u>\$ 7,208,856</u>	<u>\$ 7,659,241</u>	<u>\$ 39,113,075</u>

NOTE 5: OPERATING LEASES

As of June 30, 2018, the City had no operating leases.

NOTE 6: CAPITAL LEASES

The City has entered into agreements to lease various equipment and vehicles. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations.

The following schedule presents future minimum lease payments as of June 30, 2018.

Year Ending June 30:	
2019	\$ 201,652
2020	192,867
2021	126,654
2022	83,635
2023	76,047
Thereafter	<u>202,402</u>
Total minimum lease payments	883,257
Less: Interest	<u>(82,903)</u>
Present Value of future minimum lease payments	<u>\$ 800,354</u>

Amortization of leased equipment and vehicles under capital assets is included with depreciation expense.

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7: LONG-TERM DEBT

Revenue Bonds

On December 4, 2017, the City Council approved a new interlocal agreement in which the City and County split the balance of the EDA debt equally at \$714,859 each. As a result of the new interlocal agreement, the City issued revenue bonds of \$745,000. Bond principal and interest will be paid annually beginning June 30, 2019 with interest ranging from 1.250% - 3.450%. The City will deposit funds into a sinking fund monthly held by BYN Mellon Bank for debt service.

The City of Campbellville and Campbellville Water and Sewer have issued revenue bonds for various projects for the City. As of June 30, 2018, revenue bonds reported as liabilities of the City are:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances	
				Governmental Activities	Business-type Activities
2000	2,305,000	2030	4%	\$ -	\$ 1,165,000
2009	582,000	2048	4.25%	-	523,800
2010	482,000	2049	3%	-	435,500
2013	1,650,000	2054	2.50%	-	1,601,500
2018A	745,000	2033	1.250% - 3.450%	745,000	-
<u>Total</u>				<u>745,000</u>	<u>3,725,800</u>
Amount due within one year				<u>\$ 40,000</u>	<u>\$ 121,800</u>

Notes Payable

In fiscal year ended June 30, 1999, the Campbellville Water and Sewer Company funded a Water Line Project with a \$1,905,000 loan administered by the Kentucky Infrastructure Authority. Terms of the note require twenty-six annual principal payments with interest at 1.6% beginning June 30, 2004 and maturing June 30, 2029. The balance of the loan at June 30, 2018 is \$893,223.

In the fiscal year ended June 30, 2017 the Campbellville Water and Sewer Company completed the construction phase of the North Water Tank project which is being administered by the United States Department of Agriculture Rural Development. Upon completion North Water Tank project was financed by a \$1,307,000 USDA note maturing January 1, 2055. Terms of the note require annual principal payments beginning January 1, 2018 with interest paid semi-annually @ 1.875%. The balance of the loan at June 30, 2018 is \$1,289,000.

The Campbellville Water and Sewer Company's Downtown Water Line Project was funded with a loan administered by the Kentucky Infrastructure Authority. Exhibit A of the Project Specifics outlines the terms of financing up to \$1,218,750 to be paid with monthly installments including interest @ 1% beginning upon project completion. The balance of the loan at June 30, 2018 is \$1,107,514.

Campbellville Water and Sewer completed construction of a one million gallon water storage tank, 40,000 linear feet of 12-inch transmission water main, and a 700 gallon water per minute booster pump station in the fiscal year ended June 30, 2018. This project enables the City of Campbellville to sell potable water to the City of Lebanon. The project was financed by a 20 year loan with interest @ .75% from the Kentucky Infrastructure Authority. The balance of the loan at June 30, 2018 is \$3,565,028.

Campbellville Water and Sewer completed construction of the Taylor County High School water and sewer line extension project in fiscal year ended June 30, 2017. This project was finance with United Citizens Bank. Terms of the note require monthly payments including interest at 2.35% beginning 10/15/15 and maturing 9/15/20. The balance of the loan at June 30, 2018 is \$266,972.

