

CITY OF IRVINGTON, KENTUCKY
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2016

**CITY OF IRVINGTON, KENTUCKY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2016**

Independent Auditor's Report	<u>Page</u> 1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Activities.....	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	9
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Net Position – Proprietary Funds	13
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	14
Statement of Cash Flows – Proprietary Funds.....	15
Notes to Financial Statements	16-29
Required Supplementary Information	30
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-Governmental Funds	31
Schedule of the City's Proportionate Share of the Net Pension Liability	32
Schedule of the City's Contributions	33
Notes to Required Supplemental Information	34
Other Supplementary Information	35
Combining Balance Sheet – Nonmajor Governmental Funds.....	36
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	37
Combining Statement of Net Positions – Nonmajor Proprietary Funds.....	38
Combining Statement of Revenues, Expenditures, and Changes in Net Position-Nonmajor Proprietary Funds.....	39
Schedule of Debt and Lease Obligations	40

Statement of Revenues, Expenditures, and Changes in Net Position – Budget and Actual – Proprietary Funds	41
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	42-43
Schedule of Findings and Responses	44

BROWN & COMPANY

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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, 2016, 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, 2016, 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.

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 3-6 and 30-34 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 Statements, Schedule of Debt and Lease Obligations and the Statement of Revenues, Expenditures, and Changes in Net Position – Budget and Actual-Proprietary Funds are presented for purpose of additional analysis and are 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 December 6, 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
December 6, 2016

**CITY OF IRVINGTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016. 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 \$365,000 in taxes and licenses during the year.
- As of June 30, 2016, total assets and deferred outflows exceed total liabilities and deferred inflows by \$1,205,170.56.

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 statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private - sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, City park, and streets and highways. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 7 - 8 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The basic governmental fund financial statements can be found on pages 9 - 15 of this report.

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 16 - 29 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position decreased 16.96 percent which is reported as the change in net position in the statement of activities.

**CITY OF IRVINGTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current And Other Assets	\$230,398.71	\$382,478.18	\$353,504.77	\$377,024.42	\$583,903.48	\$759,502.90
Capital Assets	581,084.28	618,736.39	1,656,948.61	1,815,660.58	2,238,032.89	2,434,396.97
Total Assets	811,482.99	1,001,214.57	2,010,453.38	2,192,685.00	2,821,936.37	3,193,899.87
Deferred Outflow s of Resources	57,013.22	19,206.71	100,340.47	25,811.97	157,353.69	45,018.68
Long-Term Liabilities Outstanding	252,910.09	288,896.32	718,620.44	744,766.96	971,530.53	1,033,663.28
Other Liabilities	285,956.75	368,253.19	516,632.22	395,437.32	802,588.97	763,690.51
Total Liabilities	538,866.84	657,149.51	1,235,252.66	1,140,204.28	1,774,119.50	1,797,353.79
Deferred Inflow s of Resources	-	16,212.27	-	21,787.74	-	38,000.01
Net Assets:						
Net Investment In Capital Assets	292,187.96	295,080.05	912,181.65	1,047,095.89	1,204,369.61	1,342,175.94
Restricted	191,553.41	159,989.49	379,879.58	257,765.60	571,432.99	417,755.09
Unrestricted	(154,112.00)	(108,010.04)	(416,520.04)	(248,356.54)	(570,632.04)	(356,366.58)
Total Net Assets	\$329,629.37	\$347,059.50	\$875,541.19	\$1,056,504.95	\$1,205,170.56	\$1,403,564.45

By far the largest portion of the City net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets still outstanding. The City uses these capital assets to provide services to citizens and consumers; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities.

**CITY OF IRVINGTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$1,205,170.56 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	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges For Services	\$ 23,339.14	\$ 23,590.10	\$ 760,618.60	\$ 768,394.60	\$ 783,957.74	\$ 791,984.70
Operating Grants And Contribution	37,916.63	69,361.74	-	-	37,916.63	69,361.74
Capital Grants And Contributions	705,653.00	-	141,296.20	78,429.41	846,949.20	78,429.41
					-	-
General Revenues:					-	-
Taxes:					-	-
Property Taxes	365,073.68	370,831.79	-	-	365,073.68	370,831.79
Grants And Contributions Not					-	-
Restricted To Specific Programs	-	-	-	-	-	-
Investment Earnings	1,118.97	802.64	731.83	1,138.39	1,850.80	1,941.03
Gain On Sale Of Fixed Assets	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Miscellaneous	24,013.16	45,351.16	-	-	24,013.16	45,351.16
Total Revenues	\$1,157,114.58	\$ 509,937.43	\$ 902,646.63	\$ 847,962.40	\$2,059,761.21	\$ 1,357,899.83
Expenses:						
General Government	\$ 114,867.67	\$ 164,244.42	\$ -	\$ -	\$ 114,867.67	\$ 164,244.42
Streets And Maintenance	774,340.19	31,308.70	-	-	774,340.19	31,308.70
Public Safety—Fire	67,567.93	21,463.54	-	-	67,567.93	21,463.54
Public Safety—Police	196,684.79	195,374.64	-	-	196,684.79	195,374.64
Community Development	20,690.87	1,165.86	-	-	20,690.87	1,165.86
Interest On Long-Term Debt	16,141.11	20,739.35	-	38,006.96	16,141.11	58,746.31
Water & Garbage	-	-	-	-	-	-
Water & Sewer	-	-	830,536.66	646,134.15	830,536.66	646,134.15
Garbage & Recycle	-	-	151,405.60	147,959.55	151,405.60	147,959.55
Road Relocation	-	-	115,538.78	-	115,538.78	-
Sewer	-	-	-	-	-	-
Total Expenses	\$1,190,292.56	\$434,296.51	\$1,097,481.04	\$832,100.66	\$2,287,773.60	\$1,266,397.17
Increase (Decrease) In Net Assets	(\$33,177.98)	\$75,640.92	(\$194,834.41)	\$15,861.74	(\$228,012.39)	\$91,502.66
Net Assets Beginning	347,059.50	450,713.64	1,056,504.95	1,407,110.69	1,403,564.45	1,857,824.33
Prior Period Adjustment	15,747.85	(124,135.90)	13,870.65	(185,242.50)	29,618.50	(309,378.40)
Net Assets Ending	\$329,629.37	\$402,218.66	\$875,541.19	\$1,237,729.93	\$1,205,170.56	\$1,639,948.59

Government-type activity. Government-type activity net position decreased by \$17,430.13 or 5.02%.

