

CITY OF CAMPBELLSBURG, KENTUCKY

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2015

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William A. Talley
Jon D. Chesser
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Kentucky Offices:
Louisville
Brandenburg
Bardstown

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the business-type activities, of the City of Campbellsburg, Kentucky, 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the City of Campbellsburg, 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.

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 6 through 10 and page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Campbellsburg, Kentucky's basic financial statements. The budgetary comparison information – special revenue fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison information – special revenue fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information – special revenue fund is fairly stated in all material respects in relation to the basic 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 December 8, 2015, on our consideration of the City of Campbellsburg, 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 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 City of Campbellsburg, Kentucky's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Richardson, Pennington & Skinner, PSC".

Louisville, Kentucky
December 8, 2015

**CITY OF CAMPBELLSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

This management discussion and analysis is intended to be an easily readable analysis of the City of Campbellsburg (City) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year ending June 30, 2015 by \$3,111,600 (net position). Of this amount \$150,154 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$300,009 for the year ended June 30, 2015. The decrease of \$202,373 in the governmental funds can be attributed to an increase in expenses and a decrease in revenue for the year, and also the accrual of net pension liability related to the employee retirement plan for the prior year.

Overview of the Financial Statements

Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, and the notes to the financial statements. The discussion and analysis serves as an introduction to the City's basic financial statements. The City'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 required supplementary information and other supplementary information in addition to the basic financial statements themselves.

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The Statement of Net position presents information on all of the City'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 is improving or deteriorating. Other nonfinancial 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, improvements, 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 (e.g. uncollected taxes and earned but not used vacation leave). 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 of used in prior reporting models.

CITY OF CAMPBELLSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015

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, parks and recreation, and general administration. Property taxes, franchise fees, and insurance premium taxes finance 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 Sewer system is reported here.

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. 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. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Special Revenue Fund.

- Proprietary funds – The City charges customers for the services it provides. 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 enterprise fund is 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. The City maintains one enterprise fund. The City uses enterprise funds to account for its sewer services and garbage collection.

CITY OF CAMPBELLSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015

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 budgetary comparative information for the general fund and for the special revenue fund.

The City as a whole – Government-wide financial Analysis

A condensed version of the Statement of Net Position at June 30, 2015 and 2014 follows:

	2015	2014	2015	2014
	Governmental	Governmental	Business-type	Business-type
	Activities	Activities	Activities	Activities
Cash and cash equivalents	\$ 113,984	\$ 336,643	\$ 234,850	\$ 225,596
Other assets	62,462	63,998	15,166	17,326
Capital assets	1,168,782	1,053,351	3,336,988	3,457,718
Deferred outflows	16,284	-0-	-0-	-0-
Assets and Deferred Outflows	<u>\$ 1,361,512</u>	<u>\$ 1,453,992</u>	<u>\$ 3,587,004</u>	<u>\$ 3,700,640</u>
Other liabilities	29,267	29,778	17,000	16,000
Long-term outstanding	637,649	640,245	1,040,000	1,057,000
Net pension liability	102,000	-0-	-0-	-0-
Deferred inflows	11,000	-0-	-0-	-0-
Liabilities and Deferred Inflows	<u>779,916</u>	<u>670,023</u>	<u>1,057,000</u>	<u>1,073,000</u>
Invested in capital assets, net of debt	531,004	410,573	2,279,988	2,384,718
Restricted	33,354	19,543	117,100	116,970
Unrestricted	17,238	353,853	132,916	125,952
Net Position	<u>581,596</u>	<u>783,969</u>	<u>2,530,004</u>	<u>2,627,640</u>
Net Position, Liabilities and Deferred Inflows	<u>\$ 1,361,512</u>	<u>\$ 1,453,992</u>	<u>\$ 3,587,004</u>	<u>\$ 3,700,640</u>

CITY OF CAMPBELLSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015

During the year ended June 30, 2015, the construction on the Community Center and the construction of sidewalks was the reason for that change in net position.

A condensed version of the Statement of Activities follows at June 30, 2015 and 2014 follows:

	2015 Governmental Activities	2014 Governmental Activities	2015 Business-type Activities	2014 Business-type Activities
<u>Revenues</u>				
Program revenues				
Charges for services	\$ 44,517	\$ 48,090	\$ 66,511	\$ 69,362
Grants	5,725	33,280	-0-	-0-
General Revenues				
Property taxes	87,770	96,903	-0-	-0-
Insurance premium tax	128,202	126,554	-0-	-0-
Other revenue	64,247	73,051	-0-	-0-
Interest income	10	529	514	661
Total Revenues	<u>330,471</u>	<u>378,407</u>	<u>67,025</u>	<u>70,023</u>
<u>Expenses</u>				
General Government	287,006	268,422	-0-	-0-
Police	22,794	22,618	-0-	-0-
Fire	32,925	27,352	-0-	-0-
Streets	10,526	24,204	-0-	-0-
Parks & Recreation	8,888	12,299	-0-	-0-
Sanitation	38,187	38,364	-0-	-0-
Operation	-0-	-0-	120,730	123,726
Interest	27,518	27,784	43,931	44,571
Total Expenses	<u>427,844</u>	<u>421,043</u>	<u>164,661</u>	<u>168,297</u>
Transfers	<u>-0-</u>	<u>10,070</u>	<u>-0-</u>	<u>(10,070)</u>
Total Transfers	-0-	10,070	-0-	(10,070)
Change in Net Position	(97,373)	(32,566)	(97,636)	(108,344)
Beginning Net Position	783,969	840,806	2,627,640	2,735,984
Prior period adjustment	(105,000)	(24,271)	-0-	-0-
Ending Net Position	<u>\$ 581,596</u>	<u>\$ 783,969</u>	<u>\$ 2,530,004</u>	<u>\$ 2,627,640</u>

