

CITY OF CAMPBELLSVILLE, KENTUCKY

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITORS' REPORT

For the Year Ended June 30, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 39 through 53 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 accompanying Schedule of Expenditures of Federal Awards and Notes to the Schedule of Expenditures of Federal awards on pages 54 and 55 are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are also not a required part of the basic financial statements of the City.

The additional information shown on pages 57 through 58 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 57 through 58, 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 January 6, 2020 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
January 6, 2020

CITY OF CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
June 30, 2019

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, 2019. 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, 2019 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 \$24.52 million as of June 30, 2019 as compared to \$24.82 million at June 30, 2018. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business type activities net position is \$30.38 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 (132 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 3.81 million, the largest component (3.69 million) related to the debt liabilities of the City.

Summary of Net Position
June 30, 2019

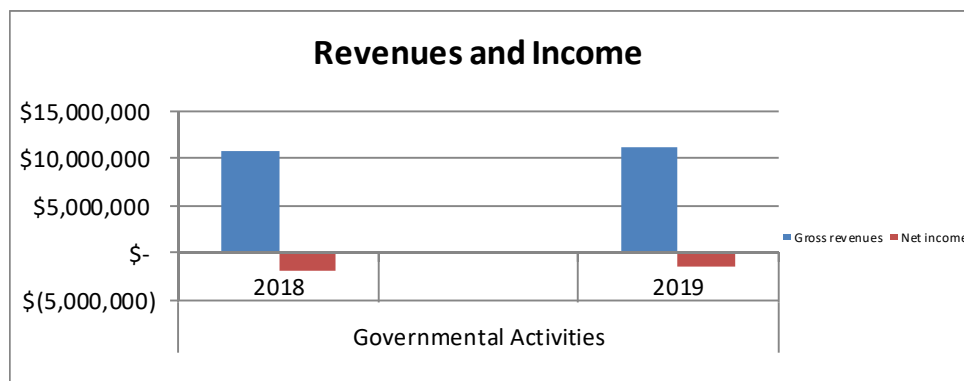
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and Other Assets	\$ 3,887,039	\$ 3,560,740	\$ 6,141,549	\$ 4,668,359	\$ 10,028,588	\$ 8,229,099
Capital Assets	5,684,115	6,093,455	43,523,417	39,563,460	49,207,532	45,656,915
Total Assets	<u>9,571,154</u>	<u>9,654,195</u>	<u>49,664,966</u>	<u>44,231,819</u>	<u>59,236,120</u>	<u>53,886,014</u>
Deferred Outflow s of Resources	<u>4,701,327</u>	<u>5,362,631</u>	<u>523,969</u>	<u>460,541</u>	<u>5,225,296</u>	<u>-</u>
Total Deferred Outflow s	4,701,327	5,362,631	523,969	460,541	5,225,296	-
Liabilities:						
Long-term Liabilities	17,681,973	17,411,214	18,711,170	13,402,096	36,393,143	30,813,310
Other Liabilities	917,383	794,303	1,768,893	1,367,610	2,686,276	2,161,913
Total Liabilities	<u>18,599,356</u>	<u>18,205,517</u>	<u>20,480,063</u>	<u>14,769,706</u>	<u>39,079,419</u>	<u>32,975,223</u>
Deferred Inflow of Resources	<u>814,329</u>	<u>951,746</u>	<u>300,011</u>	<u>130,294</u>	<u>20,759</u>	<u>1,082,040</u>
Total Deferred Inflow s	814,329	951,746	300,011	130,294	20,759	1,082,040
Net Position:						
Invested in Capital Assets						
Net of Related Debt	3,020,903	3,289,687	29,464,510	28,385,908	32,485,413	31,675,595
Restricted	87,644	-	3,723,890	-	3,811,534	-
Unrestricted	(8,967,166)	(7,661,496)	(2,811,136)	1,655,036	(11,778,302)	(6,006,460)
Total Net Position	<u><u>\$(5,858,619)</u></u>	<u><u>\$(4,371,809)</u></u>	<u><u>\$30,377,264</u></u>	<u><u>\$30,040,944</u></u>	<u><u>\$24,518,645</u></u>	<u><u>\$25,669,135</u></u>

Governmental Activities

The City's general revenues increased by \$38,067 compared to the prior year. The majority of the increase is due to an increase in tax receipts of \$56,865. The following table is a detail of general revenues.

	General Revenues		
	2019	2018	Increase/ (Decrease)
Taxes	\$5,860,515	\$5,803,650	\$ 56,865
Franchise fees and Permits	585,014	547,696	37,318
Other Income/(Expense)	596,628	652,744	(56,116)
Total General Revenue	<u>\$7,042,157</u>	<u>\$7,004,090</u>	<u>\$ 38,067</u>

The following chart shows the Governmental Activities gross revenues as compared to net income for the years June 30, 2019 and 2018.



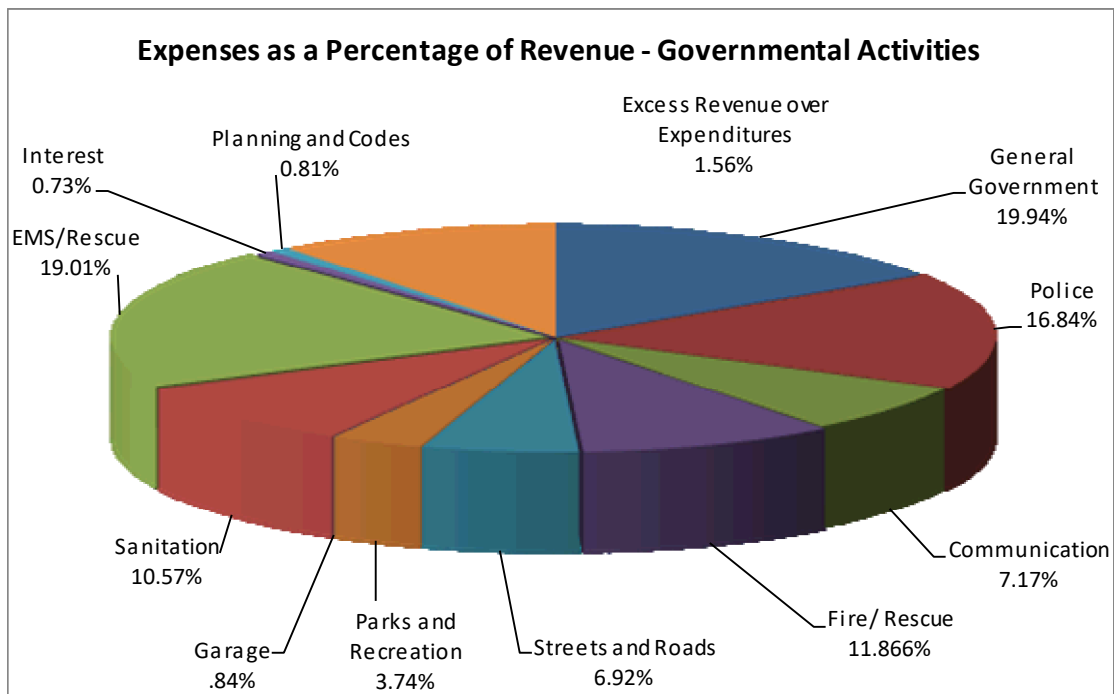
Governmental and Business type activities decreased the City's net position by \$305 thousand. The key elements of this decrease are as follows:

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues						
Charges for Services	\$ 2,655,494	\$ 2,332,081	\$ 6,020,200	\$ 5,770,013	\$ 8,675,694	\$ 8,102,094
Operating Grants and Contributions	1,173,533	1,102,212	-	-	1,173,533	1,102,212
Capital Grants and Contributions	277,544	298,661	1,609,207	599,267	1,886,751	897,928
General Revenues						
Taxes	5,860,515	5,803,650	-	-	5,860,515	5,803,650
Franchise Fees/Permits	585,014	547,696	-	-	585,014	547,696
Other Income	596,628	652,744	68,720	43,701	665,348	696,445
TOTAL REVENUES	11,148,728	10,737,044	7,698,127	6,412,981	18,846,855	17,150,025
EXPENSES						
General Government	2,219,373	2,694,581	-	-	2,219,373	2,694,581
Police	2,363,686	2,283,449	-	-	2,363,686	2,283,449
Communication	1,002,706	939,367	-	-	1,002,706	939,367
Fire / Rescue	1,348,704	1,493,365	-	-	1,348,704	1,493,365
EMS/Rescue	2,866,436	2,480,575	-	-	2,866,436	2,480,575
Streets and Roads	821,051	813,043	-	-	821,051	813,043
Planning and Codes	102,382	105,258	-	-	102,382	105,258
Recreation and Parks	483,036	519,623	-	-	483,036	519,623
Garage	-	5,974	-	-	-	-
Sanitation and Landfill	1,325,495	1,267,183	-	-	1,325,495	1,267,183
Interest	102,669	78,368	205,400	216,231	308,069	294,599
Water and Sewer	-	-	4,962,244	4,265,768	4,962,244	4,265,768
Depreciation	-	-	1,349,390	1,882,059	1,349,390	1,882,059
TOTAL EXPENSES	12,635,538	12,680,786	6,517,034	6,364,058	19,152,572	19,044,844
Increase in net assets before transfers	(1,486,810)	(1,943,742)	1,181,093	48,923	(305,717)	(1,894,819)
Transfers	-	-	-	-	-	-
Increase in Net Position	(1,486,810)	(1,943,742)	1,181,093	48,923	(305,717)	(1,894,819)
Net Position, July 1, restated	(4,371,809)	(2,428,067)	29,196,170	29,147,247	24,824,361	26,719,180
Net Position, June 30	\$ (5,858,619)	\$ (4,371,809)	\$30,377,263	\$29,196,170	\$24,518,644	\$24,824,361

The most significant governmental expenses for the City was in providing for public safety, which incurred expenses of \$7.58 million. These expenses were offset by revenues collected from a variety of sources, with the largest being from medic runs, which are \$1.5 million for the fiscal year ending June 30, 2019. The major components of public safety are police, communications, fire/rescue and EMS. Police accounted for \$2.36 million in public safety expense of which \$1.67 million was incurred for salary and benefits. Fire/rescue accounted for \$1.35 million in public safety expense, of which \$756,046 was incurred for salary and benefits. EMS accounted for \$2.86 million in public safety expense of which \$1.87 million was for salary and benefits. Communications accounted for \$1 million in public safety expenses of which \$690,362 was for salary and benefits.

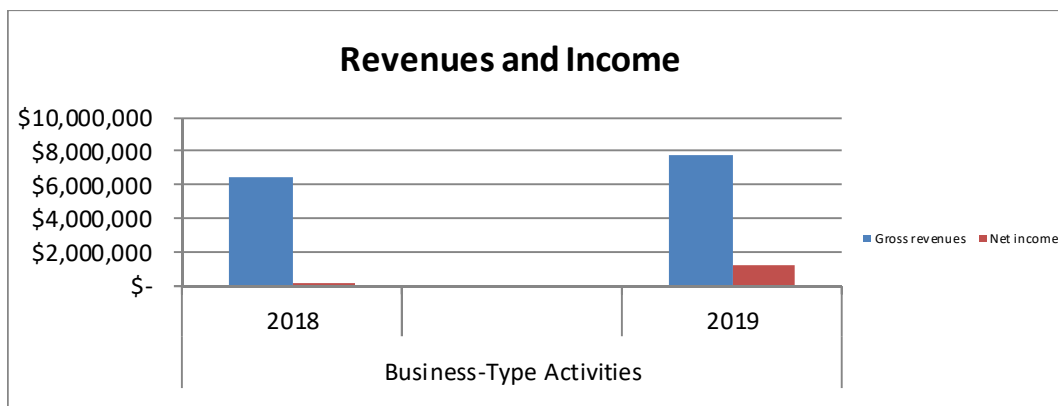
The following pie chart shows the Governmental Activities expenses as a percentage of revenue.



Business-type Activities

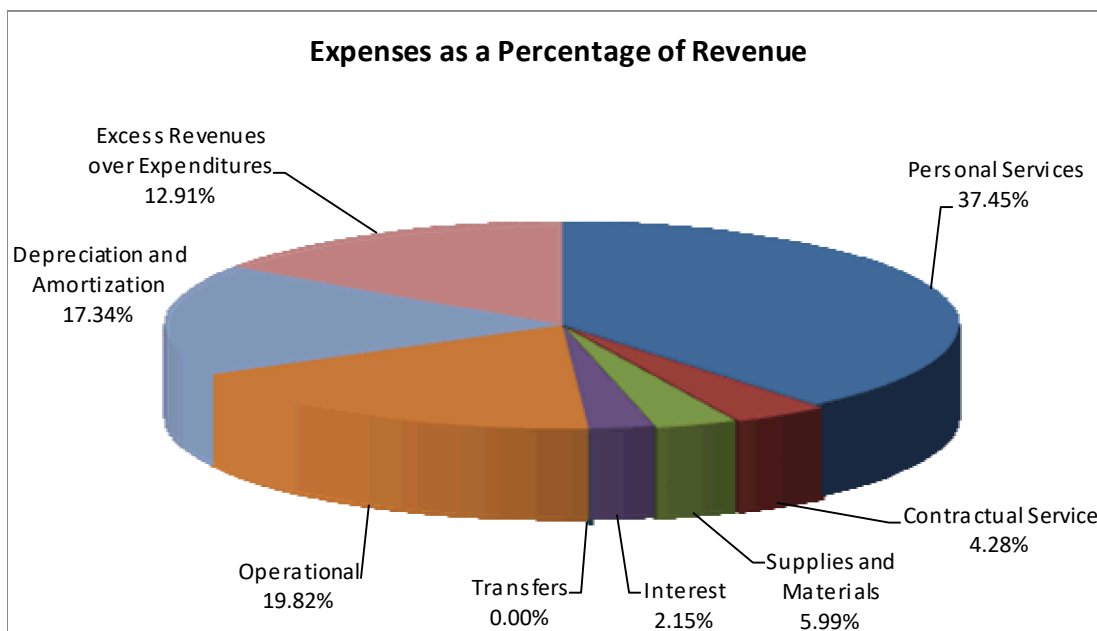
Operating revenues of the City's business-type activities were \$6.05 million for the fiscal year ending June 30, 2019. Operating expenses for the City's business-type activities were \$6.31 million for the year, resulting in net operating expenses over revenues of \$265,700 before non-operating revenues 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, 2019 and 2018.



The City's water and sewer system's most significant expenses were \$3.00 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 \$335,054, of which \$24,613 represents occupational tax revenue.

Budgeted expenditures exceeded General Fund expenditures by \$1.19 million. Of this, general government expenses were \$1.08 million less than budget, Fire/Rescue expenses exceeded budget by \$40,122 and Sanitation and Landfill expenses exceeded budget by \$33,890.

The city budget included a \$1.27 million contingency.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2019, the City had \$31,555,225 net invested in a broad range of capital assets, as compared to \$32,868,258 in fiscal year 2018, 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, 2018.