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7: LONG-TERM DEBT, COTINUED

As of June 30, 2018, annual debt service requirements for the Enterprise Fund (Campbellsville Water and Sewer) activity loans to maturity are as follows:

Fiscal Year	Revenue Bonds		Notes Payable		Total
	Principal	Interest	Principal	Interest	
2019	\$ 121,800	\$ 109,199	\$ 441,131	\$ 55,850	\$ 727,980
2020	128,200	105,583	447,520	50,735	732,038
2021	145,100	101,508	361,693	46,412	654,713
2022	146,000	97,076	335,611	43,705	622,392
2023	147,900	92,674	339,331	41,243	621,148
2024-2028	764,300	395,236	1,756,770	167,913	3,084,219
2029-2033	514,100	290,883	1,432,537	115,108	2,352,628
2034-2038	373,100	235,216	1,228,144	85,753	1,922,213
2039-2043	441,800	174,623	187,000	66,289	869,712
2044-2048	407,000	77,911	173,000	39,702	697,613
2049-2053	328,500	51,494	250,000	30,206	660,200
2054-2058	208,000	10,535	169,000	6,401	393,936
Total	<u>\$ 3,725,800</u>	<u>\$ 1,741,938</u>	<u>\$7,121,737</u>	<u>\$ 749,317</u>	<u>\$ 13,338,792</u>

For Campbellsville Water and Sewer Company, no Interest was capitalized during the fiscal year ended June 30, 2018; interest incurred and charged to expense totaled \$216,231.

In December 2011, the City purchased approximately 180 acres of what was formerly known as the Dowell property and financed the purchase with a 240 month commercial installment note dated December 21, 2011 with Taylor County Bank for \$1,500,000. Monthly payments are \$8,866.54 a month including a current interest rate of 3.5%. The balance of the loan at June 30, 2018 is \$1,199,151.

The City purchased a lot for \$150,000 to provide additional parking. The lot was financed by a 5-year note maturing July, 2022. Terms of the financing are monthly payments of \$2,695.30 including interest at 3% for 60 months beginning August, 2017.

As of June 30, 2018, annual debt service requirements for the governmental activity loans to maturity are as follows:

Fiscal Year	Revenue Bonds		Notes Payable		Total
	Principal	Interest	Principal	Interest	
2019	\$ 40,000	\$ 21,869	\$ 96,248	\$ 42,495	\$ 200,612
2020	45,000	18,245	99,455	39,287	201,987
2021	45,000	17,638	102,973	35,769	201,380
2022	45,000	16,940	106,514	31,630	200,084
2023	45,000	16,152	80,154	29,532	170,838
2024-2028	240,000	65,568	431,192	100,807	837,567
2029-2033	285,000	28,812	341,879	21,650	677,341
Total	<u>\$ 745,000</u>	<u>\$ 185,224</u>	<u>\$1,258,415</u>	<u>\$ 301,170</u>	<u>\$ 2,489,809</u>

For the City, no interest was capitalized during the fiscal year ended June 30, 2018; interest incurred and charged to expense totaled \$78,368.

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7: LONG-TERM DEBT, CONTINUED

Long-term liabilities for the year ended June 30, 2018 was as follows:

	Beginning Balance June 30, 2017	Additions	Reductions	Ending Balance June 30, 2018	Amount Due Within One Year
Governmental Activities:					
Notes Payable	\$ 1,199,151	\$ 150,000	\$ 90,736	\$ 1,258,415	\$ 96,248
Capital Leases Payable	779,987	222,972	202,605	800,354	178,096
Revenue Bonds Payable	-	745,000	-	745,000	40,000
Net OPEB Liability	2,697,832	1,222,933	-	3,920,765	-
Net Pension Liability	8,815,384	2,185,640	-	11,001,024	-
Long-term Liabilities	\$ 13,492,354	\$ 4,526,545	\$ 293,341	\$ 17,725,558	\$ 314,344
Business-type Activities:					
Revenue Bonds Payable	\$ 3,966,200	\$ -	\$ 240,400	\$ 3,725,800	\$ 121,800
Notes Payable	7,211,354	355,721	445,338	7,121,737	441,131
Compensated Absences	299,187	19,756	-	318,943	78,769
Net OPEB Liability	893,697	245,684	-	1,139,381	-
Net Pension Liability	2,661,695	219,572	-	2,881,267	-
Long-term Liabilities	\$ 15,032,133	\$ 840,733	\$ 685,738	\$ 15,187,128	\$ 641,700

NOTE 8: PENSION AND RETIREMENT SYSTEMS

General information about the County Employees retirement system Hazardous & Non-Hazardous (“CERS”)

Plan description – Employees of the City and Campbellville Water and Sewer Company are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided – CERS provides retirement, health insurance, death, and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years of service and 55 years old At least 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 - December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 Not available

CITY OF CAMPBELLVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018

NOTE 8: PENSION AND RETIREMENT SYSTEMS, CONTINUED

Cost of living adjustments are provided at the discretion of the General assembly. Retirement is based on a factor of the number of years' service and the hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for non-service related disability benefits.

