

CITY OF CAMPTON, KENTUCKY

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2018

CITY OF CAMPTON
FINANCIAL STATEMENTS AND REPORT OF AUDIT
For the Year Ended June 30, 2018

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CITY OF CAMPTON

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Campton
Campton, 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 the City of Campton, Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Campton, Kentucky'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 Campton, Kentucky, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note S to the financial statements, the City of Campton, Kentucky adopted new accounting guidance, Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – which replaces GASB Statement No. 45, for the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that budgetary comparison information and pension supplemental reporting as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of the City of Campton, 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 the City of Campton, Kentucky's internal control over financial reporting and compliance.



Chris Gooch
Certified Public Accountant

Hazard, Kentucky

December 7, 2018

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF CAMPTONSTATEMENT OF NET POSITIONJune 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
- Current assets -			
Cash and Cash Equivalents - Unrestricted	\$ 372,974	\$ 187,361	\$ 560,335
Receivables:			
Customers	-	146,605	146,605
Due From Other Funds	41,203	-	41,203
Other	3,700	-	3,700
Restricted Assets:			
Cash and Cash Equivalents	302,034	698,525	1,000,559
Prepaid Insurance	-	10,284	10,284
<u>Total Current Assets</u>	<u>719,911</u>	<u>1,042,775</u>	<u>1,762,686</u>
- Noncurrent assets -			
Land, Easements and Right of Ways	251,186	347,101	598,287
Construction in Progress	3,700	370,401	374,101
Property, Plant and Fixtures	422,234	28,333,387	28,755,621
Less: Accumulated Depreciation	<u>(278,540)</u>	<u>(8,484,537)</u>	<u>(8,763,077)</u>
<u>Total Noncurrent Assets</u>	<u>398,580</u>	<u>20,566,352</u>	<u>20,964,932</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows - Pension/OPEB Resources	-	410,795	410,795
<u>Total assets and deferred outflows of resources</u>	<u>\$ 1,118,491</u>	<u>\$ 22,019,922</u>	<u>\$ 23,138,413</u>

See notes to financial statements.

CITY OF CAMPTON

STATEMENT OF NET POSITION (CONTINUED)June 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>LIABILITIES</u>			
- Current Liabilities -			
Accounts Payable	\$ 8,710	\$ 36,455	\$ 45,165
Accrued Liabilities	-	106,957	106,957
Customer Deposits	-	170,330	170,330
Due to Other Funds	-	41,203	41,203
Loans Payable - Current Portion	8,743	54,821	63,564
Revenue Bonds Payable - Current Portion	-	57,000	57,000
<u>Total current liabilities</u>	<u>17,453</u>	<u>466,766</u>	<u>484,219</u>
- Noncurrent Liabilities -			
Net Pension/OPEB Liability	-	1,363,164	1,363,164
Compensated Absences	-	15,812	15,812
Loans Payable	15,524	882,133	897,657
Revenue Bonds Payable	-	2,076,767	2,076,767
<u>Total Noncurrent Liabilities</u>	<u>15,524</u>	<u>4,337,876</u>	<u>4,353,400</u>
<u>Total Liabilities</u>	<u>32,977</u>	<u>4,804,642</u>	<u>4,837,619</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows - Pension/OPEB Related	-	111,813	111,813
<u>NET POSITION</u>			
Net Investment in Capital Assets	374,313	17,495,631	17,869,944
Unrestricted (Deficit)	409,167	(26,507)	382,660
(Deficit) Net Unfunded Pension/OPEB Liabilities	-	(1,064,182)	(1,064,182)
Restricted	302,034	698,525	1,000,559
<u>Total net position</u>	<u>1,085,514</u>	<u>17,103,467</u>	<u>18,188,981</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>\$ 1,118,491</u>	<u>\$ 22,019,922</u>	<u>\$ 23,138,413</u>

See notes to financial statements.

CITY OF CAMPTONSTATEMENT OF ACTIVITIESFor the Year Ended June 30, 2018

		Program Revenues		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
	<u>Expenses</u>			
FUNCTIONS/PROGRAMS:				
- Governmental Activities -				
General Government	\$ 37,174	\$ -	\$ (13,421)	\$ -
Highways and Sreets	17,649	-	(8,637)	-
Interest on Long Term Debt	1,098	-	-	-
Recreation and Culture	5,942	-	-	-
Fire Protection	23,405	-	-	-
<u>Total governmental activities</u>	<u>85,268</u>	<u>-</u>	<u>(22,058)</u>	<u>-</u>
- Business-type Activities -				
Water and Sewer Utilities	2,289,889	(1,436,910)	-	-
<u>Total business-type activities</u>	<u>2,289,889</u>	<u>(1,436,910)</u>	<u>-</u>	<u>-</u>
<u>Total primary government</u>	<u>\$ 2,375,157</u>	<u>\$ (1,436,910)</u>	<u>\$ (22,058)</u>	<u>\$ -</u>

See notes to financial statements.

CITY OF CAMPTON

STATEMENT OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 2018

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business- Type Activities	Total
	\$ (23,753)	\$ -	\$ (23,753)
	(9,012)	-	(9,012)
	(1,098)	-	(1,098)
	(5,942)	-	(5,942)
	<u>(23,405)</u>	<u>-</u>	<u>(23,405)</u>
	<u>(63,210)</u>	<u>-</u>	<u>(63,210)</u>
	-	(852,979)	(852,979)
	<u>-</u>	<u>(852,979)</u>	<u>(852,979)</u>
	<u>(63,210)</u>	<u>(852,979)</u>	<u>(916,189)</u>
General revenues:			
Property and general taxes	78,581	-	78,581
Licenses and permits	3,138	-	3,138
Interest income	4,982	4,208	9,190
Transfers in (out)	3,700	(3,700)	-
Miscellaneous	<u>5,097</u>	<u>11,299</u>	<u>16,396</u>
<u>Total general revenues</u>	<u>95,498</u>	<u>11,807</u>	<u>107,305</u>
Change in net position	32,288	(841,172)	(808,884)
Net position - beginning of year	1,053,226	18,028,764	19,081,990
Beginning restatement for GASB 75	-	(273,347)	(273,347)
Contributed capital	<u>-</u>	<u>189,222</u>	<u>189,222</u>
Net position - end of year	<u>\$ 1,085,514</u>	<u>\$ 17,103,467</u>	<u>\$ 18,188,981</u>

See notes to financial statements.

CITY OF CAMPTON

BALANCE SHEET – GOVERNMENTAL FUNDSJune 30, 2018

	<u>General</u>	Special Revenue <u>Fund</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 372,974	\$ -	\$ 372,974
Grants Receivable	3,700	-	3,700
Due from Other Funds	38,816	2,387	41,203
<u>Restricted Assets:</u>			
Cash and Cash Equivalents	-	302,034	302,034
<u>Total assets</u>	<u>415,490</u>	<u>304,421</u>	<u>719,911</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities:</u>			
Accounts Payable	\$ 8,710	\$ -	\$ 8,710
<u>Total liabilities</u>	<u>8,710</u>	<u>-</u>	<u>8,710</u>
<u>Fund Balance:</u>			
Unassigned	406,780	-	406,780
Restricted	-	304,421	304,421
<u>Total fund balance</u>	<u>406,780</u>	<u>304,421</u>	<u>711,201</u>
<u>Total liabilities and fund balance</u>	<u>\$ 415,490</u>	<u>\$ 304,421</u>	<u>\$ 719,911</u>

See notes to financial statements.

CITY OF CAMPTONRECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITIONJune 30, 2018

Total fund balance per fund financial statements	\$ 711,201
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$ 677,120	
Less accumulated depreciation	<u>\$ (278,540)</u>	
		398,580

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund

Governmental bonds and notes payable	<u>(24,267)</u>
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Net position for governmental activities	<u><u>\$ 1,085,514</u></u>
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See notes to financial statements.

