

CITY OF BARDSTOWN, KENTUCKY

Audited Financial Statements

For the Year Ended June 30, 2015



Peercy and Gray, PSC
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Bardstown, Kentucky
220 North Fifth Street
Bardstown, Kentucky 40004

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 Bardstown, Kentucky as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting 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.

To the City Council
City of Bardstown, Kentucky
September 22, 2015

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 Bardstown, Kentucky, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–15 and 51–52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bardstown, Kentucky's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2015, on our consideration of the City of Bardstown, 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

To the City Council
City of Bardstown, Kentucky
September 22, 2015

audit performed in accordance with Government Auditing Standards in considering City of Bardstown, Kentucky's internal control over financial reporting and compliance.

Perry and Gray, PSC

September 22, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS



OLD KENTUCKY HOME
DOORWAY

City of Bardstovon

JOHN ROYALTY, MAYOR
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ART TREASURES IN
ST. JOSEPH CATHEDRAL

Management's Discussion and Analysis Annual Financial Statements For the Fiscal Year Ended June 30, 2015

The Management Discussion and Analysis of the financial performance of the City of Bardstovon provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please review the MD&A in conjunction with the auditors' transmittal letter and the City of Bardstovon Audited Financial Statements. Should anyone have questions or desire additional information, please contact Tracy Hudson at thudson@bardstovoncable.net.

Financial Highlights

- As of June 30, 2015, the City's Net Position (assets minus liabilities) totaled \$71,417,000.
- This is the first year of the required implementation of GASB 68, Accounting and Financial Reporting for Pensions. There were significant changes to the financial statements due to the implementation of GASB 68. Due to the recording of the Net Pension Liability of \$9,626,000, Deferred Inflows of \$1,160,034, Deferred Outflows of \$1,308,551 and the additional accrued pension expense of \$716,032 in the Governmental Activities and \$451,434 in the Business-Type Activities, there is now a negative balance in the Unrestricted Net Position in the Governmental Activities of (\$4,102,007).
- A prior period adjustment of \$5,517,068 was made to the Beginning Net Position in the Governmental Activities and \$3,953,466 in the Business-Type Activities to record the prior year net pension activity.
- The Net Pension Liability of \$9,626,000, due to the implementation of GASB 68, is the City's proportionate share of the net pension liability with the Kentucky Retirement Systems. See Note 7 of the financial statements for more information.
- Net Position includes Capital Assets, net of related debt, of \$62,893,000, \$4,867,000 in restricted resources (restricted to specific projects by law, regulation, or contractual agreement), and unrestricted resources of \$3,657,000, of which \$7,759,000 is in the Utility Fund and the Governmental Funds now have a (\$4,102,007) due to the implementation of GASB 68.

Management's Discussion and Analysis
Annual Financial Statements
For The Fiscal Year Ended June 30, 2015
September 22, 2015

- City Liabilities on June 30, 2015 totaled \$28,036,000, of which \$22,778,000 is long term and \$5,258,000 is current, including FY 15 bond and KIA loan payments, accounts payable, internal balances, deferred revenue, net pension liability and other liabilities.
- The City paid \$1,060,000 toward its bonded debt in FY 15 as scheduled, leaving a year-end balance of \$6,940,000. The debt is being paid from combined utility system revenues, though it is general obligation debt that refinanced earlier revenue bonds. These bonds will be paid off in six more years.
- The City also paid \$277,778 on the 3 KIA loans it had received for major water and sewer projects, leaving a year-end balance of approximately \$6,542,000 on these 20 year loans.
- The only General Fund debt is for the County funded equipment/mapping upgrade for Dispatch, which is currently funded 60/40 by the County/City.
- The Unrestricted Net Position is (\$4,102,000) in the General Fund and \$7,759,000 in the Combined Utilities Fund, which do have major capital projects to undertake in the near future. This decreased significantly due to the implementation of GASB 68.
- The national recession continues to affect the City, though not as severely as elsewhere. Property tax revenue decreased slightly from the previous year, but Occupational License Fee collections did increase from last year's level.
- The City's Indirect Cost Allocation Plan was unchanged in FY 2015. This plan allocates city overhead costs to all departments, including utility departments, based on the revenue of each department as a percent of total revenue.

Management's Discussion and Analysis
 Annual Financial Statements
 For The Fiscal Year Ended June 30, 2015
 September 22, 2015

TABLE 1:
City of Bardstown
Assets, Liabilities, and Net Assets
3-Year Review

Assets	FY 13	FY 14	FY 15
Capital Assets			
Governmental Activities	\$ 9,481,000	\$ 9,613,000	\$ 9,849,000
Business-type Activities	<u>65,790,000</u>	<u>66,216,000</u>	<u>66,393,000</u>
Total Capital Assets	75,271,000	75,829,000	76,242,000
Current & Other Assets			
Governmental Activities	5,545,000	2,829,000	3,698,000
Business-type Activities	<u>18,676,000</u>	<u>18,061,000</u>	<u>19,512,000</u>
Total Current & Other Assets	24,221,000	20,890,000	23,210,000
Total Assets			
Governmental Activities	15,026,000	12,442,000	13,547,000
Business-type Activities	<u>84,466,000</u>	<u>84,277,000</u>	<u>85,905,000</u>
Total Assets	<u>\$ 99,492,000</u>	<u>\$ 96,719,000</u>	<u>\$ 99,452,000</u>

Management's Discussion and Analysis
Annual Financial Statements
For The Fiscal Year Ended June 30, 2015
September 22, 2015

TABLE 1:
City of Bardstown
Assets, Liabilities, and Net Assets
3-Year Review (Continued)

Liabilities	FY 13	FY 14	FY 15
Current & Other Liabilities			
Governmental Activities	\$ 3,288,000	\$ 651,000	\$ 953,000
Business-type Activities	7,428,000	4,277,000	4,305,000
Total Current & Other Liabilities	10,716,000	4,928,000	5,258,000
Long-term Liabilities			
Governmental Activities	149,000	226,000	6,446,000
Business-type Activities	12,675,000	13,083,000	16,332,000
Total Long-term Liabilities	12,824,000	13,309,000	22,778,000
Total Liabilities			
Governmental Activities	3,437,000	877,000	7,399,000
Business-type Activities	20,103,000	17,360,000	20,637,000
Total Liabilities	23,540,000	18,237,000	28,036,000
Net Position			
Governmental Activities	11,589,000	11,566,000	6,148,000
Business-type Activities	64,363,000	66,782,000	65,269,000
Total Net Position	75,952,000	78,348,000	71,417,000
Net Position, Details			
Invested in Capital Assets			
Governmental Activities	9,279,000	9,334,000	9,583,000
Business-type Activities	52,046,000	51,861,000	53,310,000
Total Capital Assets (net of debt)	61,325,000	61,195,000	62,893,000
Restricted Net Assets			
Governmental Activities	1,003,000	772,000	668,000
Business-type Activities	6,831,000	3,980,000	4,199,000
Total Restricted Net Assets	7,834,000	4,752,000	4,867,000
Unrestricted Net Assets			
Governmental Activities	1,307,000	1,460,000	(4,102,000)
Business-type Activities	5,486,000	10,941,000	7,759,000
Total Unrestricted Net Assets	\$ 6,793,000	\$ 12,401,000	\$ 3,657,000

Parity coverage for the General Obligation Bonds, paid from Combined Utilities Fund revenues, remains above the required coverage of 1.4 as **Table 2** demonstrates.

Management's Discussion and Analysis
Annual Financial Statements
For The Fiscal Year Ended June 30, 2015
September 22, 2015

Table 2
CITY OF BARDSTOWN, KENTUCKY
COMBINED UTILITIES REVENUE BONDS
HISTORICAL COVERAGE ANALYSIS

	2013	2014	2015
Net Income	\$5,037,100	\$4,265,645	\$4,560,304
Less Contributed Capital Assets	(1,210,479)	(81,365)	(386,940)
Add Back:			
Depreciation	3,017,345	3,058,120	3,164,665
Interest Expense	395,856	443,641	465,522
Transfers Out	1,140,796	1,403,203	1,654,627
Total Revenues Available for Debt Service	<u>\$ 8,380,618</u>	<u>\$ 9,089,244</u>	<u>\$ 9,458,178</u>
Annual Parity Debt Service in years presented	\$1,783,883	\$1,723,314	\$1,803,300
Coverage	4.70	5.27	5.24

Overview of the Financial Statements

The City provides governmental services, primarily funded by taxes and intergovernmental revenues, and business-type services, funded by user fees and charges. Governmental activities include services such as police, fire, recreation, streets and street lighting, prevention of drug and alcohol abuse, cemetery operation and maintenance, planning and zoning, industrial development, historic preservation, and the administrative and oversight functions necessary to provide all of the above. Business-type activities include electric, water, sewer, cable, Internet and garbage services.

The audited financial statements include three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. The audited Financial Statements also include other supplemental information and the Budget and Actual statements, which are required to demonstrate the City's compliance with state law regarding the budgeting of public funds.

Government-wide Financial Statements

The government-wide financial statements (Government-wide Statement of Net Position and Government-wide Statement of Activities) are designed to provide readers with a broad overview of the City of Bardstown's finances in a manner similar to that used in the private sector. They report the financial condition on both governmental and business-type activities as

of June 30; the City's short-term and long-term assets and liabilities; and how the City's Net Position changed during the fiscal year. The revenues and expenditures of the past year are summarized. Governmental service (General Fund) costs today still exceed tax revenue. Dividends from the business-type activities of the City fund that shortfall. The change in the occupational license fee, effective 1-1-2012, helped to address the General Fund needs, however the demands for additional police, fire, and street funding has consumed nearly \$600,000 of that new revenue.

Governmental Fund Statements

The next two financial statements report only on governmental services:

- Balance Sheet-Governmental Funds
- Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.