Business-type activity. Business-type activity net position decreased by \$198,393.89 or 14.14%.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Fund financial statements report the Government's operations in more detail than the government-wide statements by providing information about the Government's most significant funds. Two types of funds are presented in the fund financial statements: governmental funds and proprietary funds.

**CITY OF IRVINGTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

Governmental funds. Most of the Government's basic services are reported in the governmental funds. These statements provide a short-term view of general government operations and how these services are financed as well as the balances left at year end that are available for future spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash.

Proprietary funds. The City's proprietary fund provides the same type of information found in government-wide financial statements, but in more detail.

Enterprise fund. The Water and Sewer Enterprise Funds are funds that account for operations in a manner similar to a private business enterprise. Operations are accounted for in such a manner as to show net income or loss and the funds are intended to be predominately self-supported from user charges.

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2016, amounts to \$2,238,032.89 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment.

Additional information on the City's capital assets can be found in Note (5) of the financial statements.

Debt Administration

At the end of the current fiscal year, the City had total debt outstanding of \$1,033,663.28. Additional information on the City's long-term debt can be found in Note (4) of the financial statements.

Budget Comparisons

The City's General Fund revenues for the fiscal year ended June 30, 2016, net of inter-fund transfers were \$1,100,061.57.

General Fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$697,635.57 more than budgeted due to state road relocation funds.

The total cost of General Fund programs and services was \$1,143,202.48.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

In considering the City budget for the fiscal year 2016, the City expects no significant changes.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, customers, investors, and creditors, with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Lisa Ballman, City Clerk 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, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash & Cash Equivalents	\$ 278,082.03	\$ 182,961.04	\$ 461,043.07
Accounts Receivable	52,717.63	70,142.78	122,860.41
Internal Balances	(100,400.95)	100,400.95	-
Capital Assets - Not Depreciated	82,459.25	35,300.00	117,759.25
Capital Assets - Net of Depreciation	498,625.03	1,621,648.61	2,120,273.64
Total Assets	\$ 811,482.99	\$ 2,010,453.38	\$ 2,821,936.37
Deferred Outflows of Resources			
CERS Pension	\$ 57,013.22	\$ 100,340.47	\$ 157,353.69
Total Deferred Outflows	\$ 57,013.22	\$ 100,340.47	\$ 157,353.69
Liabilities			
Accounts Payable	\$ 215.09	\$ 29,598.13	\$ 29,813.22
Accrued Payroll & Related Expenses	58,202.02	81,007.99	139,210.01
Current Portion Of Bond Obligations	35,986.23	26,146.52	62,132.75
Noncurrent Portion Of Bond Obligations	252,910.09	718,620.44	971,530.53
Customer Deposits	-	42,755.07	42,755.07
Net Pension Liability	191,553.41	337,124.51	528,677.92
Total Liabilities	\$ 538,866.84	\$ 1,235,252.66	\$ 1,774,119.50
Deferred Inflows of Resources			
CERS Pension	\$ -	\$ -	\$ -
Total Deferred Inflows	\$ -	\$ -	\$ -
Net Position			
Net Investment In Capital Assets	\$ 292,187.96	\$ 912,181.65	\$ 1,204,369.61
Restricted	191,553.41	379,879.58	571,432.99
Unrestricted	(154,112.00)	(416,520.04)	(570,632.04)
Total Net Position	\$ 329,629.37	\$ 875,541.19	\$ 1,205,170.56

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

**CITY OF IRVINGTON, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

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	\$ 114,867.67	\$ 1,527.60	\$ -	\$ -	\$ (113,340.07)	\$ -	\$ (113,340.07)
Streets And Maintenance	774,340.19	-	24,198.22	705,653.00	(44,488.97)	-	(44,488.97)
Police Department	196,684.79	312.00	2,718.41	-	(193,654.38)	-	(193,654.38)
Fire Department	67,567.93	20,455.94	10,950.00	-	(36,161.99)	-	(36,161.99)
Cemetary	16,262.00	700.00	-	-	(15,562.00)	-	(15,562.00)
Veterans Memorial	3,747.20	-	50.00	-	(3,697.20)	-	(3,697.20)
Youth Sports	681.67	343.60	-	-	(338.07)	-	(338.07)
Interest On Long-Term Debt	16,141.11	-	-	-	(16,141.11)	-	(16,141.11)
Total Governmental Activities	\$ 1,190,292.56	\$ 23,339.14	\$ 37,916.63	\$ 705,653.00	\$ (423,383.79)	\$ -	\$ (423,383.79)
Business-Type Activities:							
Water & Sewer	\$ 830,536.66	\$ 610,557.23	\$ -	\$ -	\$ -	\$ (219,979.43)	\$ (219,979.43)
Garbage & Recycle Service	151,405.60	150,061.37	-	-	-	(1,344.23)	(1,344.23)
Road Relocation	115,538.78	-	-	141,296.20	-	25,757.42	25,757.42
Total Business-Type Activities	\$ 1,097,481.04	\$ 760,618.60	\$ -	\$ 141,296.20	\$ -	\$ (195,566.24)	\$ (195,566.24)
Total Primary Government	\$ 2,287,773.60	\$ 783,957.74	\$ 37,916.63	\$ 846,949.20	\$ (423,383.79)	\$ (195,566.24)	\$ (618,950.03)
General Revenues:							
Taxes & Licenses					\$ 365,073.68	\$ -	\$ 365,073.68
Investment Earnings					1,118.97	731.83	1,850.80
Miscellaneous					24,013.16	-	24,013.16
Change In Net Position					\$ (33,177.98)	\$ (194,834.41)	\$ (228,012.39)
Net Position - Beginning					347,059.50	1,056,504.95	1,403,564.45
Prior Period Adjustments					15,747.85	13,870.65	29,618.50
Net Position - Ending					\$ 329,629.37	\$ 875,541.19	\$ 1,205,170.56

