

CITY OF IRVINGTON, KENTUCKY

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

YEAR ENDED JUNE 30, 2015

**CITY OF IRVINGTON, KENTUCKY
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BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
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William G. Brown, CPA - W. Gilbert Brown III, CPA

INDEPENDENT AUDITOR'S REPORT

Mayor and Members of the City Council
City Of Irvington, Kentucky
City Hall
P.O. Box 374
Irvington, Kentucky 40146

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Irvington, 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 conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and supplementary information on pages 3-8 and 29-33 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 inquires 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's basic financial statements. The Combining Schedules, Schedule of Debt and Lease Obligations and the Statement of Revenues, Expenditures, and Changes in Retained Earnings – Budget and Actual-Proprietary Funds are presented for purpose of additional analysis and is not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relates 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have issued our report dated May 26, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Brown & Company, CPA's

Bardstown, Kentucky
May 26, 2016

**CITY OF IRVINGTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2015**

As management of the City of Irvington, Kentucky ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The City collected over \$370,000 in taxes and licenses during the year.
- As of June 30, 2015, total assets exceed total liabilities by \$1,403,564.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statement, 2) fund financial statement, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basis of Accounting/Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

A. Government-Wide Financial Statements

The City Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

**CITY OF IRVINGTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2015**

B. Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The only non-major fund is the Municipal Aid Fund. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications.

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

Property taxes, franchise fees, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

The general fund is the City of Irvington, Kentucky's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

All governmental funds are accounted for on the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**CITY OF IRVINGTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2015**

B. Governmental Fund Financial Statements (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined Net Position for fiscal year ended June 30, was:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current And Other Assets	\$382,478.18	\$357,784.00	\$377,024.42	\$356,136.38	\$759,502.90	\$713,920.38
Capital Assets	618,736.39	524,042.67	1,815,660.58	1,974,513.75	2,434,396.97	2,498,556.42
Total Assets	1,001,214.57	881,826.67	2,192,685.00	2,330,650.13	3,193,899.87	3,212,476.80
Deferred Outflows of Resources	19,206.71	-	25,811.97	-	45,018.68	-
Long-Term Liabilities Outstanding	288,896.32	230,551.91	744,766.96	811,219.76	1,033,663.28	1,041,771.67
Other Liabilities	368,253.19	200,561.12	395,437.32	112,319.68	763,690.51	312,880.80
Total Liabilities	657,149.51	431,113.03	1,140,204.28	923,539.44	1,797,353.79	1,354,652.47
Deferred Inflows of Resources	16,212.27	-	21,787.74	-	38,000.01	-
Net Assets:						
Invested In Capital Assets, Net Of Related Debt	295,080.05	268,155.78	1,047,095.89	1,183,398.22	1,342,175.94	1,451,554.00
Restricted	159,989.49		257,765.60		417,755.09	
Unrestricted	(108,010.04)	182,557.86	(248,356.54)	223,712.47	(356,366.58)	406,270.33
Total Net Assets	\$347,059.50	\$450,713.64	\$1,056,504.95	\$1,407,110.69	\$1,403,564.45	\$1,857,824.33

**CITY OF IRVINGTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2015**

B. Governmental Fund Financial Statements (Continued)

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$1,403,564.45 which is a decrease from the previous year.

The City's programs for governmental activities include General Government, Fire, Police, Parks and Recreation, and municipal aid. The programs for the business-type activities include the water and wastewater utilities. A comparison of each program's revenues and expenses for the current year and prior year is presented below.

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges For Services	\$23,590.10	\$22,098.60	\$768,394.60	\$742,786.50	\$791,984.70	\$764,885.10
Operating Grants And Contributions	69,361.74	65,715.04	-	-	69,361.74	65,715.04
Capital Grants And Contributions	-	-	78,429.41	-	78,429.41	-
General Revenues:						
Taxes:						
Property Taxes	370,831.79	338,337.46	-	-	370,831.79	338,337.46
Grants And Contributions Not Restricted To Specific Programs	-	-	-	-	-	-
Investment Earnings	802.64	2,098.29	1,138.39	666.03	1,941.03	2,764.32
Gain On Sale Of Fixed Assets	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Miscellaneous	45,351.16	9,143.54	-	-	45,351.16	9,143.54
Total Revenues	\$509,937.43	\$437,392.93	\$847,962.40	\$743,452.53	\$1,357,899.83	\$1,180,845.46
Expenses:						
General Government	\$164,244.42	\$123,356.95	\$ -	\$ -	\$ 164,244.42	\$ 123,356.95
Streets And Maintenance	31,308.70	23,681.80	-	-	31,308.70	23,681.80
Public Safety—Fire	21,463.54	38,477.41	-	-	21,463.54	38,477.41
Public Safety—Police	195,374.64	212,429.33	-	-	195,374.64	212,429.33
Community Development	1,165.86	1,115.80	-	-	1,165.86	1,115.80
Depreciation	38,512.28	28,792.58	158,853.17	-	197,365.45	28,792.58
Interest On Long-Term Debt	20,739.35	21,829.99	38,006.96	-	58,746.31	21,829.99
Water & Garbage	-	-	-	584,646.63	-	584,646.63
Water & Sewer	-	-	646,134.15	-	646,134.15	-
Garbage & Recycle	-	-	147,959.55	-	147,959.55	-
Sewer	-	-	-	315,656.86	-	315,656.86
Pension	16,646.88	-	22,371.81	-	39,018.69	-
Total Expenses	\$489,455.67	\$449,683.86	\$1,013,325.64	\$900,303.49	\$1,502,781.31	\$1,349,987.35
Increase (Decrease) In Net Assets	\$20,481.76	(\$12,290.93)	(\$165,363.24)	(\$156,850.96)	(\$144,881.48)	(\$169,141.89)
Net Assets Beginning	450,713.64	463,004.57	1,407,110.69	1,563,961.65	1,857,824.33	2,026,966.22
Prior Period Adjustment	(124,135.90)	-	(185,242.50)	-	(309,378.40)	-
Net Assets Ending	\$347,059.50	\$450,713.64	\$1,056,504.95	\$1,407,110.69	\$1,403,564.45	\$1,857,824.33

C. Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Retained Earnings, and a Statement of Cash Flows.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

**CITY OF IRVINGTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2015**

C. Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Retained Earnings, and a Statement of Cash Flows.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major proprietary funds:

The water and sewer fund accounts for activities of water and sewer services to the City of Irvington, Kentucky's business, residents, schools, and churches. It operates the water treatment and sewer treatment plants, water distribution systems, sewer collection systems, and pump stations.

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 Water and Sewer Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The cost of all Proprietary (Business-Type) activities this year was \$1,013,325.64 compared to \$900,303 last year. As shown in the Statement of Activities, the amounts paid by users of the systems were \$768,394.60 and investment earnings were \$1,138.39.

Comments on Budget Comparisons

- The City's General Fund revenues for the fiscal year ended June 30, 2015, net of Interfund transfers were \$451,847.56.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$38,485.44 less than budget.
- The total cost of General Fund programs and services was \$485,365.57.