Contributions – Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The City's contribution requirement for CERS for the years ended June 30, 2018, 2017, and 2016 was \$680,324, \$664,482, and \$564,135 from the City and \$249,432, \$241,388, and \$225,055 from employees. The total covered payroll for CERS during the years ended June 30, 2018, 2017 and 2016 was \$4,066,128, \$3,943,285, and \$3,712,758.

The Campbellsville Water and Sewer Company (Company) contribution requirement for CERS for the years ended June 30, 2018, 2017, and 2016 was \$231,975, \$193,637, and 160,165 from the Company and \$80,102 \$69,404 and 64,479 from employees. The total covered payroll for CERS during the years ended June 30, 2018, 2017 and 2016 was \$1,602,034, \$1,388,081, and \$1,289,573.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

City of Campbellsville

At June 30, 2018, the City reported a liability of \$5,468,244 for its non-hazardous proportionate share of the net pension liability for CERS and a liability of \$5,532,780 for its hazardous proportionate share of the net pension liability for a total net pension liability for the City of \$11,001,024 at June 30, 2018. The net pension liability for each plan was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the City's non-hazardous proportion was .094524% percent and the City's hazardous proportion was .244415%.

CITY OF CAMPBELLSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018

NOTE 8: PENSION AND RETIREMENT SYSTEMS, CONTINUED

For the year ended June 30, 2018, the City recognized pension expense of \$1,894,458. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 207,431	\$ 140,446
Changes of assumptions	2,111,738	-
Net difference between projected and actual earnings on pension plan investments	796,862	680,643
Changes in proportion and differences between City contributions and proportionate share of contributions	125,991	130,657
City contributions subsequent to the measurement date	680,324	-
Total	\$ 3,922,346	\$ 951,746

\$680,324 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2019	962,895
2020	1,039,266
2021	418,825
2022	(130,710)

Campbellsville Water and Sewer

At June 30, 2018, Campbellsville Water and Sewer (Company) reported a liability of \$3,317,421 for its proportionate share of the net pension liability for CERS. The net pension liability for each plan was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Company's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the Company's proportion was 0.056676%.

CITY OF CAMPBELLSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8: PENSION AND RETIREMENT SYSTEMS, CONTINUED

For the year ended June 30, 2018, the Company recognized pension expense of \$648,810. At June 30, 2018, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,115	\$ 84,210
Changes of assumptions	612,154	-
Net difference between projected and actual earnings on pension plan investments	262,736	221,703
Changes in proportion and differences between Company contributions and proportionate share of contributions	93,955	42,960
Company contributions subsequent to the measurement date	231,975	-
Total	\$ 1,204,935	\$ 348,873

\$231,975 reported as deferred outflows of resources related to pensions resulting from Company contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2019	268,722
2020	270,565
2021	127,397
2022	(42,597)

Actuarial assumptions—the total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS
Inflation	2.30%
Projected salary increases	3.05%
Investment rate of return, net of investment expense & inflation	6.25%

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 1 year for females). For disabled members, the RP-2000 Combined Disability Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

CITY OF CAMPBELLVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018

NOTE 8: PENSION AND RETIREMENT SYSTEMS, CONTINUED

The actuarial assumptions used in the June 30, 2017 valuation were based on an actuarial valuation date of June 30, 2016.

Long-term rate of return: The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering July 1, 2010 – June 30, 2015 adopted by the Board on November 19, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were 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 and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Discount rate—for CERS, the discount rate used to determine the discount rate of 6.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate—The following table present the net pension liability of the City and the Campbellsville Water and Sewer Company, calculated using the discount rates selected by CERS, as well as what the City and the Campbellsville Water and Sewer Company's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage- point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
City's proportionate share of net pension liability-non hazardous	\$6,978,032	\$ 5,532,780	\$4,323,838
City's proportionate share of net pension liability- hazardous	\$6,875,327	\$ 5,468,244	\$4,306,200
Campbellsville Water and Sewer's proportionate share of net pension liability	\$4,183,984	\$ 3,317,421	\$2,592,546

Pension plan fiduciary net positions—detailed information about the pension plan's fiduciary net position is available in the financial report of CERS.