CITY OF CAMPBELLS BURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015

Capital Assets

At June 30, 2015, the City had \$2,810,992 invested in capital assets, consisting primarily of the sewer system, the Carrollton force main project and the Community Center that was constructed.

	Governmental Activities	Business-type Activities	Total
Land	\$ 13,718	\$ 19,400	\$ 33,118
Sewer System	-0-	4,867,101	4,867,101
Buildings & Improvements	1,163,232	-0-	1,163,232
Machinery & equipment	315,242	23,307	338,549
Infrastructure	181,042	-0-	181,042
Subtotal	1,673,234	4,909,808	6,583,042
Accumulated depreciation	(504,452)	(1,572,820)	(2,077,272)
Capital assets, net	<u>\$ 1,168,782</u>	<u>\$ 3,336,988</u>	<u>\$ 4,505,770</u>

Debt Outstanding

At the year-end debt consisted of \$1,057,000 in outstanding bonds payable for the construction of the Carrollton force main project. In addition there was also debt outstanding consisting of \$637,778 for the construction of the city's community center.

Financial Contact

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City Clerk at 8142 Main Street, Campbellsburg, Kentucky 40011.

CITY OF CAMPBELLSBURG, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2015

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 113,984	\$ 234,850	\$ 348,834
Accounts receivable (net)	44,116	15,166	59,282
Prepaid expenses	18,346	-0-	18,346
Total current assets	176,446	250,016	426,462
Noncurrent assets:			
Capital assets:			
Land	13,718	19,400	33,118
Other capital assets	1,659,516	4,890,408	6,549,924
Less: Accumulated depreciation	(504,452)	(1,572,820)	(2,077,272)
Total capital assets	1,168,782	3,336,988	4,505,770
Total noncurrent assets	1,168,782	3,336,988	4,505,770
DEFERRED OUTFLOWS OF RESOURCES			
Pension - City contributions subsequent to the measurement date	16,284	-0-	16,284
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 1,361,512	\$ 3,587,004	\$ 4,948,516
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 15,551	\$ -0-	\$ 15,551
Accrued liabilities	8,716	-0-	8,716
Current portion of bond payable	5,000	17,000	22,000
Total current liabilities	29,267	17,000	46,267
Noncurrent liabilities:			
Compensated absences	4,871	-0-	4,871
Bond payable	632,778	1,040,000	1,672,778
Net pension liability	102,000	-0-	102,000
Total noncurrent liabilities	739,649	1,040,000	1,779,649
TOTAL LIABILITIES	768,916	1,057,000	1,825,916
DEFERRED INFLOWS OF RESOURCES			
Pension - Difference between projected and actual investment earnings	11,000	-0-	11,000
TOTAL LIABILITIES AND DEFERRED INFLOWS	779,916	1,057,000	1,836,916
NET POSITION			
Invested in capital assets, net of related debt	531,004	2,279,988	2,810,992
Restricted for:			
Streets	33,354	117,100	150,454
Unrestricted	17,238	132,916	150,154
TOTAL NET POSITION	581,596	2,530,004	3,111,600
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 1,361,512	\$ 3,587,004	\$ 4,948,516

The notes to the financial statements are an integral part of this statement.

**CITY OF CAMPBELLSBURG, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities:							
General government	\$ 287,006	\$ 44,517			\$ (242,489)		\$ (242,489)
Police	22,794		\$ 5,725		(17,069)		(17,069)
Fire	32,925				(32,925)		(32,925)
Streets	10,526				(10,526)		(10,526)
Parks and recreation	8,888				(8,888)		(8,888)
Sanitation	38,187				(38,187)		(38,187)
Interest	27,518				(27,518)		(27,518)
Total governmental activities	427,844	44,517	5,725	-0-	(377,602)	-0-	(377,602)
Business-type activities:							
Sewer	164,661	66,511		-0-		(98,150)	(98,150)
Total business-type activities	\$ 164,661	\$ 66,511	\$ -0-	\$ -0-	\$ -0-	\$ (98,150)	\$ (475,752)
GENERAL REVENUES:							
Property taxes					87,770		87,770
Insurance premium tax					128,202		128,202
Franchise taxes					26,455		26,455
Other taxes					2,367		2,367
Other revenues					35,425		35,425
Interest income					10	514	524
Total general revenues and transfers					280,229	514	280,743
Change in net position					(97,373)	(97,636)	(195,009)
NET POSITION - BEGINNING, as previously stated					783,969	2,627,640	3,411,609
Restatement due to adoption of GASB 68 and 71					(105,000)	-0-	(105,000)
NET POSITION - BEGINNING, as restated					678,969	2,627,640	3,306,609
NET POSITION - ENDING					\$ 581,596	\$ 2,530,004	\$ 3,111,600

The notes to the financial statements are an integral part of this statement.