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 CAMPBELLVILLE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 2,162,520	\$ 1,112,179	\$ 3,274,699
Accounts receivable, net of allowance	1,467,381	574,981	2,042,362
Other	86,089	469,595	555,684
Inventory	-	260,904	260,904
Restricted assets			
Cash and cash equivalents	171,049	3,723,890	3,894,939
Total current assets	3,887,039	6,141,549	10,028,588
Noncurrent assets:			
Land and construction in progress	2,537,363	6,272,459	8,809,822
Other capital assets, net of depreciation	3,146,752	37,250,958	40,397,710
Total noncurrent assets	5,684,115	43,523,417	49,207,532
Total assets	9,571,154	49,664,966	59,236,120
Deferred outflows of resources			
Bond Discount	13,907	-	13,907
CERS - OPEB	945,746	335,453	1,281,199
CERS - OPEB Contributions	305,177	101,854	407,031
CERS - Pension	2,605,970	1,015,315	3,621,285
CERS - Pension Contributions	830,527	257,065	1,087,592
Total deferred outflows of resources	4,701,327	1,709,687	6,411,014

See accompanying notes to financial statements.

CITY OF CAMPBELLVILLE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business Type Activities	Total
Liabilities:			
Current liabilities:			
Accounts payable - trade	\$ 96,313	\$ 702,266	\$ 798,579
Accounts payable from restricted assets	47,193	-	47,193
Accrued payroll and related expenses	400,923	117,986	518,909
Customer deposits	-	152,072	152,072
Interest payable	-	52,245	52,245
Current portion of capital leases	228,499	-	228,499
Current portion of notes payable	99,455	537,565	637,020
Current portion of bonds payable	45,000	128,200	173,200
Current portion of compensated absences	-	78,559	78,559
Total current liabilities	<u>917,383</u>	<u>1,768,893</u>	<u>2,686,276</u>
Noncurrent liabilities:			
Noncurrent portion of capital leases	567,546	-	567,546
Noncurrent portion of notes payable	1,062,712	9,917,342	10,980,054
Noncurrent portion of bonds payable	660,000	3,475,800	4,135,800
Noncurrent portion of compensated absences	-	240,174	240,174
Net OPEB liability	3,489,171	1,146,197	4,635,368
Net pension liability	11,902,544	3,931,657	15,834,201
Total noncurrent liabilities	<u>17,681,973</u>	<u>18,711,170</u>	<u>36,393,143</u>
Total liabilities	<u>18,599,356</u>	<u>20,480,063</u>	<u>39,079,419</u>
Deferred inflows of resources			
CERS - OPEB	717,415	217,315	934,730
CERS - Pension	814,329	300,011	1,114,340
Total deferred inflows of resources	<u>1,531,744</u>	<u>517,326</u>	<u>2,049,070</u>
Net position:			
Net investment in capital assets	3,020,903	29,464,510	32,485,413
Restricted for:			
Debt service	-	3,698,239	3,698,239
Employee benefits	87,644	25,651	113,295
Unrestricted	<u>(8,967,166)</u>	<u>(2,811,136)</u>	<u>(11,778,302)</u>
Total net position	<u>\$ (5,858,619)</u>	<u>\$30,377,264</u>	<u>\$24,518,645</u>

See accompanying notes to financial statements.

CITY OF CAMPBELLSVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expense	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	
							Total
Governmental activities:							
General government	\$ 2,219,373	\$ 3,921	\$ 318,768	\$ 221,000	\$ (1,675,684)	\$ -	\$ (1,675,684)
Public safety:							
Police	2,363,686	-	134,634	-	(2,229,052)	-	(2,229,052)
Communication	1,002,706	-	-	-	(1,002,706)	-	(1,002,706)
Fire/ rescue	1,348,704	-	54,809	56,544	(1,237,351)	-	(1,237,351)
EMS	2,866,436	1,498,488	485,000	-	(882,948)	-	(882,948)
Streets and roads	821,051	-	-	-	(821,051)	-	(821,051)
Planning and codes	102,382	-	-	-	(102,382)	-	(102,382)
Recreation and parks	483,036	8,155	180,322	-	(294,559)	-	(294,559)
Garage	-	-	-	-	-	-	-
Sanitation and landfill	1,325,495	1,144,930	-	-	(180,565)	-	(180,565)
Interest on long-term debt	102,669	-	-	-	(102,669)	-	(102,669)
Total governmental activities	12,635,538	2,655,494	1,173,533	277,544	(8,528,967)	-	(8,528,967)
Business-type activities							
Water	4,581,780	4,447,680	-	1,599,007	-	1,464,907	1,464,907
Sew er	1,935,253	1,572,520	-	10,200	-	(352,533)	(352,533)
Total business-type activities	6,517,033	6,020,200	-	1,609,207	-	1,112,374	1,112,374
Total government	<u>\$ 19,152,571</u>	<u>\$ 8,675,694</u>	<u>\$ 1,173,533</u>	<u>\$ 1,886,751</u>	<u>(8,528,967)</u>	<u>1,112,374</u>	<u>(7,416,593)</u>
General Revenues							
Taxes:							
Property taxes					1,300,591	-	1,300,591
Occupational					2,774,613	-	2,774,613
Insurance premium					1,785,311	-	1,785,311
Franchise fees/permits					585,014	-	585,014
Investment earnings					-	44,593	44,593
Gain (loss) on sale of assets					14,165	(1,563)	12,602
Other income					582,463	25,690	608,153
Total General Revenue and Special Items					<u>7,042,157</u>	<u>68,720</u>	<u>7,110,877</u>
Change in Net Position					(1,486,810)	1,181,094	(305,716)
Net Position - Beginning					(4,371,809)	29,196,170	24,824,361
Net Position - Ending					<u>\$ (5,858,619)</u>	<u>\$ 30,377,264</u>	<u>\$ 24,518,645</u>

See accompanying notes to financial statements.

CITY OF CAMPBELLVILLE, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

	General	Special Revenue	Totals - Memorandum Only June 30, 2019
Assets and resources:			
Cash and cash equivalents	\$ 2,162,520	\$ -	\$ 2,162,520
Receivables (net of allowances)			
Accounts, general	1,467,381	-	1,467,381
State of Kentucky	10,057	-	10,057
Other	71,524	4,508	76,032
Interfund receivable	4,508	-	4,508
Restricted cash	171,049	-	171,049
Total assets and resources	<u>\$ 3,887,039</u>	<u>\$ 4,508</u>	<u>\$ 3,891,547</u>
Liabilities and fund balance:			
Accounts payable	\$ 96,313	\$ -	\$ 96,313
Accrued payroll and related expenses	400,923	-	400,923
Accounts payable from restricted assets	47,193	-	47,193
Interfund Payable	-	4,508	4,508
Total liabilities	<u>544,429</u>	<u>4,508</u>	<u>548,937</u>
Fund balance			
Unassigned fund balance	3,342,610	-	3,342,610
Total fund balance	<u>3,342,610</u>	<u>-</u>	<u>3,342,610</u>
 Total liabilities and fund balance	 <u>\$ 3,887,039</u>	 <u>\$ 4,508</u>	 <u>\$ 3,891,547</u>

See accompanying notes to financial statements.