CITY OF CAMPTON

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<u>REVENUES:</u>			
Taxes:			
City Tax Fees	\$ 25,353	\$ -	\$ 25,353
Insurance Premium	53,195	-	53,195
Other	33	-	33
Licenses	3,138	-	3,138
Miscellaneous	97	-	97
Coal/Mineral Taxes	-	13,421	13,421
Municipal Road Aid	-	8,637	8,637
	<u>81,816</u>	<u>22,058</u>	<u>103,874</u>
<u>Total revenues</u>			
	<u>81,816</u>	<u>22,058</u>	<u>103,874</u>
<u>EXPENDITURES:</u>			
<u>Current:</u>			
General government	37,361	-	37,361
Fire	23,405	-	23,405
Highways and streets	-	2,674	2,674
Debt service	9,499	-	9,499
	<u>70,265</u>	<u>2,674</u>	<u>72,939</u>
<u>Total expenditures</u>			
	<u>70,265</u>	<u>2,674</u>	<u>72,939</u>
Excess of revenues over (under) expenditures	<u>11,551</u>	<u>19,384</u>	<u>30,935</u>
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating transfers in (out)	3,700	-	3,700
Grant proceeds	5,000	-	5,000
Interest income	2,762	2,220	4,982
	<u>11,462</u>	<u>2,220</u>	<u>13,682</u>
<u>Total other financing sources (uses)</u>			
	<u>11,462</u>	<u>2,220</u>	<u>13,682</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>23,013</u>	<u>21,604</u>	<u>44,617</u>
<u>FUND BALANCE - JULY 1</u>	<u>383,767</u>	<u>282,817</u>	<u>666,584</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 406,780</u>	<u>\$ 304,421</u>	<u>\$ 711,201</u>

See notes to financial statements.

CITY OF CAMPTONRECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIESFor the Year Ended June 30, 2018

Net change in total fund balances per fund financial statements	\$44,617
Amounts reported for governmental activities in the statement of activities differences:	
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	
Capital outlay	\$ 3,700
Depreciation	<u>(24,430)</u>
	(20,730)
Repayment of long term debt is considered an expenditure in the governmental funds, but their repayment reduces long-term liabilities in the statement of net position	<u>8,401</u>
Change in net position of governmental activities	<u>\$ 32,288</u>

See notes to financial statements.

CITY OF CAMPTONSTATEMENT OF NET POSITION – PROPRIETARY FUNDSJune 30, 2018

<u>ASSETS</u>	Water and <u>Sewer</u>
<u>CURRENT ASSETS:</u>	
Cash and Cash Equivalents	\$ 187,361
Receivables:	
Customers	107,046
Unbilled	39,559
Restricted Assets:	
Cash and Cash Equivalents	698,525
Prepaid Insurance	<u>10,284</u>
<u>Total current assets</u>	<u>1,042,775</u>
<u>NONCURRENT ASSETS:</u>	
Capital Assets - Net of Accumulated Depreciation	
Construction in Progress	370,401
Land	347,101
Vehicles and Equipment	188,614
Infrastructure	<u>19,660,236</u>
<u>Total Noncurrent Assets</u>	<u>20,566,352</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows - Pension and OPEB Resources	<u>410,795</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 22,019,922</u>

See notes to financial statements.

CITY OF CAMPTONSTATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)June 30, 2018

	<u>Water and Sewer</u>
LIABILITIES	
<u>CURRENT LIABILITIES:</u>	
Accounts Payable - Trade	\$ 36,455
Accrued Wages	8,046
Accrued Payroll Liabilities	5,746
Accrued Interest	81,669
Retirement Payable	7,726
Sales Tax Payable	1,143
Utility Tax Payable	2,627
Customer Deposits	170,330
Due to Other Funds	41,203
Loans Payable	54,821
Bonds Payable	<u>57,000</u>
 <u>Total current liabilities</u>	 <u>466,766</u>
 <u>NONCURRENT LIABILITIES:</u>	
Net Pension/OPEB Liability	1,363,164
Compensated Absences	15,812
Loans Payable	882,133
Bonds Payable	<u>2,076,767</u>
 <u>Total noncurrent liabilities</u>	 <u>4,337,876</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows - Pension and OPEB Resources	<u>111,813</u>
 <u>NET POSITION</u>	
Net investment in capital assets, net of related debt	17,390,835
Restricted for:	
Depreciation Reserve	112,253
Construction	58,616
Other	344,171
Unrestricted (Deficit)	<u>(802,408)</u>
 <u>Total net position</u>	 <u>17,103,467</u>
 Total liabilities, deferred inflows of resources <u>and net position</u>	 <u><u>\$ 22,019,922</u></u>

See notes to financial statements.

CITY OF CAMPTONSTATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION – PROPRIETARY FUNDSFor the Year Ended June 30, 2018

	<u>Water and Sewer</u>
<u>REVENUES:</u>	
Sewer Revenue	\$ 241,357
Water Revenue	1,195,553
Miscellaneous Revenue	<u>11,299</u>
<u>Total</u>	<u>1,448,209</u>
<u>OPERATING EXPENSES BEFORE DEPRECIATION:</u>	
Bank Charges	155
Commissioners Pay	28,600
Dues and Subscriptions	3,724
Equipment Repair	41,621
Fuel	20,061
Insurance	189,202
Legal Services	5,599
Accounting and Audit	15,490
Miscellaneous	1,392
Office Supplies	11,951
Parts and Chemicals	116,455
Printing and Advertising	640
Purchase of Water and Uage	9,785
Repairs and Maintenance	35,698
Retirement Benefits	239,902
Salaries and Wages	381,682
Payroll Taxes	28,165
Sales Tax Expense	12,299
Samples	26,757
Sewer Plant Expense	23,385
Surety Bonds	407
Training	761
Unemployment Insurance	1,384
Utilities	200,177
Utility Tax	27,549
Vehicle Maintenance	7,488
Water Plant Expense	<u>55,065</u>
<u>Total</u>	<u>1,485,394</u>
OPERATING INCOME BEFORE DEPRECIATION	(37,185)

See notes to financial statements.

CITY OF CAMPTONSTATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION – PROPRIETARY FUNDS (Continued)For the Year Ended June 30, 2018

<u>LESS - DEPRECIATION</u>	<u>720,677</u>
<u>Net operating income (loss)</u>	<u>(757,862)</u>
<u>NON-OPERATING INCOME (EXPENSES):</u>	
Interest income	4,208
Transfer (Out)	(3,700)
Interest expense	<u>(83,818)</u>
<u>Total non-operating income (expenses)</u>	<u>(83,310)</u>
<u>Net income (loss)</u>	<u>(841,172)</u>
<u>NET POSITION - JULY 1</u>	18,028,764
Less: Restatement of Beginning Net Position for Application of GASB 75	(273,347)
<u>Contributed capital</u>	<u>189,222</u>
<u>NET POSITION - JUNE 30</u>	<u>\$ 17,103,467</u>

See notes to financial statements.

CITY OF CAMPTONSTATEMENT OF CASH FLOWS – PROPRIETARY FUNDSFor the Year Ended June 30, 2018CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers and users	\$ 1,487,813
Payments to/on behalf of employees	(539,803)
Payments to suppliers and contractors	<u>(815,992)</u>
<u>Net cash provided/(used) by operating activities</u>	<u>132,018</u>

CASH FLOWS FROM CAPITAL
AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets - net	(233,941)
Principal paid on notes and bonds	(270,362)
Interest paid on bonds and notes	(83,818)
Transfer to General Fund	(3,700)
Contributed capital	<u>189,222</u>
<u>Net cash provided/(used) for capital and related financing activities</u>	<u>(402,599)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>4,208</u>
<u>Net cash provided/(used) by investing activities</u>	<u>4,208</u>

NET INCREASE (DECREASE) IN CASH
(266,373)
CASH AND RESTRICTED CASH, JULY 1
1,152,259
CASH AND RESTRICTED CASH, JUNE 30
885,886

See notes to financial statements.