CITY OF CAMPBELLSBURG, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	GOVERNMENTAL FUND TYPES		TOTALS
	GENERAL	SPECIAL REVENUE	
ASSETS			
Cash and certificates of deposit	\$ 80,630	\$ 33,354	\$ 113,984
Accounts receivable, net	44,116	-0-	44,116
Prepaid expenses	18,346	-0-	18,346
TOTAL ASSETS	<u>\$ 143,092</u>	<u>\$ 33,354</u>	<u>\$ 176,446</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable	\$ 15,551	\$ -0-	\$ 15,551
Accrued liabilities	8,716	-0-	8,716
TOTAL LIABILITIES	24,267	-0-	24,267
NET POSITION			
Nonspendable	18,346	-0-	18,346
Restricted for:			
Street maintenance	-0-	33,354	33,354
Unassigned	100,479	-0-	100,479
TOTAL NET POSITION	<u>118,825</u>	<u>33,354</u>	<u>152,179</u>
TOTAL LIABILITIES & NET POSITION	<u>\$ 143,092</u>	<u>\$ 33,354</u>	<u>\$ 176,446</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CAMPBELLSBURG, KENTUCKY
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET POSITION OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
JUNE 30, 2015**

Fund balances - total governmental funds	\$ 152,179
Amounts reported for governmental activities in the statement of net assets (Pg. 10) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (see Note 5).	1,168,782
Deferred outflows of resources are expensed in the current period, and therefore not reported in governmental funds.	16,284
Long-term liabilities, including compensated absences, bonds payable, net pension liability, and deferred inflows, are not due and payable in the current period and therefore are not reported in the governmental funds (See Note 7 & 9).	
Compensated absences	\$ (4,871)
Net pension liability	(102,000)
Deferred inflows	(11,000)
Bonds payable	<u>(637,778)</u>
	<u>(755,649)</u>
Net position of governmental activities (See Pg. 11 & 12)	<u><u>\$ 581,596</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF CAMPBELLSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITON
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	TOTALS
REVENUES			
Property taxes	\$ 87,770	\$ -0-	\$ 87,770
Insurance premium tax	128,202	-0-	128,202
Franchise taxes	26,455	-0-	26,455
Bank deposit tax	2,367	-0-	2,367
Business licenses	4,125	-0-	4,125
Sanitation receipts	40,392	-0-	40,392
Interest on investments and deposits	10	-0-	10
Community center funds	8,221	-0-	8,221
Parks and recreation	1,812	-0-	1,812
Miscellaneous	4,769	715	5,484
Intergovernment:			
HB 272	717	-0-	717
Grants HB 413	4,508	-0-	4,508
Municipal road aid	-0-	18,703	18,703
Severance tax - LGEA	-0-	1,206	1,206
Police incentive	500	-0-	500
TOTAL REVENUES	309,848	20,624	330,472
EXPENDITURES			
General government	253,747	-0-	253,747
Public safety:			
Police department	22,226	-0-	22,226
Fire department	20,000	-0-	20,000
Street department	-0-	6,813	6,813
Parks and recreation	1,388	-0-	1,388
Community center	2,110	-0-	2,110
Sanitation	38,187	-0-	38,187
Debt service:			
Principal	5,000	-0-	5,000
Interest	27,518	-0-	27,518
Capital outlay	177,167	-0-	177,167
TOTAL EXPENDITURES	547,343	6,813	554,156
NET CHANGE IN NET POSITION	(237,495)	13,811	(223,684)
NET POSITION, JULY 1	356,320	19,543	375,863
NET POSITION, JUNE 30	\$ 118,825	\$ 33,354	\$ 152,179

The notes to the financial statements are an integral part of this statement.

**CITY OF CAMPBELLSBURG, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net change in fund balances - total governmental funds \$ (223,684)

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

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital outlay	\$ 177,167	
Depreciation expense	<u>(61,736)</u>	
		115,431

Pension income (expense) related to long-term net pension liabilities that is not included in the governmental funds.	8,284
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The decrease in compensated absences liability does not increase the current
financial resources but is recorded as a decrease to expenses in the
statement of activities.

Difference in compensated absences liability	(2,404)
--	---------

Payments on bonds payable are recorded as an expense in the
governmental funds, but is allocated to principal and interest in
the government-wide statements.