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

**CITY OF IRVINGTON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash & Cash Equivalents	\$ 35,928.55	\$ 242,153.48	\$ 278,082.03
Accounts Receivable	52,717.63	-	52,717.63
Due From Other Funds	49,400.40	-	49,400.40
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 138,046.58</u>	<u>\$ 242,153.48</u>	<u>\$ 380,200.06</u>
 Liabilities & Fund Balances:			
Liabilities:			
Accounts Payable	\$ 215.09	\$ -	\$ 215.09
Accrued Payroll & Related Expenses	58,202.02	-	58,202.02
Due to Other Funds	149,801.35	-	149,801.35
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	\$ 208,218.46	\$ -	\$ 208,218.46
 Fund Balances:			
Unassigned Fund Balances	\$ (70,171.88)	\$ 242,153.48	\$ 171,981.60
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	\$ (70,171.88)	\$ 242,153.48	\$ 171,981.60
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities & Fund Balances	<u>\$ 138,046.58</u>	<u>\$ 242,153.48</u>	<u>\$ 380,200.06</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, 2016**

Total fund balance per fund financial statements.	\$ 171,981.60
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.	581,084.28
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.	57,013.22
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.	(480,449.73)
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.	-
Net position for governmental activities.	<u>\$ 329,629.37</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, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes & Licenses	\$ 365,073.68	\$ -	\$ 365,073.68
Intergovernmental	6,186.00	37,496.24	43,682.24
Grants & Donations	708,371.41	-	708,371.41
Other Local Sources	20,318.74	18,549.54	38,868.28
Interest Income	111.74	1,007.23	1,118.97
	-	-	-
Total Revenues	\$ 1,100,061.57	\$ 57,053.01	\$ 1,157,114.58
Expenditures:			
General Government	\$ 196,266.60	\$ -	\$ 196,266.60
Public Safety:			
Police	93,354.98	-	93,354.98
Fire	67,801.39	23,642.83	91,444.22
Streets & Maintenance	764,901.76	-	764,901.76
Capital Outlay	13,876.41	-	13,876.41
Cemetery Expenses	-	16,262.00	16,262.00
Veterans Memorial Expenses	-	3,747.20	3,747.20
Youth Sports Expenses	7,001.34	6,788.55	13,789.89
	-	-	-
Total Expenditures	\$ 1,143,202.48	\$ 50,440.58	\$ 1,193,643.06
Excess (Deficit) Of Revenues Over Expenditures	\$ (43,140.91)	\$ 6,612.43	\$ (36,528.48)
Other Financing Sources (Uses)			
Operating Transfers In	\$ 32,927.40	\$ 3,201.66	\$ 36,129.06
Operating Transfers Out	(3,201.66)	(32,927.40)	(36,129.06)
	-	-	-
Total Other Financing Sources (Uses)	\$ 29,725.74	\$ (29,725.74)	\$ -
Excess (Deficit) Of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ (13,415.17)	\$ (23,113.31)	\$ (36,528.48)
 Fund Balance, July 1, 2015	 (72,504.56)	 265,266.79	 192,762.23
Prior Period Adjustment	15,747.85	-	15,747.85
 Fund Balance, June 30, 2016	 <u>\$ (70,171.88)</u>	 <u>\$ 242,153.48</u>	 <u>\$ 171,981.60</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, 2016**

Net change in total fund balances per fund financial statements.	\$ (36,528.48)
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.	(37,652.11)
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.	34,760.02
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>6,242.59</u>
Change in net position of governmental activities.	<u><u>\$ (33,177.98)</u></u>

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

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	<u>Water & Garbage Fund</u>	<u>Sewer Fund</u>	<u>Other Funds</u>	<u>Total</u>
Assets				
Cash & Cash Equivalents	\$ 67,430.83	\$ 20,254.58	\$ 95,275.63	\$ 182,961.04
Accounts Receivable	46,857.15	23,285.63	-	70,142.78
Internal Balances	34,788.15	4,597.29	61,015.51	100,400.95
Capital Assets	1,772,537.01	3,492,952.34	-	5,265,489.35
Accumulated Depreciation	(1,317,231.91)	(2,291,308.83)	-	(3,608,540.74)
Total Assets	<u>\$ 604,381.23</u>	<u>\$ 1,249,781.01</u>	<u>\$ 156,291.14</u>	<u>\$ 2,010,453.38</u>
Deferred Outflows of Resources				
CERS Pension	\$ 48,293.90	\$ 52,046.57	\$ -	\$ 100,340.47
Total Deferred Outflows	<u>\$ 48,293.90</u>	<u>\$ 52,046.57</u>	<u>\$ -</u>	<u>\$ 100,340.47</u>
Liabilities & Net Position				
Accounts Payable	\$ 27,400.29	\$ 2,197.84	\$ -	\$ 29,598.13
Accrued Payroll & Related Expenses	37,617.98	43,390.01	-	81,007.99
Current Portion Of Bond Obligations	4,946.52	21,200.00	-	26,146.52
Noncurrent Portion Of Bond Obligations	173,220.44	545,400.00	-	718,620.44
Customer Deposits	42,755.07	-	-	42,755.07
Net Pension Liability	162,258.14	174,866.37	-	337,124.51
Total Liabilities	<u>\$ 448,198.44</u>	<u>\$ 787,054.22</u>	<u>\$ -</u>	<u>\$ 1,235,252.66</u>
Deferred Inflows of Resources				
CERS Pension	\$ -	\$ -	\$ -	\$ -
Total Deferred Inflows	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position				
Net Investment in Capital Assets	\$ 277,138.14	\$ 635,043.51	\$ -	\$ 912,181.65
Restricted For:				
Future Use	205,013.21	174,866.37	-	379,879.58
Unrestricted	(277,674.66)	(295,136.52)	156,291.14	(416,520.04)
Total Net Position	<u>\$ 204,476.69</u>	<u>\$ 514,773.36</u>	<u>\$ 156,291.14</u>	<u>\$ 875,541.19</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, 2016