CITY OF CAMPTONSTATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (Continued)For the Year Ended June 30, 2018RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating profit/(loss)	(757,862)
Adjustments to reconcile operating net cash provided by operating activities	
Depreciation	720,677
GASB 75 Restatement	(273,347)
(Increase) decrease in deferred outflows - pension/OPEB resources	(279,242)
Increase (decrease) in net pension/OPEB liability	603,144
Increase (decrease) in deferred inflows - pension/OPEB resources	111,813
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	18,173
(Increase) decrease in prepaid insurance	17,764
Increase (decrease) in accounts payable	(23,918)
Increase (decrease) in accrued wages	(215)
Increase (decrease) in accrued interest	(4,401)
Increase (decrease) in retirement payable	(2,108)
Increase (decrease) in payroll liabilities	2,892
Increase (decrease) in compensated absences	(23,007)
Increase (decrease) in sales tax payable	138
Increase (decrease) in utility tax payable	86
Increase (decrease) in customer deposits	<u>21,431</u>
 <u>Net cash provided (used) by operations</u>	 <u>\$ 132,018</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF CAMPTONNOTES TO FINANCIAL STATEMENTSJune 30, 2018Note A – General Statement and Summary of Significant Accounting PoliciesGeneral Statement

The City Commissioners, a five member group composed of the Mayor and four Commissioners, each having voting responsibilities, is the level of government which has oversight responsibilities over all activities related to the operations of the City of Campton, Kentucky, its infrastructure, roads, sewer and water system, etc. the City receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the City is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Commissioners members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

1. The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of City of Campton, Kentucky. The financial statements presented herein do not include funds of groups and organizations, which although associated with the City, have not originated with the City itself such as the Fire Department (except for monies specifically designated by ordinance to be maintained by the City of Campton, Kentucky).

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of managements, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of the criterial stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

CITY OF CAMPTONNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2018Note A – General Statement and Summary of Significant Accounting Policies (Continued)2. Government-Wide and Fund Financial Statements*Government-Wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. The primary government is presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds when applicable.

The City reports the following major funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Activities include general administration and street maintenance.

The *Proprietary Fund* is used to account for those operations that are financed and operated in a manner similar to private business or where management has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. It is specifically used to account for provision of water and sewer services. Activities of the fund include administration and maintenance of the system.

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2018Note A – General Statement and Summary of Significant Accounting Policies (Continued)2. Government-Wide and Fund Financial Statements (continued)

The *Special Revenue Fund* accounts for local government economic assistance and road funds restricted to assisting in general operations of the City and designated for improving the City's highway infrastructure.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

CITY OF CAMPTONNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2018Note A – General Statement and Summary of Significant Accounting Policies (Continued)4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

Cash and investments are separately held and reflected in their respective funds as “cash and cash equivalents” and “investments” some of which are restricted assets.

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of one year or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

b. Inventories and Prepaid Items

Supplies and materials are charged to expenditures when purchased.

Prepaid accounts record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaid accounts are similarly reported in government-wide and fund financial statements.

c. Capital Assets, Depreciation, and Amortization

The City’s property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component unit’s financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$10,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2018Note A – General Statement and Summary of Significant Accounting Policies (Continued)4. Assets, Liabilities, and Net Position or Equity (continued)

c. Capital Assets, Depreciation, and Amortization (continued)

Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition. Estimated useful lives are as follows:

Land improvements	10 – 40 years
Buildings and improvements	10 – 40 years
Infrastructure	10 – 20 years
Vehicles and equipment	3 – 10 years

d. Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

e. Fund Equity

Governmental Accounting Standards Board No. 54, Fund Balance Reporting and Governmental Fund Type Definitions effective for the fiscal year ended June 30, 2011 clarifies existing governmental fund type definitions and establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Classifications include *non-spendable*, examples being prepaid items and inventory, and the following spendable fund balances – *restricted* – fund balances that are constrained by external parties, constitutional provisions or enabling legislation, *committed* – fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, *assigned* – fund balances that contain self-imposed constraints of the government to be used for a particular purpose and *unassigned* – fund balance of the general fund that is not constrained for any particular purpose.

CITY OF CAMPTONNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2018Note A – General Statement and Summary of Significant Accounting Policies (Continued)4. Assets, Liabilities, and Net Position or Equity (continued)

e. Fund Equity (continued)

The standard affects fund balance reporting only and does not affect government-wide or proprietary fund financial statements.

The following schedule reflects governmental fund balances at June 30, 2018:

	General <u>Fund</u>	Special Revenue <u>Fund</u>	<u>Total</u>
Unassigned	\$406,780	\$ -	\$406,780
Restricted	<u>-</u>	<u>304,421</u>	<u>304,421</u>
Total fund balances	<u>\$406,780</u>	<u>\$ 304,421</u>	<u>\$ 711,201</u>

f. Net Position

GASB 63, implemented for the year ended June 30, 2013, changed the presentation of the City's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources. Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "investment in capital assets" consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations on its use either through the enabling legislation adopted by the City or through external restrictions imposed by the creditors, grantors or laws or regulations of other governments.

5. Sources of Revenue and Other General Information

a. Revenues

The major sources of revenue other than general fund tax and licenses and proprietary fee for services are federal and state grants, state financial assistance, local contributed cash, contributed services, and other revenues as discussed below:

CITY OF CAMPTONNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2018Note A – General Statement and Summary of Significant Accounting Policies (Continued)5. Sources of Revenue and Other General Information (continued)1. Federal and State Grant Revenue

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

2. State Financial Assistance

State financial assistance revenues are recognized upon notification of the amount of the award as the resources are collectible within the current period.

3. Local Contributed Cash

Contributions to grant programs from local governments and other participants are recognized as revenue when grant expenditures are incurred in the case of cost reimbursement grants.

4. In-Kind – Contributed Services

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal funding on various grants. Contributed services are therefore reflected as revenue and expenditures in accordance with legal requirements of the individual grants. Contributed services are recorded as expenditures with an equivalent amount recorded as revenue. The amounts of such services are recorded in the accompanying financial statements at their estimated fair values at date of receipt.

5. Other Revenues

Other revenues are composed primarily of interest and miscellaneous charges for services. Interest income is recorded as earned since it is measurable and available. Miscellaneous charges for services are recorded as revenues when received in cash because they are generally not measurable until actually received.

b. Leases

Leases that transfer substantially all of the risks and benefits of ownership are capital leases. Other leases are operating leases. Capital leases are included in property and equipment and are amortized using the straight-line method over their respective terms. Operating leases are expensed over the terms of the leases.