Total payments	\$ 32,518	
Interest portion of payments	<u>(27,518)</u>	
		<u>5,000</u>

Change in net position of governmental funds in Statement of Activities (See pg. 12)	<u>\$ (97,373)</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF CAMPBELLSBURG, KENTUCKY
STATEMENT OF NET ASSETS
SEWER FUND (BUSINESS-TYPE ACTIVITIES)
JUNE 30, 2015

ASSETS

Current assets:

Cash and cash equivalents	\$ 234,850
Accounts receivable, net	15,166
Total current assets	<u>250,016</u>

Noncurrent assets:

Capital assets

Land	19,400
Other capital assets, net of depreciation	3,317,588
Total noncurrent assets	<u>3,336,988</u>

TOTAL ASSETS

\$ 3,587,004

LIABILITIES

Current liabilities:

Current portion of bonds payable	\$ 17,000
Total current liabilities	<u>17,000</u>

Noncurrent liabilities:

Bonds payable	1,040,000
Total noncurrent liabilities	<u>1,040,000</u>

TOTAL LIABILITIES

1,057,000

NET POSITION

Invested in capital assets, net of related debt	2,279,988
Restricted	117,100
Unrestricted	<u>132,916</u>

TOTAL NET POSITION

2,530,004

TOTAL LIABILITIES AND NET POSITION

\$ 3,587,004

The notes to the financial statements are an integral part of this statement.

CITY OF CAMPBELLSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEWER FUND (BUSINESS-TYPE ACTIVITIES)
FOR THE YEAR ENDED JUNE 30, 2015

Operating Revenues:	
Charges for services	\$ 66,511
Total operating revenues	<u>66,511</u>
Operating expenses:	
Depreciation	<u>120,730</u>
Total operating expenses	120,730
Operating income (loss)	(54,219)
Non-operating revenues (expenses):	
Interest and investment earnings	514
Interest expense	<u>(43,931)</u>
Net non-operating revenues (expenses)	(43,417)
Change in net position	(97,636)
Total net position at beginning of year	<u>2,627,640</u>
Total net position at end of year	<u><u>\$ 2,530,004</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF CAMPBELLSBURG, KENTUCKY
STATEMENT OF CASH FLOWS
SEWER FUND (BUSINESS-TYPE ACTIVITIES)
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 68,671
Net cash provided by operating activities	<u>68,671</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	514
Bond principal payment	(16,000)
Interest expense	<u>(43,931)</u>
Net cash used for investing activities	(59,417)

Net increase in cash and cash equivalents	9,254
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Cash and cash equivalents - beginning of the year	<u>225,596</u>
Cash and cash equivalents - end of the year	<u><u>\$ 234,850</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH USED
BY OPERATING ACTIVITIES**

Operating loss	\$ (54,219)
Adjustments	
Depreciation	120,730
Net changes in assets and liabilities	
Accounts receivable	<u>2,160</u>
Net cash provided by operating activities	<u><u>\$ 68,671</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Campbellsburg, Kentucky is incorporated and operates under a Mayor-Council form of government and provides traditional municipal services. As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements present the activities of the City (the Primary Government) and its component units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. FASB guidance issued subsequent to this date is not followed.

The accounting reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of these Notes. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2015.

Reporting Entity

City of Campbellsburg, Kentucky is a city in which citizens elect the mayor and six council members. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Due to restrictions of the Commonwealth of Kentucky relating to the issuance of municipal debt, the City created the Campbellsburg Public Properties Corporation for non-general obligation financing. Financing services provided by this Corporation are solely for the benefit of the primary government. The board of this blended component unit is the same as the primary government. This Corporation is blended into the City's primary government although retaining legal identity.

BASIC FINANCIAL STATEMENTS

Basic financial statements consist of the following:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the basic financial statements.

**CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements consist of the statement of net position and the statement of activities and report information of all the nonfiduciary activities of the Primary Government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities for the City include general government, public safety (police and fire), public improvements, parks and recreation, and general administrative support services. The business-type activities of the City include the Sewer System.

The statement of activities demonstrates the degree to which expenses of a given function are offset by program revenues. 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, including special assessments that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City allocates certain indirect costs to be included in the program expense reported for individual functions and activities in the government-wide statement of activities.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and the fiduciary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City in general considers revenues available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatched interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

For the governmental funds financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales tax, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met.

The governmental fund balance sheet includes reconciliation between fund balances in the governmental funds and net position reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. In addition, capital assets, and long-term debt are added to the governmental funds to compile the long-term view of the governmental activities column.

A similar reconciliation is included on the statement of revenues, expenditures and changes in fund balances for the governmental funds. These adjustments reflect the transition from the modified accrual accounting for governmental funds to the accrual basis of accounting for the statement of activities. Capital outlay is replaced with depreciation expense.

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 activities. The principal operating revenues of the City's utilities are charges to the customers for services. Operating expenses for proprietary funds include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental fund:

- The General Fund is the City's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other funds.

The City reports the following major proprietary fund:

- The Sewer Fund accounts for the activities of providing sewer service to the citizens of the City. The services are provided and billed by Carrolton Utilities.

Use of Estimates

The preparation of basic financial statements in accordance with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, traffic lights and signals, street lights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$1,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded 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 assets lives is not capitalized.

**CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Capital assets of the City are depreciated using a straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 to 50
Improvements other than buildings	10 to 40
Infrastructure	15 to 75
Utility Systems	20 to 40
Machinery and equipment	5 to 15

As a result of the implementation of GASB 34, the City is accounting for infrastructure assets on its financial statements. The government-wide financial statements include those infrastructure assets that were either completed during the current fiscal year or considered construction in progress at current fiscal year-end. However, the government-wide financial statements do not reflect those infrastructure assets completed prior to July 1, 2001.