	<u>Water & Garbage Fund</u>	<u>Sewer Fund</u>	<u>Other Funds</u>	<u>Total</u>
Operating Revenues:				
Water & Sewer Fees	\$ 348,584.51	\$ 246,919.92	\$ -	\$ 595,504.43
Garbage & Recycle Service	150,061.37	-	-	150,061.37
Miscellaneous	15,052.80	-	-	15,052.80
Total Operating Revenues	\$ 513,698.68	\$ 246,919.92	\$ -	\$ 760,618.60
Operating Expenses:				
Salaries & Benefits	\$ 86,287.02	\$ 92,991.93	\$ -	\$ 179,278.95
Insurance	45,499.85	39,159.61	-	84,659.46
Depreciation	74,482.67	84,229.33	-	158,712.00
Garbage & Recycle Costs	151,355.60	-	-	151,355.60
Water & Sewer Costs	161,912.05	-	-	161,912.05
Other Operating Expenses	75,329.59	93,283.09	99.66	168,712.34
Pension Expense	18,803.72	28,781.76	-	47,585.48
Total Operating Expenses	\$ 613,670.50	\$ 338,445.72	\$ 99.66	\$ 952,215.88
Income (Loss) From Operations	\$ (99,971.82)	\$ (91,525.80)	\$ (99.66)	\$ (191,597.28)
Non-Operating Revenues (Expenses):				
State Grant Revenues	\$ 141,016.20	\$ 280.00	\$ -	\$ 141,296.20
State Grant Expenses	(115,538.78)	-	-	(115,538.78)
Interest Expense	(7,810.63)	(21,915.75)	-	(29,726.38)
Interest Income	123.00	39.89	568.94	731.83
Total Non-Operating Revenues (Exp.)	\$ 17,789.79	\$ (21,595.86)	\$ 568.94	\$ (3,237.13)
Net Income (Loss) - Before Transfers	\$ (82,182.03)	\$ (113,121.66)	\$ 469.28	\$ (194,834.41)
Transfers				
Transfers In	\$ -	\$ 26,990.75	\$ 27,392.00	\$ 54,382.75
Transfers Out	(13,990.75)	(23,892.00)	(16,500.00)	(54,382.75)
Total Transfers	\$ (13,990.75)	\$ 3,098.75	\$ 10,892.00	\$ -
Net Income (Loss)	\$ (96,172.78)	\$ (110,022.91)	\$ 11,361.28	\$ (194,834.41)
Net Position, July 1, 2015	295,060.11	616,514.98	144,929.86	1,056,504.95
Prior Period Adjustment	5,589.36	8,281.29	-	13,870.65
Net Position, June 30, 2016	\$ 204,476.69	\$ 514,773.36	\$156,291.14	\$ 875,541.19

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, 2016

	<u>Water & Garbage Fund</u>	<u>Sewer Fund</u>	<u>Other Funds</u>	<u>Total</u>
Cash Flows From Operating Activities				
Receipts From Customers	\$ 524,983.57	\$ 249,987.27	\$ -	\$ 774,970.84
Receipts Other	28,079.83	32,200.31	-	60,280.14
Payments For Supplies And Services	(432,048.87)	(137,154.94)	(99.66)	(569,303.47)
Payments To Employees	(86,287.02)	(92,991.93)	-	(179,278.95)
Net Cash Provided (Used) By Operating Activities	\$ 34,727.51	\$ 52,040.71	\$ (99.66)	\$ 86,668.56
Cash Flows From Capital & Related Financing Activities				
Purchase Of Capital Assets	\$ -	\$ -	\$ -	\$ -
Transfers	(13,990.75)	3,098.75	10,892.00	-
Interest Paid	(7,810.63)	(21,915.75)	-	(29,726.38)
State Grant Revenues	141,016.20	280.00	-	141,296.20
State Grant Expenses	(115,538.78)	-	-	(115,538.78)
Principal Paid On Capital Debt	(4,697.73)	(19,100.00)	-	(23,797.73)
Net Cash Provided (Used) By Capital & Related Financing Activities	\$ (1,021.69)	\$ (37,637.00)	\$ 10,892.00	\$ (27,766.69)
Cash Flows From Investing Activities				
Interest Income	\$ 123.00	\$ 39.89	\$ 568.94	\$ 731.83
Net Cash Provided By Investing Activities	\$ 123.00	\$ 39.89	\$ 568.94	\$ 731.83
Net Increase In Cash & Cash Equivalents	33,828.82	14,443.60	11,361.28	59,633.70
Balances, Beginning Of Year	33,602.01	5,810.98	83,914.35	123,327.34
Balances, End Of Year	<u>\$ 67,430.83</u>	<u>\$ 20,254.58</u>	<u>\$ 95,275.63</u>	<u>\$ 182,961.04</u>
Reconciliation Of Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities				
Operating Income	\$ (99,971.82)	\$ (91,525.80)	\$ (99.66)	\$ (191,597.28)
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities				
Depreciation	74,482.67	84,229.33	-	158,712.00
Net Pension Adjustment	18,803.72	28,781.76	-	47,585.48
Change In Assets & Liabilities				
Receivables	11,284.89	3,067.35	-	14,352.24
Accounts Payable	2,048.22	(4,712.24)	-	(2,664.02)
Accrued Payroll & Other Expenses	16,592.25	23,200.31	-	39,792.56
Customer Deposits	-	-	-	-
Due to Other Funds	11,487.58	9,000.00	-	20,487.58
Net Cash Provided (Used) By Operating Activities	<u>\$ 34,727.51</u>	<u>\$ 52,040.71</u>	<u>\$ (99.66)</u>	<u>\$ 86,668.56</u>

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, 2016**

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.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1- Summary of Significant Accounting Policies – Continued

Amounts paid to acquire capital 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

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 LGEA Fund is used to account for the economic assistance grant provided by state sources that are restricted to expenditures for specific purposes.