CITY OF CAMPTONNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2018Note A – General Statement and Summary of Significant Accounting Policies (Continued)6. Budgets and Budgetary Accounting

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

- a. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds as well as for all enterprise funds. These budgets are adopted on a basis consistent with generally accepted accounting principles.
- b. Budgetary data for capital project funds has not been presented in the accompanying combined financial statements as such funds are budgeted over the life of the respective project and not on an annual basis.
- c. The City Commissioners approves, by ordinance, total budget appropriations only and any revisions that alter the total appropriations of any fund must be approved by the City Commissioners. Therefore, the level of budgetary responsibility is by total appropriations. However, for report purposes this level has been expanded to a functional basis (general government, public safety, etc.).
- d. Unused appropriations for annually budgeted funds lapse at the end of year.
- e. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

7. Leave Policies

Upon retirement from the City, an employee will receive an amount equal to their accumulated unused vacation at their present rate of pay. Employees accumulate 3.33 hours of vacation per month for the first year of employment, 6.67 hours per month for the second through tenth years of employment, and 10 hours per month for the years of service greater than 10 years. As of January 8, 2002, the City adopted a policy limiting the amount of compensated absences that can be carried over. Vacation time is limited to 120 hours of carryover. Accrued compensated absences at June 30, 2018 were \$15,812. Sick leave is accumulated at the rate of 8 hours per month for all permanent employees. Sick leave carryover is capped at 288 hours per fiscal year.

8. Encumbrances

Encumbrances represent commitments related to unperformed contracts for good or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental fund types.

Encumbrances are reported as a component of assigned, restricted or committed fund balance since they do not constitute expenditures or liabilities.

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2018Note A – General Statement and Summary of Significant Accounting Policies (Continued)9. Property Tax Calendar

Property taxes for fiscal year 2018 were levied in September 2017, on the assessed valuation of property in Wolfe County as of the preceding January 1, the lien date. The due date and collection periods for all taxes exclusive of vehicle taxes, are as follows:

<u>Description</u>	<u>Per KRS 134.020</u>
1. Due date for payment of taxes, 1% discount	30 days from the date mailed
2. Face value amount payment date	31-60 days from the date mailed
3. Delinquent date, 20% penalty, 6% interest per annum	Beyond 61 days from the date mailed

Vehicle taxes are collected by the County Clerk of Wolfe County and are due and collected in the birth month of the vehicle licensee.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Recently Issued Accounting Pronouncements

GASB Statement 65, implemented during the 2014 fiscal year, establishes accounting and financial reporting standards that reclassify certain assets and liabilities as deferred outflows of resources or deferred inflows of resources, provides changes in the determination of the major fund calculations and limiting the use of “deferred” in financial statement presentations.

GASB Statement No. 66, *Technical Corrections—2012; an Amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012, resolves conflicting accounting and reporting guidance that could diminish consistent financial reporting and enhance the usefulness of financial reports. The City implemented the new requirements for fiscal year 2013-2014 financial statements.

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

Note A – General Statement and Summary of Significant Accounting Policies (Continued)

11. Recently Issued Accounting Pronouncements (continued)

GASB Statements Nos. 67 and 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27* improved accounting and financial reporting by state and local governments for pensions. It also improved information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 75—Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for the City's fiscal year ending June 30, 2018.

GASB Statement No. 81—Irrevocable Split-Interest Agreements, is effective for the City's fiscal year ending June 30, 2018.

GASB Statement No. 85—Omnibus 2017, is effective for the City's fiscal year ending June 30, 2018.

GASB Statement No. 86—Certain Debt Extinguishment Issues, effective for the City's fiscal year ending June 30, 2018.

The adoption of GASB Statement Numbers 81, 85 and 86 did not have an impact on the City's financial position or results of operations. The adoption of GASB Statement No. 75 resulted in a decrease in statement of net position in the Government-Wide Financial Statements of (\$273,347) as discussed in Note S.

The City will adopt the following new accounting pronouncements in future years:

GASB Statement No. 83 — Certain Asset Retirement Obligations, effective for the City's fiscal year ending June 30, 2019.

GASB Statement No. 84 — Fiduciary Activities, effective for the City's fiscal year ending June 30, 2020.

GASB Statement No. 87—Leases, effective for the City's fiscal year ending June 30, 2021.

The impact of these pronouncements on the City's financial statements has not been determined.

Note B – Cash and Investments

The carrying amount of the City's deposits with financial institutions was \$1,560,894 and the bank balance was \$1,593,526. Investments at June 30, 2018 consisted of certificates of deposit in local financial institutions. For purposes of the cash flow statement, cash includes cash checking and savings accounts.

June 30, 2018

NONE

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2018Note F – Allowance for Uncollectible Accounts and Billing Methods

Management has elected to record bad debt expense using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debt expense. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

The City generally reads meters between the 15th and the 20th each month. The bills for the current reading go out on the first day of the following month. The unbilled receivables represents approximately 10 days at the end of June not billed until August 1.

Note G – Proprietary Funds Property, Plant and Equipment

The following is a summary of changes in the property, plant and equipment of the enterprise funds at June 30, 2018:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2018</u>
<u>Capital assets not being depreciated:</u>				
Land, easement and right of way	\$ 347,101	\$ -	\$ -	\$ 347,101
Construction in progress	<u>236,726</u>	<u>133,675</u>	<u>-</u>	<u>370,401</u>
Total capital assets not being depreciated	583,827	133,675	-	717,502
<u>Capital assets being depreciated:</u>				
Utility Plant and Lines	27,925,682	4,998	-	27,930,680
Vehicles and Equipment	<u>306,680</u>	<u>96,027</u>	<u>-</u>	<u>402,707</u>
Total capital assets being depreciated	28,232,362	101,025	-	28,333,387
<u>Less accumulated depreciation for:</u>				
Utility Plant and Lines	(7,575,966)	(694,488)	10	(8,270,444)
Vehicles and Equipment	<u>(187,135)</u>	<u>(26,189)</u>	<u>(769)</u>	<u>(214,093)</u>
Total accumulated depreciation	<u>(7,763,101)</u>	<u>(720,677)</u>	<u>(759)</u>	<u>(8,484,537)</u>
<u>Total capital assets being depreciated, net:</u>	<u>20,469,261</u>	<u>(619,652)</u>	<u>(759)</u>	<u>19,848,850</u>
<u>Total proprietary fund fixed assets</u>	<u>\$ 21,053,088</u>	<u>\$ (485,977)</u>	<u>\$ (759)</u>	<u>\$ 20,566,352</u>

Depreciation was charged to business-type activities as follows:

Water and Sewer Utility	<u>\$ 720,677</u>
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CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2018Note H – Governmental Fixed Assets

The following is a summary of governmental fixed assets and related depreciation:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 144,062	\$ 18,000	\$ -	\$ 162,062
Construction in Progress	<u>-</u>	<u>3,700</u>	<u>-</u>	<u>3,700</u>
Total capital assets not being depreciated	\$ 144,062	\$ 21,700	\$ -	\$ 165,762
	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Capital assets being depreciated:</u>				
Land Improvements	\$ 107,124	\$ -	\$ (18,000)	\$ 89,124
Buildings and Improvements	86,709	-	-	86,709
Equipment	99,240	-	-	99,240
Infrastructure	<u>236,285</u>	<u>-</u>	<u>-</u>	<u>236,285</u>
Total capital assets being depreciated	529,358	-	(18,000)	511,358
<u>Less accumulated depreciation for:</u>				
Land Improvements	(28,859)	(5,942)	-	(34,801)
Buildings and Improvements	(26,947)	(2,168)	-	(29,115)
Equipment	(97,893)	(1,345)	-	(99,238)
Infrastructure	<u>(100,411)</u>	<u>(14,975)</u>	<u>-</u>	<u>(115,386)</u>
Total accumulated depreciation	<u>(254,110)</u>	<u>(24,430)</u>	<u>-</u>	<u>(278,540)</u>
<u>Total capital assets being depreciated, net:</u>	<u>275,248</u>	<u>(24,430)</u>	<u>(18,000)</u>	<u>232,818</u>
<u>Total governmental fund fixed assets</u>	<u>\$ 419,310</u>	<u>\$ (2,730)</u>	<u>\$ (18,000)</u>	<u>\$ 398,580</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 3,513
Recreation and Culture	5,942
Roads and Infrastructure	<u>14,975</u>
Total	<u>\$ 24,430</u>