DEFERRED COMPENSATION:

The City also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The City does not contribute to these plans. For the year ended June 30, 2018, employee contributed approximately \$41,565 to the plan.

CITY OF CAMPBELLSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 - POST EMPLOYMENT BENEFIT PLAN

General Information about the OPEB Plan – CERS

Medical Insurance Plan

Plan description - Employees whose positions do not require a degree beyond a high school diploma are covered by the Kentucky Retirement Systems' Insurance Fund, a component of the cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided – To be eligible for medical benefits, the member must have retired either for service or disability. The Kentucky Retirement Systems' Insurance Fund offers coverage for eligible members receiving benefits from KERS, CERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance based on years of service.

Contributions – In order to fund the post-retirement healthcare benefit, for Tier 1 plan members (those participating prior to September 1, 2008) 4.70% of the gross annual payroll of members is contributed, all of which is paid by the District. For Tier 2 plan members (those participating on, or after September 1, 2008 and before January 1, 2014 an additional 1% of the gross annual payroll is contributed by the plan member. Tier 3 plan members (those whose participation began after January 1, 2014) also contribute an additional 1% of their annual payroll into a Cash Balance Plan. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

City of Campbellsville

At June 30, 2018, the City reported a liability of \$1,900,256 for its non-hazardous proportionate share of the net OPEB liability for CERS and a liability of \$2,020,509 for its hazardous proportionate share of the net OPEB liability for a total net OPEB liability for the City of \$3,920,765 at June 30, 2018. The net OPEB liability for each plan was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the City's non-hazardous proportion was .094524% percent and the City's hazardous proportion was .244415%.

CITY OF CAMPBELLSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018

NOTE 9 - POST EMPLOYMENT BENEFIT PLAN, CONTINUED

For the year ended June 30, 2018, the City recognized OPEB expense of \$540,434. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 9,986
Changes of assumptions	1,158,765	-
Net difference between projected and actual earnings on OPEB plan investments	-	216,575
Changes in proportion and differences between Company contributions and proportionate share of contributions	-	4,811
Company contributions subsequent to the measurement date	<u>266,620</u>	<u>-</u>
Total	<u>\$ 1,425,385</u>	<u>\$ 231,372</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$266,620 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year Ended June 30:</u>	
2019	32,393
2020	32,393
2021	32,393
2022	32,393
2023	45,854
Thereafter	12,840

Campbellsville Water and Sewer

At June 30, 2018, Campbellsville Water and Sewer (Company) reported a liability of \$1,139,381 for its proportionate share of the net OPEB liability for CERS. The net OPEB liability for the plan was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Company's proportion of the net OPEB liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the Company's proportion was 0.056676%.

CITY OF CAMPBELLSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9: POST EMPLOYMENT BENEFIT PLAN, CONTINUED

For the year ended June 30, 2018, the Company recognized OPEB expense of \$146,639. At June 30, 2018, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,165
Changes of assumptions	247,922	-
Net difference between projected and actual earnings on OPEB plan investments	-	53,847
Changes in proportion and differences between Company contributions and proportionate share of contributions	-	2,644
Company contributions subsequent to the measurement date	89,221	-
Total	\$ 337,143	\$ 59,656

Of the total amount reported as deferred outflows of resources related to OPEB, \$89,221 resulting from Company contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Company's OPEB expense as follows:

Year Ended June 30:	
2019	231,421
2020	231,421
2021	231,421
2022	135,240
2023	76,477
Thereafter	21,413

CITY OF CAMPBELLSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018

NOTE 9: POST EMPLOYMENT BENEFIT PLAN, CONTINUED

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CERS:	
Actuarial cost method:	Entry age normal
Asset valuation method:	20% of the difference between the market value of the expected actuarial value of assets is recognized
Amortization method:	Level percent of pay
Amortization period:	28 years, closed
Payroll growth rate:	4.00%
Investment return:	7.50%
Inflation:	3.25%
Salary increases:	4.00%, average
Mortality:	RP-2000 combined mortality table, projected to 2013 with Scale BB (set back 1 year for females)
Healthcare trend rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Healthcare trend rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) 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 and by adding expected inflation.

Discount rate - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

CERS – 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 for 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.