The Balance Sheet lists the resources available as of June 30 to pay current liabilities and to continue governmental operations into the following fiscal year. Capital assets and long-term debt are not included in this report, but are included in the Government-wide Statement of Net Assets. The Balance Sheet is intended to demonstrate current, as opposed to long-term, financial strength and/or weakness.

The Statement of Revenues, Expenditures, and Changes in Fund Balances provides some of the most important data necessary to choose the level of governmental service. It also provides insight into the level of taxation and/or fees needed for those services.

Management presents the following observations about the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance, primarily related to the General Fund.

- The June 30 Fund Balance, \$2,001,355, includes an Unassigned Balance of \$709,408, an increase over the 6-30-14 figure. The remainder of the Fund Balance is restricted, assigned, or nonspendable.
- The affects of GASB 68 are not recorded on these financial statements.
- The Statement of Revenues and Expenditures shows that the General Fund expenditures exceeded revenues by \$1.89 million. Much of that amount represents the utility departments' share of general city overhead (indirect costs) and is properly funded by transfers from the utility departments. A smaller amount is funded from a dividend taken from the utility departments.

The Budgetary and Comparison Schedule - Major Funds reports on the City's compliance with budget adoption and execution requirements. The City operated within its adopted budget, with one exception in the E-911 fund, related to the County's purchase of equipment for the fund as a loan.

Management concludes its comments on the Major Governmental Fund Statements by noting that actions taken in the past few years, and especially in July of 2011, significantly addressed the General Fund's structural deficit. That decision to change the Net Profit & Occupational License Fee Ordinance effective 1-1-2012 is having the most impact on the structural deficit. However, the increased funding for Police, Fire, and Streets is causing that deficit to grow again.

Proprietary Fund Statements

The three primary statements reporting on the proprietary or business-type activities are:

- Statement of Net Position – Proprietary Funds
- Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
- Statement of Cash Flows – Proprietary Funds.

The Statement of Net Position shows, for the Utility Operating Fund, \$7,759,406 in Unrestricted Net Assets, well in excess of the desired 16.7% of operating revenues, or two months coverage of operating expenses. This enhances the City's ability to fund much needed utility capital projects which are in the short-term future. The required reserve funds (Depreciation, Operations and Maintenance, and Bond Sinking Fund) are fully funded.

The Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds shows Income from Operations for the Utility Operating Fund of \$3,966,737, a slight decrease of \$59,500 from the prior year.

The Statement of Cash Flows – Proprietary Funds reports Cash and Cash Equivalents of \$10,826,699 as of June 30, a significant increase as payments on the refunded bond issue decreased from 2014 to 2015 and as the City sets aside unrestricted funds for the upcoming major capital projects.

The Governmental Activities–Internal Service Fund, included in the last column in the Proprietary Fund statements represents the City's Employee Health Insurance Fund, a self-insured plan. This Fund reports on the City's attempt to control the ever-increasing cost of employee health insurance. The City, like most employers, had experienced serious cost increases in the provision of health insurance coverage for its employees. To combat these increases, the City became a self-insured entity several years ago and continuously modifies its plan to contain the ever-increasing cost of employee health care. Management believes the plan changes are leading to permanent cost containment, as evidenced by its below industry average yearly increase in expenditures. Management projects that future increases will not exceed the industry-wide growth rate.

Program Revenues

Revenue from service charges, or Program Revenue, funds all of the City's business-type activities, the utility services or departments and the self-insured employee health insurance program. Similar charges, or Program Revenue, fund only a small portion of the expenses of the governmental activities or departments. The balance of the governmental activity expense is funded by General Revenue (taxes, grants, etc.) and by transfers from the business-type activities, primarily to cover indirect costs attributable to the business activities.

Governmental Activities

Table 3 shows a 3-year history of Expenses, Program and Grant revenues, and finally Net Expenses for each governmental program. These net expenses should be funded from tax revenues and investment income, but as the table shows, a portion is still funded via a transfer from the Combined Utilities Fund. The table also shows the Tax, Investment, and Miscellaneous Revenue generated to partially fund the Net Expenses of the governmental activities. The City allocates general overhead expenses to all departments. The accounting of the Utility Departments' share of those expenses is recorded as the "Transfer to Gen" line on Table 3. However, a part of that transfer from the utility operations is to cover the costs of governmental services not funded by General Fund revenues. The change to the Occupational License Fee ordinance enabled the city to reduce this particular transfer in FY 12 and to significantly reduce it in FY 13. However, increased funding of police, fire, and street needs is resulting in the need for a growing transfer.

Management's Discussion and Analysis
Annual Financial Statements
For The Fiscal Year Ended June 30, 2015
September 22, 2015

Table 3: Governmental Activities, Program Expenses, by Function (Department), Three-year Comparison

	FY 13			FY 14			FY 15		
	Expenses	Total P. Rev	Net Exp.	Expenses	Total P. Rev	Net Exp.	Expenses	Total P. Rev	Net Exp.
General Government	\$ 811,557	\$ 7,360	\$ 804,197	\$ 835,771	\$ 18,401	\$ 817,370	\$ 1,311,602	\$ 35,777	\$ 1,275,825
Finance	813,920	89,538	724,382	826,958	89,362	737,596	870,963	89,231	781,732
Public Safety	3,426,019	863,939	2,562,080	3,460,742	787,446	2,673,296	3,758,968	796,581	2,962,387
Fire	908,819	178,743	730,076	1,022,373	139,641	882,732	995,637	137,740	857,897
Recreation	514,722	201,758	312,964	575,859	218,403	357,456	578,776	201,591	377,185
Risk Management	63,670	-	63,670	139,260	-	139,260	63,676	-	63,676
Prevention Center	182,815	212,633	(29,818)	74,713	40,500	34,213	-	19,500	(19,500)
Streets	699,525	438,953	260,572	806,629	302,050	504,579	800,279	427,774	372,505
Cemetery	36,478	51,575	(15,097)	56,570	46,550	10,020	71,226	39,175	32,051
	\$ 7,457,525	\$ 2,044,499	\$ 5,413,026	\$ 7,798,875	\$ 1,642,353	\$ 6,156,522	\$ 8,451,127	\$ 1,747,369	\$ 6,703,758

Governmental Activities, General Revenues

Property Taxes	2,109,859	2,191,997	2,099,167
Restaurant Tax	507,218	444,347	517,685
Business License Fees	1,783,749	1,947,381	1,975,817
Interest & Invest. Earnings	11,131	8,765	3,279
Misc.	123,614	178,612	552,006
Total Gen. Revenues	4,535,571	4,771,102	5,147,954
Transfers-Net	1,140,796	1,362,018	1,654,627
Change in Net Position	263,341	(23,402)	98,823
Net Position, Beginning of Year	11,380,365	11,589,616	11,566,214
Net Position-Restated	(54,090)		(5,517,068)
Net Position, End of Year	\$ 11,589,616	\$ 11,566,214	\$ 6,147,969

Management's Discussion and Analysis
Annual Financial Statements
For The Fiscal Year Ended June 30, 2015
September 22, 2015

Table 4: Program Revenue & Expense, Business-type Activities, 3-Year Comparison

Activity	FY 13			FY 14			FY 15		
	Charges for Service	Expenses	Net Revenue	Charges for Service	Expenses	Net Revenue	Charges for Service	Expenses	Net Revenue
Electric	\$ 14,902,382	\$ 13,564,560	\$ 1,337,822	\$ 16,523,360	\$ 14,730,126	\$ 1,793,234	\$ 15,459,980	\$ 14,051,450	\$ 1,408,530
Water	4,481,792	4,334,052	147,740	4,719,896	4,466,732	253,164	4,664,749	4,643,029	21,720
Sewer	3,717,336	2,630,996	1,086,340	4,117,720	3,074,418	1,043,302	4,348,268	2,970,251	1,378,017
Cable TV	5,694,241	6,256,244	(562,003)	6,054,102	6,892,051	(837,949)	6,899,173	7,501,626	(602,453)
Internet	2,418,004	898,546	1,519,458	2,454,896	1,005,339	1,449,557	2,864,601	1,277,255	1,587,346
Garbage	1,481,676	1,325,792	155,884	1,580,445	1,255,903	324,542	1,516,703	1,343,125	173,578
Interest Exp		395,856	(395,856)		443,641	(443,641)		465,522	(465,522)
Totals	\$32,695,431	\$29,406,046	\$ 3,289,385	\$35,450,419	\$31,868,210	\$ 3,582,209	\$35,753,474	\$32,252,258	\$ 3,501,216

General Revenues, Business-type Activities

Interest & Invest. Earnings	67,170	14,900	16,527
Grants & Contributions	1,210,479	81,365	386,940
System Development Charges	64,985	134,230	180,800
Other	9,225	9,300	9,300
Less Net Transfers	<u>(1,140,796)</u>	<u>(1,403,203)</u>	<u>(1,654,627)</u>
Change in Net Position	3,500,448	2,418,801	2,440,156
Net Position, Beginning	60,862,672	64,363,120	66,781,921
Net Position-Restated			(3,953,466)
Net Position, Ending	<u>\$64,363,120</u>	<u>\$66,781,921</u>	<u>\$65,268,611</u>

Business-type Activities

Table 4 presents a 3-year history of program revenues and expenses for the Business-type Activities, the utility services. Both revenues and expenses increased slightly. Cable costs increased primarily due to the programming fees charged by the providers of cable content. The increase is beyond the city's control and must be passed on to the consumers if the City is to operate the cable service in the black and fund improvements. Cable and internet costs are difficult to allocate separately and should be considered together when analyzing their activity.

Summary and Pending Actions

The City's finances are sound and the actions taken to lessen the dependence on business activity revenue to provide governmental services has produced positive results. The City is also working to structure its utility rates so that new customers pay for the increased infrastructure needed to serve them. The major issue facing the City is the potential payment of the Net Pension Liability amount of \$9,626,000. It is unclear at this time if payment of all or even some of this liability will be required.

