

**CITY OF CAMPBELLSVILLE, KENTUCKY**  
**BASIC FINANCIAL STATEMENTS,**  
**SUPPLEMENTARY INFORMATION**  
**AND INDEPENDENT AUDITOR'S REPORT**

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**For the Year Ended June 30, 2015**

## TABLE OF CONTENTS

	<u>Page(s)</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1-2</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3-9</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position	10-11
Statement of Activities	12
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds	13
Reconciliation of Combined Balance Sheet – Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	15
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	16
Statement of Net Position – Proprietary Fund	17
Combined Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	18
Statement of Cash Flows - Proprietary Fund	19
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>20-34</b>
<b>REQUIRED SUPPLEMENTARY SCHEDULES</b>	
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Actual and Budgeted - Governmental Fund Type	35
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Balance Sheet - Special Revenue Funds	36
Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds	37
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	
Schedule of Expenditures of Federal Awards	38



**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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Campbellsville, Kentucky (the "City"), as of and for the year ended June 30, 2015, 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 and the standards applicable to financial audits contained in *Government auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Campbellsville, Kentucky, as of June 30, 2015, 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.

TABLE OF CONTENTS

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	<u>Page(s)</u>
Notes to Schedule of Expenditures of Federal Awards	39
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	
Schedule of Findings and Questioned Costs	40
Schedule of Prior Year Audit Findings	41
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>42-43</b>
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133</b>	<b>44-45</b>

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 9 and page 35 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 made 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 36 through 37 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying Schedules of Expenditures of Federal Awards and Notes to Schedule Expenditures of Federal Awards on pages 38 through 39 are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and are also not a required part of the basic financial statements of the City.

The additional information shown on pages 36 through 37 and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and 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 36 and 37 and the Schedule of Expenditures of Federal Awards 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 27, 2016 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 27, 2016

CITY OF CAMPBELLVILLE, KENTUCKY  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
Year Ended June 30, 2015

The discussion and analysis of the City of Campbellville's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended June 30, 2015. 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, 2015 by \$31.29 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis serves as an introduction to the City of Campbellville's basic financial statements. The City of Campbellville'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 Campbellville's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City of Campbellville'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 Campbellville 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 \$31.30 million as of June 30, 2015 as compared to \$35.45 million at June 30, 2014. The reduction in net position is due to the City adopting GASB 68 in the current fiscal year. Prior year net position was restated as of June 30, 2014 at \$31,179,292. This was a reduction in net position of \$4,271,530 upon adoption of GASB 68. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business type activities net position is \$27.36 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.

By far the largest portion of the City's net position (97 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.

**Summary of Net Position  
 June 30, 2015**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>Assets:</b>						
Current and Other Assets	\$ 2,207,849	\$ 2,248,544	\$ 4,052,343	\$ 3,740,488	\$ 6,260,192	\$ 5,989,032
Capital Assets	6,100,224	6,316,458	31,855,758	32,018,401	37,955,982	38,334,859
Total Assets	8,308,073	8,565,002	35,908,101	35,758,889	44,216,174	44,323,891
Deferred Outflows of Resources	878,881	-	235,965	-	1,114,846	-
<b>Liabilities:</b>						
Long-term Liabilities	4,346,437	1,433,220	7,711,232	5,905,799	12,057,669	7,339,019
Other Liabilities	572,529	699,869	872,573	813,422	1,445,102	1,513,291
Total Liabilities	4,918,966	2,133,089	8,583,805	6,719,221	13,502,771	8,852,310
Deferred Inflow of Resources	335,000	20,759	196,000	-	20,759	20,759
Total Deferred Inflow	335,000	20,759	196,000	-	20,759	20,759
<b>Net Position:</b>						
Invested in Capital Assets						
Net of Related Debt	4,569,377	4,641,883	25,842,167	26,051,802	30,411,544	30,693,685
Restricted	-	-	2,700,991	2,620,369	2,700,991	2,620,369
Unrestricted	(636,389)	1,769,271	(1,178,897)	367,497	(1,815,296)	2,136,768
Total Net Position	\$ 3,932,988	\$ 6,411,154	\$ 27,364,261	\$ 29,039,668	\$ 31,297,249	\$ 35,450,822

**Governmental Activities**

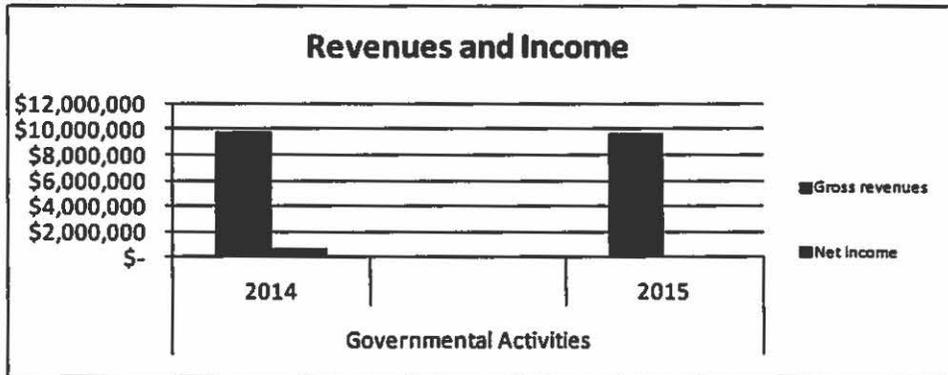
The City's general revenues increased by \$142,480 compared to the prior year. The majority of the increase is due to an increase in collected taxes. The following table is a detail of general revenues.

**General Revenues**

	2015	2014	Increase/ (Decrease)
Taxes	\$4,998,439	\$4,764,415	\$ 234,024
Franchise fees and Permits	496,997	457,898	39,099
Other Income/(Expense)	251,243	381,886	(130,643)
<b>Total General Revenue</b>	<b>\$5,746,679</b>	<b>\$5,604,199</b>	<b>\$ 142,480</b>

City of Campbellsville, Kentucky  
Management's Discussion & Analysis  
Page 4

The following chart shows the Governmental Activities gross revenues as compared to net income for the years June 30, 2015 and 2014.



