

CITY OF IRVINGTON, KENTUCKY
FINANCIAL STATEMENTS WITH ACCOMPANYING
INFORMATION
For the Year Ended June 30, 2017
and
REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS

**CITY OF IRVINGTON, KENTUCKY
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the City Council
City of Irvington, Kentucky

Report on the Financial Statements

We were engaged to audit 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, 2017, 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 conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions.

Basis for Disclaimer of Opinion

We were able to obtain only very limited information on ending balances for the June 30, 2016 audit. Information discovered during our engagement for the year ended June 30, 2017 indicated a possibility that significant prior-year transactions could have been omitted, resulting in potential errors in the beginning balances and potential misstatements of current accounting entries.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 27 and 28 and the pension schedules and notes on pages 29 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2019 on our consideration of City of Irvington, Kentucky'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 *Government Auditing Standards* in considering City of Irvington, Kentucky's internal control over financial reporting and compliance.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

January 21, 2019

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 324,766	\$ 71,820	\$ 396,586
Receivables, net:			
Taxes	47,107	61,353	108,460
Other	1,579	-	1,579
Due from other funds	-	100,401	100,401
Total Current Assets	<u>373,452</u>	<u>233,574</u>	<u>607,026</u>
Noncurrent Assets			
Restricted cash	-	27,741	27,741
Capital assets:			
Land	82,459	35,300	117,759
Other capital assets, net of depreciation	612,383	3,168,608	3,780,991
Total Noncurrent Assets	<u>694,842</u>	<u>3,231,649</u>	<u>3,926,491</u>
Total Assets	<u>1,068,294</u>	<u>3,465,223</u>	<u>4,533,517</u>
Deferred Outflows of Resources			
Deferred amounts related to pensions	<u>60,849</u>	<u>94,806</u>	<u>155,655</u>
Liabilities			
Current Liabilities			
Accounts payable	46,415	34,677	81,092
Accrued expenses	64,352	43,778	108,130
Interest payable	-	19,457	19,457
Due to other funds	100,401	-	100,401
Current portion of long-term debt	58,756	31,997	90,753
Total Current Liabilities	<u>269,924</u>	<u>129,909</u>	<u>399,833</u>
Noncurrent Liabilities			
Customer deposits payable	-	42,755	42,755
Loans payable	66,291	-	66,291
Capital lease obligations	147,692	11,423	159,115
Revenue bonds payable	-	871,700	871,700
Net pension liability	197,477	355,834	553,311
Total Noncurrent Liabilities	<u>411,460</u>	<u>1,281,712</u>	<u>1,693,172</u>
Total Liabilities	<u>681,384</u>	<u>1,411,621</u>	<u>2,093,005</u>
Deferred Inflows of Resources			
Deferred amounts related to pensions	<u>10,122</u>	<u>18,238</u>	<u>28,360</u>
Net Position			
Net investment in capital assets	422,103	2,288,788	2,710,891
Restricted	173,700	88,757	262,457
Unrestricted	(158,166)	(247,375)	(405,541)
Total Net Position	<u>\$ 437,637</u>	<u>\$ 2,130,170</u>	<u>\$ 2,567,807</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF IRVINGTON, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Program Revenues			Net (Expense)/Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities</u>						
General government	\$ 130,651	\$ 18,276	\$ 156,842	\$ 44,467	\$ -	\$ 44,467
Streets and maintenance	26,737	-	-	(26,737)	-	(26,737)
Cemetery	4,224	-	-	(4,224)	-	(4,224)
Community	1,183	-	-	(1,183)	-	(1,183)
Police department	385,340	-	-	(385,340)	-	(385,340)
Fire department	38,757	-	-	(38,757)	-	(38,757)
Interest	10,950	-	-	(10,950)	-	(10,950)
Total Governmental Activities	597,842	18,276	156,842	(422,724)	-	(422,724)
<u>Business-Type Activities</u>						
Water	513,464	337,238	-	-	(176,226)	(176,226)
Sewer	374,651	253,995	-	-	(120,656)	(120,656)
Sanitation	143,486	142,717	-	-	(769)	(769)
Total Business-Type Activities	1,031,601	733,950	-	-	(297,651)	(297,651)
Total Primary Government	\$ 1,629,443	\$ 752,226	\$ 156,842	\$ (422,724)	\$ (297,651)	\$ (720,375)
<u>General Revenues</u>						
Property taxes				\$ 189,331	\$ -	\$ 189,331
Insurance premium taxes				301,927	-	301,927
Other taxes and licenses				16,636	-	16,636
Franchise fees				48,209	-	48,209
Interest income				870	321	1,191
Miscellaneous				30,439	26,338	56,777
Disposal of fixed assets				27,679	-	27,679
Transfers				(30,739)	30,739	-
Total				584,352	57,398	641,750
Changes in Net Position				161,628	(240,253)	(78,625)
Net Position - Beginning of Year (Restated)				276,009	2,370,423	2,646,432
Net Position - End of Year				\$ 437,637	\$ 2,130,170	\$ 2,567,807

The accompanying notes are an integral part of this financial statement.