**CITY OF IRVINGTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2015**

D. Capital Assets

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

	Beginning	Increases	Decreases	Ending
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$28,459.25	\$0.00	\$0.00	\$28,459.25
Parking Lot	15,000.00	-	-	15,000.00
Baseball Field	39,000.00	-	-	39,000.00
Total Capital Assets Not Being Depreciated	82,459.25	-	-	82,459.25
Capital Assets Being Depreciated				
Machinery And Equipment	818,919.07	43,206.00	-	862,125.07
Buildings	191,274.16	90,000.00	-	281,274.16
Improvements	55,381.19	-	-	55,381.19
Infrastructure	261,628.65	-	-	261,628.65
Total Capital Assets Being Depreciated	1,327,203.07	133,206.00	-	1,460,409.07
Less Accumulated Depreciation For				
Machinery And Equipment	616,462.56	17,413.35	-	633,875.91
Buildings	124,387.84	10,705.94	-	135,093.78
Improvements	52,615.85	954.57	-	53,570.42
Infrastructure	92,153.40	9,438.43	-	101,591.83
Total Accumulated Depreciation	885,619.65	38,512.29	-	924,131.94
Total Capital Assets Being Depreciated, Net	\$441,583.42	\$94,693.71	\$0.00	\$536,277.13
Governmental Activities Capital Assets, Net	\$524,042.67	\$94,693.71	\$0.00	\$618,736.38
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$35,300.00	\$0.00	\$0.00	\$35,300.00
Total Capital Assets Not Being Depreciated	35,300.00	-	-	35,300.00
Capital Assets Being Depreciated				
Machinery And Equipment	322,172.48	-	-	322,172.48
Buildings	33,523.69	-	-	33,523.69
Improvements	352,551.07	-	-	352,551.07
Water Line	1,152,769.11	-	-	1,152,769.11
Sewer Plant	3,369,173.00	-	-	3,369,173.00
Total Capital Assets Being Depreciated	5,230,189.35	-	-	5,230,189.35
Less Accumulated Depreciation For				
Machinery And Equipment	247,765.95	14,282.21	-	262,048.16
Buildings	29,286.33	37.83	-	29,324.16
Improvements	346,575.32	2,665.33	-	349,240.65
Water Line	658,277.18	57,638.46	-	715,915.64
Sewer Plant	2,009,070.83	84,229.32	-	2,093,300.15
Total Accumulated Depreciation	3,290,975.61	158,853.15	-	3,449,828.76
Total Capital Assets Being Depreciated, Net	\$1,939,213.74	(\$158,853.15)	\$0.00	\$1,780,360.59
Business-Type Activities Capital Assets, Net	\$1,974,513.74	(\$158,853.15)	\$0.00	\$1,815,660.59

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 - 27 of this report.

For additional information, please contact the **City Clerk, Lisa Ballman** at 109 W. Caroline Street, P.O. Box 374, Irvington, KY, 40146 or by phone at **270-547-3835**.

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

Assets	Governmental Activities	Business-Type Activities	Total
Cash & Cash Equivalents	\$ 295,485.82	\$ 123,327.34	\$ 418,813.16
Accounts Receivable	37,591.96	70,624.40	108,216.36
Due From Other Funds	49,400.40	183,072.68	232,473.08
Capital Assets	1,542,868.32	5,265,489.35	6,808,357.67
Accumulated Depreciation	(924,131.93)	(3,449,828.77)	(4,373,960.70)
Total Assets	\$ 1,001,214.57	\$ 2,192,685.00	\$ 3,193,899.57
Deferred Outflows of Resources			
Deferred pension contributions after measurement date	\$ 19,206.71	\$ 25,811.97	\$ 45,018.68
Total Deferred Outflows	\$ 19,206.71	\$ 25,811.97	\$ 45,018.68
Liabilities			
Accounts Payable	\$ 5,847.66	\$ 32,262.15	\$ 38,109.81
Due To Other Funds	170,288.93	62,184.15	232,473.08
Accrued Payroll & Related Expenses	13,579.36	41,215.43	54,794.79
Current Portion Of Bond Obligations	34,760.02	23,797.73	58,557.75
Noncurrent Portion Of Bond Obligations	288,896.32	744,766.96	1,033,663.28
Customer Deposits	-	42,755.08	42,755.08
Net Pension Liability	143,777.22	193,222.78	337,000.00
Total Liabilities	\$ 657,149.51	\$ 1,140,204.28	\$ 1,797,353.79
Deferred Inflows of Resources			
Differences between projected and actual earnings on plan investments	\$ 16,212.27	\$ 21,787.74	\$ 38,000.01
Total Deferred Inflows	\$ 16,212.27	\$ 21,787.74	\$ 38,000.01
Net Position			
Net Investment In Capital Assets	\$ 295,080.05	\$ 1,047,095.89	\$ 1,342,175.94
Restricted	159,989.49	257,765.60	417,755.09
Unrestricted	(108,010.04)	(248,356.54)	(356,366.58)
Total Net Position	\$ 347,059.50	\$ 1,056,504.95	\$ 1,403,564.45

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

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

FUNCTIONS / PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues And Changes In Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 164,244.42	\$ 1,508.25	\$ -	\$ -	\$ (162,736.17)	\$ -	\$ (162,736.17)
Streets And Maintenance	31,308.70	-	27,502.29	-	(3,806.41)	-	(3,806.41)
Police Department	195,374.64	7,081.99	30,066.43	-	(158,226.22)	-	(158,226.22)
Fire Department	21,463.54	11,819.86	8,250.00	-	(1,393.68)	-	(1,393.68)
Cemetery	32.00	3,050.00	-	-	3,018.00	-	3,018.00
Veterans Memorial	1,133.86	130.00	-	-	(1,003.86)	-	(1,003.86)
Youth Sports	-	-	3,543.02	-	3,543.02	-	3,543.02
Interest On Long-Term Debt	20,739.35	-	-	-	(20,739.35)	-	(20,739.35)
Depreciation	38,512.28	-	-	-	(38,512.28)	-	(38,512.28)
Pension Expense	16,646.88	-	-	-	(16,646.88)	-	(16,646.88)
Total Governmental Activities	\$ 489,455.67	\$ 23,590.10	\$ 69,361.74	\$ -	\$ (396,503.83)	\$ -	\$ (396,503.83)
Business-Type Activities:							
Water & Sewer	\$ 646,134.15	\$ 601,167.55	\$ -	\$ 78,429.41	\$ -	\$ 33,462.81	\$ 33,462.81
Garbage & Recycle Service	147,959.55	167,227.05	-	-	-	19,267.50	19,267.50
Interest	38,006.96	-	-	-	-	(38,006.96)	(38,006.96)
Depreciation	158,853.17	-	-	-	-	(158,853.17)	(158,853.17)
Pension Expense	22,371.81	-	-	-	-	(22,371.81)	(22,371.81)
Total Business-Type Activities	\$ 1,013,325.64	\$ 768,394.60	\$ -	\$ 78,429.41	\$ -	\$ (166,501.63)	\$ (166,501.63)
Total Primary Government	\$ 1,502,781.31	\$ 791,984.70	\$ 69,361.74	\$ 78,429.41	\$ (396,503.83)	\$ (166,501.63)	\$ (563,005.46)
General Revenues:							
Taxes & Licenses					\$ 370,831.79	\$ -	\$ 370,831.79
Investment Earnings					802.64	1,138.39	1,941.03
Miscellaneous					45,351.16	-	45,351.16
Change In Net Position					\$ 20,481.76	\$ (165,363.24)	\$ (144,881.48)
Net Position - Beginning					450,713.64	1,407,110.69	1,857,824.33
Prior Period Adjustments					(124,135.90)	(185,242.50)	(309,378.40)
Net Position - Ending					<u>\$ 347,059.50</u>	<u>\$ 1,056,504.95</u>	<u>\$ 1,403,564.45</u>