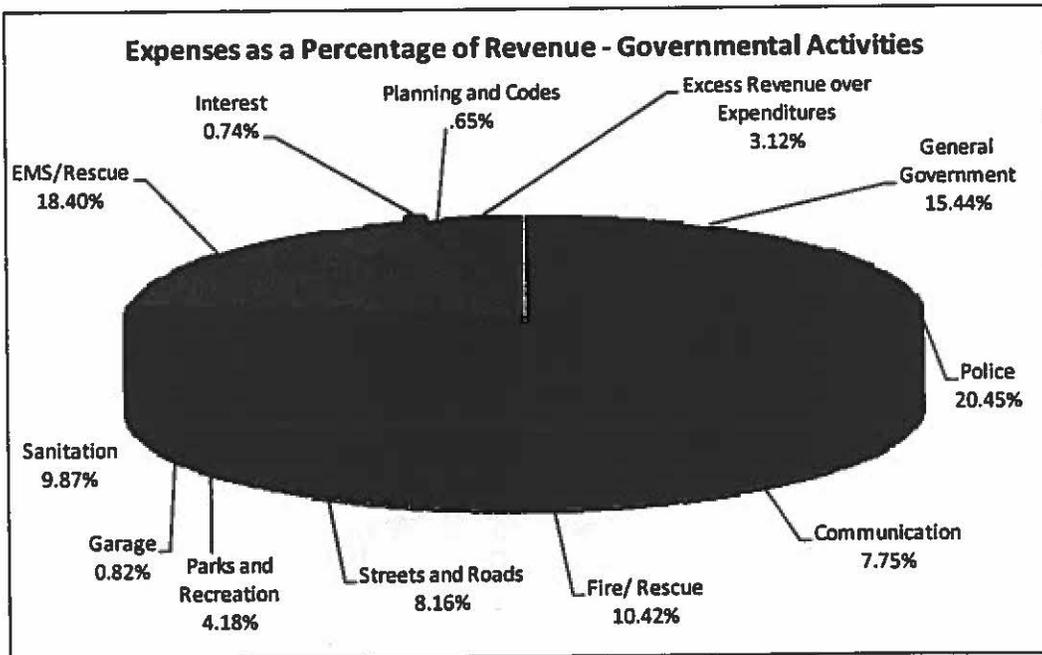
Governmental and Business type activities increased the City's net position by \$118 thousand. The key elements of this increase are as follows:

#### Changes in Net Position

REVENUES	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>Program Revenues</b>						
Charges for Services	\$ 2,408,894	\$ 2,279,576	\$ 4,657,300	\$ 4,465,060	\$ 7,066,194	\$ 6,744,636
Operating Grants and Contributions	1,088,293	1,053,904	379,286	504,690	1,467,579	1,558,594
Capital Grants and Contributions	522,787	512,675	122,421	65,967	645,208	578,642
<b>General Revenues</b>						
Taxes	4,998,439	4,764,415	-	-	4,998,439	4,764,415
Franchise Fees/Permits	496,997	457,898	-	-	496,997	457,898
Other Income	248,434	379,083	45,802	31,121	294,236	410,204
<b>TOTAL REVENUES</b>	<b>9,763,844</b>	<b>9,447,551</b>	<b>5,204,809</b>	<b>5,066,838</b>	<b>14,968,653</b>	<b>14,514,389</b>
<b>EXPENSES</b>						
General Government	1,512,083	1,726,726	-	-	1,512,083	1,726,726
Police	2,066,083	2,014,415	-	-	2,066,083	2,014,415
Communication	777,432	784,385	-	-	777,432	784,385
Fire / Rescue	1,148,695	1,083,552	-	-	1,148,695	1,083,552
EMS/Rescue	1,777,751	1,697,621	-	-	1,777,751	1,697,621
Streets and Roads	827,903	795,724	-	-	827,903	795,724
Planning and Codes	62,549	65,855	-	-	62,549	65,855
Recreation and Parks	420,492	411,491	-	-	420,492	411,491
Garage	78,813	-	-	-	78,813	-
Sanitation and Landfill	985,664	962,172	-	-	985,664	962,172
Interest	71,020	65,712	116,398	121,155	187,418	186,867
Water and Sewer	-	-	3,902,208	3,955,890	3,902,208	3,955,890
Depreciation	-	-	1,103,605	1,020,462	1,103,605	1,020,462
<b>TOTAL EXPENSES</b>	<b>9,728,485</b>	<b>9,607,653</b>	<b>5,122,211</b>	<b>5,097,507</b>	<b>14,850,696</b>	<b>14,705,160</b>
Increase in net assets before transfers	35,359	(160,102)	82,598	(30,669)	117,957	(190,771)
Transfers	2,809	2,803	(2,809)	(6,990)	-	(4,187)
<b>Increase in Net Position</b>	<b>38,168</b>	<b>(157,299)</b>	<b>79,789</b>	<b>(37,659)</b>	<b>117,957</b>	<b>(194,958)</b>
Net Position, July 1, restated	3,894,820	6,568,453	27,284,472	29,077,327	31,179,292	35,645,780
<b>Net Position, June 30</b>	<b>\$ 3,932,988</b>	<b>\$ 6,411,154</b>	<b>\$27,364,261</b>	<b>\$29,039,668</b>	<b>\$31,297,249</b>	<b>\$35,450,822</b>

The most significant governmental expenses for the City was in providing for public safety, which incurred expenses of \$5.6 million. These expenses were offset by revenues collected from a variety of sources, with the largest being from medic runs, which are \$1.36 million for the fiscal year ending June 30, 2015. The major components of public safety are police, fire/rescue and EMS. Police accounted for \$2.1 million in public safety expense of which \$1.75 million was incurred for salary and benefits. Fire/rescue accounted for \$1.15 million in public safety expense, of which \$719,605 was incurred for salary and benefits. EMS accounted for \$1.78 million in public safety expense of which \$1.4 million was for salary and benefits. Communications accounted for \$777,432 in public safety expenses of which \$632,951 was for salary and benefits.

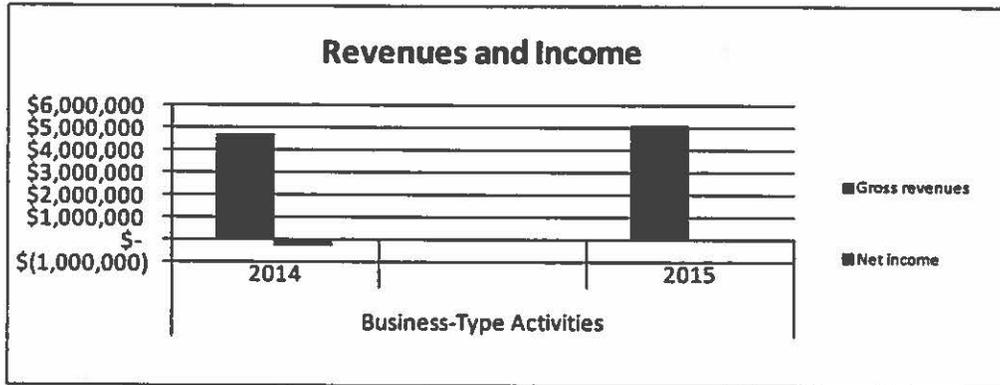
The following pie chart shows the Governmental Activities expenses as a percentage of revenue.