BASIC FINANCIAL STATEMENTS

CITY OF BARDSTOWN, KENTUCKY
GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 2,308,115	\$ 10,826,699	\$ 13,134,814
Investments	0	0	0
Receivables, net	185,891	2,394,645	2,580,536
Inventory	15,205	1,529,566	1,544,771
Prepaid items	13,396	13,456	26,852
Total Current Assets	<u>2,522,607</u>	<u>14,764,366</u>	<u>17,286,973</u>
Noncurrent Assets:			
Restricted cash and investments	151,488	4,198,935	4,350,423
Land held for resale	264,101	0	264,101
Capital assets, net (Note 5)	9,849,067	66,393,293	76,242,360
Total Noncurrent Assets	<u>10,264,656</u>	<u>70,592,228</u>	<u>80,856,884</u>
Deferred Outflows of Resources			
Deferred Outflows	<u>759,691</u>	<u>548,860</u>	<u>1,308,551</u>
Total Assets	<u>13,546,954</u>	<u>85,905,454</u>	<u>99,452,408</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BARDSTOWN, KENTUCKY
GOVERNMENT-WIDE STATEMENT OF NET POSITION (CONTINUED)
June 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Liabilities			
Current Liabilities:			
Accounts payable	\$ 610,309	\$ 2,256,059	\$ 2,866,368
Accrued taxes	15,033	20,995	36,028
Other liabilities	273,959	723,832	997,791
Loans payable	54,000	285,440	339,440
Bonds payable	0	1,018,433	1,018,433
Total Current Liabilities	953,301	4,304,759	5,258,060
Noncurrent liabilities (Note 6):			
Loans payable	212,584	6,256,988	6,469,572
Bonds payable	0	5,522,162	5,522,162
Net Pension Liability	5,654,200	3,971,800	9,626,000
Total Noncurrent Liabilities	5,866,784	15,750,950	21,617,734
Total Liabilities	\$ 6,820,085	\$ 20,055,709	\$ 26,875,794
Deferred Inflows of Resources			
Deferred revenue	578,900	581,134	1,160,034
Total Deferred Inflows of Resources	578,900	581,134	1,160,034
Net Position			
Net investment in capital assets	\$ 9,582,483	\$ 53,310,270	\$ 62,892,753
Restricted for:			
Infrastructure	0	608,835	608,835
Inventory, prepaids and land held for resale	478,411	0	478,411
Debt service	0	2,727,705	2,727,705
Special projects	189,082	862,395	1,051,477
Unrestricted	(4,102,007)	7,759,406	3,657,399
Total Net Position	\$ 6,147,969	\$ 65,268,611	\$ 71,416,580

The accompanying notes are an integral part of these financial statements.

CITY OF BARDSTOWN, KENTUCKY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
June 30, 2015

Programs Activities	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities							
General government	\$ (1,311,602)	\$ 0	\$ 35,777	\$ 0	\$ (1,275,825)	\$ 0	\$ (1,275,825)
Finance	(870,963)	89,231	0	0	(781,732)	0	(781,732)
Public safety	(3,758,968)	326,387	470,194	0	(2,962,387)	0	(2,962,387)
Fire	(995,637)	80,000	57,740	0	(857,897)	0	(857,897)
Recreation	(578,776)	100,316	101,275	0	(377,185)	0	(377,185)
Risk management	(63,676)	0	0	0	(63,676)	0	(63,676)
Community Center	0	0	19,500	0	19,500	0	19,500
Streets	(800,279)	21,165	303,009	103,600	(372,505)	0	(372,505)
Cemetery	(71,226)	39,175	0	0	(32,051)	0	(32,051)
Total Governmental Activities	(8,451,127)	656,274	987,495	103,600	(6,703,758)	0	(6,703,758)
Business-Type Activities:							
Electric	(14,051,450)	15,459,980	0	0	0	1,408,530	1,408,530
Water	(4,643,029)	4,664,749	226,785	0	0	248,505	248,505
Sewer system	(2,970,251)	4,348,268	160,155	0	0	1,538,172	1,538,172
Cable TV	(7,501,626)	6,899,173	0	0	0	(602,453)	(602,453)
Garbage	(1,343,125)	1,516,703	0	0	0	173,578	173,578
Internet	(1,277,255)	2,864,601	0	0	0	1,587,346	1,587,346
Interest expense	(465,522)	0	0	0	0	(465,522)	(465,522)
Total Business-Type Activities	(32,252,258)	35,753,474	386,940	0	0	3,888,156	3,888,156
Total Government	\$ (40,703,385)	\$ 36,409,748	\$ 1,374,435	\$ 103,600	\$ (6,703,758)	\$ 3,888,156	\$ (2,815,602)

The accompanying notes are an integral part of these financial statements.

CITY OF BARDSTOWN, KENTUCKY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (CONTINUED)
June 30, 2015

	Net (Expenses) Revenue and Changes in Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Taxes:			
Property taxes	\$ 2,099,167	\$ 0	\$ 2,099,167
Business and occupational licenses	1,975,817	0	1,975,817
Restaurant tax	517,685	0	517,685
Interest and investment earnings	3,279	16,527	19,806
System Development Charges	0	180,800	180,800
Other	552,006	9,300	561,306
Transfers	1,654,627	(1,654,627)	0
	<u>6,802,581</u>	<u>(1,448,000)</u>	<u>5,354,581</u>
Change in Net Position	98,823	2,440,156	2,538,979
Net Position - Beginning (Restated)	<u>6,049,146</u>	<u>62,828,455</u>	<u>68,877,601</u>
Net Position - Ending	<u>\$ 6,147,969</u>	<u>\$ 65,268,611</u>	<u>\$ 71,416,580</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BARDSTOWN, KENTUCKY
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2015

	General	E911 Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,453,387	\$ -	\$ 735,031	\$ 2,188,418
Investments	0	0	0	0
Restricted cash	0	0	5,512	5,512
Restricted investments	0	0	145,976	145,976
Accounts receivable	152,172	2,257	31,280	185,709
Inventory	15,205	0	0	15,205
Land held for resale	264,101	0	0	264,101
Prepaid items	11,542	1,854	0	13,396
Total Assets	1,896,407	4,111	917,799	2,818,317
Liabilities				
Accounts payable	492,617	32,750	2,603	527,970
Accrued payroll	238,007	35,952	0	273,959
Payroll taxes payable	13,355	1,678	0	15,033
Total Liabilities	743,979	70,380	2,603	816,962
Fund Balances				
Nonspendable	443,020	4,111	31,280	478,411
Restricted				
Roads	0	0	54	54
Cemetery	0	0	151,488	151,488
Assigned				
Land Acquisition and Industrial Dev	0	0	485,208	485,208
Public safety	0	(70,380)	54,937	(15,443)
Cemetery	0	0	192,229	192,229
Unassigned	709,408	0	0	709,408
Total Fund Balances	1,152,428	(66,269)	915,196	2,001,355
Total Liabilities and Fund Balances	\$ 1,896,407	\$ 4,111	\$ 917,799	\$ 2,818,317

The accompanying notes are an integral part of these financial statements.

CITY OF BARDSTOWN, KENTUCKY
BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2015

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the statement of net assets are different because :	
Total Fund Balances - Total Governmental Funds	\$ 2,001,355
Allocation of internal service fund balances	37,540
Capital assets (net of depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds	9,849,067
Long-term debt, including bonds and capital leases, are not due and payable in the current period and therefore are not reported in the funds	(266,584)
Amounts related to the retirement plan for the entity, which are not expected to be liquidated using Currently available Expendable resources:	
Deferred Outflows	759,691
Net Pension Liability	(5,654,200)
Deferred Inflows	<u>(578,900)</u>
Net Position of Governmental Activities	<u><u>\$ 6,147,969</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF BARDSTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	E911 Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 4,518,378	\$ 0	\$ 0	\$ 4,518,378
Business licenses	37,631	0	0	37,631
Fines and forfeitures	36,660	0	0	36,660
Intergovernmental	333,816	363,229	290,450	987,495
Charges for services	291,418	325,681	39,175	656,274
Interest	1,248	26	2,005	3,279
Other	139,199	1,070	411,737	552,006
Total Revenues	5,358,350	690,006	743,367	6,791,723
Expenditures				
Current:				
General government	915,939	0	347,820	1,263,759
Finance	851,062	0	0	851,062
Public safety	2,669,571	899,868	23,129	3,592,568
Fire	968,433	0	0	968,433
Recreation	542,524	0	0	542,524
Risk management	62,999	0	0	62,999
Streets	350,273	0	0	350,273
Cemetery	0	0	69,204	69,204
Capital outlay	886,918	105,674	0	992,592
Debt Payments	0	54,000	0	54,000
Total Expenditures	7,247,719	1,059,542	440,153	8,747,414
Excess (Deficiency) of Revenues				
Expenditures Before Other				
Sources (Uses)	(1,889,369)	(369,536)	303,214	(1,955,691)
Other Financing Sources (Uses):				
Capital contributions	103,600	0	0	103,600
Proceeds from loan	0	40,696	0	40,696
Transfers in	2,201,665	198,708	0	2,400,373
Transfers out	(417,677)	0	(328,069)	(745,746)
Total Other Financing Sources (Uses)	1,887,588	239,404	(328,069)	1,798,923
Net Change in Fund Balance	(1,781)	(130,132)	(24,855)	(156,768)
Fund Balances, Beginning of Year	1,154,209	63,863	940,051	2,158,123
Fund Balances, End of Year	\$ 1,152,428	\$ (66,269)	\$ 915,196	\$ 2,001,355

The accompanying notes are an integral part of these financial statements.