Net Position

In the government-wide financial statements and proprietary funds financial statements, net position are reported in three categories: net position invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net position invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. The City's restricted net position are temporarily restricted (ultimately expendable) assets. All other net position are considered unrestricted.

It is the policy of the City to spend restricted funds when both restricted and unrestricted funds are available. Once restricted funds are spent then committed, assigned and unassigned funds are spent in that order.

**CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget Policy and Practice

In accordance with the City policies, prior to June 1, the Mayor submits to the City Council a proposed operating budget in the form of an ordinance for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The City budget is submitted in summary form. Public hearings are conducted to obtain taxpayer comment. The approved budget ordinance is then published. Budgets for the General Fund, the Special Revenue Fund and the Proprietary Fund are adopted. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) and appropriations lapse at the end of each fiscal year. The budget was not amended during the year.

Compensated Absences

Each full-time employee is granted sick leave at the rate of one day per month and each part-time employee at one-half of the full-time rate. Unused sick leave can be accumulated. A portion of vacation time not taken during the year is accumulated. The City accrues a liability for compensated absences which meet the following criteria:

1. The City's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the City has accrued a liability for vacation pay which has been earned but not taken by City employees.

The City has not accrued a liability for sick leave which has been earned but not taken by City employees that did not meet the above criteria.

Statement of Cash Flows, Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the City considers all highly liquid investments (certificates of deposit) to be cash equivalents.

**CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Liabilities

In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position.

NOTE 2 – CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

At year-end, the carrying amount of the City's deposits (checking, savings and certificate of deposit accounts) was \$348,834 and the bank balance was \$376,001. Of the bank balances, all deposits were covered by federal depository insurance or by collateral held in the pledging bank's trust department or by its agent in the City's name.

The City maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the City and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution on its loan committee, which approval must be reflected in the minutes of the board of committee, and (c) an official record of the depository institution.

NOTE 3 – STATE GOVERNMENTAL AID

The Special Revenue Fund accounts for the allocation of Municipal Road Aid funds from the state which are for design, right-of-way acquisitions, relocation of utilities, construction and other municipal road expenditures. Funds received by the City from the Municipal Road Aid program were expended as required. The Local Government Economic Assistance and the Coal and Mineral Severance Tax received from the state are both accounted for in the Special Revenue Fund.

NOTE 4 – INTER-LOCAL AGREEMENT

The City signed an inter-local agreement on September 27, 2005 providing for a regional sewer system with the City of Carrollton providing sewer service to the City of Campbellsburg.

CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

A summary of changes in general fixed assets follows:

PRIMARY GOVERNMENT	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental activities:				
Nondepreciable assets:				
Land	\$ 13,718	\$ -0-	\$ -0-	\$ 13,718
Total nondepreciable assets	13,718	-0-	-0-	13,718
Depreciable assets:				
Buildings and improvements	\$ 994,184	\$ 169,048	\$ -0-	\$ 1,163,232
Machinery and equipment	307,123	8,119	-0-	315,242
Infrastructure	181,042	-0-	-0-	181,042
Total depreciable assets	1,482,349	177,167	-0-	1,659,516
Total capital assets	\$ 1,496,067	\$ 177,167	\$ -0-	\$ 1,673,234
Accumulated depreciation:				
Buildings and improvements	\$ (143,913)	\$ (35,557)	\$ -0-	\$ (179,470)
Machinery and equipment	(224,232)	(18,555)	-0-	(242,787)
Infrastructure	(74,571)	(7,624)	-0-	(82,195)
Total accumulated depreciation	(442,716)	(61,736)	-0-	(504,452)
Total depreciable assets, net	1,039,633	115,431	-0-	1,155,064
Governmental activities capital assets, net	\$ 1,053,351	\$ 115,431	\$ -0-	\$ 1,168,782
Business-type activities:				
Nondepreciable assets:				
Land	\$ 19,400	\$ -0-	\$ -0-	\$ 19,400
Total nondepreciable assets	19,400	-0-	-0-	19,400
Depreciable assets:				
Sewer systems	4,867,101	-0-	-0-	4,867,101
Machinery and equipment	23,307	-0-	-0-	23,307
Total depreciable assets	4,890,408	-0-	-0-	4,890,408
Total capital assets	\$ 4,909,808	\$ -0-	\$ -0-	\$ 4,909,808
Accumulated depreciation:				
Sewer systems	\$ (1,429,287)	\$ (120,301)	\$ -0-	\$ (1,549,588)
Machinery and equipment	(22,803)	(429)	-0-	(23,232)
Total accumulated depreciation	(1,452,090)	(120,730)	-0-	(1,572,820)
Total depreciable assets, net	3,438,318	(120,730)	-0-	3,317,588
Business-type activities capital assets, net	\$ 3,457,718	\$ (120,730)	\$ -0-	\$ 3,336,988
Total Capital assets	\$ 4,511,069	\$ (5,299)	\$ -0-	\$ 4,505,770

**CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Depreciation expense is charged to functions as follows:

Governmental Activities

General Government	\$ 37,030
Police	568
Fire	12,925
Streets	3,713
Parks and Recreation	7,500
	<u>\$ 61,736</u>