CITY OF CAMPBELLSVILLE, KENTUCKY
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balance per fund financial statements	\$ 3,342,610
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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	\$ 5,684,115	5,684,115
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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	4,701,327	
Deferred Inflows	(1,531,744)	
Net OPEB liability	(3,489,171)	
Net pension liability	(11,902,544)	
Long-Term Debt Payable	<u>(2,663,212)</u>	<u>(14,885,344)</u>

Net position for governmental activities	<u><u>\$ (5,858,619)</u></u>
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CITY OF CAMPBELLSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2019

	Governmental Fund Types		Totals - Memorandum Only June 30,
	General	Special Revenue	2019
Revenues			
Taxes			
Occupational tax	\$ 2,774,613	\$ -	\$ 2,774,613
Property	1,300,591	-	1,300,591
Insurance premium	1,785,311	-	1,785,311
Franchise fees/permits	585,014	-	585,014
Intergovernmental revenues	1,158,257	292,820	1,451,077
Charges for services	2,655,494	-	2,655,494
Other Income	582,463	-	582,463
Total revenues	10,841,743	292,820	11,134,563
Expenditures			
General government	1,847,697	243,748	2,091,445
Public safety:			
Police	1,894,301	43,393	1,937,694
Communication	839,586	-	839,586
Fire/ rescue	1,193,727	12,633	1,206,360
Planning and codes	80,903	-	80,903
Streets and roads	672,277	-	672,277
Recreation and parks	417,204	-	417,204
Garage	-	-	-
Sanitation and landfill	1,145,565	-	1,145,565
EMS	2,268,434	-	2,268,434
Debt service			
Principal retirement	345,819	-	345,819
Interest and fiscal charges	101,676	-	101,676
Total expenditures	10,807,189	299,774	11,106,963
Excess revenues over (under) expenditures	34,554	(6,954)	27,600
Other financing sources (uses)			
Bond Proceeds	-	-	-
Capital lease proceeds	220,990	-	220,990
Bond Issuance Costs	-	-	-
Transfers in	-	6,954	6,954
Transfers out	(6,954)	-	(6,954)
Sale of fixed assets	13,239	-	13,239
Total other financing sources (uses)	227,275	6,954	234,229
Excess of revenues and other sources over (under) expenditures and other uses	261,829	-	261,829
Fund balances - beginning of year	3,080,781	-	3,080,781
Fund balances - end of year	\$ 3,342,610	\$ -	\$ 3,342,610

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, 2019

Net change in total fund balances per fund financial statements \$ 261,829

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	\$ (818,492)	
Capital Outlays	<u>457,115</u>	(361,377)

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)	(220,990)	(220,990)
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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	(62,127)	
Gain/(Loss) on Sale/Disposal of Assets	<u>14,165</u>	(47,962)

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	431,594	
Net pension liability	(901,520)	
Deferred outflows of resources	(661,304)	
Deferred inflows of resources	<u>(348,626)</u>	(1,479,856)

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	96,248	
Bond Payments	40,000	
Lease Payments	<u>225,300</u>	361,548

Rounding		<u>(2)</u>
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Change in net position of governmental activities		<u><u>\$ (1,486,810)</u></u>
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CITY OF CAMPBELLVILLE, KENTUCKY
 PROPRIETARY FUND
 CAMPBELLVILLE MUNICIPAL WATER AND SEWER SYSTEM
 STATEMENT OF NET POSITION
 June 30, 2019

Assets:

Current assets:

Cash and cash equivalents	\$ 1,112,179
Accounts receivable - trade (net of allowance)	574,981
Accounts receivable - other	469,595
Inventory	260,904
Restricted cash and cash equivalents	3,723,890
Total current assets	<u>6,141,549</u>

Noncurrent assets:

Land and construction in progress	6,272,459
Capital assets net of accumulated depreciation	37,250,958
Total noncurrent assets	<u>43,523,417</u>
Total assets	<u>49,664,966</u>

Deferred outflows of resources:

CERS - OPEB	335,453
CERS - OPEB contributions	101,854
CERS - Pension	1,015,315
CERS - Pension contributions	257,065
Total deferred outflows of resources	<u>1,709,687</u>

Liabilities:

Current liabilities:

Accounts payable - trade	702,266
Accrued payroll and related expenses	117,986
Customer deposits	152,072
Accrued interest	52,245
Current portion of notes payable	537,565
Current portion of bonds payable	128,200
Current portion of compensated absences	78,559
Total current liabilities	<u>1,768,893</u>

Noncurrent liabilities:

Noncurrent portion of notes payable	9,917,342
Noncurrent portion of bonds payable	3,475,800
Noncurrent portion of compensated absences	240,174
Net OPEB liability	1,146,197
Net pension liability	3,931,657
Total noncurrent liabilities	<u>18,711,170</u>
Total liabilities	<u>20,480,063</u>

CITY OF CAMPBELLVILLE, KENTUCKY
 PROPRIETARY FUND
 CAMPBELLVILLE MUNICIPAL WATER AND SEWER SYSTEM
 STATEMENT OF NET POSITION, CONTINUED
 June 30, 2019

Deferred inflows of resources:	
CERS - OPEB	\$ 217,315
CERS - pension	300,011
	<hr/>
Total deferred inflows of resources	517,326
Net position	
Net investment in capital assets	29,464,510
Restricted for:	
Debt service	3,698,239
Employee benefits	25,651
Unrestricted	(2,811,136)
	<hr/>
Total net position	<u>\$ 30,377,264</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, 2019

	Business-Type Activities Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 4,335,870	\$ 1,572,860	\$ 5,908,730
Service charges and other	136,563	641	137,204
Total operating revenues	4,472,433	1,573,501	6,045,934
Operating expenses:			
Personal service	2,013,154	989,029	3,002,183
Contractual service	152,404	149,595	301,999
Supplies and materials	199,953	58,001	257,954
Operational	1,032,528	367,580	1,400,108
Depreciation and amortization	978,341	371,049	1,349,390
Total operating expenses	4,376,380	1,935,254	6,311,634
Operating income (loss)	96,053	(361,753)	(265,700)
Non-operating revenues(expenses):			
Interest revenue	44,593	-	44,593
Interest expense and fiscal charges	(205,400)	-	(205,400)
Gain/(loss) on disposition of assets	(1,563)	-	(1,563)
Operating transfers out	(43)	-	(43)
Total non-operating revenue (expenses)	(162,413)	-	(162,413)
Net income (loss) before capital contributions and grants	(66,360)	(361,753)	(428,113)
Capital contributions	94,971	10,200	105,171
Grants	1,208,349	295,687	1,504,036
Total capital contributions and grants	1,303,320	305,887	1,609,207
Change in net position	1,236,960	(55,866)	1,181,094
Net position - beginning of year	25,558,270	3,637,900	29,196,170
Net position - end of year	<u>\$ 26,795,230</u>	<u>\$ 3,582,034</u>	<u>\$ 30,377,264</u>

See accompanying notes to financial statements.