CITY OF BARDSTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES-GOVERNMENTAL FUNDS (CONTINUED)
Fiscal Year Ended June 30, 2015

	<u>Total Governmental Funds</u>
Net Change in Fund Balances-Total Governmental Funds	\$ (156,768)
Amounts reported for governmental activities in the statement of activities are different because :	
Depreciation expense reported in statement of activities	(757,146)
Capital outlay reported in governmental expenditures	992,592
Proceeds from Debt	(40,696)
Principal payments on long-term debt reported as governmental expenditures	54,000
Change in net position - self insurance fund	(36,818)
Amounts related to the retirement plan for the entity, which are not expected to be liquidated using Currently available Expendable resources:	
Deferred pension expense on retirement plas for entity	759,691
Additional pension expense on retirement plas for entity	<u>(716,032)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 98,823</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF BARDSTOWN, KENTUCKY
STATEMENT OF NET POSITION-PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2015

	Business-Type Activities				Governmental Activities
	Enterprise Funds				Internal Service Fund
	Utility Operating Fund	Debt Service Reserve	Total Non-Major Enterprise Funds	Total Enterprise Funds	Self- Insurance Fund
Assets					
Current Assets:					
Cash and cash equivalents	\$ 10,826,699	\$ 0	\$ 0	\$ 10,826,699	\$ 119,697
Receivables (net of allowance for doubtful accounts, \$129,171)	2,394,645	0	0	2,394,645	182
Prepaid expenses	13,456	0	0	13,456	0
Inventory-parts and supplies	1,529,566	0	0	1,529,566	0
Total Current Assets	14,764,366	0	0	14,764,366	119,879
Noncurrent Assets:					
Restricted Assets:					
Cash	0	8,621	3,143,397	3,152,018	0
Investments	0	0	1,046,917	1,046,917	0
Total Restricted Assets	0	8,621	4,190,314	4,198,935	0
Capital Assets:					
Land	1,050,215	0	0	1,050,215	0
Construction in Progress	599,567	0	0	599,567	0
Distribution systems	84,968,443	0	0	84,968,443	0
Plant and buildings	18,577,437	0	0	18,577,437	0
Vehicles and Equipment	8,770,785	0	0	8,770,785	0
Less accumulated depreciation	(47,573,154)	0	0	(47,573,154)	0
Capital Assets, Net of Accumulated Depreciation	66,393,293	0	0	66,393,293	0
Total Noncurrent Assets	66,393,293	8,621	4,190,314	70,592,228	0
Deferred Outflows of Resources					
Deferred Outflows	548,860	0	0	548,860	0
Total Assets	\$ 81,706,519	\$ 8,621	\$ 4,190,314	\$ 85,905,454	\$ 119,879

The accompanying notes are an integral part of these financial statements.

CITY OF BARDSTOWN, KENTUCKY
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)
June 30, 2015

	Business-Type Activities				Governmental Activities
	Enterprise Funds				Internal Service Fund
	Utility Operating Fund	Debt Service Reserve	Total Non-Major Enterprise Funds	Total Enterprise Funds	Self- Insurance Fund
Liabilities					
Current Liabilities:					
Accounts payable	\$ 2,256,059	\$ 0	\$ 0	\$ 2,256,059	\$ 82,339
Accrued payroll taxes	20,995	0	0	20,995	0
Customer deposits	353,420	0	0	353,420	0
Accrued payroll	370,412	0	0	370,412	0
Bonds, notes, and loans payable	285,440	1,018,433	0	1,303,873	0
Total Current Liabilities	3,286,326	1,018,433	0	4,304,759	82,339
Noncurrent Liabilities:					
Bonds, notes, and loans payable	6,256,988	5,855,000	0	12,111,988	0
Unamortized issuance costs	0	(110,699)	0	(110,699)	0
Unamortized deferred refunding costs	0	(222,139)	0	(222,139)	0
Net Pension Liability	3,971,800	0	0	3,971,800	0
Total Noncurrent Liabilities	10,228,788	5,522,162	0	15,750,950	0
Total Liabilities	13,515,114	6,540,595	0	20,055,709	82,339
Deferred Inflows of Resources					
Deferred revenues	581,134	0	0	581,134	0
Total Deferred Inflows of Resources	581,134	0	0	581,134	0
Net Position					
Net investment in capital assets	59,850,865	(6,540,595)	0	53,310,270	0
Restricted for:					
Debt service	0	8,621	2,719,084	2,727,705	0
System capacity reserve	0	0	608,835	608,835	0
Other purposes	0	0	862,395	862,395	37,540
Unrestricted	7,759,406	0	0	7,759,406	0
Total Net Position	67,610,271	(6,531,974)	4,190,314	65,268,611	37,540
Total Liabilities and Net Position	\$ 81,706,519	\$ 8,621	\$ 4,190,314	\$ 85,905,454	\$ 119,879

The accompanying notes are an integral part of these financial statements.

CITY OF BARDSTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-Type Activities				Governmental Activities
	Enterprise Funds				Internal Service Fund
	Utility Operating Fund	Debt Service Reserve	Total Non-Major Enterprise Funds	Total Enterprise Funds	Self- Insurance Fund
Operating Revenues:					
Charges for services	\$ 34,639,651	\$ 0	\$ 0	\$ 34,639,651	\$ 1,163,877
Utility surcharge	60,082	0	0	60,082	0
Connection fees	181,193	0	0	181,193	0
Intergovernmental	33,750	0	0	33,750	0
System development charges	0	0	180,800	180,800	0
Contract services	301,671	0	0	301,671	0
Penalties	402,122	0	0	402,122	0
Miscellaneous	135,004	0	0	135,004	0
Total Operating Revenues	35,753,473	0	180,800	35,934,273	1,163,877
Operating Expenses:					
Purchases for resale	17,055,254	0	0	17,055,254	0
Personal services	5,037,568	0	0	5,037,568	0
Contractual services	1,510,847	0	0	1,510,847	0
Materials and supplies	1,822,036	0	0	1,822,036	0
Maintenance and repairs	959,746	0	0	959,746	0
Other expenses	2,236,620	0	0	2,236,620	1,200,755
Depreciation	3,164,665	0	0	3,164,665	0
Total Operating Expenses	31,786,736	0	0	31,786,736	1,200,755
Income (Loss) from Operations	3,966,737	0	180,800	4,147,537	(36,878)
Nonoperating Revenues (Expenses):					
Investment earnings	12,605	461	3,461	16,527	60
Lease revenue	9,300	0	0	9,300	0
Interest expense	(198,005)	(267,517)	0	(465,522)	0
Total Nonoperating Revenues (Expenses)	(176,100)	(267,056)	3,461	(439,695)	60
Income (Loss) Before Contributions and Transfers	3,790,637	(267,056)	184,261	3,707,842	(36,818)
Capital contributions	386,940	0	0	386,940	0
Transfers in	1,045,000	1,260,950	35,000	2,340,950	0
Transfers out	(3,995,577)	0	0	(3,995,577)	0
Change in Net Position	1,227,000	993,894	219,261	2,440,155	(36,818)
Net Position, Beginning of Year	66,383,271	(7,525,868)	3,971,053	62,828,456	74,358
Net Position, End of Year	\$ 67,610,271	\$ (6,531,974)	\$ 4,190,314	\$ 65,268,611	\$ 37,540

The accompanying notes are an integral part of these financial statements.

CITY OF BARDSTOWN, KENTUCKY
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Fund
Cash Flows From Operating Activities		
Cash received from customers	\$ 34,892,404	\$ 1,253,387
Cash received from grants	33,750	0
Cash payments to suppliers for good and services	(23,915,773)	(1,205,296)
Cash payments to employees for services	(5,369,663)	0
Other operating cash receipts	1,173,910	0
	<u>6,814,628</u>	<u>48,091</u>
Cash Flows From NonCapital Financing Activities		
Transfers from other funds	2,340,950	0
Transfers to other funds	(3,995,577)	0
	<u>(1,654,627)</u>	<u>0</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(3,353,300)	0
Prior period adjustmnet	(3,953,466)	0
Net Pension Liability	3,971,800	0
Principal paid on capital debt	(1,271,211)	0
Interest paid on capital debt	(465,522)	0
Contributed capital	386,940	0
Other receipts	20,432	0
	<u>(4,664,327)</u>	<u>0</u>
Cash Flows From Investing Activities		
Proceeds from disposition and acquisition of investments	(219,722)	0
Interest and dividends	16,527	60
	<u>(203,195)</u>	<u>60</u>
Net Increase in Cash and Cash Equivalents	292,479	48,151
Cash and Cash Equivalents, Beginning of Year	<u>10,534,220</u>	<u>71,546</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,826,699</u>	<u>\$ 119,697</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BARDSTOWN, KENTUCKY
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
Year Ended June 30, 2015

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:		
Income from operations	\$ 4,147,537	\$ (36,878)
Adjustments to reconcile operating income from operations to net cash provided by operating activities:		
Depreciation	3,164,665	0
Change in assets and liabilities:		
(Increase) Decrease in receivables, net	(194,705)	89,510
(Increase) in inventory	(195,981)	0
(Increase) in deferred outflows	(548,860)	0
Decrease in accounts and other payables	(135,289)	(4,541)
Decrease in customer deposits	(86,962)	0
Increase in deferred revenues	447,458	0
Increase in accrued payroll	216,765	0
Net Cash Provided by Operating Activities	<u>\$ 6,814,628</u>	<u>\$ 48,091</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BARDSTOWN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The City of Bardstown is a municipal corporation governed by an elected mayor and six-member council. The accompanying financial statements of the City include the funds, agencies boards and entities for which the City is considered to be financially accountable. Blended component units are legally separate entities, but are, in substance, part of the City's operations. The City does not have any blended component units.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the City's operations include how the budget is adopted, whether debt is secured by general obligation of the City, the City's duty to cover any deficits that may occur and supervision over the accounting functions.

The Bardstown Cemetery is governed by a board that is appointed by the City Council. The mayor appoints the Sexton to maintain records and provide daily management of the facility. The Public Works Director of the City also provides technical assistance and grounds maintenance. The Cemetery Committee recommends rate revisions to the City Council for approval.