**Business-type Activities**

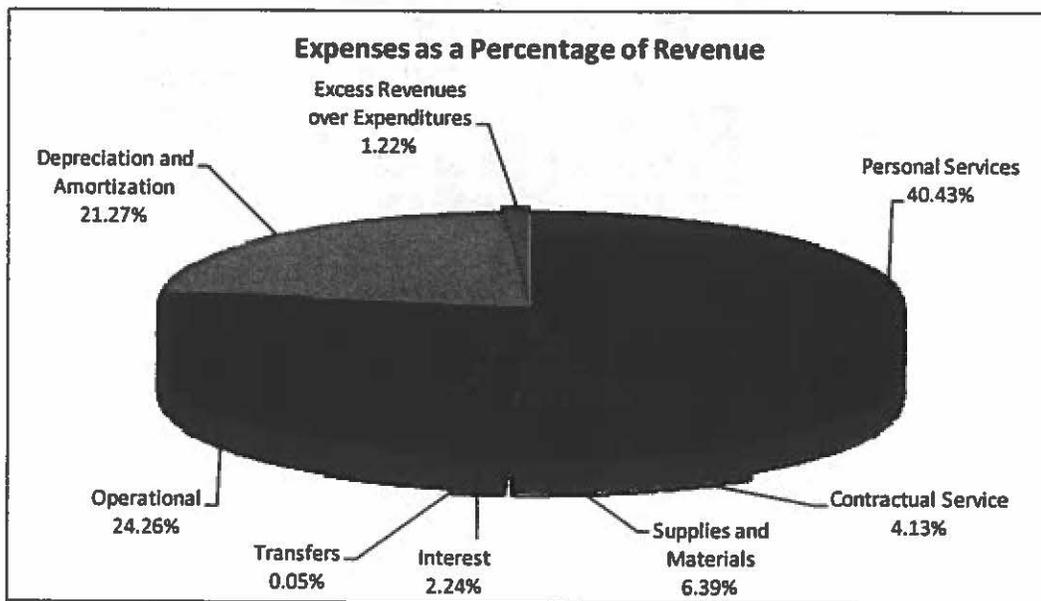
Operating revenues of the City's business-type activities were \$4.66 million for the fiscal year ending June 30, 2015. Operating expenses for the City's business-type activities were \$5 million for the year, resulting in net operating expenses over revenues of \$348,513 before non-operating revenues 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, 2015 and 2014.



The City's water and sewer system's most significant expenses were \$2.06 million in salaries and benefits.

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



## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of the fiscal year 2015, the City had \$30,411,544 net invested in a broad range of capital assets, as compared to \$30,693,685 in fiscal year 2014, including police, fire and rescue equipment, buildings, park facilities, and water and sewer lines.

### **Debt**

At year-end, the City had \$7,544,438 in General Obligation Bonds, Notes and Capital Lease Obligations outstanding as compared to \$7,480,092 at June 30, 2014.

## **CURRENT ECONOMIC EVENTS**

Currently, there is a decrease of 1.36% and .61% respectively for the City's hazardous and non-hazardous retirement contribution match requirement compared to the fiscal year ended June 30, 2015.

## **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, Tony Young, 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, 2015

	Governmental Activities	Business Type Activities	Total
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 1,053,596	\$ 496,937	\$ 1,550,533
Accounts receivable, net of allowance	1,081,426	372,248	1,453,674
Other	64,329	214,109	278,438
Inventory	-	237,628	237,628
Due from City		30,430	30,430
<b>Restricted assets</b>			
Cash and cash equivalents	8,498	2,700,991	2,709,489
<b>Total current assets</b>	<b>2,207,849</b>	<b>4,052,343</b>	<b>6,260,192</b>
<b>Noncurrent assets:</b>			
Land and construction in progress	2,597,810	1,014,293	3,612,103
Other capital assets, net of depreciation	3,502,414	30,841,465	34,343,879
<b>Total noncurrent assets</b>	<b>6,100,224</b>	<b>31,855,758</b>	<b>37,955,982</b>
<b>Total assets</b>	<b>8,308,073</b>	<b>35,908,101</b>	<b>44,216,174</b>
<b>Deferred outflows of resources</b>			
Pension Contributions	878,881	235,965	1,114,846

See accompanying notes to financial statements.

CITY OF CAMPBELLVILLE, KENTUCKY  
STATEMENT OF NET POSITION  
June 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Checks issued in excess of cash	\$ 18,291	\$ -	\$ 18,291
Accounts payable - trade	111,258	52,599	163,857
Accounts payable - construction in progress		214,109	214,109
Accrued payroll and related expenses	257,570	87,603	345,173
Customer deposits	-	128,346	128,346
Interest payable	-	22,352	22,352
Current portion of capital leases	119,552	-	119,552
Current portion of notes payable	65,858	-	65,858
Current portion of bonds payable	-	302,533	302,533
Current portion of compensated absences	-	65,031	65,031
<b>Total current liabilities</b>	<b>572,529</b>	<b>872,573</b>	<b>1,445,102</b>
<b>Noncurrent liabilities:</b>			
Noncurrent portion of capital leases	83,657	-	83,657
Noncurrent portion of notes payable	1,261,780	2,012,359	3,274,139
Noncurrent portion of bonds payable	-	3,698,699	3,698,699
Noncurrent portion of compensated absences	-	240,174	240,174
Net pension liability	3,001,000	1,760,000	4,761,000
<b>Total noncurrent liabilities</b>	<b>4,346,437</b>	<b>7,711,232</b>	<b>12,057,669</b>
<b>Total liabilities</b>	<b>4,918,966</b>	<b>8,583,805</b>	<b>13,502,771</b>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	335,000	196,000	531,000
<b>Net position:</b>			
Net investment in capital assets	4,569,377	25,842,167	30,411,544
Restricted for:			
Debt service	-	2,694,851	2,694,851
Employee benefits	-	6,140	6,140
Unrestricted	(636,389)	(1,178,897)	(1,815,286)
<b>Total net position</b>	<b>\$ 3,932,988</b>	<b>\$27,364,261</b>	<b>\$31,297,249</b>

See accompanying notes to financial statements.