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

Note I – Long Term Debt/Demand Notes

The following is a summary of Notes Payable and Revenue Bonds transactions of the City of Campton for the year ended June 30, 2018:

Business-Type Activities:

	Balance			Balance	Due Within
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2018</u>	<u>One Year</u>
Revenue Bonds	\$ 2,189,014	\$ -	\$ (55,247)	\$ 2,133,767	\$ 57,000
Note Payable	<u>1,152,069</u>	<u>-</u>	<u>(215,115)</u>	<u>936,954</u>	<u>54,821</u>
	<u>\$ 3,341,083</u>	<u>\$ -</u>	<u>\$ (270,362)</u>	<u>\$ 3,070,721</u>	<u>\$ 111,821</u>

Governmental Activities:

	Balance			Balance	Due Within
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2018</u>	<u>One Year</u>
Note Payable	<u>\$ 32,668</u>	<u>-</u>	<u>(8,401)</u>	<u>\$ 24,267</u>	<u>\$ 8,743</u>
	<u>\$ 32,668</u>	<u>\$ -</u>	<u>\$ (8,401)</u>	<u>\$ 24,267</u>	<u>\$ 8,743</u>

Principal and interest requirements to retire the City's long-term obligations are as follows:

Debt Service in the Aggregate - Business-Type

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	111,821	81,669	193,490
2020	113,971	78,904	192,875
2021	116,820	75,697	192,517
2022	120,175	72,888	193,063
2023	123,535	69,972	193,507
2024 - 2028	666,871	302,347	969,218
2029 - 2033	697,771	215,726	913,497
2034 - 2038	537,990	128,712	666,702
2039 - 2043	368,000	57,606	425,606
2044 - 2048	187,500	13,715	201,215
2049	<u>26,267</u>	<u>371</u>	<u>26,638</u>
	<u>\$ 3,070,721</u>	<u>\$ 1,097,607</u>	<u>\$ 4,168,328</u>

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2018Note I – Long Term Debt/Demand Notes (continued)

Year	Governmental Activities		
	Org note, \$90,000, 4.0% Interest		
	Principal	Interest	Total
2019	8,743	756	9,499
2020	9,100	399	9,499
2021	6,424	63	6,487
	<u>\$ 24,267</u>	<u>\$ 1,218</u>	<u>\$ 25,485</u>

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay the above revenue bonds. Proceeds from the bonds were used for rehabilitation or expansion of the City's water and sewer systems and various infrastructure projects.

*Business Type Activities*BONDS

	<u>6/30/2018</u> <u>Balance</u>
Bonds payable at June 30, 2018 consists of the following:	
\$160,000 Water and Sewer Revenue Bonds of 1989 maturing through January 2029 in accordance with original amortization schedule, with interest at 5.0%, collateralized by the revenues of the Combined Water and Sewer System	78,900
\$271,000 Water and Sewer Revenue Bonds of 1995, Series A, maturing through January 2035 in accordance with original amortization schedule, with interest at 4.5%, collateralized by the revenues of the Combined Water and Sewer System	179,100
\$593,000 Water and Sewer Revenue Bonds of 1999, maturing through January 2039 in accordance with original amortization schedule, with interest at 3.25%, collateralized by the revenues of the Combined Water and Sewer System	440,000
\$400,000 Water and Sewer Revenue Bonds of 2003, maturing through January 2043 in accordance with original amortization schedule, with interest at 4.5%, collateralized by the revenues of the Combined Water and Sewer System	329,500

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2018Note I – Long Term Debt/Demand Notes (continued)*Business Type Activities (Continued)*

	<u>6/30/2018</u> <u>Balance</u>
<u>BONDS</u>	
\$392,000 Water and Sewer Revenue Bonds of 2004, maturing through January 2044 in accordance with original amortization schedule, with interest at 4.5%, collateralized by the revenues of the Combined Water and Sewer System	329,000
\$892,000 Water and Sewer Revenue Bonds of 2011, maturing through January 2049 in accordance with original amortization schedule, with interest at 2.25%, collateralized by the revenues of the Combined Water and Sewer System	<u>777,267</u>
<u>Totals</u>	<u><u>2,133,767</u></u>

Compliance with Bond Ordinances

The bond ordinances contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds and minimum revenue bond coverages. Funds held in the various reserves at June 30, 2018 required by the revenue bond ordinances are reported in the accompanying financial statements as restricted cash.

Sinking Fund Requirements

Sinking fund requirements are equal to the debt service requirements. The annual requirements to amortize all bonds as of June 30, 2018 according to various bond documents, including interest payments are as follows:

1989 RD Bond Issue - 91-06 Org series \$160,000			
Year	Principal	Interest	Total
2019	5,500	3,808	9,308
2020	5,800	3,525	9,325
2021	6,100	3,228	9,328
2022	6,400	2,915	9,315
2023	6,700	2,588	9,288
2024 - 2028	39,100	7,407	46,507
2029	<u>9,300</u>	<u>233</u>	<u>9,533</u>
	<u>\$ 78,900</u>	<u>\$ 23,704</u>	<u>\$ 102,604</u>

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

Note I – Long Term Debt/Demand Notes (continued)Sinking Fund Requirements (Continued)

1995 RD Bond Series A - 91-09

Org series \$271,000

Year	Principal	Interest	Total
2019	7,000	8,033	15,033
2020	7,500	7,707	15,207
2021	7,500	7,369	14,869
2022	8,000	7,020	15,020
2023	8,500	6,649	15,149
2024 - 2028	49,000	26,957	75,957
2029 - 2033	63,000	14,447	77,447
2034 - 2035	28,600	1,475	30,075
	<u>\$ 179,100</u>	<u>\$ 79,657</u>	<u>\$ 258,757</u>

1999 RD Bond - 91-13

Org series \$593,000

Year	Principal	Interest	Total
2019	13,000	14,089	27,089
2020	14,000	13,650	27,650
2021	14,000	13,195	27,195
2022	15,000	12,724	27,724
2023	16,000	12,220	28,220
2024 - 2028	89,000	52,862	141,862
2029 - 2033	110,000	36,726	146,726
2034 - 2038	138,000	16,672	154,672
2039	31,000	504	31,504
	<u>\$ 440,000</u>	<u>\$ 172,642</u>	<u>\$ 612,642</u>

2003 RD Bond - 92-18

Org series \$400,000

Year	Principal	Interest	Total
2019	7,500	14,659	22,159
2020	7,500	14,321	21,821
2021	8,000	13,972	21,972
2022	8,500	13,601	22,101
2023	9,000	13,208	22,208
2024 - 2028	50,000	59,625	109,625
2029 - 2033	62,500	46,971	109,471
2034 - 2038	77,500	31,309	108,809
2039 - 2043	99,000	11,748	110,748
	<u>\$ 329,500</u>	<u>\$ 219,414</u>	<u>\$ 548,914</u>

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

Note I – Long Term Debt/Demand Notes (continued)Sinking Fund Requirements (Continued)

2004 RD Bond - 91-23			
Org series \$392,000			
Year	Principal	Interest	Total
2019	7,000	13,834	20,834
2020	7,000	13,537	20,537
2021	8,000	13,218	21,218
2022	8,000	12,878	20,878
2023	8,000	12,538	20,538
2024 - 2028	47,000	56,973	103,973
2029 - 2033	59,000	45,796	104,796
2034 - 2038	73,000	31,855	104,855
2039 - 2043	91,000	14,472	105,472
2044	21,000	446	21,446
	<u>\$ 329,000</u>	<u>\$ 215,547</u>	<u>\$ 544,547</u>