Business-type Activities

Sewer	120,730
	<u>\$ 120,730</u>

NOTE 6 – CITY OF CAMPBELLSBURG SEWER SYSTEM REVENUE BONDS, SERIES 2006

On June 15, 2007, the City issued revenue bonds in the amount of \$1,155,000 for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the sewer system of the City. The bonds mature annually from January 1, 2009 to January 1, 2046 in varying amounts from \$12,000 to \$58,000. Interest at 4.125% per annum is payable January 1 and July 1. The bonds are payable from and secured by the gross revenue derived from the operation of the sewer system. A depreciation fund amounting to \$63,000 is also maintained. Also, 1/6 of the six month interest payment and 1/12 of the annual principal payment is to be deposited in a sinking fund. A summary of the bond principal and interest payments to maturity are as follows:

<u>For the year ending,</u>	<u>Interest</u>	<u>Principal</u>	<u>Outstanding</u>
			\$ 1,057,000
June 30, 2016	43,601	17,000	1,040,000
June 30, 2017	42,900	17,000	1,023,000
June 30, 2018	42,199	18,000	1,005,000
June 30, 2019	41,456	19,000	986,000
June 30, 2020	40,673	20,000	966,000
	<u>210,829</u>	<u>91,000</u>	
Thereafter	628,984	966,000	\$ -0-
	<u>628,984</u>	<u>966,000</u>	
Totals	<u>\$ 839,813</u>	<u>\$ 1,057,000</u>	

CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 7 – CITY OF CAMPBELLSBURG FINANCING PROGRAM REVENUE BONDS, 2012 SERIES A

For the purpose of financing the acquisition and construction of the Campbellsburg Station which is a multi-purpose facility including a custom playground, community center and enhanced parking area for the downtown core, the city has issued bonds on March 29, 2012 in the amount of \$655,000. Principal and interest at approximately 4% per annum is payable on a monthly basis. A general obligation pledge to assess sufficient taxes to comply with the obligation to pay lease payments on the lease is included. A summary of bond principal and interest payments to maturity is as follows:

<u>For the year ending,</u>	<u>Interest</u>	<u>Principal</u>	<u>Outstanding</u>
			\$ 637,778
June 30, 2016	27,370	5,000	632,778
June 30, 2017	27,207	5,000	627,778
June 30, 2018	27,045	5,000	622,778
June 30, 2019	26,882	5,000	617,778
June 30, 2020	26,720	5,000	612,778
	135,224	25,000	
Thereafter	282,567	612,778	\$ -0-
	282,567	612,778	
Totals	\$ 417,791	\$ 637,778	

NOTE 8 – LONG-TERM DEBT

The summary of long-term debt for the year ended June 30, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bond payable - Sewer	\$ 1,073,000	\$ -0-	\$ 16,000	\$ 1,057,000	\$ 17,000
Bond payable - General	642,778	-0-	5,000	637,778	5,000
Totals	\$ 1,715,778	\$ -0-	\$ 21,000	\$ 1,694,778	\$ 22,000

**CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 9 - RETIREMENT PLAN

General Information about the Pension Plan

Plan description. Employees of the City are provided a defined benefit pension plan through the County Employees Retirement System ("CERS"), a cost sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System ("KRS"). The KRS was created by state statute under Kentucky Revised Statute Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publically available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided. Kentucky Revised Statute Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's year of service credit. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with five years of service credit. Service related disability benefits are provided after five years of service.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

Contributions. Contributions for employees are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. Employees contribute 5% of their salary if they were plan members prior to September 1, 2008. For employees that entered the plan after September 1, 2008, they are required to contribute 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The City makes employer contributions at the rate set by the Board of Trustees as

**CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 9 - RETIREMENT PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

determined by an actuarial valuation. For the year ended June 30, 2015 and June 30, 2014, employers contributed 17.67% and 18.89% as set by KRS, respectively, of each Nonhazardous employee's creditable compensation, and 34.31% and 35.70%, respectively, for each Hazardous employee. For the year ended June 30, 2015 and June 30, 2014, total employer and employee contributions for the City were \$20,901 and \$17,234, respectively. By law, employer contributions are required to be paid. The KRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The City's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date (See Note 14 for a restatement related to the net pension liability.)

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

Inflation	3.5%
Salary increases	4.5%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2005 through June 30, 2008. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

**CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 9 - RETIREMENT PLAN (CONTINUED)

Net Pension Liability (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KRS. 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 (See chart below). 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 assumptions are 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.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Domestic Equity	8.45%	30.00%
International Equity	8.85%	22.00%
Emerging Market Equity	10.50%	5.00%
Private Equity	11.25%	7.00%
Real Estate	7.00%	5.00%
Core US Fixed Income	5.25%	10.00%
High Yield US Fixed Income	7.25%	5.00%
Non US Fixed Income	5.50%	5.00%
Commodities	7.75%	5.00%
TIPS	5.00%	5.00%
Cash	3.25%	1.00%
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the KRS Board of Trustees as 7.75 percent based on a blending of the factors described above.

**CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 9 - RETIREMENT PLAN (CONTINUED)

Net Pension Liability (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed the employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the KRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability - nonhazardous	\$ 134,870	\$ 102,000	\$ 73,881
Total	<u>\$ 134,870</u>	<u>\$ 102,000</u>	<u>\$ 73,881</u>

The City's proportionate share of the Plan's net pension liability, as indicated in the prior table, is \$102,000 for Nonhazardous. The City's proportioned share of the CERS plan was 0.003159% for Nonhazardous.

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

Pension expense. The City's proportioned share of pension expense was \$8,000 for Nonhazardous service employees.

CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 9 - RETIREMENT PLAN (CONTINUED)

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

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments		\$ 11,000
Contributions subsequent to the measurement date of June 30, 2014	\$ 16,284	
Total	<u>\$ 16,284</u>	<u>\$ 11,000</u>

Deferred inflows of resources resulting from the differences between projected and actual investment earnings on the Plan investments are amortized over a 5 year period. Deferred outflows of resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30, :

2016	\$ 14,084
2017	(2,200)
2018	(2,200)
2019	(2,200)
2020	(2,200)
	<u>\$ 5,284</u>

In the table shown above, positive amounts will increase pension expense and negative amounts will decrease pension expense.

**CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 10 - RISK MANAGEMENT

The City of Campbellsburg is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City currently carries property and general liability insurance through the Selective Insurance Company. Workman's Compensation insurance is carried through the Kentucky League of Cities. The City reports all of its risk management activities in its General Fund.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the City in estimating its fair value disclosures for financial instruments:

- Cash and cash equivalents and certificates of deposit: The carrying amounts reported in the statement of net position approximate fair values because of the short maturities of those instruments.

The estimated fair values of the City's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 295,053	\$ 295,053
Certificates of deposit	<u>53,781</u>	<u>53,781</u>
	<u>\$ 348,834</u>	<u>\$ 348,834</u>

NOTE 12 - NET POSITION

The City of Campbellsburg has implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable - includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2015 by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

**CITY OF CAMPBELLSBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 12 - NET POSITION (CONTINUED)

- Committed - includes amounts that can only be used for specific purposes. Committed fund balances are reported pursuant to ordinances passed by the City Council, the City's highest level of decision making authority.
- Assigned - includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balances.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. In the Special Revenue Fund, the unassigned classification is only used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

NOTE 13 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through December 8, 2015, the date which the financial statements were available to be issued.

NOTE 14 - RESTATEMENT OF BEGINNING NET POSITION RELATED TO FISCAL YEAR ENDING JUNE 30, 2014

Beginning net position for governmental activities for June 30, 2014 was restated to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*- an amendment of GASB Statement No. 68 and to record beginning net pension liability and deferred outflows related to the pension.

Net position - June 30, 2014, prior to restatement		\$ 783,969
Increase in Net Pension Liability	(116,000)	
Increase in Deferred Outflows	11,000	
Decrease in Net Position	<u> </u>	<u>(105,000)</u>
Net position - June 30, 2014 (as restated)		<u><u>\$ 678,969</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CAMPBELLSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION-
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance -
	Original	Final	Actual	Over
				(Under)
REVENUES				
Property taxes	\$ 99,300	\$ 99,300	\$ 87,770	\$ (11,530)
Insurance premium taxes	104,800	104,800	128,202	23,402
Franchise taxes	33,425	33,425	26,455	(6,970)
Bank deposit tax	2,300	2,300	2,367	67
Business licenses	5,620	5,620	4,125	(1,495)
Sanitation receipts	40,800	40,800	40,392	(408)
Interest on investments and deposits	-0-	-0-	10	10
Community center funds	8,580	8,580	8,221	(359)
Parks and recreation	-0-	-0-	1,812	1,812
Miscellaneous income	8,600	8,600	4,769	(3,831)
Intergovernment:				
HB 272	700	700	717	17
Grants HB 413	8,850	8,850	4,508	(4,342)
Police incentive	-0-	-0-	500	500
TOTAL REVENUES	<u>312,975</u>	<u>312,975</u>	<u>309,848</u>	<u>(3,127)</u>
EXPENDITURES				
General government	311,294	311,294	253,747	(57,547)
Public safety				
Police department	22,686	22,686	22,226	(460)
Fire department	30,000	30,000	20,000	(10,000)
Parks and recreation	1,400	1,400	1,388	(12)
Community center	29,120	29,120	2,110	(27,010)
Sanitation	36,000	36,000	38,187	2,187
Debt service	33,000	33,000	32,518	(482)
Capital outlay	15,000	15,000	177,167	162,167
TOTAL EXPENDITURES	<u>478,500</u>	<u>478,500</u>	<u>547,343</u>	<u>68,843</u>
NET CHANGE IN FUND BALANCE	(165,525)	(165,525)	(237,495)	(71,970)
FUND BALANCE, JULY 1	<u>356,320</u>	<u>356,320</u>	<u>356,320</u>	<u>-0-</u>
FUND BALANCE, JUNE 30	<u><u>\$ 190,795</u></u>	<u><u>\$ 190,795</u></u>	<u><u>\$ 118,825</u></u>	<u><u>\$ (71,970)</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CAMPBELLSBURG, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IN COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2014</u> <u>Nonhazardous</u>
City's proportion of the net pension liability	0.003159%
City's proportionate share of the net pension liability	\$ 102,000
City's covered employee payroll	\$ 71,781
City's proportion of the net position liability as a percentage of its covered employee payroll	142.10%
Total Pension Plan Pension Liability	\$ 9,772,523,000
Total Pension Plan's Fiduciary Net Position	\$ 6,528,146,000
Total Pension Plan Net Pension Liability	\$ 3,244,377,000
Total Pension Plan's Fiduciary Net Position as a percentage of Total Pension Liability	66.80%

The notes to the financial statements are an integral part of this statement.