CITY OF CAMPBELLSVILLE, KENTUCKY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2015

	General	Special Revenue	Totals - Memorandum Only June 30, 2015
<b>Assets and resources:</b>			
Cash and investments	\$ 1,053,596	\$ -	\$ 1,053,596
Receivables (net of allowances)			
Accounts, net of allowance	1,081,426	-	1,081,426
State of Kentucky	10,031	-	10,031
Other	36,007	18,291	54,298
Restricted cash	8,498	-	8,498
<b>Total assets and resources</b>	<b>\$ 2,189,558</b>	<b>\$ 18,291</b>	<b>\$ 2,207,849</b>
<b>Liabilities and fund balance:</b>			
Checks issued in excess of cash	\$ -	\$ 18,291	\$ 18,291
Accounts payable	111,258	-	111,258
Accrued payroll and related expenses	257,570	-	257,570
<b>Total liabilities</b>	<b>368,828</b>	<b>18,291</b>	<b>387,119</b>
<b>Fund balance</b>			
Unassigned fund balance	1,820,730	-	1,820,730
<b>Total fund balance</b>	<b>1,820,730</b>	<b>-</b>	<b>1,820,730</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,189,558</b>	<b>\$ 18,291</b>	<b>\$ 2,207,849</b>

See accompanying notes to financial statements.

CITY OF CAMPBELLSVILLE, KENTUCKY  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION  
June 30, 2015

Total fund balance per fund financial statements \$ 1,820,730

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

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

Capital Assets, Net	\$ 6,100,224	6,100,224
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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	878,881	
Deferred Inflows	(335,000)	
Net pension liability	(3,001,000)	
Long-Term Debt Payable	<u>(1,530,847)</u>	<u>(3,987,966)</u>

Net position for governmental activities		<u>\$ 3,932,988</u>
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See accompanying notes to financial statements.

CITY OF CAMPBELLSVILLE, KENTUCKY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended June 30, 2015

	Governmental Fund Types		Totals - Memorandum Only June 30,
	General	Special Revenue	2015
<b>Revenues</b>			
<b>Taxes</b>			
Occupational tax	\$ 2,417,623	\$ -	\$ 2,417,623
Property	1,159,342	-	1,159,342
Insurance premium	1,421,474	-	1,421,474
Franchise fees/permits	496,997	-	496,997
Intergovernmental revenues	1,088,293	418,887	1,507,180
Charges for services	2,408,894	-	2,408,894
Other Income	246,300	-	246,300
<b>Total revenues</b>	<b>9,238,923</b>	<b>418,887</b>	<b>9,657,810</b>
<b>Expenditures</b>			
General government	1,215,601	275,895	1,491,496
Public safety:			
Police	1,931,050	44,280	1,975,330
Communication	748,600	-	748,600
Fire/ rescue	894,573	112,269	1,006,842
Planning and codes	63,000	-	63,000
Streets and roads	787,800	-	787,800
Recreation and parks	403,834	-	403,834
Garage	79,423	-	79,423
Sanitation and landfill	953,912	-	953,912
EMS	1,776,966	-	1,776,966
Debt service			
Principal retirement	260,683	-	260,683
Interest and fiscal charges	71,020	-	71,020
<b>Total expenditures</b>	<b>9,186,462</b>	<b>432,444</b>	<b>9,618,906</b>
<b>Excess revenues over (under) expenditures</b>	<b>52,461</b>	<b>(13,557)</b>	<b>38,904</b>
<b>Other financing sources (uses)</b>			
Transfers in	2,809	13,557	16,366
Transfers out	(13,557)	-	(13,557)
Loan proceeds	-	-	-
Sale of fixed assets	9,746	-	9,746
<b>Total other financing sources (uses)</b>	<b>(1,002)</b>	<b>13,557</b>	<b>12,555</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>51,459</b>	<b>-</b>	<b>51,459</b>
<b>Fund balances - beginning of year, restated</b>	<b>1,769,271</b>	<b>-</b>	<b>1,769,271</b>
<b>Fund balances - end of year</b>	<b>\$ 1,820,730</b>	<b>\$ -</b>	<b>\$ 1,820,730</b>

See accompanying notes to financial statements.

CITY OF CAMPBELLSVILLE, KENTUCKY  
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2015

Net change in total fund balances per fund financial statements \$ 51,459

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	\$ (642,161)	
Capital Outlays	<u>433,539</u>	(208,622)

The Proceeds from capital leases 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	(123,278)	(123,278)
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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	(9,746)	
Gain/(Loss) on Sale/Disposal of Assets	<u>2,134</u>	(7,612)

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 pension liability	395,000	
Deferred outflows of resources	(785)	
Deferred inflows of resources	<u>(335,000)</u>	59,215

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	80,107	
Lease Payments	<u>186,899</u>	<u>267,006</u>

Change in net assets of governmental activities \$ 38,168

See accompanying notes to financial statements.

CITY OF CAMPBELLVILLE, KENTUCKY  
 PROPRIETARY FUND  
 CAMPBELLVILLE MUNICIPAL WATER AND SEWER SYSTEM  
 STATEMENT OF NET POSITION  
 June 30, 2015

<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 496,937
Accounts receivable - trade (net of allowance)	372,248
Accounts receivable - other	214,109
Inventory	237,628
Due from City	30,430
Restricted cash and cash equivalents	<u>2,700,991</u>
<b>Total current assets</b>	<b><u>4,052,343</u></b>
<b>Noncurrent assets:</b>	
Land and construction in progress	1,014,293
Capital assets net of accumulated depreciation	<u>30,841,465</u>
<b>Total noncurrent assets</b>	<b><u>31,855,758</u></b>
<b>Total assets</b>	<b><u>35,908,101</u></b>
<b>Deferred outflows of resources:</b>	
Pension contributions	<u>235,965</u>
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable - trade	52,599
Accounts payable - construction in progress	214,109
Accrued payroll and related expenses	87,603
Customer deposits	128,346
Accrued interest	22,352
Current portion of bonds payable	302,533
Current portion of compensated absences	<u>65,031</u>
<b>Total current liabilities</b>	<b><u>872,573</u></b>
<b>Noncurrent liabilities:</b>	
Noncurrent portion of notes payable	2,012,359
Noncurrent portion of bonds payable	3,698,699
Noncurrent portion of compensated absences	240,174
Net pension liability	<u>1,760,000</u>
<b>Total noncurrent liabilities</b>	<b><u>7,711,232</u></b>
<b>Total liabilities</b>	<b><u>8,583,805</u></b>
<b>Deferred inflows of resources:</b>	
Net difference between projected and actual earnings on pension plan investments	<u>196,000</u>
<b>Net position</b>	
Net investment in capital assets	25,842,167
Restricted for:	
Debt service	2,694,851
Employee benefits	6,140
Unrestricted	<u>(1,178,897)</u>
<b>Total net position</b>	<b><u>\$ 27,364,261</u></b>