2004 RD Bond - 91-25			
Org series \$892,000			
Year	Principal	Interest	Total
2019	17,000	17,449	34,449
2020	17,500	17,061	34,561
2021	18,000	16,661	34,661
2022	18,500	16,250	34,750
2023	19,000	15,829	34,829
2024 - 2028	102,500	72,422	174,922
2029 - 2033	115,000	60,189	175,189
2034 - 2038	130,000	46,453	176,453
2039 - 2043	147,000	30,882	177,882
2044 - 2048	166,500	13,269	179,769
2049	26,267	371	26,638
	<u>\$ 777,267</u>	<u>\$ 306,836</u>	<u>\$ 1,084,103</u>

KIA Loan F209-08			
Org series \$683,200, amortizable			
Year	Principal	Interest	Total
2019	15,209	2,686	17,895
2020	15,361	2,496	17,857
2021	15,515	1,842	17,357
2022	15,671	1,687	17,358
2023	15,828	1,530	17,358
2024 - 2028	81,550	5,237	86,787
2029 - 2032	59,553	1,197	60,750
	<u>\$ 218,687</u>	<u>\$ 16,675</u>	<u>\$ 235,362</u>

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

Note I – Long Term Debt/Demand Notes (continued)Sinking Fund Requirements (Continued)

KIA Loan A 11-04			
Org series \$1,400,000, amortizable			
Year	Principal	Interest	Total
2019	39,612	7,111	46,723
2020	39,310	6,607	45,917
2021	39,705	6,212	45,917
2022	40,104	5,813	45,917
2023	40,507	5,410	45,917
2024 - 2028	208,721	20,864	229,585
2029 - 2033	219,418	10,167	229,585
2034 - 2036	90,890	948	91,838
	<u>\$ 718,267</u>	<u>\$ 63,132</u>	<u>\$ 781,399</u>
Governmental Activities			
Org note, \$90,000, 4.0% Interest			
Year	Principal	Interest	Total
2019	8,743	756	9,499
2020	9,100	399	9,499
2021	6,424	63	6,487
	<u>\$ 24,267</u>	<u>\$ 1,218</u>	<u>\$ 25,485</u>

Note J – Contingent Liabilities

The City's management has stated, as of audit date, litigation pending against the City of Campton is estimated to be within the scope of its insurance coverage limitations.

Note K – Interfund – Assets/Liabilities

Due from/to other funds balances at June 30, 2018 were as follows:

Fund	Due from other funds	Due to other funds
General Fund		
Due to/from Water Fund	\$ 38,816	\$ -
Special Revenue Fund		
Due to/from Water Fund	2,387	-
Water Fund		
Due to/from General Fund	-	38,816
Due to/from Special Revenue Fund	-	2,387
	<u>\$ 41,203</u>	<u>\$ 41,203</u>

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

Note L – Interfund – Transfers

Interfund transfers and receipts for the year ended June 30, 2018 were as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ 3,700	\$ -
Utilities Fund	-	3,700
Totals	<u>\$ 3,700</u>	<u>\$ 3,700</u>

Note M – Pension Plans

Plan Description: Substantially all full-time employees of the City participate in the County Employees Retirement System (CERS). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous and hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling (800) 928-4646 or at <https://kyret.ky.gov>.

Benefits Provided - Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions - Funding for the plan is provided through payroll withholdings of 5.00% except for new hires on or after September 1, 2008 with payroll withholding of 6.00% and a City contribution of 19.18% of the employee's total compensation subject to contributions.

At June 30, 2018, the City reported the following for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used was based on an actuarial valuation as of June 30, 2017. At June 30, 2017 the City's proportion of the net pension liability based on contributions to CERS during fiscal year ended June 30, 2016 was .017335% for nonhazardous employees.

City's proportionate share of the net	
CERS nonhazardous pension liability	<u>\$ 1,014,671</u>

CITY OF CAMPTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2018Note M – Pension Plans (Continued)

For the year ended June 30, 2018, the City's government-wide financial statements reported CERS pension expense of \$239,902 for nonhazardous employees. For the year ended June 30, 2018 the City recognized deferred outflows of resources in the amount of \$334,965 and deferred inflows of resources in the amount of \$93,567 were recognized for the year ended.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,259	\$ 25,757
Changes of assumptions	187,234	-
Net difference between projected and actual earnings on pension plan investments	80,361	67,810
Changes in proportion and differences between City contributions and proportionate share of contributions	66,111	-
City contributions subsequent to the measurement date	-	-
Total	<u>\$ 334,965</u>	<u>\$ 93,567</u>

The City previously reported deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments. This will be recognized as pension expense as follows:

CERS GASB 68	
Year	Total
2018	107,076
2019	101,827
2020	45,523
2021	(13,029)
2022	-
Thereafter	-
Total	<u>241,397</u>

CITY OF CAMPTON

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE M – Pension Plans (continued)

Actuarial Methods and Assumptions - The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

- Valuation date, June 30, 2017
- Experience study – July 1, 2008 – June 30, 2013
- Actuarial Cost method – Entry Age Normal
- Amortization Method – Level percentage of payroll, closed
- Remaining Amortization Period – 28 years
- Asset Valuation method – 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
- Inflation – 3.25%
- Salary increases, 4.00% average
- Investment rate of return – 7.50%

The rates of mortality for the period after service retirement are according to the RP-2000 Combined Mortality Table with Scale BB to 2013.

The target asset allocation and best estimates of arithmetic real rate of return for each major asset class, as provided by CERS's investment consultant, are summarized as follows:

<u>Asset Class</u>	CERS Target <u>Allocation</u>	Long-term Expected Nominal <u>Return</u>
US Equity	17.5%	5.97%
International Equity	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	5.50%
Private Credit	10.0%	8.75%
Real Estate	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real Return	10.0%	6.13%
Private Equity	10.0%	8.25%
Cash	<u>2.0%</u>	1.88%
	100.0%	

CITY OF CAMPTON

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE M – Pension Plans (continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.5%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Deferred inflows and outflows and pension expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability is based on the June 30, 2017 actuarial valuations. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a five year period.

The following presents the City's proportionate share of net pension liability calculated using the discount rate of 6.25% as well as the City's share if calculated using a rate 1% higher and 1% lower:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
City's proportionate share of net nonhazardous pension liability	\$ 1,279,719	\$ 1,014,671	\$ 792,960

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

Payable to the pension plan by the City at June 30, 2018 was \$7,726.

Note N – OPEB Plans**General Information about the OPEB Plan**

Plan description – Substantially all full-time employees of the City are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan. CERS was created by the Kentucky General Assembly pursuant to the provisions of Kentucky Revised Statute 78.520.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling (800)928-4646 or at <https://kyret.ky.gov>.

CITY OF CAMPTON

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

Note N – OPEB Plans (Continued)

The State reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the KRS Insurance Fund. The following information is about the KRS plans:

Medical Insurance Plan

Plan description – In addition to the OPEB benefits described above, KRS provides post-employment healthcare benefits to eligible members and dependents. The KRS Insurance benefit is a cost-sharing multiple employer defined benefit plan.

Benefits provided – Benefits under the plan will vary based on years of service and other factors as fully described in the plan documents.

Contributions – In order to fund the post-retirement healthcare benefit, participants hired on or after September 1, 2008 contribute 1% of total compensation subject to contribution for non-hazardous and hazardous duty positions. Also, the premiums collected from retirees as described in the plan documents and investment interest help meet the medical expenses of the plan.

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

At June 30, 2018, the City of Campton reported a liability of \$348,493 for its proportionate share of the collective net CERS non-hazardous OPEB liability. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion was .0173% for non-hazardous employees, which was in equal to the proportions measured as of June 30, 2017.