The road fund is used to account for municipal aid received from the state specifically used to repair or enhance the City's roadways.

The fire department fund is used to account for specific grants and dues that are restricted to fire department expenditures.

The fire truck fund is used to hold money restricted for the purchase of a fire truck some time in the future.

The Cedar Hill fund is used to account for money received from the sale of cemetery plots and restricted for the repairs and upkeep of the City's cemetery.

The Veterans Memorial fund is used to account for donations received and restricted to repair and upkeep expenditures of the Veterans Memorial park.

The Youth Sports fund is used to account for any donations, grants or concession revenues received and restricted to repair, upkeep and debt service expenditures of the Irvington Baseball Park.

The Christmas Parade fund is used to hold money restricted for the Christmas Parade.

The Water Depreciation Fund is used to set aside money for debt service payments.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1- Summary of Significant Accounting Policies – Continued

The Water Capital Improvement Fund is used to set aside money for substantial improvements to the water system.

The Wastewater Depreciation fund is used to set aside money for debt service payments.

The Wastewater Capital Improvement fund is used to set aside money for substantial improvements to the wastewater system.

The Wastewater Sinking fund is used to set aside money for debt service payments.

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:

Obligation of the United States and of its agencies and instrumentalities.

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.

Obligations of any corporation of the United States government.

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.

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.

Cash And Cash Equivalents - Continued

Bankers' acceptances for banks rated in one of these highest categories by a nationally recognized rating agency

Commercial paper rated in the highest category by a nationally recognized rating agency.

Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.

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.

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.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1- Summary of Significant Accounting Policies – Continued

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 35.8 cents per \$100 for real property and 65.8 cents per \$100 for personal property. Motor vehicles and watercraft tax rates are 32 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.

Capital 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

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.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1- Summary of Significant Accounting Policies – Continued

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 deferred outflows and liabilities and deferred inflows. 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.

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.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1- Summary of Significant Accounting Policies – Continued

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 deferred outflows and liabilities and deferred inflows. 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 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.

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, 2016, the City had deposits with financial institutions with a carrying amount of \$461,043.07. 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%.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 4 – Long-Term Debt (Continued)

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.

The following is a summary of changes in long-term debt (including current portions) of the City for the year ended June 30, 2016:

Governmental Activities	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016
Youth Sports Park	\$ 164,356.16	\$ -	\$ 5,000.00	\$ 159,356.16
City Hall Building	93,104.43	-	8,583.37	84,521.06
Fire Rescue Truck	66,195.75	-	21,176.65	45,019.10
Totals	\$ 323,656.34	\$ -	\$ 34,760.02	\$ 288,896.32
Business Type Activities	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016
1989 Series A Bond Issue	\$ 541,000.00	\$ -	\$ 17,000.00	\$ 524,000.00
1989 Series B Bond Issue	44,700.00	-	2,100.00	42,600.00
2001 Series Bond Issue	167,700.00	-	3,500.00	164,200.00
Recycle Center Bond	15,164.69	-	1,197.73	13,966.96
Totals	\$ 768,564.69	\$ -	\$ 23,797.73	\$ 744,766.96

The minimum principal repayment requirements on the City's debt obligations at June 30, 2016 can be found on the schedule of debt and lease obligations in the Other Supplementary Information portion of this report.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 5 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning	Increases	Decreases	Ending
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 28,459.25	\$ -	\$ -	\$ 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	862,125.07	-	-	862,125.07
Buildings	281,274.16	-	-	281,274.16
Improvements	55,381.19	-	-	55,381.19
Infrastructure	261,628.65	-	-	261,628.65
Total Capital Assets Being Depreciated	1,460,409.07	-	-	1,460,409.07
Less Accumulated Depreciation For				
Machinery And Equipment	633,875.91	17,413.35	-	651,289.26
Buildings	135,093.78	10,705.94	-	145,799.72
Improvements	53,570.42	94.38	-	53,664.80
Infrastructure	101,591.83	9,438.43	-	111,030.26
Total Accumulated Depreciation	924,131.94	37,652.10	-	961,784.04
Total Capital Assets Being Depreciated, Net	\$ 536,277.13	\$ (37,652.10)	\$ -	\$ 498,625.03
Governmental Activities Capital Assets, Net	\$ 618,736.38	\$ (37,652.10)	\$ -	\$ 581,084.28
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 35,300.00	\$ -	\$ -	\$ 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	262,048.16	14,282.21	-	276,330.37
Buildings	29,324.16	37.83	-	29,361.99
Improvements	349,240.65	2,524.16	-	351,764.81
Water Line	715,915.64	57,638.46	-	773,554.10
Sewer Plant	2,093,300.15	84,229.32	-	2,177,529.47
Total Accumulated Depreciation	3,449,828.76	158,711.98	-	3,608,540.74
Total Capital Assets Being Depreciated, Net	\$ 1,780,360.59	\$ (158,711.98)	\$ -	\$ 1,621,648.61
Business-Type Activities Capital Assets, Net	\$ 1,815,660.59	\$ (158,711.98)	\$ -	\$ 1,656,948.61

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 5 – Capital Assets (Continued)

Depreciation expense was allocated to governmental functions as follows:

Police	\$ 1,867.50
Fire	40.20
Streets	9,438.43
General	26,305.97
Total	<u>\$ 37,652.10</u>

Note 6 – 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 \$.358 per \$100 valuation and business personal property tax rate is \$.658 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 7 – 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	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 7 – Employee Retirement System (Continued)

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

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2016, employers were required to contribute 17.06% (12.42% - pension, 4.64% insurance) of the member's salary. During the year ending June 30, 2016, the City contributed \$105,320 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

CERS - Medical Insurance Plan

In addition to the CERS pension benefits described above, recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years - 0%, 4-9 years - 25%, 10-14 years - 50%, 15-19 years - 75% and 20 or more years - 100%.