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

**CITY OF IRVINGTON GROVE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets & Resources:			
Cash & Cash Equivalents	\$ 30,219.03	\$ 265,266.79	\$ 295,485.82
Accounts Receivable	37,591.96	-	37,591.96
Due From Other Funds	49,400.40	-	49,400.40
	<u>49,400.40</u>	<u>-</u>	<u>49,400.40</u>
Total Assets & Resources	<u>\$ 117,211.39</u>	<u>\$ 265,266.79</u>	<u>\$ 382,478.18</u>
 Liabilities & Fund Balances:			
Liabilities:			
Accounts Payable	\$ 4,422.95	\$ -	\$ 4,422.95
Accrued Payroll & Related Expenses	15,004.07	-	15,004.07
Due to Other Funds	170,288.93	-	170,288.93
	<u>170,288.93</u>	<u>-</u>	<u>170,288.93</u>
Total Liabilities	\$ 189,715.95	\$ -	\$ 189,715.95
 Fund Balances:			
Unassigned Fund Balances	<u>\$ (72,504.56)</u>	<u>\$ 265,266.79</u>	<u>\$ 192,762.23</u>
Total Fund Balances	<u>\$ (72,504.56)</u>	<u>\$ 265,266.79</u>	<u>\$ 192,762.23</u>
Total Liabilities & Fund Balances	<u>\$ 117,211.39</u>	<u>\$ 265,266.79</u>	<u>\$ 382,478.18</u>

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

**CITY OF IRVINGTON, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total fund balance per fund financial statements.	\$	192,762.23
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		618,736.39
Deferred outflows of resources are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		19,206.71
Certain liabilities (such as bonds payable and the net pension liability) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		(467,433.56)
Deferred inflows of resources are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		<u>(16,212.27)</u>
Net position for governmental activities.	\$	<u><u>347,059.50</u></u>

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

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes & Licenses	\$ 370,831.79	\$ -	\$ 370,831.79
	-	-	-
Intergovernmental Grants & Donations	30,066.43	-	30,066.43
Other Local Sources	50,821.81	57,414.76	108,236.57
Interest Income	127.53	675.11	802.64
	-	-	-
Total Revenues	<u>\$ 451,847.56</u>	<u>\$ 58,089.87</u>	<u>\$ 509,937.43</u>
Expenditures:			
General Government	\$ 197,455.42	\$ -	\$ 197,455.42
Public Safety:			
Police	205,369.64	-	205,369.64
Fire	15,993.38	5,470.16	21,463.54
Streets & Maintenance	31,308.70	-	31,308.70
Capital Outlay	35,238.43	-	35,238.43
Cemetery Expenses	-	32.00	32.00
Veterans Memorial Expenses	-	1,133.86	1,133.86
Youth Sports Expenses	-	17,731.47	17,731.47
	-	-	-
Total Expenditures	<u>\$ 485,365.57</u>	<u>\$ 24,367.49</u>	<u>\$ 509,733.06</u>
Excess (Deficit) Of Revenues Over Expenditures	<u>\$ (33,518.01)</u>	<u>\$ 33,722.38</u>	<u>\$ 204.37</u>
Other Financing Sources (Uses)			
Proceeds From Sale Of Bonds/Loans	\$ 10,000.00	\$ -	\$ 10,000.00
Proceeds From Sale Of Fixed Assets	-	-	-
Operating Transfers In	49,278.51	316.00	49,594.51
Operating Transfers Out	(316.00)	(49,278.51)	(49,594.51)
	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 58,962.51</u>	<u>\$ (48,962.51)</u>	<u>\$ 10,000.00</u>
Excess (Deficit) Of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	<u>\$ 25,444.50</u>	<u>\$ (15,240.13)</u>	<u>\$ 10,204.37</u>
Fund Balance, July 1, 2014	(97,949.06)	280,506.92	182,557.86
Prior Period Adjustment	-	-	-
Fund Balance, June 30, 2015	<u><u>\$ (72,504.56)</u></u>	<u><u>\$ 265,266.79</u></u>	<u><u>\$ 192,762.23</u></u>

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

**CITY OF IRVINGTON, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net change in total fund balances per fund financial statements.	\$ 10,204.37
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	4,693.72
Loan proceeds are reported as other financing sources in this fund financial statement but are presented as liabilities in the statement of activities.	(10,000.00)
Debt service payments are reported as expenditures in this fund financial statement because they use current financial resources, but they are separated and shown as payments of long-term debt on the statement of net position and interest expense on the statement of activities. The difference is the amount of principal payment made for the year.	32,230.55
Pension expense is not reported in this fund financial statement because the figure reported in the statement of net position is based on a significant estimate made by the state retirement system and is not considered to be a liability that is currently due and payable.	<u>(16,646.88)</u>
Change in net position of governmental activities.	<u>\$ 20,481.76</u>

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

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	<u>Water & Garbage Fund</u>	<u>Sewer Fund</u>	<u>Other Funds</u>	<u>Total</u>
Assets				
Cash & Cash Equivalents	\$ 33,602.01	\$ 5,810.98	\$ 83,914.35	\$ 123,327.34
Accounts Receivable	52,552.71	18,071.69	-	70,624.40
Due From Other Funds	80,669.88	41,387.29	61,015.51	183,072.68
Capital Assets	1,772,537.01	3,492,952.34	-	5,265,489.35
Accumulated Depreciation	<u>(1,242,749.27)</u>	<u>(2,207,079.50)</u>	<u>-</u>	<u>(3,449,828.77)</u>
Total Assets	<u>\$ 696,612.34</u>	<u>\$ 1,351,142.80</u>	<u>\$ 144,929.86</u>	<u>\$ 2,192,685.00</u>
Deferred Outflows of Resources				
Defrred pension contributions after measurement date	<u>\$ 12,982.55</u>	<u>\$ 12,829.42</u>	<u>\$ -</u>	<u>\$ 25,811.97</u>
Total Deferred Outflows	<u>\$ 12,982.55</u>	<u>\$ 12,829.42</u>	<u>\$ -</u>	<u>\$ 25,811.97</u>
Liabilities & Net Position				
Accounts Payable	\$ 25,352.07	\$ 6,910.08	\$ -	\$ 32,262.15
Due To Other Funds	34,394.15	27,790.00	-	62,184.15
Accrued Payroll & Related Expenses	21,025.73	20,189.70	-	41,215.43
Current Portion Of Bond Obligations	4,697.73	19,100.00	-	23,797.73
Noncurrent Portion Of Bond Obligations	178,166.96	566,600.00	-	744,766.96
Customer Deposits	42,755.07	-	-	42,755.07
Net Pension Liability	<u>97,184.57</u>	<u>96,038.22</u>	<u>-</u>	<u>193,222.79</u>
Total Liabilities	<u>\$ 403,576.28</u>	<u>\$ 736,628.00</u>	<u>\$ -</u>	<u>\$ 1,140,204.28</u>
Deferred Inflows of Resources				
Differences between projected and actual earnings on plan investments	<u>\$ 10,958.50</u>	<u>\$ 10,829.24</u>	<u>\$ -</u>	<u>\$ 21,787.74</u>
Total Deferred Inflows	<u>\$ 10,958.50</u>	<u>\$ 10,829.24</u>	<u>\$ -</u>	<u>\$ 21,787.74</u>
<u>Net Position</u>				
Net Investment in Capital Assets	\$ 346,923.05	\$ 700,172.84	\$ -	\$ 1,047,095.89
Restricted For:				
Construction	-	-	-	-
Future Use	150,898.14	106,867.46	-	257,765.60
Unrestricted	<u>(202,761.08)</u>	<u>(190,525.32)</u>	<u>144,929.86</u>	<u>(248,356.54)</u>
Total Net Position	<u>\$ 295,060.11</u>	<u>\$ 616,514.98</u>	<u>\$ 144,929.86</u>	<u>\$ 1,056,504.95</u>