The amount recognized by the City as its proportionate share of the OPEB liability was as follows:

CERS OPEB	
City's proportionate share of the net OPEB liability	<u><u>348,493</u></u>

CITY OF CAMPTON

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

Note N – OPEB Plans (continued)

For the year ended June 30, 2018, the City recognized OPEB expense of \$17,562. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	968
Changes of assumptions	75,830	-
Net difference between projected and actual earnings on OPEB plan investments	-	16,470
Changes in proportion and differences between City contributions and proportionate share of contributions	-	808
City contributions subsequent to the measurement date	-	-
Total	75,830	18,246

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

CERS GASB 75	
Year	Total
2018	9,908
2019	9,908
2020	9,908
2021	9,908
2022	14,025
Thereafter	3,927
Total	57,584

Actuarial assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%
Projected salary increases	4.00%, average
Inflation rate	3.25%
Real Wage Growth	4.00%
Wage Inflation	3.25%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and Older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years
Municipal Bond Index Rate	3.56%
Discount Rate	5.84% non-hazardous

CITY OF CAMPTON

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

Note N – OPEB Plans (continued)

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2013 with projection scale BB and set back one year for females. The RP-2000 Disabled Mortality Table set back four years for males is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined by weighting the expected future real rates of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KRS's investment consultant, are summarized in the following table:

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>CERS Target Allocation</u>	<u>Long-term Expected Nominal Return</u>
US Equity	17.5%	5.97%
International Equity	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	5.50%
Private Credit	10.0%	8.75%
Real Estate	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real Return	10.0%	6.13%
Private Equity	10.0%	8.25%
Cash	<u>2.0%</u>	1.88%
	100.0%	

Discount rate - The discount rate used to measure the total OPEB liability was 5.84% for non-hazardous personnel. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF CAMPTON

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

Note N – OPEB Plans (continued)

The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.84% for non-hazardous personnel, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower, 4.84% for non-hazardous personnel, or 1-percentage-point higher, 6.84% for non-hazardous personnel than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Discount rate	<u>4.84%</u>	<u>5.84%</u>	<u>6.84%</u>
City's proportionate share of net OPEB liability	\$ 443,438	\$ 348,493	\$ 269,484

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

	1% Decrease	Current Trend Rate	1% Increase
Health Care Trend Rate	<u>Decrease</u>	<u>Trend Rate</u>	<u>Increase</u>
City's proportionate share of net OPEB liability	\$ 267,312	\$ 348,493	\$ 454,023

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS financial report.

Note O – Grant Programs

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

CITY OF CAMPTONNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2018Note P – Insurance and Related Activities

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The City has purchased certain policies which are retrospectively rated, which includes worker's compensation insurance.

Note Q - Concentrations

The City's enterprise operations are concentrated in the Wolfe County area. The city's governmental operations are dependent on a sustaining tax base and assistance from local, state and federal authorities.

Note R – Contingencies

The City completed a multi-funded sewer improvement project for which prior audits indicated costs and related reimbursement requests were duplicated. The City resolved the audit finding during the current reporting period. Management for the City and representatives of regulatory authorities agreed to remit \$153,258 previously held in reserve to Kentucky Infrastructure Authority which would in turn be paid toward the City's financing loan for the sewer improvement project.

Note S – Adjustment to Beginning Net Position

Utility Fund beginning net position was decreased \$273,347 to reflect the implementation of GASB 75, accounting and reporting for postemployment benefits other than pensions (OPEB) for the year ended June 30, 2018.

SUPPLEMENTARY INFORMATION

CITY OF CAMPTON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2018

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES:</u>			
Taxes	\$ 90,239	\$ 78,581	\$ (11,658)
Licenses and permits	3,250	3,138	(112)
Other	<u>200</u>	<u>97</u>	<u>(103)</u>
 <u>Total revenues</u>	 <u>93,689</u>	 <u>81,816</u>	 <u>(11,873)</u>
 <u>EXPENDITURES:</u>			
<u>Current:</u>			
General government	61,189	37,361	23,828
Fire protection	25,000	23,405	1,595
Debt service	<u>9,500</u>	<u>9,499</u>	<u>1</u>
 <u>Total expenditures</u>	 <u>95,689</u>	 <u>70,265</u>	 <u>25,424</u>
 Excess of revenue <u>over (under) expenditures</u>	 <u>(2,000)</u>	 <u>11,551</u>	 <u>13,551</u>
 <u>OTHER FINANCING SOURCES (USES):</u>			
Operating transfers in (out)	-	3,700	3,700
Grant proceeds	-	5,000	5,000
Interest income	<u>2,000</u>	<u>2,762</u>	<u>762</u>
 <u>Total other financing sources (uses)</u>	 <u>2,000</u>	 <u>11,462</u>	 <u>9,462</u>
 Excess of revenues over (under) <u>expenditures and other sources (uses)</u>	 <u>-</u>	 <u>23,013</u>	 <u>23,013</u>
 <u>FUND BALANCE - JULY 1</u>	 <u>-</u>	 <u>383,767</u>	 <u>-</u>
 <u>FUND BALANCE - JUNE 30</u>	 <u>\$ -</u>	 <u>\$ 406,780</u>	 <u>\$ -</u>

See notes to financial statements and independent auditor's report.

CITY OF CAMPTONSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL – SPECIAL REVENUE FUNDSFor the Year Ended June 30, 2018

	<u>Special Revenue Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES:</u>			
Intergovernmental revenues	\$ 50,000	\$ 22,058	\$ (27,942)
<u>Total revenues</u>	<u>50,000</u>	<u>22,058</u>	<u>(27,942)</u>
<u>EXPENDITURES:</u>			
Highway and streets	52,000	2,674	49,326
<u>Total expenditures</u>	<u>52,000</u>	<u>2,674</u>	<u>49,326</u>
Excess of revenue over (under) expenditures	(2,000)	19,384	21,384
<u>OTHER FINANCING SOURCES (USES):</u>			
Interest income	2,000	2,220	220
<u>Total other financing sources (uses)</u>	<u>2,000</u>	<u>2,220</u>	<u>220</u>
Excess of revenues over (under) expenditures and other sources (uses)	-	21,604	21,604
<u>FUND BALANCE - JULY 1</u>	<u>-</u>	<u>282,817</u>	<u>-</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ -</u>	<u>\$ 304,421</u>	<u>\$ -</u>

See notes to financial statements and independent auditor's report.

CITY OF CAMPTON

**SCHEDULES OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
AND SCHEDULES OF EMPLOYER CONTRIBUTIONS**

For the Year Ended June 30, 2018

	<u>2018</u> CERS <u>Nonhazardous</u>	<u>2017</u> CERS <u>Nonhazardous</u>	<u>2016</u> CERS <u>Nonhazardous</u>	<u>2015</u> CERS <u>Nonhazardous</u>
Employer's proportion of the net pension liability	0.017335%	0.015440%	0.014712%	0.014968%
Employer's proportionate share of the net pension liability	1,014,671	760,020	477,000	643,541
Employer's covered employee payroll	371,165	377,914	337,105	342,863
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	273%	201%	141%	188%
Plan fiduciary net position as a percentage of the total pension liability	52.40%	55.50%	60.00%	66.80%

Employer's Contributions

	<u>2018</u> CERS <u>Nonhazardous</u>	<u>2017</u> CERS <u>Nonhazardous</u>	<u>2016</u> CERS <u>Nonhazardous</u>	<u>2015</u> CERS <u>Nonhazardous</u>
Contractually required contribution	58,878	45,376	63,757	62,118
Contributions in relation to the contractually required contribution	58,878	43,855	63,795	44,525
Contribution deficiency (excess)	-	1,521	(38)	17,593
City's covered employee payroll	371,165	377,914	337,105	342,863
Contributions as a percentage of covered employee payroll	15.86%	12.01%	18.91%	18.12%

See notes to financial statements and independent auditor's report.