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, 2015

	Business-Type Activities Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 3,246,321	\$ 1,316,527	\$ 4,562,848
Service charges and other	94,402	50	94,452
<b>Total operating revenues</b>	<b>3,340,723</b>	<b>1,316,577</b>	<b>4,657,300</b>
Operating expenses:			
Personal service	1,409,100	688,557	2,097,657
Contractual service	90,918	123,535	214,453
Supplies and materials	278,441	52,996	331,437
Operational	921,410	337,251	1,258,661
Depreciation and amortization	799,922	303,683	1,103,605
<b>Total operating expenses</b>	<b>3,499,791</b>	<b>1,506,022</b>	<b>5,005,813</b>
<b>Operating income (loss)</b>	<b>(159,068)</b>	<b>(189,445)</b>	<b>(348,513)</b>
Non-operating revenues(expenses):			
Interest revenue	31,155	-	31,155
Interest expense and fiscal charges	(86,834)	(29,564)	(116,398)
Gain/(loss) on disposition of assets	14,647	-	14,647
Operating transfers out	(2,809)	-	(2,809)
<b>Total non-operating revenue (expenses)</b>	<b>(43,841)</b>	<b>(29,564)</b>	<b>(73,405)</b>
<b>Net income (loss) before capital contributions and grants</b>	<b>(202,909)</b>	<b>(219,009)</b>	<b>(421,918)</b>
Capital contributions	86,443	35,978	122,421
Grants	379,286	-	379,286
<b>Total capital contributions and grants</b>	<b>465,729</b>	<b>35,978</b>	<b>501,707</b>
<b>Change in net position</b>	<b>262,820</b>	<b>- (183,031)</b>	<b>- 79,789</b>
<b>Net position - beginning of year, restated</b>	<b>22,941,336</b>	<b>4,343,136</b>	<b>27,284,472</b>
<b>Net position - end of year</b>	<b>\$ 23,204,156</b>	<b>\$ 4,160,105</b>	<b>\$ 27,364,261</b>

See accompanying notes to financial statements.

CITY OF CAMPBELLVILLE, KENTUCKY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
For the Year Ended June 30, 2015

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 4,671,615
Cash payments to employees for services	(2,120,272)
Customer deposits received	68,800
Customer deposits returned	(64,172)
Cash payments to suppliers for goods and services	(1,851,709)
Net cash provided/(used) by operating activities	704,262
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets and construction in progress	(912,712)
Grants received	134,747
Disposal of capital assets net of gain	72,728
Increase in debt	344,104
Principal paid on bonds and notes	(297,112)
Interest paid on debt	(117,238)
Contributed capital	122,421
Decrease in compensated absences	(5,792)
Transfers	(2,809)
Net cash provided/(used) by capital and related financing activities	(661,663)
<b>Cash flows from investing activities:</b>	
Interest	31,155
Net cash provided/(used) by investing activities	31,155
<b>Net increase/(decrease) in cash and cash equivalents</b>	
	73,754
Cash and cash equivalents – beginning of year	3,124,174
Cash and cash equivalents – end of year	\$ 3,197,928
<b>Reconciliation of cash and cash equivalents to the statement of net position</b>	
Cash and cash equivalents	\$ 496,937
Restricted cash and cash equivalents	2,700,991
Total cash and cash equivalents	\$ 3,197,928
<b>Reconciliation of operating income (loss) to net cash provided/(used) for operating activities:</b>	
Operating income (loss)	\$ (348,513)
<b>Adjustments to reconcile operating income/(loss) to net cash provided/ (used) for operating activities:</b>	
Depreciation and amortization	1,103,605
<b>Change in Assets and Liabilities:</b>	
(Increase)/decrease in accounts receivable	14,315
(Increase)/decrease in deferred outflows	(161)
(Increase)/decrease in inventory	(7,877)
Increase/(decrease) in accounts payable	(39,281)
Increase/(decrease) in salaries and accrued w/h taxes	12,546
Increase/(decrease) in customer deposits	4,628
Increase/(decrease) in net pension liability	(231,000)
Increase/(decrease) in deferred inflows	196,000
Total reconciling adjustments	1,052,775
Net cash provided/ (used) by operating activities	\$ 704,262

See accompanying notes to financial statements.

CITY OF CAMPBELLSVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Campbellsville, 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.

CITY OF CAMPBELLSVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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.

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 separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 38. This is a major fund of the City.

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 have elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, for proprietary funds. The proprietary funds apply all applicable GASB pronouncements as well as statements and interpretations of the FASB, the Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

CITY OF CAMPBELLSVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

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.

*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.

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 the governmental funds is based upon historical experience in collecting medic run revenue. The allowance for doubtful accounts for Campbellsville Water and Sewer Company at June 30, 2015 was \$136,887. The allowance for doubtful accounts for the governmental funds at June 30, 2015 was \$31,953.

*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.

CITY OF CAMPBELLSVILLE, KENTUCKY  
 NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

*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, 2015. 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.

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.

CITY OF CAMPBELLVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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.

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.

**CITY OF CAMPBELLVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2015

**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, 2015, 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 \$1,043,803 while the bank statements totaled \$1,398,994. Of the total bank balances, \$1,000,000 was insured by FDIC; collateral agreements were executed and collateral, with a FMV of \$1,498,657, 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, 2015, the City had \$10,584 of uninsured deposits at Taylor County Bank

At June 30, 2015, the carry amount of the Water Company's cash and cash equivalents was \$3,197,928, while the bank statements totaled \$3,240,033. Of the total bank balances, \$500,000 was insured by FDIC; collateral agreements were executed and collateral, with a FMV of \$2,322,828, was pledged and held by the pledging bank's trust departments in the Water Company's name and a \$1,000,000 letter of credit from Federal Home Loan Bank of Cincinnati to secure the remainder of the deposits.