CITY OF CAMPBELLVILLE, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2019

Cash flows from operating activities:	
Cash received from customers	\$ 6,162,384
Cash payments to employees for services	(2,433,663)
Customer deposits received	79,000
Customer deposits returned	(75,871)
Cash payments to suppliers for goods and services	(2,008,042)
Net cash provided/(used) by operating activities	<u>1,723,808</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets and construction in progress	(5,172,750)
Grants received	1,034,441
Disposal of capital assets net of gain	20,180
Increase in debt	3,774,230
Principal paid on bonds and notes	(562,860)
Interest paid on debt	(207,531)
Contributed capital	105,171
Transfers	(43)
Net cash provided/(used) by capital and related financing activities	<u>(1,009,162)</u>
Cash flows from investing activities:	
Interest	<u>44,593</u>
Net cash provided/(used) by investing activities	<u>44,593</u>
Net increase/(decrease) in cash and cash equivalents	759,239
Cash and cash equivalents – beginning of year	4,076,830
Cash and cash equivalents – end of year	<u><u>\$ 4,836,069</u></u>
Reconciliation of cash and cash equivalents to the statement of net position	
Cash and cash equivalents	\$ 1,112,179
Restricted cash and cash equivalents	3,723,890
Total cash and cash equivalents	<u><u>\$ 4,836,069</u></u>
Reconciliation of operating income (loss) to net cash provided/(used) for operating activities:	
Operating income (loss)	\$ (265,700)
Adjustments to reconcile operating income/(loss) to net cash provided/ (used) for operating activities:	
Depreciation and amortization	1,349,390
Change in Assets and Liabilities:	
(Increase)/decrease in accounts receivable	116,450
(Increase)/decrease in deferred outflows	(167,609)
(Increase)/decrease in inventory	(34,977)
Increase/(decrease) in accounts payable	(13,004)
Increase/(decrease) in salaries and accrued w/h taxes	6,490
Increase/(decrease) in compensated absences	(210)
Increase/(decrease) in customer deposits	3,129
Increase/(decrease) in net OPEB liability	6,816
Increase/(decrease) in net pension liability	614,236
Increase/(decrease) in deferred inflows	108,797
Total reconciling adjustments	<u>1,989,508</u>
Net cash provided/ (used) by operating activities	<u><u>\$ 1,723,808</u></u>

See accompanying notes to financial statements.

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

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, 2019

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, 2019, 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, 2019

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, 2019 was \$176,817.

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, 2019. The entire compensated absence liability is reported on the government-wide financial statements.

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.

CITY OF CAMPBELLSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2019

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, 2019, 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 \$2,335,954 while the bank statements totaled \$2,461,067. Of the total bank balances, \$574,456 was insured by FDIC; collateral agreements were executed and collateral, with a FMV of \$3,248,983, 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, 2019, the carry amount of the Water Company's cash and cash equivalents was \$4,836,070, while the bank statements totaled \$4,815,992. Of the total bank balances, \$500,110 was insured by FDIC; collateral agreements were executed and collateral, with a FMV of \$3,927,441 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:

	Business Type	Governmental
Debt Reserve Account	\$ 1,772,598	\$ -
Construction Account	821,547	-
Depreciation Replacement Account	743,004	-
USDA Reserve	205,491	-
Customer Performance Deposit	126,371	-
Customer Escrow Security Deposit	29,069	-
Flexible Spending Account	3,105	17,247
HRA Insurance Account	4,475	9,251
Self-Insured Account	18,070	87,644
Bond Escrow Account	-	29,816
Bond Escrow Account	-	27,091
Hwy 55 Relocations	50	-
WTP Improvements Project	110	-
	<u>\$ 3,723,890</u>	<u>\$ 171,049</u>

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

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, 2019, 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	\$ 2,528,363	\$ 9,000	\$ -	\$ 2,537,363
Construction In Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	<u>2,528,363</u>	<u>9,000</u>	<u>-</u>	<u>2,537,363</u>
Capital Assets Being Depreciated				
Buildings and Improvements	4,365,185	19,834	-	4,385,019
General Equipment and Vehicles	11,293,915	428,280	445,254	11,276,941
Total Capital Assets Being Depreciated	<u>15,659,100</u>	<u>448,114</u>	<u>445,254</u>	<u>15,661,960</u>
Less: Accumulated Depreciation				
Buildings and Improvements	3,340,720	121,612	-	3,462,332
General Equipment and Vehicles	8,753,288	696,880	397,292	9,052,876
Total Accumulated Depreciation	<u>12,094,008</u>	<u>818,492</u>	<u>397,292</u>	<u>12,515,208</u>
Total Capital Assets Being Depreciated, Net	<u>3,565,092</u>	<u>(370,378)</u>	<u>47,962</u>	<u>3,146,752</u>
Governmental Activities Capital Assets - Net	<u>\$ 6,093,455</u>	<u>\$ (361,378)</u>	<u>\$ 47,962</u>	<u>\$ 5,684,115</u>

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

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	6,238	5,507,853	-	5,514,091
Total Capital Assets, Not Being Depreciated	764,606	5,507,853	-	6,272,459
Capital Assets Being Depreciated				
Source of Supply	6,211,246	18,598	-	6,229,844
Buildings & Improvements	10,223,081	-	-	10,223,081
Machinery and Equipment	1,020,944	61,760	45,855	1,036,849
Water System	31,513,302	22,050	-	31,535,352
Sewer System	16,920,341	171,214	-	17,091,555
Total Capital Assets Being Depreciated	65,888,914	273,622	45,855	66,116,681
Less: Accumulated Depreciation				
Source of Supply	1,639,331	109,561	-	1,748,892
Buildings & Improvements	2,899,379	130,328	-	3,029,707
Machinery and Equipment	1,212,419	89,649	24,112	1,277,956
Water System	11,218,292	713,411	-	11,931,703
Sewer System	10,571,024	306,441	-	10,877,465
Total Accumulated Depreciation	27,540,445	1,349,390	24,112	28,865,723
Total Capital Assets Being Depreciated, Net	38,348,469	(1,075,768)	21,743	37,250,958
Business-Type Activities Capital Assets - Net	<u>\$ 39,113,075</u>	<u>\$ 4,432,085</u>	<u>\$ 21,743</u>	<u>\$ 43,523,417</u>

NOTE 5: OPERATING LEASES

As of June 30, 2019, 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, 2019.

Year Ending June 30:	
2020	\$ 253,326
2021	187,113
2022	144,094
2023	81,085
2024	76,048
Thereafter	126,346
Total minimum lease payments	868,012
Less: Interest	(71,967)
Present Value of future minimum lease payments	<u>\$ 796,045</u>

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

CITY OF CAMPBELLSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 7: LONG-TERM DEBT

Revenue Bonds

On December 4, 2017, the City Council approved a new inter-local 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 inter-local 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 Campbellsville and Campbellsville Water and Sewer have issued revenue bonds for various projects for the City. As of June 30, 2019, 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%	\$ -	\$ 1,085,000
2009	582,000	2048	4.25%	-	515,000
2010	482,000	2049	3%	-	428,000
2013	1,650,000	2054	2.50%	-	1,576,000
2018A	745,000	2033	1.250% - 3.450%	705,000	-
<u>Total</u>				<u>705,000</u>	<u>3,604,000</u>
Amount due within one year				<u>\$ 45,000</u>	<u>\$ 128,200</u>

Notes Payable

In fiscal year ended June 30, 1999, the Campbellsville 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, 2019 is \$814,447.

In the fiscal year ended June 30, 2017 the Campbellsville 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, 2019 is \$1,270,500.

The Campbellsville 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, 2019 is \$1,051,063.

Campbellsville 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 Campbellsville 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, 2019 is \$3,394,588.

Campbellsville 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 October 15, 2015 and maturing September 15, 2020. The balance of the loan at June 30, 2019 is \$150,079.

The Campbellsville Water and Sewer Company's Water Treatment Plant Improvement 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 \$7,970,000 to be paid with bi-annual installments including interest @ 1% beginning upon project completion. The balance of the loan at June 30, 2019 is \$3,774,230.