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

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Water & Garbage Fund</u>	<u>Sewer Fund</u>	<u>Other Funds</u>	<u>Total</u>
Operating Revenues:				
Water & Sewer Fees	\$ 352,010.11	\$ 224,559.64	\$ -	\$ 576,569.75
Garbage & Recycle Service	167,227.05	-	-	167,227.05
Miscellaneous	24,497.80	100.00	-	24,597.80
Total Operating Revenues	\$ 543,734.96	\$ 224,659.64	\$ -	\$ 768,394.60
Operating Expenses:				
Salaries & Benefits	\$ 104,209.06	\$ 104,520.18	\$ -	\$ 208,729.24
Insurance	41,404.90	36,270.65	-	77,675.55
Depreciation	74,482.67	84,370.50	-	158,853.17
Garbage & Recycle Costs	147,959.55	-	-	147,959.55
Water & Sewer Costs	143,297.70	-	-	143,297.70
Other Operating Expenses	56,767.75	69,707.65	3.00	126,478.40
Pension Expense	11,252.27	11,119.54	-	22,371.81
Total Operating Expenses	\$ 579,373.90	\$ 305,988.52	\$ 3.00	\$ 885,365.42
Income (Loss) From Operations	\$ (35,638.94)	\$ (81,328.88)	\$ (3.00)	\$ (116,970.82)
Non-Operating Revenues (Expenses):				
State Grant Revenues	\$ 78,429.41	\$ -	\$ -	\$ 78,429.41
State Grant Expenses	(89,953.26)	-	-	(89,953.26)
Interest Expense	(8,400.45)	(29,606.51)	-	(38,006.96)
Interest Income	72.63	23.03	1,042.73	1,138.39
Transfers In	20,872.75	30,359.55	9,364.00	60,596.30
Transfers Out	(18,059.55)	(22,836.75)	(19,700.00)	(60,596.30)
Total Non-Operating Revenues (Exp.)	\$ (17,038.47)	\$ (22,060.68)	\$ (9,293.27)	\$ (48,392.42)
Net Income (Loss)	\$ (52,677.41)	\$ (103,389.56)	\$ (9,296.27)	\$ (165,363.24)
Net Position Earnings, July 1, 2014	435,419.02	\$ 817,465.54	\$154,226.13	1,407,110.69
Prior Period Adjustment	(87,681.50)	(97,561.00)	-	(185,242.50)
Net Position Earnings, June 30, 2015	\$ 295,060.11	\$ 616,514.98	\$144,929.86	\$1,056,504.95

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

**CITY OF IRVINGTON, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Water & Garbage Fund	Sewer Fund	Other Funds	Total
Cash Flows From Operating Activities				
Receipts From Customers	\$ 525,852.04	\$ 216,287.67	\$ -	\$ 742,139.71
Receipts Other	11,820.40	27,790.00	-	39,610.40
Payments For Supplies And Services	(381,362.84)	(106,060.38)	(3.00)	(487,426.22)
Payments To Employees	(111,978.02)	(116,869.46)	-	(228,847.48)
Net Cash Provided By Operating Activities	\$ 44,331.58	\$ 21,147.83	\$ (3.00)	\$ 65,476.41
Cash Flows From Capital & Related Financing Activities				
Purchase Of Capital Assets	\$ -	\$ -	\$ -	\$ -
Transfers	2,813.20	7,522.80	-	10,336.00
Interest Paid	(8,400.45)	(29,606.51)	(10,336.00)	(48,342.96)
State Grant Revenues	78,429.41	-	-	78,429.41
State Grant Expenses	(89,953.26)	-	-	(89,953.26)
Principal Paid On Capital Debt	(4,550.84)	(18,000.00)	-	(22,550.84)
Net Cash Provided (Used) By Capital & Related Financing Activities	\$ (21,661.94)	\$ (40,083.71)	\$ (10,336.00)	\$ (72,081.65)
Cash Flows From Investing Activities				
Interest Income	\$ 72.63	\$ 23.03	\$ 1,042.73	\$ 1,138.39
Net Cash Provided (Used) By Investing Activities	\$ 72.63	\$ 23.03	\$ 1,042.73	\$ 1,138.39
Net Increase (Decrease) In Cash & Cash Equivalents	22,742.27	(18,912.85)	(9,296.27)	(5,466.85)
Balances, Beginning Of Year	10,859.74	24,723.83	93,210.62	128,794.19
Balances, End Of Year	\$ 33,602.01	\$ 5,810.98	\$ 83,914.35	\$ 123,327.34
Reconciliation Of Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities				
Operating Income	\$ (35,638.94)	\$ (81,328.88)	\$ (3.00)	\$ (116,970.82)
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities				
Depreciation	74,482.67	84,370.50	-	158,853.17
Net Pension Adjustment	(11,252.27)	(11,119.54)	-	(22,371.81)
Change In Assets & Liabilities				
Receivables	(17,982.92)	(8,371.97)	-	(26,354.89)
Accounts Payable	22,802.64	9,807.72	-	32,610.36
Customer Deposits	100.00	-	-	100.00
Due to Other Funds	11,820.40	27,790.00	-	39,610.40
Net Cash Provided By Operating Activities	\$ 44,331.58	\$ 21,147.83	\$ (3.00)	\$ 65,476.41

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

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

Note 1 – Summary of Significant Accounting Policies

The City of Irvington, Kentucky (the "City") is a fifth class city located in Breckinridge County, Kentucky. It operates under a Mayor/Council form of government providing the following types of services: police, fire, water, sewer, sanitation, street maintenance, recreation, and community development. Primary revenue sources are property taxes, insurance premium taxes, franchise taxes, intergovernmental revenues, and water, sewer, and sanitation receipts.

The basic financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America. The City's reporting entity applies all relevant Government Accounting Stand Board (GASB) pronouncements. The proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinion, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the note is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2015. The City implemented new reporting model standards beginning July 1, 2003. Comparability of reports of all prior periods will be affected.

Financial Reporting Entity

The City is a Kentucky municipality with a seven member City Council comprised of the Mayor and six City Council Members. The City's combined financial statements include the accounts of all primary government operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

The organization is legally separate (can sue and be sued in its own name), the City holds the corporate powers of the organization, the City appoints a voting majority of the organization's board, the City is able to impose its will on the organization, the organization has the potential to impose a financial benefit/burden on the City, and there is fiscal dependency by the organization on the City.

Based on the aforementioned criteria, the City of Irvington, Kentucky has no component units.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those 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.

Amounts paid to acquire fixed assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statement, rather than as other financing sources.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures

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

Note 1- Summary of Significant Accounting Policies – Continued

Measurement Focus, Basis Of Accounting And Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The City reports the following funds of the financial reporting entity:

The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. This is a major fund.

The special revenue fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes.

The City reports the following proprietary fund:

The enterprise fund accounts for the activities of the government's water and sewer functions. Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. This is a major fund.