Discount rate – For CERS, the projection of cash flows used to determine the discount rate of 5.84% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contributions rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 6.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of

CITY OF CAMPBELLSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018

NOTE 9: POST EMPLOYMENT BENEFIT PLAN, CONTINUED

the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

Sensitivity of CERS proportionate share of net OPEB liability to changes in the discount rate—The following table present the net OPEB liability of the City and the Campbellsville Water and Sewer Company,, calculated using the discount rates selected by each OPEB system, as well as what the City and the Campbellsville Water and Sewer Company's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage- point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.83%	5.83%	6.83%
City's proportionate share of net OPEB liability- non hazardous	\$2,417,970	\$1,900,256	\$1,469,436
City's proportionate share of net OPEB liability- hazardous	\$2,707,759	\$2,020,509	\$1,458,226
Campbellsville Water and Sewer's proportionate share of net OPEB liability	\$1,449,800	\$1,139,381	\$ 881,065

Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the City and the Campbellsville Water and Sewer Company's proportionate share of the collective net OPEB liability, as well as what the City and the Campbellsville Water and Sewer Company's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS	4.83%	5.83%	6.83%
City's net OPEB liability - non-hazardous	\$1,457,594	\$1,900,256	\$2,475,690
City's net OPEB liability - hazardous	\$1,430,288	\$2,020,509	\$2,750,998
Campbellsville Water and Sewer's net OPEB liability	\$ 873,964	\$1,139,381	\$1,484,408

NOTE 10: RISK MANAGEMENT

The City of Campbellsville participates in the Kentucky Municipal Risk Management Association (KMRMA), to provide workers compensation and general liability and property insurance. The City along with other participating entities contributes annual amounts determined by KMRMA management. As claims arise they are submitted to and paid by KMRMA. There were no significant reductions in insurance coverage from the prior year.

NOTE 11: LANDFILL CLOSURE AND POSTCLOSURE CARE COST

In 2003 the Kentucky legislature passed House Bill No. 174 that provided for State assumption of responsibility for the costs of closure for formerly permitted municipal solid waste landfills. This was implemented as an amendment to KRS 224, Subchapter 43. The Kentucky Division of Waste Management has determined the City of Campbellsville's landfill qualifies for assistance under this program. As a result of this legislation, the City will be required to incur some post-closure costs for monitoring and maintenance of the landfill. Neither the duration or exact costs for this monitoring period have been determined, therefore no estimate for post-closure costs have been accrued.

CITY OF CAMPBELLSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12: INTERLOCAL AGREEMENT

Effective July 1, 2011 the City entered into an agreement with the Taylor County Fiscal Court to provide emergency medical services, rescue services, dispatch and E-911 services for the entire geographical area of Taylor County. The County will maintain the land line tax imposed by County Ordinance and pay to the City all revenues generated from this tax. The County will pay to the City an annual sum of \$650,000 paid in quarterly payments. This will be done to insure that the County has paid one-half of the operating deficits for these services. Within a month after the fiscal year-end the City will reimburse any amount due to the county or request payment for any amount due.

Effective July 1, 2009 the City entered into an agreement with the Taylor County Fiscal Court for the County's occupational tax office to administer, collect, and distribute all receipts from the City of Campbellsville Occupational License fee ordinance for consideration of \$16,000 base pay plus FICA and retirement and one-fourth of the actual monthly general operating expenses of the Occupational Tax Office. These expenses include, but are limited to, supplies, bond, postage, phone, travel, conference training, and equipment, hardware and software. Additional part-time help during peak season and postage for initial mailing and notification of taxpayers and license holders at the inception of the tax will be paid 100% by the City.

Effective January 1, 2018 the City entered into a new agreement with the County and the Campbellsville – Taylor County Economic Authority (EDA) in which the County and City agreed to each pay one-half of the EDA's outstanding HCTP debt in full totaling \$714,859 each. The City and County will allot \$65,000 each toward debt service of the acquired debt and \$85,000 budgeted toward annual support to the EDA for operating expenses effective July 1, 2018.

NOTE 13: DEFICIT OPERATING/FUND BALANCES

There are no funds of the City that currently have a deficit fund balance. In addition, no funds had operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance.