**CITY OF CAMPBELLSBURG, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS TO
THE COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u> <u>Nonhazardous</u>
Statutorily required contribution for pension	\$ 16,284
City's contributions in relation to the statutorily required contribution	<u>(16,284)</u>
Annual contribution deficiency (excess)	<u>\$ -0-</u>
City's contributions as a percentage of statutorily required contribution for pension	100.00%
City's covered employee payroll	\$ 92,156
Contributions as a percentage of its covered employee payroll	17.67%

**Notes To Schedules Related To The County Employees Retirement
System of KRS Information**

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the June 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level of Percentage of Payroll, closed
Remaining amortization period	29 years
Asset valuation	5-year smoothed market
Inflation	3.5%
Salary increases	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of investment expense, including inflation

The notes to the financial statements are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

CITY OF CAMPBELLSBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION-
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<u>Variance -</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
REVENUES				
Miscellaneous	\$ -0-	\$ -0-	\$ 715	\$ 715
Intergovernment:				
Municipal road aid	17,670	17,670	18,703	1,033
Severance tax - LGEA	1,300	1,300	1,206	(94)
State grants	3,000	3,000	-0-	(3,000)
TOTAL REVENUES	21,970	21,970	20,624	(1,346)
EXPENDITURES				
Street department	23,500	23,500	6,813	(16,687)
TOTAL EXPENDITURES	23,500	23,500	6,813	(16,687)
NET CHANGE IN NET POSITION	(1,530)	(1,530)	13,811	15,341
NET POSITION, JULY 1	19,543	19,543	19,543	-0-
NET POSITION, JUNE 30	<u>\$ 18,013</u>	<u>\$ 18,013</u>	<u>\$ 33,354</u>	<u>\$ 15,341</u>

The notes to the financial statements are an integral part of this statement.

William A. Talley
Jon D. Chesser
Bob E. Wientjes

Kentucky Offices:
Louisville
Brandenburg
Bardstown

**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**

Mayor and Members of the City Council
Campbellsburg, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of the City of Campbellsburg, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Campbellsburg, Kentucky's basic financial statements and have issued our report thereon dated December 8, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Campbellsburg, 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 Campbellsburg, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Campbellsburg, 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

- Due to the limited number of personnel, the City has not established an adequate segregation of duties. Individuals in the accounting department have the ability to initiate transactions, record the transactions, and reconcile the related accounting records. We also recognize this judgment is affected by certain circumstances beyond the City's control such as budgetary constraints. However, the lack of adequate segregation of duties is hereby noted as a significant deficiency pursuant to professional auditing standards.
- Management's response to the above mentioned finding was that due to a limited staff and budgetary constraints a proper segregation of duties was impossible. However, to mitigate any potential issues the city requires two party signatures on all checks that are issued.

Compliance and Other Matters


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

City of Campbellsburg, Kentucky's Response to Findings

City of Campbellsburg, Kentucky's response to the findings identified in our audit is described previously. City of Campbellsburg, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.


 Louisville, Kentucky
 December 8, 2015

**CITY OF CAMPBELLSBURG, KENTUCKY
LIST OF COUNCIL MEMBERS
JUNE 30, 2015**

<u>NAME</u>	<u>POSITION</u>	<u>ADDRESS</u>	<u>TERM EXPIRES</u>
Rex Morgan	Mayor	Campbellsburg, KY 40011	December 31, 2018
Susi Tipton	City Clerk & Treasurer	Campbellsburg, KY 40011	
Lorraine Hawkins	Member	Campbellsburg, KY 40011	December 31, 2016
Shelley Noe	Member	Campbellsburg, KY 40011	December 31, 2016
Jan Fletcher	Member	Campbellsburg, KY 40011	December 31, 2016
Angela Stanley	Member	Campbellsburg, KY 40011	December 31, 2016
Punkin Burk	Member	Campbellsburg, KY 40011	December 31, 2016
David Gray	Member	Campbellsburg, KY 40011	December 31, 2016

C E R T I F I E D P U B L I C A C C O U N T A N T S

William A. Talley
Jon D. Chesser
Bob E. Wientjes

Kentucky Offices:
Louisville
Brandenburg
Bardstown

CITY OF CAMPBELLSBURG, KENTUCKY

AUDITORS' CERTIFICATION

JUNE 30, 2015

We certify that as part of our examination of the basic financial statements we examined those local government economic assistance funds granted to the City of Campbellsburg, and that those funds were expended for the purpose intended.

Richardson, Pennington & Skinner, PSC

Louisville, Kentucky
December 8, 2015