The City does not have any discretely presented component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all the activities of the primary government. Interfund activity, which duplicates revenues or expenses, has been eliminated from these statements, except for those transactions and balances between governmental and business-type activities. Governmental activities and business-type activities are reported separately to highlight the differences in funding and operations. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, on the other hand, rely mostly on fees and charges that are designed to recover the costs of operations, including the cost of capital.

The Statement of Activities outlines the direct expenses of each of the City's major functions and the program revenues generated by those programs. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund statements include separate statements for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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 as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental 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.

The E 911 Fund is a joint city-county venture. See footnote number 11 for more information on this fund.

The City reports the following major proprietary funds:

The Combined Utilities Operating Fund reports the major segments of the utilities operations, which are presented as *Other Supplementary Information*. The City's utilities include operation of the electric distribution, water treatment and distribution, wastewater treatment, garbage pickup, cable TV, and Internet services.

The Debt Service Reserve Fund accounts for the accumulation of resources for the payment of general long-term debt principal and interest. Debt Service is provided through annual transfers from the Combined Utility Operating Fund in the amount of the debt service requirement for the year.

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Health insurance for all city employees is funded through a Self-Insurance Fund. This fund is reported as an internal service fund within the proprietary fund statements.

Commercial accounting standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent commercial accounting guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the transfers between the Utilities Fund and the General Fund.

Transfers during fiscal year 2015 include both operating transfers and increases to restricted funds. A total of \$1,103,187 was allocated to the General Fund from the Combined Utility Operating Fund to cover administrative costs, using an indirect cost allocation. During fiscal year 2015, the Combined Utility Operating Fund also transferred \$1,260,950 for the annual debt service payments.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's utilities are charges to the customers for services. Principal operating revenues of the internal service fund are the premiums charged to individual departments and the employees for insurance coverage. The employees pay a set amount each month. The departments' premiums are based on claims paid and administrative fees charged by third party administrators. The City's utilities also recognize as operating revenue tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise (utility) funds include the cost of sales and services, personnel, administrative expenses, and depreciation on capital assets. Operating expenses of the Internal Service (Self-insurance) fund include medical claims and third party administrative fees. All revenues and expenses not meeting the above definitions are reported as nonoperating revenues and expenses.

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the City are certificates of deposits, which are reported at cost since the redemption terms do not consider market rates. State statutes (KRS 66.480) authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds that meet prescribed ratings, repurchase agreements, and the State Treasurer's Investment Pool.

Receivables and Payables

Activity between funds that are representative of lending/borrowing transactions outstanding at the end of the fiscal year are designated as internal balances.

All trade and property tax receivables, including those for the utilities, are shown net of an allowance for uncollectible. Trade accounts that are classified as inactive have been included in the allowance for uncollectible. Property taxes are secured by a lien on the property, but uncollected amounts are fully reserved as of June 30, 2015.

Cash Equivalents

For purposes of the statement of cash flows for proprietary fund types, all highly liquid investments (including restricted assets) with maturity of three months or less when purchased are considered to be cash equivalents.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

In fiscal year 2002, the development costs for Wilson Industrial Park were reclassified to the balance sheet as an inventory. The lots will be sold to industrial or manufacturing entities that locate their facilities in the Park.

Restricted Assets

Certain proceeds of the City's combined utilities fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Surplus funds in any of the reserves may only be used to fund principal or interest payments on outstanding debt.

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Restricted Assets (Continued)

The Operations and Maintenance Reserve reflects resources that have been set aside to subsidize potential deficiencies from the utility operations that could adversely affect debt service payments.

The Construction Fund accounts for the proceeds of grants, loans, proceeds of revenue bond issues and related funds that are restricted for use on construction projects.

The City is required to make monthly transfers from the Utility Operating Fund into the Debt Service Reserve Fund, which then makes the principal and interest payments for the outstanding bonds. These funds are held in reserve until all outstanding bonds are retired.

A city ordinance requires the City to set aside \$500,000 in the Depreciation Reserve to provide funding for future improvements to the utility system or emergency repairs necessary to maintain current service levels.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City's network of streets was inventoried and valued during the fiscal year ending June 30, 2002. Estimated historical costs were based on current replacement costs discounted to the date of the last major renovation or construction of the street.

The City of Bardstown was established in 1780, with the first justices for the local government appointed in 1785. The justices appointed surveyors to manage the roads and ensure that the roads were "cleared, ditched, and in good repair". A portion of the streets in Bardstown has been in existence for over 220 years. However, historical cost estimates were only discounted back to 1980, in accordance with provisions of GASB Statement 34.

The City has established a capitalization policy to recognize capital assets as assets with an initial, individual cost per the schedule on the following page and an estimated useful life in excess of two years. Such assets are recorded at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Department staff completed a comprehensive review of capital assets during the fiscal year ended June 30, 2002. The results of this inventory were compiled in a capital asset management database to bring perpetual inventory records current with the physical inventory

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Capitalization Threshold</u>	<u>Useful Life</u>
Land Improvements	\$ 25,000	10-20 years
Building Improvements	\$ 25,000	10-20 years
Machinery & Equipment	\$ 10,000	3-20 years
Vehicles, Passenger	\$ 10,000	3-7 years
Vehicles, Heavy Trucks	\$ 10,000	7-20 years
Construction Equipment	\$ 10,000	7-10 years
Technical Equipment	\$ 10,000	5-7 years
Software	\$ 10,000	2-5 years
Infrastructure	\$ 25,000	10-50 years

Compensated Absences

The City stopped granting sick leave hours in 2004. However, those with accumulated sick leave retained the hours accumulated. Unused sick leave is only paid to those employees who retire from City service who have more than 240 hours of accumulated sick leave and who have not used more than 480 hours of sick leave during the ten year period immediately preceding the date of retirement. Management has determined that these restrictions will result in actual payments that are immaterial to total assets in the fund financial statements.

The City replaced the granting of 96 sick leave hours per year with the granting of 60 Personal Leave hours per year. Accumulated Personal Leave is paid to the employee upon termination of service with proper notice. Earned vacation hours must be used within one year of the earning thereof and is also paid to the employee upon termination of service with proper notice. The liability for these compensated absences is recorded as a current liability in the government-wide statements. Liabilities are calculated using the employee's current rate of pay and the total hours of accumulated leave

Accumulated vacation leave must be used within one year, so there is no long-term debt for these benefits. Any employee whose employment with the City ends in retirement or with the employee giving proper notice and being in good standing, shall be compensated for all unused vacation. The liability for these compensated absences is recorded as current liabilities in the government-wide statements. Liabilities are calculated using the employee's current rate of pay and the total hours of accumulated leave.

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable unamortized issuance costs and the unamortized deferred amounts from refunding issues.

Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable. Nonspendable includes amounts that must be maintained intact legally or contractually.

Spendable amounts include the following:

Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed-amounts constrained for a specific purpose by the City using its highest level of decision-making authority. For resources considered committed, the City issues an ordinance that can only be changed with another corresponding ordinance

Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the general fund, amounts constrained, by intent, to be used for a specific purpose by the City official given authority to assign amounts. For the resources considered assigned, the City has designated the Chief Financial Officer to carry out the intent of the City Council.

Unassigned-for the general fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other governmental funds, the amount expended in excess of resources that are nonspendable, restricted, committed or assigned.

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

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Reconciliation of Government-Wide and Fund Financial Statements

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

A similar reconciliation is included on the statement of revenues, expenditures and changes in fund balances for the governmental funds. These adjustments reflect the transition from the modified accrual accounting for governmental funds to the accrual basis of accounting for the statement of activities. Capital outlay is replaced with depreciation expense. The change in net assets for the self-insurance fund is added to the governmental activities, and principal payments on long-term debt are eliminated from the operating costs.

Note 2 – Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles. Proprietary fund budgets are adopted on the modified accrual basis of accounting. All annual appropriations lapse at fiscal year end. The Mayor submits the proposed budget to the Council no later than June 1. Council revises and adopts the budget no later than June 30. The budget ordinance establishes authorized appropriations at the department level of control. Amendments are adopted during the year as necessary to comply with KRS 91A.030.

Note 3 – Deposits and Investments

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the City's deposits may not be returned. The City does have a deposit policy for custodial credit risk and follows the requirements of KRS 41.240(4). On June 30, 2015, deposits in all bank account were covered by FDIC insurance or a properly executed collateral security agreement.

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note 4 – Property Tax

Property taxes include amounts levied against all real and public utility property, plus tangible personal property that is located within the city limits. All property taxes are levied as of July 1 based on the assessment values as of the previous January 1. Property taxes are due by November 1. After that date, a 10% penalty is imposed. If bills are not paid by December 1, all delinquent accounts bear interest at 12% per annum until paid. Liens are filed for all delinquent property taxes in May of the following year. Assessed values are established by the County Property Valuation Administration at 100% of appraised market value. The City’s tax rate applicable to the 2015 fiscal year was \$.182 per \$100 of assessed valuation for real estate and \$.1962 for personal property.