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

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

	<u>Business Type</u>	<u>Governmental</u>
Debt Reserve Account	\$ 1,623,897	\$ -
Construction Account	452,553	-
Depreciation Replacement Account	291,370	-
USDA Reserve	197,442	-
Customer Performance Deposit	100,145	-
Customer Escrow Security Deposit	29,407	-
Flexible Spending Account	3,130	4,882
HRA Insurance Account	3,011	3,616
Downtown Water Lines Account	35	-
North Bypass Sewer Account	1	-
	<u>\$ 2,700,991</u>	<u>\$ 8,498</u>

**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.

**CITY OF CAMPBELLVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2015

**NOTE 4: CAPITAL ASSETS – (CONTINUED)**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance at Beginning of Year	Transfers and Additions	Transfers and Deductions	Balance at End of Year
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 2,597,810	\$ -	\$ -	\$ 2,597,810
Construction In Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	<u>2,597,810</u>	<u>-</u>	<u>-</u>	<u>2,597,810</u>
<b>Capital Assets Being Depreciated</b>				
Buildings and Improvements	3,873,197	14,725	-	3,887,922
General Equipment and Vehicles	9,629,052	418,814	120,184	9,927,682
Total Capital Assets Being Depreciated	<u>13,502,249</u>	<u>433,539</u>	<u>120,184</u>	<u>13,815,604</u>
<b>Less: Accumulated Depreciation</b>				
Buildings and Improvements	2,859,683	109,707	-	2,969,390
General Equipment and Vehicles	6,923,918	532,454	112,572	7,343,800
Total Accumulated Depreciation	<u>9,783,601</u>	<u>642,161</u>	<u>112,572</u>	<u>10,313,190</u>
Total Capital Assets Being Depreciated, Net	<u>3,718,648</u>	<u>(208,622)</u>	<u>7,612</u>	<u>3,502,414</u>
Governmental Activities Capital Assets - Net	<u>\$ 6,316,458</u>	<u>\$ (208,622)</u>	<u>\$ 7,612</u>	<u>\$ 6,100,224</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 708,368	\$ -	\$ -	\$ 708,368
Construction In Progress	37,288	305,925	37,288	305,925
Total Capital Assets, Not Being Depreciated	<u>745,656</u>	<u>305,925</u>	<u>37,288</u>	<u>1,014,293</u>
<b>Capital Assets Being Depreciated</b>				
Source of Supply	6,020,364	126,820	-	6,147,184
Buildings & Improvements	9,163,770	32,040	-	9,195,810
Machinery and Equipment	786,556	86,035	59,417	813,174
Water System	22,199,996	391,443	47,517	22,543,922
Sewer System	16,089,104	94,070	22,632	16,160,542
Total Capital Assets Being Depreciated	<u>54,259,790</u>	<u>730,408</u>	<u>129,566</u>	<u>54,860,632</u>
<b>Less: Accumulated Depreciation</b>				
Source of Supply	1,204,730	105,543	-	1,310,273
Buildings & Improvements	2,493,997	79,938	-	2,573,935
Machinery and Equipment	931,766	93,949	53,006	972,709
Water System	8,891,030	555,441	-	9,446,472
Sewer System	9,465,522	268,736	18,479	9,715,778
Total Accumulated Depreciation	<u>22,987,045</u>	<u>1,103,607</u>	<u>71,485</u>	<u>24,019,167</u>
Total Capital Assets Being Depreciated, Net	<u>31,272,745</u>	<u>(373,199)</u>	<u>58,081</u>	<u>30,841,465</u>
Business-Type Activities Capital Assets - Net	<u>\$ 32,018,401</u>	<u>\$ (67,274)</u>	<u>\$ 95,369</u>	<u>\$ 31,855,758</u>

CITY OF CAMPBELLVILLE, KENTUCKY  
 NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2015

**NOTE 5: OPERATING LEASES**

As of June 30, 2015, 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, 2015.

Year Ending June 30:	
2016	\$ 124,212
2017	60,647
2018	10,815
2019	8,291
2020	<u>6,910</u>
Total minimum lease payments	210,875
Less: Interest	<u>(7,666)</u>
Present Value of future minimum lease payments	<u>\$ 203,209</u>

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

**NOTE 7: LONG-TERM DEBT**

The revenue bonds of the enterprise funds are payable from operations of the Water and Sewer fund. The bonds mature annually in varying amounts through fiscal year 2030 and interest is payable semi-annually ranging from 1.60% to 6.15%. Debt balances and transactions for the year ended June 30, 2015 are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 302,533	\$ 117,887	\$ 420,420
2017	312,715	107,741	420,456
2018	388,461	96,810	485,271
2019	175,076	84,887	259,963
2020	182,241	80,484	262,725
2021-2025	1,016,612	325,596	1,342,208
2026-2030	912,694	191,752	1,104,446
2031-2035	145,100	120,676	265,776
2036-2040	176,800	91,594	268,394
2041-2045	216,300	54,637	270,937
2046-2050	172,700	13,939	186,639
	<u>\$4,001,232</u>	<u>\$1,286,003</u>	<u>\$ 5,287,235</u>

The Campbellsville Water and Sewer Company is in the construction phase of the Campbellsville Industrial Park Area Water Tank project which is being administered by the United States Department of Agriculture Rural Development. The project specifies that the City is to use interim financing for the project until the construction phase is complete. The City has acquired interim financing with Taylor County Bank with interest paid quarterly @ 2.6% through December 10, 2015. The balance of the interim financing with Taylor County Bank at June 30, 2015 is \$1,180,885 all of which is long-term.

CITY OF CAMPBELLSVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

NOTE 7: LONG-TERM DEBT – (CONTINUED)

The Campbellsville Water and Sewer Company began a Downtown Water Line Project which is being 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. Interest is to be paid monthly on the financed amount until project completion upon which time the note will be set up on installments over twenty years. The balance of the loan at June 30, 2015 is \$831,474, all of which is long-term.

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 City also purchased property of which existed an AT&T Tower for \$85,000 with \$1,000 down and the remainder financed with a 48 month note dated September 19, 2011 with Citizens Bank and Trust of Campbellsville Kentucky in the amount of \$84,000. Monthly payments are \$1,855.25 including interest of 2.85 %.

As of June 30, 2015, annual debt service requirements for the governmental activity loans to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 65,858	\$ 46,095	\$ 111,953
2017	62,632	43,766	106,398
2018	64,897	41,507	106,404
2019	67,232	39,167	106,399
2020	69,557	36,842	106,399
2021-2025	387,741	144,251	531,992
2026-3030	462,932	69,061	531,993
2031-2035	146,789	3,942	150,731
	<u>\$1,327,638</u>	<u>\$ 424,631</u>	<u>\$ 1,752,269</u>

Long-term liabilities for the year ended June 30, 2015 was as follows:

	Beginning Balance June 30, 2014	Additions	Reductions	Ending Balance June 30, 2015	Amount Due Within One Year
<b>Governmental Activities:</b>					
Notes Payable	\$ 1,407,745	\$ -	\$ 80,107	\$ 1,327,638	\$ 65,858
Capital Leases Payable	266,830	123,278	186,899	203,209	119,552
Net Pension Liability	-	3,396,000	395,000	3,001,000	-
<b>Long-term Liabilities</b>	<u>\$ 1,674,575</u>	<u>\$ 3,519,278</u>	<u>\$ 662,006</u>	<u>\$ 4,531,847</u>	<u>\$ 185,410</u>
<b>Business-type Activities:</b>					
Revenue Bonds Payable	\$ 4,298,344	\$ -	\$ 297,112	\$ 4,001,232	\$ 302,533
Notes Payable	1,668,255	344,104	-	2,012,359	-
Compensated Absences	310,997	-	5,792	305,205	65,031
Net Pension Liability	-	1,991,000	231,000	1,760,000	-
<b>Long-term Liabilities</b>	<u>\$ 6,277,596</u>	<u>\$ 2,335,104</u>	<u>\$ 533,904</u>	<u>\$ 8,078,796</u>	<u>\$ 367,564</u>