NOTE 14: RESTATEMENT OF BEGINNING BALANCES

Governmental Activities: Effective July 1, 2017, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the aforementioned items, the Governmental Activities on the Statement of Activities was restated. A reconciliation of the prior period ending governmental activities net position to the current year governmental activities beginning net position is as follows:

Net position, July 1, 2017 as Previously Reported	\$ 269,765
Increase in net OPEB liability	<u>(2,697,832)</u>
Beginning net position, as restated	<u>\$ (2,428,067)</u>

Business Type Activities, Proprietary Funds: Effective July 1, 2017, the Campbellsville Water and Sewer Company implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, the Government-wide Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds, as originally stated, was restated. A reconciliation of the prior period ending business-type activities and the proprietary funds net position to the current year business-type activities and the proprietary funds beginning net position is as follows:

Net position, July 1, 2017 as Previously Reported	\$ 30,040,944
Increase in net OPEB liability	<u>(893,697)</u>
Beginning net position, as restated	<u>\$ 29,147,247</u>

The above adjustment had no impact on the current year change in net position.

CITY OF CAMPBELLSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 15: SUBSEQUENT EVENT

Management has reviewed subsequent events through February 4, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY SCHEDULES

CITY OF CAMPBELLSVILLE, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - ACTUAL AND BUDGETED (GAAP BASIS)-
 GOVERNMENTAL FUND TYPE
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues:				
Taxes				
Occupational taxes	\$ 2,750,000	\$ 2,750,000	\$ 2,845,832	\$ 95,832
Property	1,572,400	1,572,400	1,283,048	(289,352)
Insurance	1,480,000	1,480,000	1,674,770	194,770
Franchise fees/permits	300,000	300,000	547,696	247,696
Intergovernmental revenues	1,246,000	1,246,000	1,400,873	154,873
Charges for service	2,604,200	2,604,200	2,332,081	(272,119)
Other income	660,734	660,734	599,580	(61,154)
Total revenues	10,613,334	10,613,334	10,683,880	70,546
Expenditures:				
General government	2,901,417	2,901,417	2,639,382	(262,035)
Public safety				
Police	2,136,313	2,136,313	2,001,427	(134,886)
Communication	662,963	662,963	794,032	131,069
Fire/ rescue	1,055,015	1,055,015	1,239,252	184,237
EMS/rescue	1,894,400	1,894,400	2,036,146	141,746
Streets and roads	822,433	822,433	760,827	(61,606)
Planning and codes	87,895	87,895	85,578	(2,317)
Recreation and parks	600,025	600,025	455,013	(145,012)
Garage	5,700	5,700	4,569	(1,131)
Sanitation and landfill	1,075,280	1,075,280	1,125,183	49,903
Debt service	385,150	385,150	371,709	(13,441)
Total expenditures	11,626,591	11,626,591	11,513,118	(113,473)
Excess revenues over (uinder) expenditures	(1,013,257)	(1,013,257)	(829,238)	184,019
Other financing sources (uses)				
Bond proceeds	-	-	745,000	745,000
Capital lease proceeds	-	-	372,972	372,972
Bond issuance cost	-	-	(30,000)	(30,000)
Sale of fixed assets	25,000	25,000	202,500	177,500
Total other financing sources (used)	25,000	25,000	1,290,472	1,265,472
Excess revenues and other sources				
Over (under) expenditures and other uses	(988,257)	(988,257)	461,234	1,449,491
Fund balance - beginning of year	988,257	988,257	2,619,547	1,631,290
Fund balance - end of year	\$ -	\$ -	\$ 3,080,781	\$ 3,080,781