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Cash And Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City. The City is authorized by state statute to invest in:

1. Obligation of the United States and of its agencies and instrumentalities.
2. Obligations and contracts for future delivery or purchases of obligations backed by the full faith and credit of the United States or a United States government agency.
3. Obligations of any corporation of the United States government.
4. Certificates of deposits issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity of which are collateralized, to the extent uninsured, by any obligation permitted by Section 41.240(4) of the Kentucky Revised Statutes.
5. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of these highest categories by a nationally recognized rating agency.

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

Note 1- Summary of Significant Accounting Policies – Continued

Cash And Cash Equivalents - Continued

6. Bankers' acceptances for banks rated in one of these highest categories by a nationally recognized rating agency
7. Commercial paper rated in the highest category by a nationally recognized rating agency.
8. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
9. Securities issued by a state or local government or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.
10. Shares of mutual funds, each of which shall have the following characteristics:
 - a) The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - b) The management company of the investment company shall have been in operation for at least five (5) years;
 - c) All of the securities in the mutual fund shall be eligible investments under this section.

Inventories

Inventories in proprietary funds consist of expendable supplies held for consumption stated on a first in, first out basis. They are reported at cost which is recorded as expenditure at the time individual inventory items are used.

Property Tax Receivable

Property taxes are levied as of July 1 on property values assessed as of the same day. The taxes are billed on approximately October 1 and are due and payable on December 31. On January 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on January 1.

Property tax rates are 17.1 cents per \$100 for real property and 44.1 cents per \$100 for personal property. Motor vehicles and watercraft tax rates are 17.0 cents per \$100.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from/to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables". Interfund transfers are eliminated in the preparation of the government-wide financial statements.

Fixed Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position-proprietary fund and the fund financial statements. The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$1,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized. All reported capital assets are depreciated. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Machinery And Equipment	3-20 years
Improvements	10-20 years
Infrastructure	10-25 years
Buildings	10-25 years
Sewer Plant And Water Line	20-40 years

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

Note 1- Summary of Significant Accounting Policies – Continued

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. Vacation is allowed to accumulate to a total of 30 days. Upon termination, accumulated vacation will be paid to the employee.

Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide and in the proprietary fund-level financial statements, long-term debt and other long-term obligations are reported as liabilities. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest as expenditures.

The accounting for the proprietary fund is the same in the fund-level statement as it is in the government-wide statements.

Fund Equity

Net Position is the difference between assets and liabilities. Net position invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvements of those assets.

In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by the City itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City takes the action to remove or change the constraint;
- Assigned fund balance-amounts the City intends to use for a specific purpose (such as encumbrances); intent can be expressed by the City Commissioners or by an official or body to which the City delegates the authority;

Unassigned fund balance-amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

Operating Revenues And Expenses

Operating revenues and expenses for the proprietary fund are those resulting from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

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

Note 1- Summary of Significant Accounting Policies – Continued

Expenditures / Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, governmental fund expenditures are classified by character as current expenditures and capital outlay expenditures. Proprietary fund expenses are classified as operating expenses and non-operating expenses. Governmental funds report expenditures of financial resources. Proprietary funds report expenses related to use of economic resources.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures during the reporting period. Accordingly, actual results could differ from those estimates.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Hazardous and Non-Hazardous ("CERS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Note 2 – Stewardship, Compliance and Accountability

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

- A. The Mayor submits to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are held to obtain taxpayer comments.
- C. The budget is legally enacted through passage of an ordinance.
- D. Budgets are adopted for the General Fund and Enterprise Funds.
- E. Budgeted amounts are as originally adopted by the City Council, adjusted by amendments to the budget, if any.
- F. All annual appropriations lapse at fiscal year-end.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revision to the budget that would alter total revenues and expenditures of any fund must be approved by the Council; however, with proper approval by the Council, budgetary transfers between departments can be made.

Note 3 - Deposits

All the City's deposits are either insured or collateralized. All deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the City's agents in the unit's name. The City has no policy regarding custodial credit risk for deposits.

At June 30, 2015, the City had deposits with financial institutions with a carrying amount of \$418,813.16. Of these balances, \$418,813.16 were covered by federal depository insurance, For additional descriptive information, see note 1.

Note 4 – Long-Term Debt

The construction costs of the City's wastewater treatment plant have been financed by issuance of bonds. In May 1989, the City received \$772,000 from Rural Development (RD), formerly Farmers Home Administration, to be repaid in scheduled installments over thirty-eight years at an annual interest rate of 5.0%.

The construction costs of the City's water lines have also been financed by issuance of bonds. July 1, 2001, the City received RD financing of \$200,000 to be repaid in scheduled installments over thirty-eight years at an annual interest rate of 4.5%.

Per the requirements of the water and wastewater treatment plant bond ordinances, a revenue fund, sinking fund, depreciation fund, and operation and maintenance fund are to be established for water and wastewater. The financial requirements of these funds are presented in summary below.

Water Funds

All revenues of the system shall first be deposited into the revenue fund. Monthly installments are then to be paid into the sinking fund of amounts equal to one-sixth of the next succeeding six-month interest payment to become due and one-twelfth of the principal maturing on the next succeeding principal payment date. Monthly installments of \$95 are to be transferred to the depreciation fund. Other revenue of the system is to be transferred to the operation and maintenance fund to cover any current expenses.

Wastewater Funds

All revenues of the system shall first be deposited into the revenue fund. Monthly installments are then to be paid into the sinking fund of amounts equal to one-sixth of the next succeeding six-month interest payment to become due and one-twelfth of the principal maturing on the next succeeding principal payment date. Monthly installments of \$382 are to be transferred to the depreciation fund until the balance reaches \$45,840. Other revenue of the system is to be transferred to the operation and maintenance fund to cover any current expenses.

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

Note 5 – Property Taxes

The City's property taxes are levied before the first day of September on the assessed values as of January 1 for all real and personal property located in the City including vehicles. Property taxes are due December 31 and become delinquent May 1 of the following year. The City's real property tax rate is \$.385 per \$100 valuation and business personal property tax rate is \$.651 per \$100 valuation. The City's vehicle tax rate is \$.320 per \$100 of assessed value. The City is permitted by the Kentucky Constitution to levy taxes up to \$.75 per \$100 of assessed value, as its population is less than 10,000. The City is well within the maximum tax rate it is allowed to levy. Property taxes paid by November 30th receive a 2% discount. A 10% penalty is assessed for payments received after December 31.

Note 6 – Employee Retirement System

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions—Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

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

Note 6 – Employee Retirement System (Continued)

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

At June 30, 2015, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the City was \$337,000.

The net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The City's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the City's proportion was 0.02211% for nonhazardous and 0.03861% for hazardous.

For the year ended June 30, 2015, the City recognized pension expense of \$39,019 related to CERS. On June 30, 2014, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	38,000
Changes in proportion and differences between District contributions and proportionate share contributions	-	-
City contributions subsequent to the measurement date	45,019	-
Totals	\$ 45,019	\$ 38,000

\$45,019 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	7,600
2017	7,600
2018	7,600
2019	7,600
2020	7,600

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

Note 6 – Employee Retirement System (Continued)

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

	CERS
Inflation	3.50%
Projected salary increases	4.50%
Investment rate of return, net of investment expense & inflation	7.75%

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

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the City, calculated using the discount rates selected by each pension system, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

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

Note 6 – Employee Retirement System (Continued)

		Net Pension Liability - City Nonhazardous		
		6.75%	7.75%	8.85%
Proportionate Share	\$	340,370	\$ 337,000	\$ 333,630
% per Proportionate Share			0.010390%	
		Net Pension Liability - City Hazardous		
		6.75%	7.75%	8.85%
Proportionate Share	\$	-	\$ -	\$ -
% per Proportionate Share			0.000000%	

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of CERS.