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 7: LONG-TERM DEBT, CONTINUED

As of June 30, 2019, 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	
2020	\$ 128,200	\$ 105,583	\$ 537,565	\$ 103,996	\$ 875,344
2021	145,100	101,508	452,424	97,696	796,728
2022	146,000	97,076	426,983	93,033	763,092
2023	147,900	92,674	431,389	88,575	760,538
2024	149,400	88,246	435,839	84,064	757,549
2025-2029	793,400	371,999	2,205,564	350,707	3,721,670
2030-2034	405,300	277,259	1,893,625	252,197	2,828,381
2035-2039	385,600	223,930	1,784,465	169,623	2,563,618
2040-2044	457,700	161,173	1,736,053	94,787	2,449,713
2045-2049	508,900	87,512	227,500	43,452	867,364
2050-2054	336,500	25,773	266,000	20,671	648,944
2055-2059	-	-	57,500	1,086	58,586
Total	<u>\$ 3,604,000</u>	<u>\$ 1,632,733</u>	<u>\$ 10,454,907</u>	<u>\$ 1,399,887</u>	<u>\$ 17,091,527</u>

For Campbellsville Water and Sewer Company, no Interest was capitalized during the fiscal year ended June 30, 2019; interest incurred and charged to expense totaled \$185,302.

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, 2019 is \$1,067,027.

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. The balance of the loan at June 30, 2019 is \$95,140

As of June 30, 2019, 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	
2020	\$ 45,000	\$ 18,245	\$ 99,455	\$ 39,286	\$ 201,986
2021	45,000	14,638	102,974	35,768	198,380
2022	45,000	16,940	106,514	32,228	200,682
2023	45,000	16,153	80,154	28,939	170,246
2024	45,000	15,298	80,189	26,209	166,696
2025-2029	250,000	59,492	446,815	85,177	841,484
2030-2034	230,000	19,589	246,066	11,064	506,719
Total	<u>\$ 705,000</u>	<u>\$ 160,355</u>	<u>\$ 1,162,167</u>	<u>\$ 258,671</u>	<u>\$ 2,286,193</u>

For the City, no interest was capitalized during the fiscal year ended June 30, 2019; interest incurred and charged to expense totaled \$101,676.

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 7: LONG-TERM DEBT, CONTINUED

Long-term liabilities for the year ended June 30, 2019 was as follows:

	Beginning Balance June 30, 2018	Additions	Reductions	Ending Balance June 30, 2019	Amount Due Within One Year
Governmental Activities:					
Notes Payable	\$ 1,258,415	\$ -	\$ 96,248	\$ 1,162,167	\$ 99,455
Capital Leases Payable	800,354	220,990	225,299	796,045	228,499
Revenue Bonds Payable	745,000	-	40,000	705,000	45,000
Net OPEB Liability	3,920,765	-	431,594	3,489,171	-
Net Pension Liability	11,001,024	901,520	-	11,902,544	-
Long-term Liabilities	<u>\$ 17,725,558</u>	<u>\$ 1,122,510</u>	<u>\$ 793,141</u>	<u>\$ 18,054,927</u>	<u>\$ 372,954</u>
Business-type Activities:					
Revenue Bonds Payable	\$ 3,725,800	\$ -	\$ 121,800	\$ 3,604,000	\$ 128,200
Notes Payable	7,121,737	3,774,230	441,060	10,454,907	537,565
Compensated Absences	318,943	-	210	318,733	78,559
Net OPEB Liability	1,139,381	6,816	-	1,146,197	-
Net Pension Liability	3,317,421	614,236	-	3,931,657	-
Long-term Liabilities	<u>\$ 15,623,282</u>	<u>\$ 4,395,282</u>	<u>\$ 563,070</u>	<u>\$ 19,455,494</u>	<u>\$ 744,324</u>

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

CITY OF CAMPBELLSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

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, 2019, 2018, and 2017 was \$830,527, \$680,324, and \$664,482 from the City and \$254,687, \$249,432, and \$241,388 from employees. The total covered payroll for CERS during the years ended June 30, 2019, 2018 and 2017 was \$4,432,983, \$3,964,690, and \$3,943,284.

The Campbellsville Water and Sewer Company (Company) contribution requirement for CERS for the years ended June 30, 2019, 2018, and 2017 was \$257,065, \$231,974, and \$193,637 from the Company and \$79,243, \$80,102 and \$69,404 from employees. The total covered payroll for CERS during the years ended June 30, 2019, 2018 and 2017 was \$1,584,861, \$1,602,034, and \$1,388,081.

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

City of Campbellsville

At June 30, 2019, the City reported a liability of \$6,064,969 for its non-hazardous proportionate share of the net pension liability for CERS and a liability of \$5,837,575 for its hazardous proportionate share of the net pension liability for a total net pension liability for the City of \$11,902,544 at June 30, 2019. The net pension liability for each plan was measured as of June 30, 2018, 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, 2018, the City's non-hazardous proportion was .099584% percent and the City's hazardous proportion was .241376%.

CITY OF CAMPBELLSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 8: PENSION AND RETIREMENT SYSTEMS, CONTINUED

For the year ended June 30, 2019, the City recognized pension expense of \$2,210,566. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 662,394	\$ 88,778
Changes of assumptions	1,214,114	-
Net difference between projected and actual earnings on pension plan investments	498,397	636,965
Changes in proportion and differences between City contributions and proportionate share of contributions	231,065	88,586
City contributions subsequent to the measurement date	830,527	-
Total	<u>\$ 3,436,497</u>	<u>\$ 814,329</u>

\$830,527 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, 2020. 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	1,274,053
2020	645,965
2021	(69,464)
2022	(58,913)

Campbellsville Water and Sewer

At June 30, 2019, Campbellsville Water and Sewer (Company) reported a liability of \$3,931,657 for its proportionate share of the net pension liability for CERS. The net pension liability for each plan was measured as of June 30, 2018, 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, 2018, the Company's proportion was 0.064556%.

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 8: PENSION AND RETIREMENT SYSTEMS, CONTINUED

For the year ended June 30, 2019, the Company recognized pension expense of \$748,684. At June 30, 2019, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 128,240	\$ 57,551
Changes of assumptions	384,237	-
Net difference between projected and actual earnings on pension plan investments	182,825	229,968
Changes in proportion and differences between Company contributions and proportionate share of contributions	320,013	12,492
Company contributions subsequent to the measurement date	257,065	-
Total	<u>\$ 1,272,380</u>	<u>\$ 300,011</u>

\$257,065 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	446,908
2020	284,338
2021	5,160
2022	(21,102)

Actuarial assumptions—the total pension liability in the June 30, 2018 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.

The actuarial assumptions used in the June 30, 2018 valuation were based on an actuarial valuation date of June 30, 2016.

CITY OF CAMPBELLSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 8: PENSION AND RETIREMENT SYSTEMS, CONTINUED

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>
	5.25%	6.25%	7.25%
CERS			
City's proportionate share of net pension liability-non hazardous	\$7,635,168	\$ 6,064,969	\$4,749,417
City's proportionate share of net pension liability- hazardous	\$7,314,099	\$ 5,837,575	\$4,516,951
Campbellsville Water and Sewer's proportionate share of net pension liability	\$4,949,549	\$ 3,931,657	\$3,078,842

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, 2019, employees contributed approximately \$44,848 to the plan.

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/>.

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 9 - POST EMPLOYMENT BENEFIT PLAN, CONTINUED

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 Campbellville

At June 30, 2019, the City reported a liability of \$1,768,165 for its non-hazardous proportionate share of the net OPEB liability for CERS and a liability of \$1,721,006 for its hazardous proportionate share of the net OPEB liability for a total net OPEB liability for the City of \$3,489,171 at June 30, 2019. The net OPEB liability for each plan was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of 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, 2018, the City's non-hazardous proportion was .099588% percent and the City's hazardous proportion was .241389%.