CITY OF CAMPBELLSVILLE KENTUCKY
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE CERS NON-HAZARDOUS NET PENSION LIABILITY
 June 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.094524%	0.096195%	0.09749%	0.092513%
City's proportionate share of the net pension liability (asset)	\$ 5,532,780	\$ 4,736,273	\$ 4,191,567	\$ 3,001,000
City's covered-employee payroll	\$ 2,469,141	\$ 2,398,850	\$ 2,364,874	\$ 2,262,727
City's proportionate share of the net pension liability (asset) as a percentage of it covered-employee payroll	224.08%	197.44%	177.24%	115.03%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	55.50%	59.97%	66.80%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF CAMPBELLSVILLE KENTUCKY
 SCHEDULE OF NON-HAZARDOUS CONTRIBUTIONS TO CERS
 June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 374,824	\$ 344,445	\$ 297,937	\$ 301,521
Contributions in relation to the contractually required contribution	<u>374,824</u>	<u>(344,445)</u>	<u>(297,937)</u>	<u>(301,521)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,588,564	\$ 2,469,141	\$ 2,398,850	\$ 2,364,874
Contributions as a percentage of covered-employee payroll	14.48%	13.95%	12.42%	12.75%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF CAMPBELLSVILLE KENTUCKY
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE HAZARDOUS CERS NET PENSION LIABILITY
 June 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.244415%	0.237719%	0.250199%	0.245229%
City's proportionate share of the net pension liability (asset)	\$ 5,468,244	\$ 4,079,111	\$ 3,840,827	\$ 2,947,000
City's covered-employee payroll	\$ 1,474,143	\$ 1,313,908	\$ 1,343,653	\$ 1,298,383
City's proportionate share of the net pension liability (asset) as a percentage of it covered-employee payroll	370.94%	310.46%	285.85%	226.97%
Plan fiduciary net position as a percentage of the total pension liability	49.80%	53.95%	57.52%	63.46%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF CAMPBELLSVILLE KENTUCKY
 SCHEDULE OF HAZARDOUS CONTRIBUTIONS TO CERS
 June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 305,500	\$ 320,036	\$ 266,198	\$ 278,539
Contributions in relation to the contractually required contribution	<u>(305,500)</u>	<u>(320,036)</u>	<u>(266,198)</u>	<u>(278,539)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,376,126	\$ 1,474,143	\$ 1,313,908	\$ 1,343,653
Contributions as a percentage of covered-employee payroll	22.20%	21.71%	20.26%	20.73%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CAMPBELLSVILLE WATER AND SEWER
 SCHEDULE OF THE ENTERPRISE'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY
 June 30, 2018

	2017	2016	2015	2014
Company's proportion of the net pension liability (asset)	0.056676%	0.054060%	0.056800%	0.054242%
Company's prportionate share of the net pension liability (asset)	\$ 3,317,421	\$ 2,661,695	\$ 2,442,123	\$ 1,760,000
Company's covered-employee payroll	\$ 1,388,081	\$ 1,289,570	\$ 1,325,325	\$ 1,248,295
Company's proportionate share of the net pension liability (asset) as a percentage of it covered-employee payroll	238.99%	206.40%	184.27%	140.99%
Plan fiduciary net position as a percentage of the total pension li:	49.80%	55.50%	59.97%	66.80%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CAMPBELLSVILLE WATER AND SEWER
SCHEDULE OF CONTRIBUTIONS TO CERS
June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 231,974	\$ 193,637	\$ 160,165	\$ 168,979
Contributions in relation to the contractually required contribution	<u>(231,974)</u>	<u>(193,637)</u>	<u>(160,165)</u>	<u>(168,979)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,602,034	\$ 1,388,081	\$ 1,289,573	\$ 1,325,325
Contributions as a percentage of covered-employee payroll	14.48%	13.95%	12.42%	12.75%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF CAMPBELLSVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CERS
For the Year Ended June 30, 2018

NOTE 1 – CHANGES OF BENEFIT TERMS

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for member whose participation date in on or after January 1, 2014.

NOTE 2 – CHANGES OF ASSUMPTION

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2006: The assumptions were updated as the result of an experience study for the five year period ending June 30, 2005

2007: Amortization bases have been combined and will be amortized over a single 30 year closed period beginning June 30, 2007.

2009: The assumptions were updated as the result of an experience study for the three year period ending June 30, 2008

2013: The amortization period of the unfunded accrued liability was reset to a closed 30 year period.

2015:

1. The assumed investment rate of return was decreased from 7.75% to 7.50%.
2. The assumed rate of inflation was reduced from 3.50% to 3.25%.
3. The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
4. Payroll growth assumption was reduced from 4.50% to 4.00%.
5. The mortality table used for active members is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
6. 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 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 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 when the next experience investigation is conducted.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

CITY OF CAMPBELLSVILLE KENTUCKY
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE CERS NON-
 HAZARDOUS NET OPEB LIABILITY
 June 30, 2018

	2017
City's proportion of the net OPEB liability (asset)	0.094524%
City's proportionate share of the net OPEB liability (asset)	\$ 1,900,256
City's covered-employee payroll	\$ 2,469,141
City's proportionate share of the net OPEB liability (asset) as a percentage of it covered-employee payroll	76.96%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF CAMPBELLSVILLE KENTUCKY
 SCHEDULE OF NON-HAZARDOUS CONTRIBUTIONS TO CERS - OPEB
 June 30, 2018