Note 7 – Reductions in Fund Equity

No funds of the City ended the year with a deficit balance; however, the Road Fund, Veterans Memorial Fund, Youth Sports Fund, Water Depreciation Fund, Wager Capital Improvement Fund, Wastewater Depreciation Fund, Wastewater Capital Improvement Fund, and the Wastewater Sinking Fund all experienced decreases in fund balance for the year.

Note 8 – Claims and Judgments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Note 9 – Contingent Liabilities

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Note 10– Risk Management

The City is exposed to various risks of losses related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated. The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2015, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

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

Note 11 – Major Suppliers

The City purchases all of its water for resale from Hardinsburg Municipal Utilities. The City's cost for water purchases during the year ended June 30, 2015 was \$143,298.

Note 12 – Subsequent Events

During the year ended June 30, 2015, the City lost one of its front office employees. This employee was charged with the responsibility of making federal payroll tax payments electronically to the Internal Revenue Service. The City failed to specifically assign this responsibility to the remaining front office employee, nor did the City provide training, nor did the City request guidance from professionals (auditors). As a result, approximately \$30,000 of federal payroll taxes were unpaid as of June 30, 2015, and approximately \$60,000 of federal payroll taxes were unpaid as of December 31, 2015. These unpaid federal payroll taxes also carry with them penalties and interest estimated to approach 25%. As of the date of this report, the 2015 federal payroll tax liability, penalty and interest have not yet been paid.

Note 13 – Budgetary Basis of Accounting

The City prepares its financial statements using accounting principles generally accepted in the United States of America (GAAP), but the budget is prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than GAAP.

The actual results of operations are presented in accordance with GAAP. The City budgets the General Fund and the Special Revenue Fund together in total. All governmental fund and budgets are maintained on the cash basis (budgetary basis) of accounting, which is a comprehensive basis of accounting other than GAAP.

Note 14 – Prior Period Adjustment

Net position as of June 30, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and for correction of two accounts receivables errors.

	Governmental Activities	Business-Type Activities	Total
Net Position as previously reported at June 30, 2014	\$ 450,714	\$ 1,407,111	\$ 1,857,825
Correction of accounts receivable errors			
Increase (decrease) in assets	-	(18,416)	(18,416)
Prior period adjustment implementation of GASB 68:			
Net pension liability (measurement date as of June 30, 2013)	(143,343)	(192,639)	(335,982)
Deferred outflows - City contributions made during fiscal year 2014	19,207	25,812	45,019
Total prior period adjustment for GASB 68	(124,136)	(166,827)	(290,963)
Total prior period adjustment	(124,136)	(185,243)	(309,379)
Net Position as restated June 30, 2014	\$ 326,578	\$ 1,221,868	\$ 1,548,446

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes & Licenses	\$ 342,160.00	\$ 379,242.00	\$ 370,831.79	\$ (8,410.21)
Intergovernmental	21,700.00	47,304.00	30,066.43	(17,237.57)
Miscellaneous Income	48,050.00	63,787.00	50,821.81	(12,965.19)
Interest Income	-	-	127.53	127.53
	<u>-</u>	<u>-</u>	<u>127.53</u>	<u>127.53</u>
Total Revenues	\$ 411,910.00	\$ 490,333.00	\$ 451,847.56	\$ (38,485.44)
Expenditures:				
General Government	\$ 222,810.00	\$ 173,687.00	\$ 207,581.52	\$ (33,894.52)
Public Safety:				
Police	234,100.00	244,062.00	205,369.64	38,692.36
Fire	38,917.00	44,728.00	41,105.71	3,622.29
Streets & Maintenance	40,000.00	40,000.00	31,308.70	8,691.30
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	\$ 535,827.00	\$ 502,477.00	\$ 485,365.57	\$ 17,111.43
Excess (Deficit) Of Revenues Over Expenditures	\$ (123,917.00)	\$ (12,144.00)	\$ (33,518.01)	\$ (21,374.01)
Other Financing Sources (Uses)				
Proceeds From Sale Of Bonds/Loans	\$ -	\$ -	\$ 10,000.00	\$ 10,000.00
Proceeds From Sale Of Fixed Assets	-	-	-	-
Operating Transfers In	123,917.00	23,505.00	49,278.51	25,773.51
Operating Transfers Out	-	-	(316.00)	(316.00)
	<u>-</u>	<u>-</u>	<u>(316.00)</u>	<u>(316.00)</u>
Total Other Financing Sources (Uses)	\$ 123,917.00	\$ 23,505.00	\$ 58,962.51	\$ 35,457.51
Excess (Deficit) Of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ -	\$ 11,361.00	\$ 25,444.50	14,083.50
Fund Balance, July 1, 2014	-	-	(97,949.06)	(97,949.06)
Prior Period Adjustment	-	-	-	-
Fund Balance, June 30, 2015	\$ -	\$ 11,361.00	\$ (72,504.56)	\$ (83,865.56)

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

**CITY OF IRVINGTON, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
AS OF JUNE 30, 2015**

	(Reporting Fiscal Year)	
	Measurement Date	
	2015	(2014)
	<u>Nonhazardous</u>	<u>Hazardous</u>
City's proportion of the net pension liability	0.01039%	0.00000%
City's proportionate share of the net pension liability	337,000	-
City's covered-employee payroll	295,643	-
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	113.989%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	63.46%

* Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**CITY OF IRVINGTON, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>		<u>2014</u>	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous
Contractually required contribution	45,019	-	45,019	-
Contributions in relation to the contractually required contribution	<u>45,019</u>	<u>-</u>	<u>45,019</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-
City's covered-employee payroll	254,776	-	238,322	-
City's contributions as a percentage of its covered-employee payroll	17.67%	0.00%	18.89%	0.00%

* Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

CHANGES OF ASSUMPTIONS

There were no changes of assumptions.

METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of contributions are calculated on a biennial basis beginning with the fiscal years ended 2015 and 2016, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	29 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

CHANGES OF BENEFITS

There were no changes in benefit terms.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF IRVINGTON, KENTUCKY
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2015**

	<u>LGEA Fund</u>	<u>Road Fund</u>	<u>Fire Department Fund</u>	<u>Fire Truck Fund</u>	<u>Cedar Hill</u>	<u>Veterans Memorial</u>	<u>Youth Sports</u>	<u>Christmas Parade</u>	<u>Totals</u>
Assets:									
Cash & Cash Equivalents	\$ 24,529.53	\$ 45,822.34	\$ 37,148.77	\$ 58,725.09	\$ 90,403.75	\$ 5,005.62	\$ 3,383.29	\$ 248.40	\$ 265,266.79
Accrued Interest	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 24,529.53</u>	<u>\$ 45,822.34</u>	<u>\$ 37,148.77</u>	<u>\$ 58,725.09</u>	<u>\$ 90,403.75</u>	<u>\$ 5,005.62</u>	<u>\$ 3,383.29</u>	<u>\$ 248.40</u>	<u>\$ 265,266.79</u>
Liabilities & Fund Balances:									
Liabilities:									
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due To Other Funds	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:									
Unreserved Fund Balances	<u>\$ 24,529.53</u>	<u>\$ 45,822.34</u>	<u>\$ 37,148.77</u>	<u>\$ 58,725.09</u>	<u>\$ 90,403.75</u>	<u>\$ 5,005.62</u>	<u>\$ 3,383.29</u>	<u>\$ 248.40</u>	<u>\$ 265,266.79</u>
Total Liabilities & Fund Balances	<u>\$ 24,529.53</u>	<u>\$ 45,822.34</u>	<u>\$ 37,148.77</u>	<u>\$ 58,725.09</u>	<u>\$ 90,403.75</u>	<u>\$ 5,005.62</u>	<u>\$ 3,383.29</u>	<u>\$ 248.40</u>	<u>\$ 265,266.79</u>