CITY OF CAMPTONSCHEDULES OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
AND SCHEDULES OF EMPLOYER CONTRIBUTIONSFor the Year Ended June 30, 2018**Employer's Proportionate Share of Net OPEB Liability - Medical Insurance Fund**

	<u>CERS</u>
Employer's proportion of the net OPEB liability	0.0173%
Employer's proportionate share of the net OPEB liability	348,493
Employer's covered employee payroll	371,165
Employer's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	94%
Plan fiduciary net position as a percentage of the total OPEB liability	59.0%

Employer's Contributions

	<u>CERS</u>
Contractually required contribution	22,151
Contributions in relation to the contractually required contribution	22,151
Contribution deficiency (excess)	-
District's covered employee payroll	371,165
Contributions as a percentage of covered employee payroll	5.97%

See notes to financial statements and independent auditor's report.

Chris Gooch

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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 and City Commissioners
City of Campton
Campton, 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 the City of Campton, Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Campton, Kentucky's basic financial statements, and have issued our report thereon dated December 7, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Campton, 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 the City of Campton, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Campton, 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses: 2018-002.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City of Campton, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-001, 2018-003 and 2018-004.

City of Campton, Kentucky's Response to Findings

City of Campton, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Campton, 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.



Chris Gooch
Certified Public Accountant

Hazard, Kentucky

December 7, 2018

CITY OF CAMPTONSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGSJune 30, 2018- FINDINGS RELATED TO THE FINANCIAL STATEMENTS -**2017-001 The City Should Have Adequate Controls over Payroll Disbursements**

Condition: Our examination of payroll transaction for a sample payroll period noted the following:

- One payroll check, #32328, was dated after the bank disbursement date;
- Overtime rate was paid for 7.68 hours sick time, #32301;
- #32313, paid for 13.5 hours overtime, time card calculated to 6.5 overtime hours;
- #32307, time sheet noted 10.5 hours, no daily time recorded.

Criteria: Adequate controls should indicate underlying payroll documentation is compared to payments before checks are remitted.

Effect: Without adequate controls, the City may be paying inaccurate and/or unauthorized amounts for which refunds may be due

Cause: The review process for payroll was not adequately reviewing payments to underlying documents.

Recommendation: The City should assure payroll documentation is compared to payments before checks are remitted.

The City's Response: Management will work to enhance its controls in this area minimizing clerical errors and any under/over payments.

2017-002 The City Should Have Adequate Controls over Inventory

Condition: When inquiring regarding the City's control over consumable inventory we noted the following conditions which may lead to misappropriation or theft:

- A perpetual or periodic record of consumable inventory is not maintained.
- Eight keys are issued for the area where inventory is generally maintained.

Criteria: Physical counts of inventory should be periodically reconciled to receiving reports.

Effect: Without adequate controls, the City has a greater risk assets may be misappropriated or fraud could occur.

Cause: No inventory is maintained. Access to the facility is not controlled.

CITY OF CAMPTONSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)June 30, 2018**2017-002 The City Should Have Adequate Controls over Inventory (Continued)**

Recommendation: The City should assure a periodic count of inventory is compared to purchase records and receiving reports. Management should strengthen its physical controls over the facility where inventory is stored.

The City's Response: Management will consider establishing controls to assure documentation is compared to periodic counts. Management will assess its key distribution and access documentation.

2017-003 Unauthorized Bonus Pay was paid to City Employees

Condition: Our test sample of disbursement transactions noted \$100 bonuses paid to City employees. The payments were posted to general ledger accounts other than salaries.

Criteria: KRS 83A.070 require compensation of employees to be set by ordinance. In addition, employees may only be paid for services actually rendered.

Effect: The City paid unauthorized compensation to its employees.

Cause: The City paid compensation contrary to its authorized budget.

Recommendation: The City should assure compensation paid to employees aligns with applicable statutes and budget provisions.

The City's Response: Management will pay compensation based on applicable statutes and approved budgets.

CITY OF CAMPTONSCHEDULE OF FINDINGS AND RESPONSESJune 30, 2018- FINDINGS RELATED TO THE FINANCIAL STATEMENTS -**2018-001 The City Should Publish Annual Financial Statements/Audits**

Condition:	No evidence noted the City published in the paper of record its most recent budget, financial statements or audit report.
Criteria:	KRS 424.220 and KRS 424.240 set criteria regarding publishing financial information of municipalities.
Effect:	The City is not providing adequate notification of its financial expectations and results as required by statute.
Cause:	The City did not submit financial information to the paper of record.
Recommendation:	The City should devise a system to assure timely information is submitted and published regarding its finances.
The City's Response:	Management will work to enhance its compliance to assure financial information is timely submitted to the paper of record.

2018-002 The City Should Have Adequate Controls over Inventory

Condition:	When inquiring regarding the City's control over consumable inventory we noted the following conditions which may lead to misappropriation or theft: <ul style="list-style-type: none"> • A perpetual or periodic record of consumable inventory is not maintained.
Criteria:	Physical counts of inventory should be periodically reconciled to receiving reports.
Effect:	Without adequate controls, the City has a greater risk assets may be misappropriated or fraud could occur.
Cause:	No inventory is maintained. Access to the facility is not controlled.
Recommendation:	The City should assure a periodic count of inventory is compared to purchase records and receiving reports. Management should strengthen its physical controls over the facility where inventory is stored.
The City's Response:	Management will consider establishing controls to assure documentation is compared to periodic counts. Management will assess its key distribution and access documentation.

CITY OF CAMPTONSCHEDULE OF FINDINGS AND RESPONSES (Continued)June 30, 2018**2018-003 Unauthorized Bonus Pay was paid to City Employees**

Condition:	Our test sample of disbursement transactions noted bonuses paid to City employees. The payments were posted to general ledger accounts other than salaries.
Criteria:	KRS 83A.070 require compensation of employees to be set by ordinance. In addition, employees may only be paid for services actually rendered.
Effect:	The City paid unauthorized compensation to its employees.
Cause:	The City paid compensation contrary to its authorized budget.
Recommendation:	The City should assure compensation paid to employees aligns with applicable statutes and budget provisions.
The City's Response:	Management will pay compensation based on applicable statutes and approved budgets.

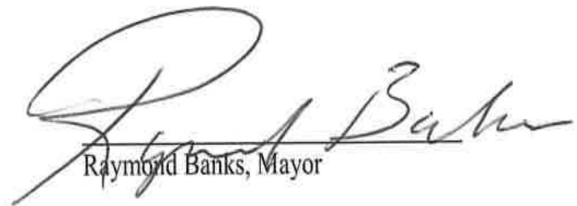
2018-004 Unauthorized Fringe Benefits was paid to a City Employee

Condition:	Our test sample of payroll transactions noted fringe benefits, in particular, health insurance premiums, were paid at least five months after an employee retired. The total amount paid equaling five months of the former employees' health insurance premium was \$3,772.
Criteria:	Only active personnel should be participants in the City's fringe benefit plans.
Effect:	The City paid unauthorized fringe benefits to an employee.
Cause:	Management did not notify its health insurance provider in a timely manner and/or did not compare the monthly statements with its active personnel listing.
Recommendation:	The City should monitor and compare future fringe benefit statements and seek reimbursement for the overpayment.
The City's Response:	The City will monitor and compare future fringe benefit statements and seek reimbursement for the overpayment.

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CITY OF CAMPTON

For the Year Ended June 30, 2018

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



Raymond Banks, Mayor