	2018
Contractually required contribution	\$ 121,663
Contributions in relation to the contractually required contribution	(121,663)
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 2,588,564
Contributions as a percentage of covered-employee payroll	4.70%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF CAMPBELLSVILLE KENTUCKY
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
 HAZARDOUS CERS NET OPEB LIABILITY
 June 30, 2018

	2017
City's proportion of the net pension liability (asset)	0.244415%
City's proportionate share of the net pension liability (asset)	\$ 2,020,509
City's covered-employee payroll	\$ 1,474,143
City's proportionate share of the net pension liability (asset) as a percentage of it covered-employee payroll	137.06%
Plan fiduciary net position as a percentage of the total pension liability	49.80%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF CAMPBELLSVILLE KENTUCKY
 SCHEDULE OF HAZARDOUS CONTRIBUTIONS TO CERS - OPEB
 June 30, 2018

	2018
Contractually required contribution	\$ 128,667
Contributions in relation to the contractually required contribution	(128,667)
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 1,376,126
Contributions as a percentage of covered-employee payroll	9.35%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CAMPBELLSVILLE WATER AND SEWER
 SCHEDULE OF THE ENTERPRISE'S PROPORTIONATE SHARE OF THE
 CERS NET OPEB LIABILITY
 June 30, 2018

	2017
Company's proportion of the net OPEB liability (asset)	0.056676%
Company's proportionate share of the net OPEB liability (asset)	\$ 1,139,381
Company's covered-employee payroll	\$ 1,388,081
Company's proportionate share of the net OPEB liability (asset) as a percentage of it covered-employee payroll	82.08%
Plan fiduciary net position as a percentage of the total pension li:	52.40%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CAMPBELLSVILLE WATER AND SEWER
 SCHEDULE OF CONTRIBUTIONS TO CERS - OPEB
 June 30, 2018

	2018
Contractually required contribution	\$ 75,296
Contributions in relation to the contractually required contribution	(75,296)
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 1,602,034
Contributions as a percentage of covered-employee payroll	4.70%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF CAMPBELLSVILLE, KENTUCKY
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CERS
 For the Year Ended June 30, 2018

NOTE 1 - CHANGES OF BENEFIT TERMS

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

NOTE 2 - METHODS AND ASSUMPTIONS USED IN THE ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount Rate	8.00%
Healthcare cost trend rates:	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Under age 65 claims	The current premium charged by KEHP is used as the basae cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

OTHER SUPPLEMENTARY INFORMATION

CITY OF CAMPBELLSVILLE, KENTUCKY
BALANCE SHEET - SPECIAL REVENUE FUNDS
June 30, 2018

	Special Revenue	Totals- Memorandum Only June 30, 2018
Assets and resources:		
Cash and investments	\$ -	\$ -
Receivables (net of allowances)		
Other	24,781	24,781
Due from other funds	-	-
Total assets and resources	\$ 24,781	\$ 24,781
Liabilities and fund balance:		
Interfund payable	\$ 24,781	\$ 24,781
Total liabilities	24,781	24,781
Fund balance		
Restricted fund balance	-	-
Total Fund Equity	-	-
Total liabilities and fund balance	\$ 24,781	\$ 24,781

CITY OF CAMPBELLSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2018

	Special Revenue	Totals - Memorandum Only June 30, 2018
Revenues:		
Intergovernmental revenues	\$ 310,773	\$ 310,773
Other income	-	-
Total revenues	310,773	310,773
Expenditures:		
General government	230,165	230,165
Public safety:		
Police	42,344	42,344
Communication	-	-
Fire/rescue	67,210	67,210
EMS	-	-
Total expenditures	339,719	339,719
Excess revenues over (under) expenditures	(28,946)	(28,946)
Other financing sources (uses)		
Transfers in	28,946	28,946
Transfers out	-	-
Total other financing sources	28,946	28,946
Excess revenues and other sources over (under) expenditures and other uses	-	-
Fund balance - beginning of year	-	-
Fund balance - end of year	\$ -	\$ -

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor,
City Council and City Clerk of
City of Campbellsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of City of Campbellsville, Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Campbellsville, Kentucky's basic financial statements, and have issued our report thereon dated February 4, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We also noted other matters that we reported to management of the City of Campbellsville in a separate letter dated February 4, 2019.

Honorable Mayor
City Council and City Clerk of
Campbellsville, Kentucky
Page 2

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.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC

Campbellsville, Kentucky

February 4, 2019