As of June 30, 2015, the date of the latest actuarial valuation, the plan had 82,969 active plan participants.

Contribution requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above.

The unfunded medical benefit obligation of the CERS, based upon the entry age normal cost method, as of June 30, 2015 was as follows:

	<u>000's omitted</u>
Total medical benefit obligation	\$ 2,907,827
Net position available for benefits at actuarial value	<u>(1,997,456)</u>
Unfunded medical benefit obligation	<u>\$ 910,371</u>

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

At June 30, 2016, 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 \$528,678.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 7 – Employee Retirement System (Continued)

The net pension liability for each plan was measured as of June 30, 2015, 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, 2015, the City's proportion was 0.012296% for nonhazardous and 0.000% for hazardous, which is a change of .001908% for nonhazardous.

For the year ended June 30, 2016, the City recognized pension expense of \$79,086 related to CERS. On June 30, 2016, 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	\$ 4,394	\$ -
Changes of assumptions	53,311	-
Net difference between projected and actual earnings on pension plan investments	4,739	-
Changes in proportion and differences between District contributions and proportionate share contributions	49,210	-
City contributions subsequent to the measurement date	45,700	-
Totals	\$ 157,354	\$ -

\$36,481 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, 2017. 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:		
2017		40,999
2018		40,998
2019		20,123
2020		9,534
2021		-
Total		111,654

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 7 – Employee Retirement System (Continued)

Actuarial assumptions—The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation				3.25%
Projected salary increases				4.00%
Investment rate of return, net of investment expense & inflation				7.50%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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 2008 through 2013, is outlined in a report dated April 30, 2014. 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 7.50%. 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 7.50%. 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, 2016**

Note 7 – Employee Retirement System (Continued)

		Net Pension Liability - City Nonhazardous		
		6.50%	7.50%	8.50%
Total CERS (Thousands)	\$	5,657,888	\$ 4,299,526	\$ 3,099,381
Proportionate Share		695,705	528,678	381,106
% per Proportionate Share			0.012296%	
		Net Pension Liability - City Hazardous		
		6.50%	7.50%	8.50%
Total CERS (Thousands)	\$	2,020,097	\$ 1,535,106	\$ 1,106,605
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 8 – Reductions in Fund Equity

The General Fund ended the year with a deficit balance. 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 9 – 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 10 – 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 11– 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, 2016, 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, 2016**

Note 12 – 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, 2016 was \$144,908.05.

Note 13 – 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 \$100,000 of federal payroll taxes were unpaid as of June 30, 2016. These unpaid federal payroll taxes also carry with them penalties and interest estimated to approach 25%. As of the date of this report, the 2016 federal payroll tax liability, penalty and interest have been paid.

Note 14 – 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 15 – Prior Period Adjustment

Net position as of June 30, 2015, has been restated for correction of two accounts receivables errors.

	Governmental Activities	Business-Type Activities	Total
Net Position as previously reported at June 30, 2015	\$ 347,060	\$ 1,056,505	\$ 1,403,565
Correction of accounts receivable errors			
Increase (decrease) in assets	15,748	13,870	29,618
Total prior period adjustment	15,748	13,870	29,618
Net Position as restated June 30, 2015	\$ 362,808	\$ 1,070,375	\$ 1,433,183

Note 16 – Internal Balances

Internal Balances, shown on the Statement of Net Position, represent the amount of money that has been loaned from one general activity to another general activity. As of June 30, 2016 the Business Type Activities had loaned to the Government Activities \$100,400.95. The Governmental Activities plan to pay back this loan to the Business Type Activities over time.

Note 17 – Operating Transfers

Operating transfers, shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and the Statement of Revenues, Expenses, and Changes in Net Position-Proprietary Funds, represent moneys transferred to and from various funds to accommodate debt service payments.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF IRVINGTON, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes & Licenses	\$ 406,410.00	\$ 356,976.00	\$ 365,073.68	\$ 8,097.68
Intergovernmental	15,800.00	8,904.00	6,186.00	(2,718.00)
Miscellaneous Income	47,250.00	36,546.00	20,318.74	(16,227.26)
Grant Revenues			708,371.41	708,371.41
Interest Income	-	-	111.74	111.74
Total Revenues	\$ 469,460.00	\$ 402,426.00	\$ 1,100,061.57	\$ 697,635.57
Expenditures:				
General Government	\$ 111,198.00	\$ 125,352.00	\$ 196,266.60	\$ (70,914.60)
Public Safety:				
Police	279,845.00	190,028.00	100,356.32	89,671.68
Fire	48,417.00	69,477.00	67,801.39	1,675.61
Streets & Maintenance	40,000.00	27,569.00	764,901.76	(737,332.76)
Capital Outlay	-	-	13,876.41	(13,876.41)
Debt Service	-	-	-	-
Total Expenditures	\$ 479,460.00	\$ 412,426.00	\$ 1,143,202.48	\$ (730,776.48)
Excess (Deficit) Of Revenues Over Expenditures	\$ (10,000.00)	\$ (10,000.00)	\$ (43,140.91)	\$ (33,140.91)
Other Financing Sources (Uses)				
Operating Transfers In	\$ 10,000.00	\$ 10,000.00	\$ 32,927.40	\$ 22,927.40
Operating Transfers Out	-	-	(3,201.66)	(3,201.66)
Total Other Financing Sources (Uses)	\$ 10,000.00	\$ 10,000.00	\$ 29,725.74	\$ 19,725.74
Excess (Deficit) Of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ -	\$ -	\$ (13,415.17)	(13,415.17)
Fund Balance, July 1, 2015	-	-	(72,504.56)	(72,504.56)
Prior Period Adjustment	-	-	15,747.85	15,747.85
Fund Balance, June 30, 2016	\$ -	\$ -	\$ (70,171.88)	\$ (70,171.88)

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, 2016**

CERS - Non Hazardous	2016	2015
City's proportion of the net pension liability	0.012296%	0.010388%
City's proportionate share of the net pension liability	528,678	337,030
City's covered-employee payroll	295,643	281,145
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	178.82%	119.88%
CERS - Hazardous	2016	2015
City's proportion of the net pension liability	0.000000%	0.000000%
City's proportionate share of the net pension liability	-	-
City's covered-employee payroll	-	-
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%

* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will report available information.