CITY OF CAMPBELLVILLE, KENTUCKY  
 NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2015

**NOTE 8: PENSION AND RETIREMENT SYSTEMS**

**General information about the County Employees retirement system Hazardous & Non-Hazardous ("CERS")**

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

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

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

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:

	Required contribution
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, 2015, 2014, and 2013 was \$879,666, \$878,881, and \$864,278 from the City and \$231,633, \$217,033, and \$203,566 from employees. The total covered payroll for CERS during the years ended June 30, 2015, 2014 and 2013 was \$3,847,313, \$3,672,690, and \$3,479,237.

CITY OF CAMPBELLVILLE, KENTUCKY  
 NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2015

NOTE 8: PENSION AND RETIREMENT SYSTEMS – (CONTINUED)

The Campbellsville Water and Sewer Company (Company) contribution requirement for CERS for the years ended June 30, 2015, 2014, and 2013 was \$235,965, \$235,803, and 233,022 from the Company and \$68,889, \$64,441 and 61,682 from employees. The total covered payroll for CERS during the years ended June 30, 2015, 2014 and 2013 was \$1,325,218, \$1,244,401, and \$1,191,929.

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

**City of Campbellsville**

At June 30, 2015, the City reported a liability of \$3,001,000 for its proportionate share of the net pension liability for CERS. The net pension liability for each plan was measured as of June 30, 2014, 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, 2014, the City's proportion was 0.092513% percent.

For the year ended June 30, 2015, the City recognized pension expense of \$819,666. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	335,000
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	878,881	-
<b>Total</b>	<b>\$ 878,881</b>	<b>\$ 335,000</b>

\$878,881 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows: (\$335,000/5)

Year Ended June 30:	
2016	67,000
2017	67,000
2018	67,000
2019	67,000
2020	67,000

CITY OF CAMPBELLVILLE, KENTUCKY  
 NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2015

NOTE 8: PENSION AND RETIREMENT SYSTEMS – (CONTINUED)

**Campbellsville Water and Sewer**

At June 30, 2015, Campbellsville Water and Sewer (Company) reported a liability of \$1,760,000 for its proportionate share of the net pension liability for CERS. The net pension liability for each plan was measured as of June 30, 2014, 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, 2014, the Company's proportion was 0.054242% percent.

For the year ended June 30, 2015, the Company recognized pension expense of \$200,804. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	196,000
Changes in proportion and differences between Company contributions and proportionate share of contributions	-	-
Company contributions subsequent to the measurement date	235,965	-
<b>Total</b>	<b>\$ 235,965</b>	<b>\$ 196,000</b>

\$235,965 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows: (\$196,000/5)

Year Ended June 30:	
2016	39,200
2017	39,200
2018	39,200
2019	39,200
2020	39,200

CITY OF CAMPBELLVILLE, KENTUCKY  
 NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2015

NOTE 8: PENSION AND RETIREMENT SYSTEMS – (CONTINUED)

*Actuarial assumptions*—the total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.75%	7.50%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated

August 25, 2009. 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 measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earning were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*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 Campbellville Water and Sewer Company, calculated using the discount rates selected by CERS, as well as what the City and the Campbellville 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:

	1% Decrease	Current Discount Rate	1% Increase
CERS	6.75%	7.75%	8.75%
City's proportionate share of net pension liability	2,613,774	3,001,000	3,388,226
Campbellville Water and Sewer's proportionate share of net pension liability	1,532,903	1,760,000	1,987,098

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

CITY OF CAMPBELLVILLE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

**NOTE 8: PENSION AND RETIREMENT SYSTEMS – (CONTINUED)**

**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, 2015, employee contributed approximately \$60,051 to the plan.

**NOTE 9: RISK MANAGEMENT**

The City of Campbellville 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 10: 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 Campbellville'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 11: 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 Campbellville 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.

**NOTE 12: DEFICIT OPERATING/FUND BALANCES**

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

Sewer	\$183,031
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CITY OF CAMPBELLVILLE, KENTUCKY  
 NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2015

**NOTE 13 – CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES**

Effective July 1, 2014, the City was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension related assets and liabilities based on their proportionate share of the collective amounts for governments in the plan.

GASB 68 required retrospective application. Since the City only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$4,271,530 reduction in beginning net position on the Statement of Activities and an increase of \$1,115,470 of deferred outflows of resources—pension contributions subsequent to the measurement date.

	City	Campbellville Water and Sewer	Total
Net Position, July 1, 2014 as Previously Reported	\$ 6,411,154	29,039,668	\$ 35,450,822
Deferred outflows of resources - pension	-		-
contributions July 1, 2013-June 30, 2014	879,666	235,804	1,115,470
Net pension liability on June 30, 2014	(3,396,000)	(1,991,000)	(5,387,000)
Beginning net position, as restated	<u>\$ 3,894,820</u>	<u>\$ 27,284,472</u>	<u>31,179,292</u>

**NOTE 14: SUBSEQUENT EVENT**

Management has evaluated subsequent events through January 27, 2016, the date the financial statements were available to be issued.