Note 5 – Capital Assets

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

	Primary Government			Balance 6/30/15
	Balance 7/1/14	Additions/ Completions	Retirements/ Adjustments	
Governmental activities:				
Capital assets not depreciated				
Land	\$ 595,878			\$ 595,878
Capital assets depreciated				
Buildings and improvements	2,667,519			2,667,519
Improvements other than buildings	1,203,215	26,488		1,229,703
Vehicles	1,715,377	219,599	(50,475)	1,884,501
Equipment	2,222,160	272,583		2,494,743
Infrastructure	16,933,672	473,922		17,407,594
Total assets depreciated at historical cost	24,741,943	992,592	(50,475)	25,684,060
Buildings and improvements	(1,377,592)	(66,730)		(1,444,322)
Improvements other than buildings	(1,146,476)	(16,387)		(1,162,863)
Vehicles	(1,392,754)	(126,253)	50,475	(1,468,532)
Equipment	(1,212,919)	(153,061)		(1,365,980)
Infrastructure	(10,594,459)	(394,715)		(10,989,174)
Total accumulated depreciation	(15,724,200)	(757,146)	50,475	(16,430,871)
Depreciable capital assets, net	9,017,743	235,446		9,253,189
Governmental activities capital assets, net \$	\$ 9,613,621	\$ 235,446		\$ 9,849,067

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note 5 – Capital Assets (Continued)

	Primary Government			
	Balance 7/1/14	Additions/ Completions	Retirements/ Adjustments	Balance 6/30/15
Business-type activities:				
Capital assets not depreciated				
Land	\$ 1,050,215			\$ 1,050,215
Construction in Progress		599,567		599,567
	1,050,215	599,567	-	1,649,782
Capital assets depreciated				
Plant facilities	16,632,276			16,632,276
Other improvements	1,945,161			1,945,161
Vehicles	1,236,778	122,916	(61,793)	1,297,901
Equipment	6,685,507	787,377		7,472,884
Infrastructure	83,125,003	1,843,440		84,968,443
Total assets depreciable at historical cost	109,624,725	2,753,733	(61,793)	112,316,665
Plant facilities	(11,317,629)	(403,259)		(11,720,888)
Other improvements	(1,219,906)	(69,741)		(1,289,647)
Vehicles	(861,185)	(76,339)	50,662	(886,862)
Equipment	(2,740,404)	(496,497)		(3,236,901)
Infrastructure	(28,320,027)	(2,118,829)		(30,438,856)
Total accumulated depreciation:	(44,459,151)	(3,164,665)	50,662	(47,573,154)
Depreciable capital assets, net	65,165,574	(410,932)	(11,131)	64,743,511
Business-type activities capital assets, net	\$ 66,215,789	\$ 188,635	\$ (11,131)	\$ 66,393,293

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note 5 – Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Streets	\$ 445,320
Protection to persons and property	214,135
General government	61,528
Recreation	33,922
Cemetery	<u>2,241</u>
Total governmental depreciation expense	<u><u>\$ 757,146</u></u>

Depreciation expense was charged to business-type activities as follows:

Electric	\$ 391,557
Water	1,235,362
Sewer system	899,704
Cable TV	456,172
Garbage	51,395
Internet	<u>130,475</u>
Total business-type depreciation expense	<u><u>\$ 3,164,665</u></u>

Note 6 – Long-Term Liabilities

- A. Nelson County Fiscal Court agreed to pay some expenditures on behalf of the E911 Fund as a non-interest bearing loan, to be repaid to the Fiscal Court \$4,500 a month by the E911 Fund until the total is completely paid. The E911 Fund is a joint venture with the City of Bardstown and Nelson County Fiscal Court. Future principal requirements are:

	<u>Loan Payable</u> <u>Principal</u>
Governmental -Type Activities	
2016	\$ 54,000
2017	54,000
2018	54,000
2019	54,000
2020	<u>50,584</u>
	<u><u>\$ 266,584</u></u>

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note 6 – Long-Term Liabilities (Continued)

B. The City of Bardstown, Kentucky issued General Obligation Bonds, Series 2010, dated July 7, 2010 in the amount of \$14,030,000. Semiannual interest payments at a variable rate from 1.0% to 3.2% are due on December and June 1 of each year. Principal is due annually on December 1. The bonds mature in 2020. The purpose of this bond issue was to refund the City’s outstanding Combined Utilities Revenue Bonds, Series 1997 and advanced refunding of the City’s outstanding Combined Utilities Revenue Bonds, Series 2001. The balance of the loan as of June 30, 2015 was \$6,940,000. Future principal and interest requirements are:

	Revenue Bonds	
	Principal	Interest
Business-Type Activities		
2016	\$ 1,085,000	\$ 179,500
2017	1,105,000	155,390
2018	1,140,000	126,455
2019	1,165,000	93,305
2020	1,205,000	57,755
2021	1,240,000	19,840
Total	\$ 6,940,000	\$ 632,245

C. The City of Bardstown, Kentucky has a loan agreement with the Kentucky Infrastructure Authority for \$1,800,000. This loan is for the financing of a sewer capital project, with an interest rate of 2.0% per year. This 20 year agreement requires principal and interest payments due in June and December. The balance of the loan as of June 30, 2015 was \$1,612,180. Future principal and interest requirements are:

	Loan Payable	
	Principal	Interest
Business-Type Activities		
2016	\$ 77,784	\$ 31,857
2017	79,347	30,293
2018	80,942	28,698
2019	82,569	27,071
2020	84,228	25,412
2021-2025	447,227	100,973
2026-2030	494,018	54,183
2031-2033	266,065	8,035
Total	\$ 1,612,180	\$ 306,522

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note 6 – Long-Term Liabilities (Continued)

D. The City of Bardstown, Kentucky has a loan agreement with the Kentucky Infrastructure Authority for \$3,500,000. This loan is for the financing of a water capital project, with an interest rate of 3.0% per year. This 20 year agreement requires principal and interest payments due monthly. The balance of the loan as of June 30, 2015 was \$3,202,602. Future principal and interest requirements are:

	Loan Payable	
	Principal	Interest
Business-Type Activities		
2016	\$ 138,750	\$ 94,181
2017	142,971	89,960
2018	147,319	85,612
2019	151,800	81,131
2020	156,417	76,514
2021-2025	856,411	308,244
2026-2030	994,821	169,839
2031-2033	614,113	26,448
Total	\$ 3,202,602	\$ 931,929

E. The City of Bardstown, Kentucky has a loan agreement with the Kentucky Infrastructure Authority for \$1,800,000. This loan is for the financing of a water capital project, with an interest rate of 3.0% per year. This 20 year agreement requires principal and interest payments due monthly. The balance of the loan as of June 30, 2015 was \$1,727,645. Future principal and interest requirements are:

	Loan Payable	
	Principal	Interest
Business-Type Activities		
2016	\$ 68,906	\$ 50,887
2017	71,002	48,791
2018	73,162	46,632
2019	75,387	44,406
2020	77,680	42,113
2021-2025	425,310	173,656
2026-2030	494,047	104,918
2031-2034	442,151	27,038
	\$ 1,727,645	\$ 538,441

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note 6 – Long-Term Liabilities (Continued)

Changes during fiscal year 2015 and balances as of June 30, 2015, including the current portions, of the debt were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
GOVERNMENTAL ACTIVITIES:					
Other liabilities:					
Loan payable	\$ 279,888	\$ 40,696	\$ (54,000)	\$ 266,584	\$ 54,000
Total other liabilities	<u>279,888</u>	<u>40,696</u>	<u>(54,000)</u>	<u>266,584</u>	<u>54,000</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES:					
Loan Payables	6,820,206	-	(277,778)	6,542,428	285,440
General Obligation Bonds, Series 2010	8,000,000	-	(1,060,000)	6,940,000	1,085,000
	<u>14,820,206</u>	<u>-</u>	<u>(1,337,778)</u>	<u>13,482,428</u>	<u>1,370,440</u>
Less:					
Unamortized issuance costs	154,979	-	(22,140)	132,839	22,140
Deferred amount on refunding	310,993	-	(44,427)	266,566	44,427
Total bonds and notes payable	<u>14,354,234</u>	<u>-</u>	<u>(1,271,211)</u>	<u>13,083,023</u>	<u>1,303,873</u>
Business-type activities					
Long-term liabilities	<u>\$ 14,354,234</u>	<u>\$ 0</u>	<u>\$ (1,271,211)</u>	<u>\$ 13,083,023</u>	<u>\$ 1,303,873</u>

Note 7 – Pensions and Other Post Employment Benefits

Plan Description

The City has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The City's contribution rate for nonhazardous employees was 17.67 percent.

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note 7 – Pensions and Other Post Employment Benefits (Continued)

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member’s account, and 1% will go to the KRS insurance fund. The City’s contribution rate for hazardous employees was 34.31 percent.

The City’s contributions for the fiscal years ending June 30 are as follows:

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous-duty</u>
2015	\$ 748,455	\$ 565,832
2014	\$ 767,467	\$ 593,084
2013	\$ 780,182	\$ 577,500

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board on an actuarial valuation. The employer contributes a set percentage of each member’s salary. Each month, when employer contributions are received, an employer paid credit is deposited to the member’s account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

CERS also provides postretirement health care coverage. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

Note 7 – Pensions and Other Post Employment Benefits (Continued)

<u>Years of Service</u>	<u>% Paid by Member</u>	
	<u>% Paid by Insurance Fund</u>	<u>Through Payroll Deduction</u>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee’s spouse receives ten dollars per month for insurance benefits for each year of the deceased employee’s hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2015, the City has recorded a liability of \$9,626,000, which has been calculated by the County Employees Retirement System of Kentucky to be their proportionate share of the unfunded net pension liability. The net pension liability was measured as of June 30, 2014, and the pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2014, the City’s proportion was 32.8815% for hazardous and 17.4888% for nonhazardous, which is equal to its proportion measured as of June 30, 2014.

As of June 30, 2015, the City reported a pension expense associated with the underfunding of the pension of \$716,032 in the Governmental Activities and \$451,434 in the Business-type Activities, which is its proportional share of the additional pension expense. The total pension expense was measured as of June 30, 2014, and the pension expense used to calculate the total pension expense was determined by an actuarial valuation as of that date. The City’s proportion of the total pension expense was based upon a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note 7 – Pensions and Other Post Employment Benefits (Continued)

As of June 30, 2015, the City reported deferred outflows of \$759,691 in the Governmental Activities, and \$548,860 in the Business-type Activities. The total deferred outflows are the pension expense payments actually made in fiscal year 2015, which will be deferred as an expense until the fiscal year 2016, because they were paid subsequent to the measurement date of June 30, 2014.