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

**CITY OF IRVINGTON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>LGEA Fund</u>	<u>Road Fund</u>	<u>Fire Department Fund</u>	<u>Fire Truck Fund</u>	<u>Cedar Hill</u>	<u>Veterans Memorial</u>	<u>Youth Sports</u>	<u>Christmas Parade</u>	<u>Totals</u>
Revenues:									
Intergovernmental	\$ -						\$ -		\$ -
Interest Income	33.16	39.05	302.88	298.86	1.16		-	-	675.11
Other Local Sources	<u>3,063.94</u>	<u>27,502.29</u>	<u>20,125.51</u>	<u>-</u>	<u>3,050.00</u>	<u>130.00</u>	<u>3,543.02</u>	<u>-</u>	<u>57,414.76</u>
Total Revenues	\$ 3,097.10	\$ 27,541.34	\$ 20,428.39	\$ 298.86	\$ 3,051.16	\$ 130.00	\$ 3,543.02	\$ -	\$ 58,089.87
Expenditures:									
Fire Department Expenses	-	\$ -	\$ 5,470.16	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,470.16
Cemetery Expenses	-	-	-	-	32.00	-	-	-	32.00
Veterans Memorial Expenses	-	-	-	-	-	1,133.86	-	-	1,133.86
Youth Sports Expenses	-	-	-	-	-	-	17,731.47	-	17,731.47
Christmas Parade Expenses	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ -	\$ -	\$ 5,470.16	\$ -	\$ 32.00	\$ 1,133.86	\$ 17,731.47	\$ -	\$ 24,367.49
Excess (Deficit) Of Revenues Over Expenditures	\$ 3,097.10	\$ 27,541.34	\$ 14,958.23	\$ 298.86	\$ 3,019.16	\$ (1,003.86)	\$ (14,188.45)	\$ -	\$ 33,722.38
Other Financing Sources (Uses)									
Loan Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Transfers In	-	-	316.00	-	-	-	-	-	316.00
Operating Transfers Out	-	<u>(38,778.51)</u>	<u>(10,500.00)</u>	-	-	-	-	-	<u>(49,278.51)</u>
Total Other Financing Sources (Uses)	\$ -	\$ (38,778.51)	\$ (10,184.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (48,962.51)
Excess (Deficit) Of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ 3,097.10	\$ (11,237.17)	\$ 4,774.23	\$ 298.86	\$ 3,019.16	\$ (1,003.86)	\$ (14,188.45)	\$ -	\$ (15,240.13)
Fund Balance, July 1, 2014	\$ 21,432.43	\$ 57,059.51	\$ 32,374.54	\$ 58,426.23	\$ 87,384.59	\$ 6,009.48	\$ 17,571.74	\$ 248.40	\$ 280,506.92
Fund Balance, June 30, 2015	\$ 24,529.53	\$ 45,822.34	\$ 37,148.77	\$ 58,725.09	\$ 90,403.75	\$ 5,005.62	\$ 3,383.29	\$ 248.40	\$ 265,266.79

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

**CITY OF IRVINGTON, KENTUCKY
 COMBINING STATEMENT OF NET ASSETS - NONMAJOR PROPRIETARY FUNDS
 AS OF JUNE 30, 2015**

	<u>Water Depreciation Fund</u>	<u>Water Capital Improvement Fund</u>	<u>Wastewater Depreciation Fund</u>	<u>Wastewater Capital Improvement Fund</u>	<u>Wastewater Sinking Fund</u>	<u>Totals</u>
Assets:						
Cash & Cash Equivalents	\$ 11,506.51	\$ 61,077.69	\$ 834.73	\$ 10,365.69	\$ 129.73	\$ 83,914.35
Due From Other Funds	<u>3,000.00</u>	<u>4,000.00</u>	<u>54,015.51</u>	<u>-</u>	<u>-</u>	<u>61,015.51</u>
Total Assets	<u><u>\$ 14,506.51</u></u>	<u><u>\$ 65,077.69</u></u>	<u><u>\$ 54,850.24</u></u>	<u><u>\$ 10,365.69</u></u>	<u><u>\$ 129.73</u></u>	<u><u>\$ 144,929.86</u></u>
Liabilities & Fund Balances:						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due To Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:						
Unreserved Fund Balances	<u>\$ 14,506.51</u>	<u>\$ 65,077.69</u>	<u>\$ 54,850.24</u>	<u>\$ 10,365.69</u>	<u>\$ 129.73</u>	<u>\$ 144,929.86</u>
Total Liabilities & Fund Balances	<u><u>\$ 14,506.51</u></u>	<u><u>\$ 65,077.69</u></u>	<u><u>\$ 54,850.24</u></u>	<u><u>\$ 10,365.69</u></u>	<u><u>\$ 129.73</u></u>	<u><u>\$ 144,929.86</u></u>

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

**CITY OF IRVINGTON, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN NET ASSETS - NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Water Depreciation Fund</u>	<u>Water Capital Improvement Fund</u>	<u>Wastewater Depreciation Fund</u>	<u>Wastewater Capital Improvement Fund</u>	<u>Wastewater Sinking Fund</u>	<u>Totals</u>
Revenues:						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income	67.10	404.42	501.84	68.80	0.57	1,042.73
Other Local Sources	-	-	-	-	-	-
Total Revenues	\$ 67.10	\$ 404.42	\$ 501.84	\$ 68.80	\$ 0.57	\$ 1,042.73
Expenditures:						
Other Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ 3.00	\$ 3.00
Total Expenditures	\$ -	\$ -	\$ -	\$ -	\$ 3.00	\$ 3.00
Excess (Deficit) Of Revenues Over Expenditures	\$ 67.10	\$ 404.42	\$ 501.84	\$ 68.80	\$ (2.43)	\$ 1,039.73
Other Financing Sources (Uses):						
Operating Transfers In	\$ 400.00	\$ 600.00	\$ 764.00	\$ 600.00	\$ 7,000.00	\$ 9,364.00
Operating Transfers Out	(3,000.00)	(2,500.00)	(3,700.00)	(3,500.00)	(7,000.00)	(19,700.00)
Total Other Financing Sources (Uses)	\$ (2,600.00)	\$ (1,900.00)	\$ (2,936.00)	\$ (2,900.00)	\$ -	\$ (10,336.00)
Excess (Deficit) Of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ (2,532.90)	\$ (1,495.58)	\$ (2,434.16)	\$ (2,831.20)	\$ (2.43)	\$ (9,296.27)
Fund Balance, July 1, 2014	\$ 17,039.41	\$ 66,573.27	\$ 57,284.40	\$ 13,196.89	\$ 132.16	\$ 154,226.13
Fund Balance, June 30, 2015	\$ 14,506.51	\$ 65,077.69	\$ 54,850.24	\$ 10,365.69	\$ 129.73	\$ 144,929.86