For the year ended June 30, 2019, the City recognized OPEB expense of \$579,119. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 398,384
Changes of assumptions	881,258	8,793
Net difference between projected and actual earnings on OPEB plan investments	-	285,404
Changes in proportion and differences between Company contributions and proportionate share of contributions	64,488	24,834
Company contributions subsequent to the measurement date	305,177	-
Total	<u>\$ 1,250,923</u>	<u>\$ 717,415</u>

CITY OF CAMPBELLSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 9 - POST EMPLOYMENT BENEFIT PLAN, CONTINUED

Of the total amount reported as deferred outflows of resources related to OPEB, \$305,177 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, 2020. 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:

Year Ended June 30:	
2019	114,924
2020	114,924
2021	19,935
2022	(9,408)
2023	(4,058)
Thereafter	(7,986)

Campbellsville Water and Sewer

At June 30, 2019, Campbellsville Water and Sewer (Company) reported a liability of \$1,146,197 for its proportionate share of the net OPEB liability for CERS. The net OPEB liability for the plan was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of 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 0.064557%.

For the year ended June 30, 2019, the Company recognized OPEB expense of \$178,796. At June 30, 2019, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 133,574
Changes of assumptions	228,912	2,648
Net difference between projected and actual earnings on OPEB plan investments	-	78,950
Changes in proportion and differences between Company contributions and proportionate share of contributions	106,541	2,143
Company contributions subsequent to the measurement date	101,854	-
Total	<u>\$ 437,307</u>	<u>\$ 217,315</u>

CITY OF CAMPBELLSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 9 - POST EMPLOYMENT BENEFIT PLAN, CONTINUED

Of the total amount reported as deferred outflows of resources related to OPEB, \$101,854 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, 2020. 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	23,681
2020	23,681
2021	23,681
2022	39,014
2023	9,595
Thereafter	(1,514)

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 5.85%. 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.

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:

	1% Decrease	Current	1% Increase
	<u>4.85%</u>	<u>Discount Rate</u>	<u>6.85%</u>
CERS			
City's proportionate share of net OPEB liability-non hazardous	\$2,296,563	\$1,768,165	\$1,318,067
City's proportionate share of net OPEB liability- hazardous	\$2,392,283	\$1,721,006	\$1,183,631
Campbellsville Water and Sewer's proportionate share of net OPEB liability	\$1,488,726	\$1,146,197	\$ 854,425

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 9 - POST EMPLOYMENT BENEFIT PLAN, CONTINUED

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:

	1% Decrease	Current Trend Rate	1% Increase
CERS	4.83%	5.83%	6.83%
City's net OPEB liability - non-hazardous	\$ 1,316,416	\$ 1,768,165	\$ 2,300,647
City's net OPEB liability - hazardous	\$ 1,172,088	\$ 1,721,006	\$ 2,400,863
Campbellsville Water and Sewer's net OPEB liability	\$ 853,355	\$ 1,146,197	\$ 1,491,373

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.

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.

CITY OF CAMPBELLVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

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: SUBSEQUENT EVENT

Management has reviewed subsequent events through January 6, 2020, 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, 2019

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues:				
Taxes				
Occupational taxes	\$ 2,750,000	\$ 2,750,000	\$ 2,774,613	\$ 24,613
Property	1,598,400	1,598,400	1,300,591	(297,809)
Insurance	1,560,000	1,560,000	1,785,311	225,311
Franchise fees/permits	310,000	310,000	585,014	275,014
Intergovernmental revenues	1,284,618	1,284,618	1,451,077	166,459
Charges for service	2,722,700	2,722,700	2,655,494	(67,206)
Other income	573,791	573,791	582,463	8,672
Total revenues	10,799,509	10,799,509	11,134,563	335,054
Expenditures:				
General government	3,168,709	3,168,709	2,091,445	(1,077,264)
Public safety				
Police	1,989,991	1,989,991	1,937,694	(52,297)
Communication	868,239	868,239	839,586	(28,653)
Fire/ rescue	945,248	945,248	1,206,360	261,112
EMS/rescue	2,186,168	2,186,168	2,268,434	82,266
Streets and roads	705,366	705,366	672,277	(33,089)
Planning and codes	87,360	87,360	80,903	(6,457)
Recreation and parks	555,518	555,518	417,204	(138,314)
Garage	-	-	-	-
Sanitation and landfill	1,111,675	1,111,675	1,145,565	33,890
Debt service	460,268	460,268	447,495	(12,773)
Total expenditures	12,078,542	12,078,542	11,106,963	(971,579)
Excess revenues over (under) expenditures	(1,279,033)	(1,279,033)	27,600	1,306,633
Other financing sources (uses)				
Bond proceeds	-	-	-	-
Capital lease proceeds	-	-	220,990	220,990
Bond issuance cost	-	-	-	-
Sale of fixed assets	5,000	5,000	13,239	8,239
Total other financing sources (used)	5,000	5,000	234,229	229,229
Excess revenues and other sources				
Over (under) expenditures and other uses	(1,274,033)	(1,274,033)	261,829	1,535,862
Fund balance - beginning of year	1,274,033	1,274,033	3,080,781	1,806,748
Fund balance - end of year	\$ -	\$ -	\$ 3,342,610	\$ 3,342,610

CITY OF CAMPBELLSVILLE KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE CERS NON-HAZARDOUS NET PENSION LIABILITY
June 30, 2019

	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.099584%	0.094524%	0.096195%	0.09749%	0.092513%
City's proportionate share of the net pension liability (asset)	\$ 6,064,969	\$ 5,532,780	\$ 4,736,273	\$ 4,191,567	\$ 3,001,000
City's covered-employee payroll	\$ 2,588,564	\$ 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	234.30%	224.08%	197.44%	177.24%	115.03%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	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 CAMPBELLVILLE KENTUCKY
SCHEDULE OF NON-HAZARDOUS CONTRIBUTIONS TO CERS
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 459,843	\$ 374,824	\$ 344,445	\$ 297,937	\$ 301,521
Contributions in relation to the contractually required contribution	<u>(459,843)</u>	<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>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,933,564	\$ 2,588,564	\$ 2,469,141	\$ 2,398,850	\$ 2,364,874
Contributions as a percentage of covered-employee payroll	15.68%	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 CAMPBELLVILLE KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE HAZARDOUS CERS NET PENSION LIABILITY
June 30, 2019

	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.241376%	0.244415%	0.237719%	0.250199%	0.245229%
City's prportionate share of the net pension liability (asset)	\$ 5,837,575	\$ 5,468,244	\$ 4,079,111	\$ 3,840,827	\$ 2,947,000
City's covered-employee payroll	\$ 1,376,126	\$ 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	424.20%	370.94%	310.46%	285.85%	226.97%
Plan fiduciary net position as a percentage of the total pension liability	49.26%	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 CAMPBELLVILLE KENTUCKY
SCHEDULE OF HAZARDOUS CONTRIBUTIONS TO CERS
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 370,684	\$ 305,500	\$ 320,036	\$ 266,198	\$ 278,539
Contributions in relation to the contractually required contribution	<u>(370,684)</u>	<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>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,499,419	\$ 1,376,126	\$ 1,474,143	\$ 1,313,908	\$ 1,343,653
Contributions as a percentage of covered-employee payroll	24.72%	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, 2019