As of June 30, 2015, the City reported deferred inflows of \$ 578,900 in the Governmental Activities, and \$443,100 in the Business-type Activities, which is its proportionate share of the total deferred inflows. The total deferred inflows were measured as of June 30, 2014 by the County Employees Retirement System of Kentucky by an actuarial valuation as of that date, and the total deferred inflows were used to calculate the City’s deferred inflows. The City’s proportion of the total deferred inflows was based on the District’s long-term share of the net difference between projected and actual investment earnings on pension plan investments relative to the difference for all participating entities, actuarially determined. As of June 30, 2014, the City’s proportion was .328815% for hazardous and .174888% for nonhazardous, which was equal to its proportion measured as of June 30, 2014.

Assuming a constant relationship between pension expense and deferred inflows, and that deferred inflows will decrease by 2% each year, the effect on pension expense of deferred inflows for the next five years is as follows:

	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>
Governmental Activities	\$ 716,032	\$ 701,711	\$ 687,677	\$ 673,923	\$ 660,445
Business-type Activities	451,434	442,405	433,557	424,886	416,388
	\$1,167,466	\$ 1,144,116	\$ 1,121,234	\$ 1,098,809	\$1,076,833

The Kentucky Retirement Systems’ annual financial report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

The City also provides a 401K plan for its employees who elect to participate. The City does not match any portion of the 401K contributions.

Note 8 – Contingencies

The City participates in several federally assisted programs and is a recipient of several federal and state grants. These programs and grants are subject to a variety of financial and compliance audits by the grantors or their representatives. As of June 30, 2015, the audits of these grants and programs were complete through 2014 and the City’s compliance with applicable requirements has been established. The City’s compliance with applicable requirements for 2015 will be established at a future date.

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

Note 8 – Contingencies (Continued)

The City is party to several pending civil suits that normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of these proceedings cannot be predicted, due to the insurance coverage maintained by the City, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Note 9 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. The City contracts with the Kentucky League of Cities Insurance Services (KLCIS), a local government risk pool for insurance coverage for these risks. KLCIS was formed for the primary purpose of managing and funding third-party liability claims against its members. As a member of KLCIS, the City is required to make annual contributions sufficient to produce the funds necessary to fund the administrative expenses and the claims and claims expenses, and any deficiencies in the cumulative reserves.

Coverage by KLCIS consists of \$5,000,000 in general liability insurance with \$5,000 deductible. Coverage for property risk is \$22,343,511 per occurrence with deductible of \$1,000, per occurrence on all perils. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in recent years.

In July 1998, the City initiated a self-insured health insurance plan to provide employees with traditional health care insurance that covers hospitalization and major medical expenses within specified limits.

The plan is administered by a third-party administrator. The City pays the administrator a monthly fixed fee for various claim administration services, plus premiums for excess coverage insurance to insure claims that exceed \$30,000 per participant. Monthly payments also include a specified amount to set aside funds for payment of claims that do not exceed the \$30,000 amount. The third party administrator pays these claims from the funds set aside by the City and bills the City for additional funds if funds on hand are not sufficient to pay claims.

All remaining funds in the Self-Insurance fund are reserved for claims. The stop-loss insurance company requires the City to reserve 25% of estimated claims for the subsequent year and federal law limits the reserves to no more than five months of average claim experience.

Changes in the fund’s claims liability amounts are:

	2014	2015
Year	\$ 70,703	\$ 86,880
Current year claims	1,435,501	1,196,214
Claims paid	(1,419,324)	(1,200,755)
Balance at End of Year	\$ 86,880	\$ 82,339

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

Note 10 – Related Organizations

The City of Bardstown participates with the County to provide a variety of services with joint funding from both organizations. All entities operate independently with separate management personnel. In most cases, the city and county contribute equal funding for operations. The following table outlines these organizations and the city’s contribution during fiscal year 2015.

Organization	Contribution
Planning Commission	\$ 46,425
Nelson County Economic Development Agency	60,253
Nelson County Chamber of Commerce	6,000
Nelson County Airport	4,800
Bardstown Main Street	5,000
Bardstown Industrial Development	27,089

In addition, the City has assisted the Bardstown Industrial Development Corporation (BIDC) with development of the Wilson Industrial Park. The City funded the land purchase and infrastructure improvements, including electric service, streets, water, and sewer services. BIDC funded initial planning and survey costs in addition to the continuing costs of marketing the developed industrial sites. BIDC and the City split proceeds from land sales based on the respective contributions.

Note 11 – Joint Venture

The joint city-county Emergency 911 Dispatch operation changed significantly during FY 08. The Interlocal Cooperation Agreement, approved by the City, the County, and the Kentucky Governor’s Office of Local Development in 2006 created the Nelson County E911 Board and agreed that the Board will have management control of the dispatching operation, including the authority to set and enforce priorities, selection, supervision, and termination of personnel, and additional broad authority. Prior to FY 08, there were two separate dispatch centers, one operated and controlled by the City, and one operated and controlled by the County. On December 1 of FY 08, the two were combined into one, located in a building separate from both city and county headquarters. At that point the independence of the Board became reality and the funding formula was changed. Formerly, the County paid 33% of the cost of the City operated center and all the costs of the ambulance center. Effective 12-1-08, the Board and the operation are funded by the E-911 fees, with any shortfall to be paid 60% by the County and 40% by the city.

Note 12 – Subsequent Events

Management has evaluated subsequent events through September 22, 2015, the date which the financial statements were available to be issued. No other subsequent events have occurred.

CITY OF BARDSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Note 13 – Change in Accounting Principle

The City of Bardstown, Kentucky has implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions. This implementation has changed the reporting of Deferred Inflows, Deferred Outflows and Net Pension Liability, which were not recorded in previous years.

Note 14 - Prior Period Adjustment

In accordance with GASB 68, the City has recorded a prior period adjustment to account for the Deferred Inflows, Deferred Outflows and Net Pension Liability. The Beginning Net Position was adjusted \$5,517,068 on the Statement of Net Position for the Governmental Activities. The Beginning Net Position was adjusted \$3,953,466 on the Statement of Net Position for the Business-type Activities.

OTHER INFORMATION

CITY OF BARDSTOWN, KENTUCKY
BUDGETARY COMPARISON INFORMATION
OTHER INFORMATION-MODIFIED ACCRUAL BASIS
For The Fiscal Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 4,436,000	\$ 4,436,000	\$ 4,518,378	\$ 82,378
Licenses and permits	60,000	60,000	37,631	(22,369)
Fines and forfeitures	49,000	49,000	36,660	(12,340)
Intergovernmental revenues	412,513	474,264	333,816	(140,448)
Charges for services	274,000	274,000	291,418	17,418
Interest	5,000	5,000	1,248	(3,752)
Other	74,000	84,663	139,199	54,536
Total Revenues	<u>5,310,513</u>	<u>5,382,927</u>	<u>5,358,350</u>	<u>(24,577)</u>
Expenditures:				
Current:				
General government	806,483	873,234	915,939	(42,705)
Finance	843,600	843,600	851,062	(7,462)
Public safety	2,465,000	2,476,650	2,669,571	(192,921)
Fire	1,026,150	1,026,150	968,433	57,717
Recreation	516,370	527,033	542,524	(15,491)
Risk management	71,300	71,300	62,999	8,301
Streets	429,800	429,800	350,273	79,527
Capital outlay	882,500	1,040,539	886,918	153,621
Total Expenditures	<u>7,041,203</u>	<u>7,288,306</u>	<u>7,247,719</u>	<u>40,587</u>
Excess (Deficiency) of Revenues over Expenditures Before Other Financing Sources (Uses)	<u>(1,730,690)</u>	<u>(1,905,379)</u>	<u>(1,889,369)</u>	<u>16,010</u>
Other Financing Sources (Uses):				
Capital contributions	0	0	103,600	103,600
Transfers in	2,264,370	2,434,059	2,201,665	(232,394)
Transfers out	(427,356)	(427,356)	(417,677)	9,679
Total Other Financing Sources (Uses)	<u>1,837,014</u>	<u>2,006,703</u>	<u>1,887,588</u>	<u>(119,115)</u>
Net Change in Fund Balance	106,324	101,324	(1,781)	(103,105)
Fund Balances, Beginning of Year	<u>0</u>	<u>0</u>	<u>1,154,209</u>	<u>1,154,209</u>
Fund Balances, End of Year	<u>\$ 106,324</u>	<u>\$ 101,324</u>	<u>\$ 1,152,428</u>	<u>\$ 1,051,104</u>

CITY OF BARDSTOWN, KENTUCKY
BUDGETARY COMPARISON INFORMATION
OTHER INFORMATION-MODIFIED ACCRUAL BASIS (CONTINUED)
For The Fiscal Year Ended June 30, 2015

	E 911 FUND			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 298,104	\$ 478,604	\$ 363,229	\$ (115,375)
Charges for services	344,314	344,314	325,681	(18,633)
Interest	0	0	26	26
Other	240	240	1,070	830
Total Revenues	<u>642,658</u>	<u>823,158</u>	<u>690,006</u>	<u>(133,152)</u>
Expenditures:				
Current:				
Public safety	785,866	785,866	899,868	(114,002)
Capital outlay	1,500	182,000	105,674	76,326
Debt Payments	54,000	54,000	54,000	0
Total Expenditures	<u>841,366</u>	<u>1,021,866</u>	<u>1,059,542</u>	<u>(37,676)</u>
Excess (Deficiency) of Revenues Over Expenditures				
Before Other Financing Sources (Uses)	<u>(198,708)</u>	<u>(198,708)</u>	<u>(369,536)</u>	<u>(170,828)</u>
Other Financing Sources (Uses):				
Proceeds from loan	0	0	40,696	40,696
Transfers in	198,708	198,708	198,708	0
Total Other Financing Sources (Uses)	<u>198,708</u>	<u>198,708</u>	<u>239,404</u>	<u>40,696</u>
Net Change in Fund Balance	0	0	(130,132)	(130,132)
Fund Balances, Beginning of Year	<u>60,000</u>	<u>60,000</u>	<u>63,863</u>	<u>3,863</u>
Fund Balances, End of Year	<u><u>60,000</u></u>	<u><u>60,000</u></u>	<u><u>\$ (66,269)</u></u>	<u><u>\$ (126,269)</u></u>

Expenditures in the E-911 Fund exceeded budgeted amounts by \$37,676
This was funded mostly by a loan from Nelson County Fiscal Court.