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year-end June 30, 2014 & June 30, 2015.

**CITY OF IRVINGTON, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016**

CERS - Non Hazardous	2016	2015	2014
Contractually required contribution	\$ 45,700	\$ 44,708	\$ 52,783
Contributions in relation to the contractually required contribution	<u>45,700</u>	<u>44,708</u>	<u>52,783</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 295,643	\$ 281,145	\$ 295,710
City's contributions as a percentage of its covered-employee payroll	15.46%	15.90%	17.85%
 CERS - Hazardous	 2016	 2015	 2014
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ -	\$ -	\$ -
City's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%

* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will report available information.

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year-end June 30, 2014 & June 30, 2015.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

CHANGES OF ASSUMPTIONS

There were changes of assumptions. For details of the changes see the CERS Pension Plan audit report.

**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 2016 and 2017, determined as of July 1, 2014. The amortization period of the unfunded liability has been reset as of July 1, 2014 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, 2016**

	<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	\$ 26,877.55	\$ 47,183.81	\$ 32,224.05	\$ 59,328.34	\$ 74,842.91	\$ 1,308.42	\$ 140.00	\$ 248.40	\$ 242,153.48
Accrued Interest	-	-	-	-	-	-	-	-	-
Total Assets	<u><u>\$ 26,877.55</u></u>	<u><u>\$ 47,183.81</u></u>	<u><u>\$ 32,224.05</u></u>	<u><u>\$ 59,328.34</u></u>	<u><u>\$ 74,842.91</u></u>	<u><u>\$ 1,308.42</u></u>	<u><u>\$ 140.00</u></u>	<u><u>\$ 248.40</u></u>	<u><u>\$ 242,153.48</u></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>\$ 26,877.55</u>	<u>\$ 47,183.81</u>	<u>\$ 32,224.05</u>	<u>\$ 59,328.34</u>	<u>\$ 74,842.91</u>	<u>\$ 1,308.42</u>	<u>\$ 140.00</u>	<u>\$ 248.40</u>	<u>\$ 242,153.48</u>
Total Liabilities & Fund Balances	<u><u>\$ 26,877.55</u></u>	<u><u>\$ 47,183.81</u></u>	<u><u>\$ 32,224.05</u></u>	<u><u>\$ 59,328.34</u></u>	<u><u>\$ 74,842.91</u></u>	<u><u>\$ 1,308.42</u></u>	<u><u>\$ 140.00</u></u>	<u><u>\$ 248.40</u></u>	<u><u>\$ 242,153.48</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 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	LGEA Fund	Road Fund	Fire Department Fund	Fire Truck Fund	Cedar Hill	Veterans Memorial	Youth Sports	Christmas Parade	Totals
Revenues:									
Intergovernmental	\$ 2,348.02	\$ 24,198.22	\$ 10,950.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,496.24
Interest Income	-	90.65	312.17	603.25	1.16	-	-	-	1,007.23
Other Local Sources	-	-	17,455.94	-	700.00	50.00	343.60	-	18,549.54
Total Revenues	\$ 2,348.02	\$ 24,288.87	\$ 28,718.11	\$ 603.25	\$ 701.16	\$ 50.00	\$ 343.60	\$ -	\$ 57,053.01
Expenditures:									
Fire Department Expenses	\$ -	\$ -	\$ 23,642.83	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,642.83
Cemetery Expenses	-	-	-	-	16,262.00	-	-	-	16,262.00
Veterans Memorial Expenses	-	-	-	-	-	3,747.20	-	-	3,747.20
Youth Sports Expenses	-	-	-	-	-	-	6,788.55	-	6,788.55
Christmas Parade Expenses	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ -	\$ -	\$ 23,642.83	\$ -	\$ 16,262.00	\$ 3,747.20	\$ 6,788.55	\$ -	\$ 50,440.58
Excess (Deficit) Of Revenues Over Expenditures	\$ 2,348.02	\$ 24,288.87	\$ 5,075.28	\$ 603.25	\$ (15,560.84)	\$ (3,697.20)	\$ (6,444.95)	\$ -	\$ 6,612.43
Other Financing Sources (Uses)									
Loan Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Transfers In	-	-	-	-	-	-	3,201.66	-	3,201.66
Operating Transfers Out	-	(22,927.40)	(10,000.00)	-	-	-	-	-	(32,927.40)
Total Other Financing Sources (Uses)	\$ -	\$ (22,927.40)	\$ (10,000.00)	\$ -	\$ -	\$ -	\$ 3,201.66	\$ -	\$ (29,725.74)
Excess (Deficit) Of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ 2,348.02	\$ 1,361.47	\$ (4,924.72)	\$ 603.25	\$ (15,560.84)	\$ (3,697.20)	\$ (3,243.29)	\$ -	\$ (23,113.31)
Fund Balance, July 1, 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
Fund Balance, June 30, 2016	\$ 26,877.55	\$ 47,183.81	\$ 32,224.05	\$ 59,328.34	\$ 74,842.91	\$ 1,308.42	\$ 140.00	\$ 248.40	\$ 242,153.48