	2018	2017	2016	2015	2014
Company's proportion of the net pension liability (asset)	0.064556%	0.056676%	0.054060%	0.056800%	0.054242%
Company's proportionate share of the net pension liability (asset)	\$ 3,931,657	\$ 3,317,421	\$ 2,661,695	\$ 2,442,123	\$ 1,760,000
Company's covered-employee payroll	\$ 1,602,034	\$ 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	245.42%	238.99%	206.40%	184.27%	140.99%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 257,065	\$ 231,974	\$ 193,637	\$ 160,165	\$ 168,979
Contributions in relation to the contractually required contribution	<u>(257,065)</u>	<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>	<u>\$ -</u>
Company's covered-employee payroll	\$ 1,584,861	\$ 1,602,034	\$ 1,388,081	\$ 1,289,573	\$ 1,325,325
Contributions as a percentage of covered-employee payroll	16.22%	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, 2019

NOTE 1 – ACTUARIAL METHODS AND ASSUMPTIONS USED TO DETERMINE THE ACTUARIAL DETERMINED CONTRIBUTIONS FOR FISCAL YEAR 2018

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

Valuation date	June 30, 2016
Experience study	July 1, 2008 - June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	27 years, closed
Payroll growth rate	4%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3%
Salary increases, including wage inflation	4% average
Investment rate of return	8%

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 CAMPBELLSVILLE KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE CERS NON-HAZARDOUS
NET OPEB LIABILITY
June 30, 2019

	2018	2017
City's proportion of the net OPEB liability (asset)	0.099588%	0.094524%
City's proportionate share of the net OPEB liability (asset)	\$ 1,768,165	\$ 1,900,256
City's covered-employee payroll	\$ 2,588,564	\$ 2,469,141
City's proportionate share of the net OPEB liability (asset) as a percentage of it covered-employee payroll	68.31%	76.96%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	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, 2019

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 149,123	\$ 121,663
Contributions in relation to the contractually required contribution	<u>(149,123)</u>	<u>(121,663)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,933,564	\$ 2,588,564
Contributions as a percentage of covered-employee payroll	5.08%	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, 2019

	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability (asset)	0.241389%	0.244415%
City's proportionate share of the net OPEB liability (asset)	\$ 1,721,006	\$ 2,020,509
City's covered-employee payroll	\$ 1,376,126	\$ 1,474,143
City's proportionate share of the net pension OPEB (asset) as a percentage of it covered-employee payroll	125.06%	137.06%
Plan fiduciary net position as a percentage of the total OPEB liability	64.24%	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, 2019

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 156,054	\$ 128,667
Contributions in relation to the contractually required contribution	<u>(156,054)</u>	<u>(128,667)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,499,419	\$ 1,376,126
Contributions as a percentage of covered-employee payroll	10.41%	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, 2019

	2018	2017
Company's proportion of the net OPEB liability (asset)	0.064557%	0.056676%
Company's proportionate share of the net OPEB liability (asset)	\$ 1,146,197	\$ 1,139,381
Company's covered-employee payroll	\$ 1,602,034	\$ 1,388,081
Company's proportionate share of the net OPEB liability (asset) as a percentage of it covered-employee payroll	71.55%	82.08%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	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, 2019

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 83,364	\$ 75,296
Contributions in relation to the contractually required contribution	<u>(83,364)</u>	<u>(75,296)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,584,861	\$ 1,602,034
Contributions as a percentage of covered-employee payroll	5.26%	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 OPEB
For the Year Ended June 30, 2019

NOTE 1 – ACTUARIAL METHODS AND ASSUMPTIONS USED TO DETERMINE THE ACTUARIAL DETERMINED CONTRIBUTIONS FOR FISCAL YEAR 2018

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

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

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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF CAMPBELLSVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Pass-Through Grantors Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 332,965
Total U.S. Department of Agriculture			332,965
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through Lake Cumberland Area Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	18-006	200,000
Total U.S. Department of Housing and Urban Development			200,000
<u>U.S. Department of the Interior</u>			
Passed Through the Kentucky Heritage Council Historic Preservation Fund Grants-in-Aid	15.904	KY-16-113	1,500
Total U.S. Department of the Interior			1,500
<u>U.S. Department of Transportation</u>			
Passed Through the Kentucky Transportation Cabinet			
Highway Planning and Construction	20.205	4000-080	21,283
State and Community Highway Safety	20.600	PT-18-12	2,017
State and Community Highway Safety	20.600	PT-19-14	17,464
Total U.S. Department of Transportation			40,764
<u>U.S. Environmental Protection Agency</u>			
Capitalization Grants for Clean Water State Revolving Funds	66.468		2,162,246
Total U.S. Environmental Protection Agency			2,162,246
<u>Executive Office of the President</u>			
Passed Through the Office of National Drug Control Policy			
High Intensity Drug Trafficking Areas Program	95.001	G17AP0001A	8,258
High Intensity Drug Trafficking Areas Program	95.001	G18AP0001A	9,187
Total Executive Office of the President			17,445
Total Federal Financial Assistance			\$ 2,754,920

CITY OF CAMPBELLSVILLE, KENTUCKY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Campbellsville, Kentucky under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Campbellsville, Kentucky, it is not intended to and does not present the financial position or cash flows of the City of Campbellsville, Kentucky.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the 2 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 – INDIRECT COST RATE

The City of Campbellsville, Kentucky has elected not to use to 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – SUBRECIPIENTS

There were no sub recipients during the fiscal year.

CITY OF CAMPBELLVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) _____ Yes X No

Identification of major programs

CFDA Number

66.468

Name of Federal Program or Cluster

U.S. Environmental Protection Agency

Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement of Findings

No matters were reported

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

OTHER SUPPLEMENTARY INFORMATION

CITY OF CAMPBELLSVILLE, KENTUCKY
BALANCE SHEET - SPECIAL REVENUE FUNDS
June 30, 2019

	Special Revenue	Totals- Memorandum Only June 30, 2019
Assets and resources:		
Cash and investments	\$ -	\$ -
Receivables (net of allowances)		
Other	4,508	4,508
Due from other funds	-	-
Total assets and resources	<u>\$ 4,508</u>	<u>\$ 4,508</u>
Liabilities and fund balance:		
Interfund payable	<u>\$ 4,508</u>	<u>\$ 4,508</u>
Total liabilities	4,508	4,508
Fund balance		
Restricted fund balance	-	-
Total Fund Equity	-	-
Total liabilities and fund balance	<u>\$ 4,508</u>	<u>\$ 4,508</u>

CITY OF CAMPBELLSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2019

	Special Revenue	Totals - Memorandum Only June 30, 2019
Revenues:		
Intergovernmental revenues	\$ 292,820	\$ 292,820
Other income	-	-
Total revenues	<u>292,820</u>	<u>292,820</u>
Expenditures:		
General government	243,748	243,748
Public safety:		
Police	43,393	43,393
Communication	-	-
Fire/rescue	12,633	12,633
EMS	-	-
Total expenditures	<u>299,774</u>	<u>299,774</u>
Excess revenues over (under) expenditures	(6,954)	(6,954)
Other financing sources (uses)		
Transfers in	6,954	6,954
Transfers out	-	-
Total other financing sources	<u>6,954</u>	<u>6,954</u>
Excess revenues and other sources over (under) expenditures and other uses	-	-
Fund balance - beginning of year	-	-
Fund balance - end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



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, 2019, 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 January 6, 2020.

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*.

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
January 6, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORMED GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited City of Campbellsville, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Campbellsville, Kentucky's major federal programs for the year ended June 30, 2019. The City of Campbellsville, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Campbellsville, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Campbellsville, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Campbellsville, Kentucky's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Campbellsville, Kentucky complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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

Report on Internal Control Over Compliance

Management of the City of Campbellsville, Kentucky is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Campbellsville, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Campbellsville, Kentucky's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Certified Public Accountants

Campbellsville, Kentucky
January 6, 2020