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

**CITY OF IRVINGTON, KENTUCKY
SCHEDULE OF DEBT AND LEASE OBLIGATIONS
YEAR ENDED JUNE 30, 2015**

Governmental Activities

Year		Youth Sports	City Hall Building	Fire Rescue Truck	Total
2015	2016	\$ 5,000.00	\$ 8,583.37	\$ 21,176.65	\$ 34,760.02
2016	2017	5,000.00	8,933.07	22,053.16	35,986.23
2017	2018	5,000.00	9,297.02	22,965.94	37,262.96
2018	2019	5,000.00	9,675.79	-	14,675.79
2019	2020	5,000.00	10,070.00	-	15,070.00
2020	2021	5,000.00	10,480.27	-	15,480.27
2021	2022	5,000.00	10,907.25	-	15,907.25
2022	2023	5,000.00	11,351.63	-	16,351.63
2023	2024	5,000.00	11,814.11	-	16,814.11
Thereafter		119,356.16	1,991.92	-	121,348.08
Totals		<u>\$ 164,356.16</u>	<u>\$ 93,104.43</u>	<u>\$ 66,195.75</u>	<u>\$ 323,656.34</u>

Proprietary Activities

Year		1989 Series A Bond Issue	1989 Series B Bond Issue	2001 Series Bond Issue	Recycle Center	Total
2015	2016	\$ 17,000.00	\$ 2,100.00	\$ 3,500.00	\$ 1,197.73	\$ 23,797.73
2016	2017	19,000.00	2,200.00	3,700.00	1,246.52	26,146.52
2017	2018	21,000.00	2,300.00	3,900.00	1,297.28	28,497.28
2018	2019	23,000.00	2,400.00	4,000.00	1,350.12	30,750.12
2019	2020	25,000.00	2,600.00	4,200.00	1,405.13	33,205.13
2020	2021	27,000.00	2,600.00	4,400.00	1,462.42	35,462.42
2021	2022	30,000.00	2,800.00	4,600.00	1,521.97	38,921.97
2022	2023	33,000.00	2,900.00	4,800.00	1,583.99	42,283.99
2023	2024	36,000.00	3,100.00	5,000.00	1,648.53	45,748.53
2024	2025	39,000.00	3,200.00	5,300.00	1,715.68	49,215.68
2025	2026	43,000.00	3,400.00	5,500.00	735.32	52,635.32
2026	2027	47,000.00	3,600.00	5,700.00	-	56,300.00
2027	2028	51,000.00	3,700.00	6,000.00	-	60,700.00
2028	2029	56,000.00	4,000.00	6,300.00	-	66,300.00
2029	2030	74,000.00	3,800.00	6,500.00	-	84,300.00
2030	2031	-	-	6,900.00	-	6,900.00
2031	2032	-	-	7,100.00	-	7,100.00
2032	2033	-	-	7,500.00	-	7,500.00
2033	2034	-	-	7,800.00	-	7,800.00
2034	2035	-	-	8,200.00	-	8,200.00
2035	2036	-	-	8,500.00	-	8,500.00
2036	2037	-	-	8,900.00	-	8,900.00
2037	2038	-	-	9,300.00	-	9,300.00
2038	2039	-	-	9,700.00	-	9,700.00
2039	2040	-	-	10,200.00	-	10,200.00
2040	2041	-	-	10,200.00	-	10,200.00
		<u>\$ 541,000.00</u>	<u>\$ 44,700.00</u>	<u>\$ 167,700.00</u>	<u>\$ 15,164.69</u>	<u>\$ 768,564.69</u>

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
RETAINED EARNINGS - BUDGET AND ACTUAL - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues:				
Water & Garbage Service	\$ 536,303.00	\$ 535,453.00	\$ 543,734.96	\$ 8,281.96
Sewer Service	<u>250,000.00</u>	<u>230,320.00</u>	<u>224,659.64</u>	<u>(5,660.36)</u>
Total Operating Revenues	\$ 786,303.00	\$ 765,773.00	\$ 768,394.60	\$ 2,621.60
Operating Expenses:				
Water & Garbage Expenses	\$ 550,083.00	\$ 514,503.00	\$ 504,891.23	\$ 9,611.77
Wastewater Expenses	<u>305,220.00</u>	<u>267,345.00</u>	<u>221,621.02</u>	<u>45,723.98</u>
Total Operating Expenses	\$ 855,303.00	\$ 781,848.00	\$ 726,512.25	\$ 55,335.75
Income (Loss) From Operations	\$ (69,000.00)	\$ (16,075.00)	\$ 41,882.35	\$ 57,957.35
Non-Operating Revenues (Expenses):				
State Grant Revenues	\$ 500,000.00	\$ 500,000.00	\$ 78,429.41	\$ (421,570.59)
State Grant Expenses	\$ (500,000.00)	\$ (500,000.00)	\$ (89,953.26)	\$ 410,046.74
Depreciation	-	-	(158,853.17)	(158,853.17)
Transfer In	69,000.00	56,977.00	60,596.30	3,619.30
Transfer Out	-	-	(60,596.30)	(60,596.30)
Interest Expense	-	-	(38,006.96)	(38,006.96)
Interest Income	<u>-</u>	<u>-</u>	<u>1,138.39</u>	<u>1,138.39</u>
Total Non-Operating Revenues (Expenses)	\$ 69,000.00	\$ 56,977.00	\$ (207,245.59)	\$ (264,222.59)
Net Income (Loss)	\$ -	\$ 40,902.00	\$ (165,363.24)	\$ (206,265.24)
Retained Earnings, July 1, 2014	-	-	1,407,110.69	1,407,110.69
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>(166,826.75)</u>	<u>(166,826.75)</u>
Retained Earnings, June 30, 2015	<u>\$ -</u>	<u>\$ 40,902.00</u>	<u>\$ 1,074,920.70</u>	<u>\$ 1,034,018.70</u>

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

BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS FINANCIAL ADVISORS & BUSINESS CONSULTANTS

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William G. Brown, CPA - W. Gilbert Brown III, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mayor and Board of Commissioners
City Of Irvington, Kentucky
City Hall
P.O. Box 374
Irvington, Kentucky 40146

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Irvington, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Irvington, Kentucky's basic financial statements and have issued our report thereon dated May 26, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Irvington, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Irvington, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Irvington, Kentucky's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Irvington, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items.

City of Irvington, Kentucky's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown & Company, CPA's

Bardstown, Kentucky
May 26, 2016

**CITY OF IRVINGTON, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? X Yes No

Material Weakness:

Finding 2015 – 001

The City employs one person (City Clerk) to record, adjust, reconcile and report financial information to the Mayor and City Council. No controls exist to monitor the financial activities performed by the City Clerk.

City's Response

The Mayor and City Council will perform monthly tasks to enhance the internal control system over financial reporting.

Significant Deficiency:

Finding 2015 – 002

The City fails to provide to the Mayor and City Council reliable monthly Actual vs Budget financial information. As a result, the City lacks sufficient and timely information necessary to govern the city's financial responsibilities effectively.

City's Response

The City will begin to produce monthly Actual vs Budget financial information along with updated financial projections.

Noncompliance:

Finding 2015 – 003

The City's payroll calculation methods are incorrect. As a result, incorrect amounts of taxes are withheld from employees' paychecks. The City has also failed to pay the federal payroll taxes to the Internal Revenue Service for the entire calendar year of 2015, resulting in major penalties and interest.

City's Response

The City will outsource its payroll operations to a professional service, guaranteeing correct payroll calculations and timely payments of all payroll tax liabilities.