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, 2015

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Revenues:</b>				
<b>Taxes</b>				
Occupational taxes	\$ 2,245,500	\$ 2,245,500	\$ 2,417,623	\$ 172,123
Property	1,155,000	1,155,000	1,159,342	4,342
Insurance	1,350,000	1,350,000	1,421,474	71,474
Franchise fees/permits	474,000	474,000	496,997	22,997
Intergovernmental revenues	1,476,470	1,476,470	1,507,180	30,710
Charges for service	2,457,640	2,457,640	2,408,894	(48,746)
Other income	242,318	242,318	246,300	3,982
<b>Total revenues</b>	<b>9,400,928</b>	<b>9,400,928</b>	<b>9,657,810</b>	<b>256,882</b>
<b>Expenditures:</b>				
General government	2,526,416	2,526,416	1,491,496	(1,034,920)
<b>Public safety</b>				
Police	1,869,960	1,869,960	1,975,330	105,370
Communication	845,937	845,937	748,600	(97,337)
Fire/ rescue	1,001,323	1,001,323	1,006,842	5,519
EMS/rescue	1,751,630	1,751,630	1,776,966	25,336
Streets and roads	678,238	678,238	787,800	109,562
Planning and codes	66,108	66,108	63,000	(3,108)
Recreation and parks	406,942	406,942	403,834	(3,108)
Garage	88,800	88,800	79,423	(9,377)
Sanitation and landfill	999,525	999,525	953,912	(45,613)
Debt service	-	-	331,703	331,703
<b>Total expenditures</b>	<b>10,234,879</b>	<b>10,234,879</b>	<b>9,618,906</b>	<b>(615,973)</b>
<b>Excess revenues over (under) expenditures</b>	<b>(833,951)</b>	<b>(833,951)</b>	<b>38,904</b>	<b>872,855</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	16,366	16,366
Transfers out	-	-	(13,557)	(13,557)
Sale of fixed assets	25,000	25,000	9,746	(15,254)
<b>Total other financing sources (used)</b>	<b>25,000</b>	<b>25,000</b>	<b>12,555</b>	<b>(12,445)</b>
<b>Excess revenues and other sources</b>				
Over (under) expenditures and other uses	(808,951)	(808,951)	51,459	860,410
<b>Fund balance - beginning of year</b>	<b>808,951</b>	<b>808,951</b>	<b>1,769,271</b>	<b>960,320</b>
<b>Fund balance - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,820,730</b>	<b>\$ 1,820,730</b>

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**SUPPLEMENTARY SCHEDULES**

CITY OF CAMPBELLSVILLE, KENTUCKY  
 BALANCE SHEET - SPECIAL REVENUE FUNDS  
 June 30, 2015

	Special Revenue	Totals- Memorandum Only June 30, 2015
<b>Assets and resources:</b>		
Cash and investments	\$ -	\$ -
Receivables (net of allowances)		
Other	18,291	18,291
Due from other funds	-	-
<b>Total assets and resources</b>	<b>\$ 18,291</b>	<b>\$ 18,291</b>
<b>Liabilities and fund balance:</b>		
Checks issued in excess of cash	\$ 18,291	\$ 18,291
Unearned revenue	-	-
<b>Total liabilities</b>	<b>18,291</b>	<b>18,291</b>
<b>Fund balance</b>		
Reserved fund balance	-	-
<b>Total Fund Equity</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 18,291</b>	<b>\$ 18,291</b>

CITY OF CAMPBELLVILLE, KENTUCKY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - SPECIAL REVENUE FUNDS  
For the Year Ended June 30, 2015

	Special Revenue	Totals - Memorando Only June 30, 2015
<b>Revenues:</b>		
Intergovernmental revenues	\$ 418,887	\$ 418,887
Other income	-	-
<b>Total revenues</b>	<u>418,887</u>	<u>418,887</u>
<b>Expenditures:</b>		
General government	275,895	275,895
Public safety:		
Police	44,280	44,280
Communication	-	-
Fire	112,269	112,269
Sanitation	-	-
Recreation and parks	-	-
<b>Total expenditures</b>	<u>432,444</u>	<u>432,444</u>
<b>Excess revenues over (under) expenditures</b>	(13,557)	(13,557)
<b>Other financing sources (uses)</b>		
Transfers in	13,557	13,557
Transfers out	-	-
<b>Total other financing sources</b>	<u>13,557</u>	<u>13,557</u>
<b>Excess revenues and other sources     over (under) expenditures and other uses</b>	-	-
<b>Fund balance - beginning of year</b>	<u>-</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

CITY OF CAMPBELLVILLE, KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

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		\$ 121,752
Total U.S. Department of Agriculture			121,752
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grant	14.228	11-053	25,000
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through Lake Cumberland Area Community Development Block Grant	14.228	14-004	250,000
Total U.S. Department of Housing and Urban Development			275,000
<u>U.S. Department of the Interior</u>			
Passed Through the Kentucky Heritage Council Historic Preservation Fund Grants-in-Aid	15.904	14-103	4,472
Total U.S. Department of the Interior			4,472
<u>U.S. Department of Transportation</u>			
Passed Through the Kentucky Transportation Cabinet			
State and Community Highway Safety	20.600	AL-14-08	3,532
State and Community Highway Safety	20.600	M5-15-06	7,885
<u>U.S. Department of Transportation</u>			
Passed Through the Kentucky Department of Local Government Recreational Trails Program	20.219	477-13	9,247
Total U.S. Department of Transportation			20,664
<u>U.S. Environmental Protection Agency</u>			
Passed Through the Kentucky Infrastructure Authority Congressionally Mandated Projects	66.202	9N-2014	164,975
Total U.S. Environmental Protection Agency			164,975
<u>Executive Office of the President</u>			
Passed Through the Office of National Drug Control Policy			
High Intensity Drug Trafficking Areas Program	95.001	G14AP0001A	12,775
High Intensity Drug Trafficking Areas Program	95.001	G15AP0001A	9,429
Total Executive Office of the President			22,204
<u>U. S. Department of Homeland Security</u>			
Passed Through the Kentucky Office of Homeland Security			
Homeland Security Grant Program	97.067	HS14023SAR	51,000
Homeland Security Grant Program	97.067	HS14024RAD	9,279
Total U.S. Department of Homeland Security			60,279
Total Federal Financial Assistance			\$ 669,346

CITY OF CAMPBELLSVILLE, KENTUCKY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2015

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Campbellsville, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CITY OF CAMPBELLSVILLE, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015**

**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 deficiency(s) 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
- Reportable condition(s) 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 Section 510(a) of Circular A-133? \_\_\_\_\_ Yes        X   No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.202	U.S. Environmental Protection Agency Congressionally Mandated Projects
97.067	U. S. Department of Homeland Security Passed Through the Kentucky Office of Homeland Security Homeland Security Grant Program

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

\$300,000

Auditee qualified as low-risk auditee?   X   Yes      \_\_\_\_\_ No

**Section II - Financial Statement of Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

CITY OF CAMPBELLSVILLE, KENTUCKY  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2015

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**Findings and Questioned Costs – Financial Statements:**

*Finding:*

None

**Findings and Questioned Costs – Major Federal Award Program Audit:**

*Finding:*

None



**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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Campbellsville, Kentucky, as of and for the year ended June 30, 2015, 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 27, 2016.

**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

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

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*.

**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 27, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor,  
City Council and City Clerk 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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Campbellsville Kentucky's major federal programs for the year ended June 30, 2015. 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 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 of City of Campbellsville, Kentucky's compliance.

***Opinion on Each Major Federal Program***

In our opinion, 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, 2015.

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

### Report on Internal Control Over Compliance

Management of 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 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Wise, Buckner, Sprowles & Associates, PLLC*  
Wise, Buckner, Sprowles & Associates, PLLC

Campbellsville, Kentucky  
January 27, 2016