The E-911 Fund has a deficit fund balance of \$66,269 as of 6/30/15.
The E-911 Fund has a deficit cash balance of \$22,096 as of 6/30/15.

CITY OF BARDSTOWN, KENTUCKY
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Municipal Road Aid	Land Acquisition and Building	Law Enforcement	Cemetery	Total Other Governmental Funds
Assets					
Cash and cash equivalents	\$ 54	\$ 485,208	\$ 55,101	\$ 194,668	\$ 735,031
Investments	0	0	0	0	0
Restricted Cash	0	0	0	5,512	5,512
Restricted Investments	0	0	0	145,976	145,976
Accrued receivables	31,195	0	0	85	31,280
Total Assets	31,249	485,208	55,101	346,241	917,799
Liabilities					
Accounts payable	0	0	164	2,439	2,603
Total Liabilities	0	0	164	2,439	2,603
Fund Balances					
Nonspendable	31,195	0	0	85	31,280
Restricted					
Roads	54	0	0	0	54
Cemetery	0	0	0	151,488	151,488
Assigned					
Land Acquisition and Industrial Dev.	0	485,208	0	0	485,208
Public safety	0	0	54,937	0	54,937
Cemetery	0	0	0	192,229	192,229
Total Fund Balances	31,249	485,208	54,937	343,802	915,196
Total Liabilities and Fund Balances	\$ 31,249	\$ 485,208	\$ 55,101	\$ 346,241	\$ 917,799

CITY OF BARDSTOWN, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2015

	Municipal Road Aid	Land Acquisition and Building	Law Enforcement	Cemetery	Total Nonmajor Funds
Revenues					
Intergovernmental	\$ 290,450	\$ 0	\$ 0	\$ 0	\$ 290,450
Charges for services	0	0	0	39,175	39,175
Interest	27	1,336	19	623	2,005
Other	0	347,820	63,917	0	411,737
Total Revenues	290,477	349,156	63,936	39,798	743,367
Expenditures					
Current:					
General government	0	347,820	0	0	347,820
Public safety	0	0	23,129	0	23,129
Cemetery	0	0	0	69,204	69,204
Total Expenditures	0	347,820	23,129	69,204	440,153
Excess (Deficiency) of Revenues Over					
Expenditures	290,477	1,336	40,807	(29,406)	303,214
Other Financing Uses:					
Transfers out	(284,000)	(11,650)	(31,238)	(1,181)	(328,069)
Total Other Financing Uses	(284,000)	(11,650)	(31,238)	(1,181)	(328,069)
Net Change in Fund Balances	6,477	(10,314)	9,569	(30,587)	(24,855)
Fund Balances, Beginning of Year	24,772	495,522	45,368	374,389	940,051
Fund Balances, End of Year	\$ 31,249	\$ 485,208	\$ 54,937	\$ 343,802	\$ 915,196

CITY OF BARDSTOWN, KENTUCKY
COMBINING BALANCE SHEET –
NON-MAJOR PROPRIETARY FUNDS
June 30, 2015

	Depreciation Reserve	Operating and Maintenance Reserve	Water and Wastewater Enhancement Fund	Lagoon Cleaning Fund	Total Non-Major Enterprise Funds
Assets					
Noncurrent Assets:					
Restricted Assets:					
Cash	0	2,604,684	538,713	0	3,143,397
Investments	529,400	0	70,122	447,395	1,046,917
Total Noncurrent Assets	529,400	2,604,684	608,835	447,395	4,190,314
Total Assets	529,400	2,604,684	608,835	447,395	4,190,314
Net Position					
Restricted for:					
Bond reserves	114,400	2,604,684	0	0	2,719,084
System capacity reserve	0	0	608,835	0	608,835
Other purposes	415,000	0	0	447,395	862,395
Total Net Position	529,400	2,604,684	608,835	447,395	4,190,314
Total Liabilities and Net Position	\$ 529,400	\$ 2,604,684	\$ 608,835	\$ 447,395	\$ 4,190,314

CITY OF BARDSTOWN, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS – NON-MAJOR PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2015

	Depreciation Reserve	Operating and Maintenance Reserve	Water and Wastewater Enhancement	Lagoon Cleaning Fund	Total Non-Major Enterprise Funds
Operating Revenues:					
System development charges	0	0	180,800	0	180,800
Total Operating Revenues	<u>0</u>	<u>0</u>	<u>180,800</u>	<u>0</u>	<u>180,800</u>
Operating Expenses:					
Contractual services	0	0	0	0	0
Total Operating Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Income (Loss) from Operations	0	0	180,800	0	180,800
Nonoperating Revenues (Expenses):					
Investment earnings	985	1,006	646	824	3,461
Total Nonoperating Revenues (Expenses)	<u>985</u>	<u>1,006</u>	<u>646</u>	<u>824</u>	<u>3,461</u>
Income (Loss) Before Contributions and Transfers	985	1,006	181,446	824	184,261
Transfers in	0	0	0	35,000	35,000
Transfers out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Net Position	985	1,006	181,446	35,824	219,261
Net Position, Beginning of Year (Restated)	<u>528,415</u>	<u>2,603,678</u>	<u>427,389</u>	<u>411,571</u>	<u>3,971,053</u>
Net Position, End of Year	<u>\$ 529,400</u>	<u>\$ 2,604,684</u>	<u>\$ 608,835</u>	<u>\$ 447,395</u>	<u>\$ 4,190,314</u>

CITY OF BARDSTOWN, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION – COMBINED UTILITIES OPERATING DEPARTMENTS
For The Fiscal Year Ended June 30, 2015

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Cable TV</u>	<u>Garbage</u>	<u>Internet</u>	<u>Total Operating</u>
Operating Revenues:							
Charges for services	\$15,176,187	\$ 4,405,206	\$ 4,243,817	\$6,545,229	\$ 1,463,808	\$2,805,404	\$ 34,639,651
Utility surcharge	885	0	0	0	0	59,197	60,082
Connection fees	0	88,209	15,770	77,214	0	0	181,193
Contract services	141,396	7,000	21,360	131,915	0	0	301,671
Intergovernmental revenues	0	0	0	0	33,750	0	33,750
Penalties	114,813	107,392	43,563	119,076	17,278	0	402,122
Miscellaneous	26,698	56,942	23,758	25,739	1,867	0	135,004
Total Operating Revenues	<u>15,459,979</u>	<u>4,664,749</u>	<u>4,348,268</u>	<u>6,899,173</u>	<u>1,516,703</u>	<u>2,864,601</u>	<u>35,753,473</u>
Operating Expenses:							
Purchases for resale	12,326,573	0	0	4,728,681	0	0	17,055,254
Personal services	789,300	1,686,338	717,930	868,569	726,892	248,539	5,037,568
Contractual services	203,374	204,771	196,395	289,556	384,528	232,223	1,510,847
Materials and supplies	120,108	622,977	331,466	438,918	84,817	223,750	1,822,036
Maintenance and repairs	98,396	321,543	148,718	255,089	54,785	81,215	959,746
Other expenses	122,142	572,038	676,038	464,641	40,708	361,053	2,236,620
Depreciation	391,557	1,235,362	899,704	456,172	51,395	130,475	3,164,665
Total Operating Expenses	<u>14,051,450</u>	<u>4,643,029</u>	<u>2,970,251</u>	<u>7,501,626</u>	<u>1,343,125</u>	<u>1,277,255</u>	<u>31,786,736</u>
Income From Operations	<u>\$ 1,408,529</u>	<u>\$ 21,720</u>	<u>\$ 1,378,017</u>	<u>\$ (602,453)</u>	<u>\$ 173,578</u>	<u>\$1,587,346</u>	<u>\$ 3,966,737</u>

CITY OF BARDSTOWN, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION – COMBINED UTILITIES OPERATING DEPARTMENTS (CONTINUED)
For The Fiscal Year Ended June 30, 2015

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Cable TV</u>	<u>Garbage</u>	<u>Internet</u>	<u>Total Operating</u>
Nonoperating Revenues (Expenses):							
Interest and investment revenue	\$ 12,605	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,605
Lease revenue	0	9,300	0	0	0	0	9,300
Interest expense	0	(161,277)	(36,728)	0	0	0	(198,005)
Total Nonoperating Revenue (Expense):	<u>12,605</u>	<u>(151,977)</u>	<u>(36,728)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(176,100)</u>
Income Before Contributions and Transfers	1,421,134	(130,257)	1,341,289	(602,453)	173,578	1,587,346	3,790,637
Capital contributions	0	226,785	160,155	0	0	0	386,940
Transfers in	0	0	0	1,045,000	0	0	1,045,000
Transfers out	<u>(767,761)</u>	<u>(618,001)</u>	<u>(1,035,735)</u>	<u>(359,375)</u>	<u>(40,788)</u>	<u>(1,173,917)</u>	<u>(3,995,577)</u>
Change in Net Position	<u>\$ 653,373</u>	<u>\$ (521,473)</u>	<u>\$ 465,709</u>	<u>\$ 83,172</u>	<u>\$ 132,790</u>	<u>\$ 413,429</u>	1,227,000
Net Position, Beginning of Year (Restated)							<u>66,383,271</u>
Net Position, End of Year							<u>\$ 67,610,271</u>

**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**



PEERCY AND GRAY, PSC

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**Independent Auditors' 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**

To the City Council
City of Bardstown, Kentucky
220 North Fifth Street
Bardstown, Kentucky 40004

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bardstown, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Bardstown, Kentucky's basic financial statements, and have issued our report thereon dated September 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Bardstown, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Bardstown, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Bardstown, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Independent Auditors' 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
(Continued)

Compliance and Other Matters

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

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.

Perry and Gray, PSC

September 22, 2015