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, 2016

	<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	\$ 12,476.20	\$ 64,002.72	\$ 1,128.00	\$ 10,536.92	\$ 7,131.79	\$ 95,275.63
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>\$ 15,476.20</u>	<u>\$ 68,002.72</u>	<u>\$ 55,143.51</u>	<u>\$ 10,536.92</u>	<u>\$ 7,131.79</u>	<u>\$ 156,291.14</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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances:						
Unreserved Fund Balances	<u>\$ 15,476.20</u>	<u>\$ 68,002.72</u>	<u>\$ 55,143.51</u>	<u>\$ 10,536.92</u>	<u>\$ 7,131.79</u>	<u>\$ 156,291.14</u>
Total Liabilities & Fund Balances	<u>\$ 15,476.20</u>	<u>\$ 68,002.72</u>	<u>\$ 55,143.51</u>	<u>\$ 10,536.92</u>	<u>\$ 7,131.79</u>	<u>\$ 156,291.14</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, 2016**

	<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	69.35	425.03	1.27	71.23	2.06	568.94
Other Local Sources	-	-	-	-	-	-
Total Revenues	\$ 69.35	\$ 425.03	\$ 1.27	\$ 71.23	\$ 2.06	\$ 568.94
Expenditures:						
Other Operating Expenses	\$ 99.66	\$ -	\$ -	\$ -	\$ -	\$ 99.66
Total Expenditures	\$ 99.66	\$ -	\$ -	\$ -	\$ -	\$ 99.66
Excess (Deficit) Of Revenues Over Expenditures	\$ (30.31)	\$ 425.03	\$ 1.27	\$ 71.23	\$ 2.06	\$ 469.28
Other Financing Sources (Uses):						
Operating Transfers In	\$ 1,000.00	\$ 2,500.00	\$ 2,292.00	\$ 600.00	\$ 21,000.00	\$ 27,392.00
Operating Transfers Out	-	-	(2,000.00)	(500.00)	(14,000.00)	(16,500.00)
Total Other Financing Sources (Uses)	\$ 1,000.00	\$ 2,500.00	\$ 292.00	\$ 100.00	\$ 7,000.00	\$ 10,892.00
Excess (Deficit) Of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ 969.69	\$ 2,925.03	\$ 293.27	\$ 171.23	\$ 7,002.06	\$ 11,361.28
Fund Balance, July 1, 2015	\$ 14,506.51	\$ 65,077.69	\$ 54,850.24	\$ 10,365.69	\$ 129.73	\$ 144,929.86
Fund Balance, June 30, 2016	\$ 15,476.20	\$ 68,002.72	\$ 55,143.51	\$ 10,536.92	\$ 7,131.79	\$ 156,291.14

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
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>\$ 159,356.16</u>	<u>\$ 84,521.06</u>	<u>\$ 45,019.10</u>	<u>\$288,896.32</u>

Proprietary Activities

Year		1989 Series A Bond Issue	1989 Series B Bond Issue	2001 Series Bond Issue	Recycle Center	Total
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>\$ 524,000.00</u>	<u>\$ 42,600.00</u>	<u>\$ 164,200.00</u>	<u>\$ 13,966.96</u>	<u>\$744,766.96</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, 2016

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues:				
Water & Garbage Service	\$ 512,328.00	\$ 540,481.00	\$ 513,698.68	\$ (26,782.32)
Sewer Service	<u>250,000.00</u>	<u>239,892.00</u>	<u>246,919.92</u>	<u>7,027.92</u>
Total Operating Revenues	\$ 762,328.00	\$ 780,373.00	\$ 760,618.60	\$ (19,754.40)
Operating Expenses:				
Water & Garbage Expenses	\$ 518,108.00	\$ 551,396.00	\$ 539,187.83	\$ 12,208.17
Wastewater Expenses	<u>310,220.00</u>	<u>301,537.00</u>	<u>254,316.05</u>	<u>47,220.95</u>
Total Operating Expenses	\$ 828,328.00	\$ 852,933.00	\$ 793,503.88	\$ 59,429.12
Income (Loss) From Operations	\$ (66,000.00)	\$ (72,560.00)	\$ (32,885.28)	\$ 39,674.72
Non-Operating Revenues (Expenses):				
State Grant Revenues	\$ -	\$ -	\$ 141,296.20	\$ 141,296.20
State Grant Expenses	-	-	(115,538.78)	(115,538.78)
Depreciation	-	-	(158,712.00)	(158,712.00)
Transfer In	66,000.00	72,560.00	54,382.75	(18,177.25)
Transfer Out	-	-	(54,382.75)	(54,382.75)
Interest Expense	-	-	(29,726.38)	(29,726.38)
Interest Income	<u>-</u>	<u>-</u>	<u>731.83</u>	<u>731.83</u>
Total Non-Operating Revenues (Expenses)	\$ 66,000.00	\$ 72,560.00	\$ (161,949.13)	\$ (234,509.13)
Net Income (Loss)	\$ -	\$ -	\$ (194,834.41)	\$ (194,834.41)
Retained Earnings, July 1, 2015	-	-	1,056,504.95	1,056,504.95
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>(8,547.59)</u>	<u>(8,547.59)</u>
Retained Earnings, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 853,122.95</u>	<u>\$ 853,122.95</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, each major fund, and the aggregate remaining fund information of the City of Irvington, Kentucky, as of and for the year ended June 30, 2016, 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 December 6, 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 deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

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 deficiency described in the accompany schedule of findings and responses as item 2016-002 to be a significant deficiency.

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 responses as items 2016-003 and 2016-004.

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
December 6, 2016

**CITY OF IRVINGTON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

Material Weakness:

Finding 2016 – 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 2016 – 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 2016 – 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.

Finding 2016 – 004

The City's General Government expenditures were greater than budgeted, resulting in a deficit fund balance situation. Expenditures or operations that do not conform to the legally adopted budget are considered illegal expenditures.

City's Response

The City will facilitate changes implementing future budget amendments to ensure compliance with the KRS.