**CITY OF IRVINGTON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2017**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 117,057	\$ 207,709	\$ 324,766
Taxes receivable	47,107	-	47,107
Other receivables	1,579	-	1,579
Total Assets	\$ 165,743	\$ 207,709	\$ 373,452
<u>Liabilities</u>			
Accounts payable	\$ 46,415	\$ -	\$ 46,415
Accrued expenses	64,352	-	64,352
Due to other funds	100,401	-	100,401
Total Liabilities	211,168	-	211,168
<u>Fund Balance (Deficit)</u>			
Restricted	-	173,700	173,700
Assigned	-	34,009	34,009
Unassigned	(45,425)	-	(45,425)
Total Fund Balance (Deficit)	(45,425)	207,709	162,284
Total Liabilities and Fund Balance (Deficit)	\$ 165,743	\$ 207,709	\$ 373,452

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities

Total Governmental Fund Balance	\$ 162,284
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.	694,842
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore are not reported in the governmental funds.	50,727
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.	
Loans payable and capital lease obligations	(272,739)
Net pension liability	(197,477)
Total Net Position of Governmental Activities	\$ 437,637

The accompanying notes are an integral part of this financial statement.

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Property taxes	\$ 189,331	\$ -	\$ 189,331
Insurance premium taxes	301,927	-	301,927
Other taxes and licenses	16,636	-	16,636
Franchise fees	48,209	-	48,209
Interest income	359	511	870
Miscellaneous	24,830	5,609	30,439
Charges for services	7,422	10,854	18,276
Intergovernmental revenues	120,081	36,761	156,842
Total Revenues	<u>708,795</u>	<u>53,735</u>	<u>762,530</u>
<u>Expenditures</u>			
Current:			
General government	121,462	-	121,462
Streets and maintenance	12,053	-	12,053
Cemetery	-	4,224	4,224
Community	-	1,183	1,183
Police department	331,024	-	331,024
Fire department	13,843	15,260	29,103
Capital outlay	193,770	-	193,770
Debt service			
Principal	58,462	-	58,462
Interest	10,950	-	10,950
Total Expenditures	<u>741,564</u>	<u>20,667</u>	<u>762,231</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(32,769)</u>	<u>33,068</u>	<u>299</u>
<u>Other Financing Sources (Uses)</u>			
Sale of property	27,679	-	27,679
Lease proceeds	32,617	-	32,617
Transfers in	64,810	-	64,810
Transfers out	(28,039)	(67,510)	(95,549)
Total Other Financing Sources (Uses)	<u>97,067</u>	<u>(67,510)</u>	<u>29,557</u>
Net Changes in Fund Balance	64,298	(34,442)	29,856
Fund Balance (Deficit) - Beginning of Year - (Restated)	<u>(109,723)</u>	<u>242,151</u>	<u>132,428</u>
Fund Balance (Deficit) - End of Year	<u>\$ (45,425)</u>	<u>\$ 207,709</u>	<u>\$ 162,284</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF IRVINGTON, KENTUCKY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - GOVERNMENTAL FUND WITH THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017**

Net Changes in Fund Balance - Governmental Fund \$ 29,856

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

The governmental fund reports capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 115,235

Note and lease proceeds provide current financial resources in the governmental funds, but issuing debt increases long-term debt in the Statement of Net Position. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which repayments (\$58,462) exceeds proceeds (\$32,617). 25,845

Governmental funds report pension contributions as expenditures when made. In the Statement of Net Position, pension contributions are reported as deferred outflows of resources because the reported net pension liability is measured one year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension contributions	23,948	
Pension expense	<u>(33,256)</u>	<u>(9,308)</u>

Changes in Net Position of Governmental Activities \$ 161,628

The accompanying notes are an integral part of this financial statement.

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2017

	Enterprise Funds			Total
	Water and Garbage Fund	Sewer Fund	Nonmajor Proprietary Funds	
Assets				
Current Assets				
Cash and cash equivalents	\$ 39,426	\$ 32,394	\$ -	\$ 71,820
Accounts receivable, trade	40,091	21,262	-	61,353
Due from other funds	34,788	4,597	61,016	100,401
Total Current Assets	114,305	58,253	61,016	233,574
Noncurrent Assets				
Restricted cash	-	-	27,741	27,741
Capital assets:				
Land	25,300	10,000	-	35,300
Other capital assets, net of depreciation	1,537,623	1,630,985	-	3,168,608
Total Noncurrent Assets	1,562,923	1,640,985	27,741	3,231,649
Total Assets	1,677,228	1,699,238	88,757	3,465,223
Deferred Outflows of Resources				
Deferred amounts related to pensions	42,808	51,998	-	94,806
Liabilities				
Current Liabilities				
Accounts payable	30,188	4,489	-	34,677
Accrued expenses	19,721	24,057	-	43,778
Interest payable	5,822	13,635	-	19,457
Current portion of long-term debt	8,697	23,300	-	31,997
Total Current Liabilities	64,428	65,481	-	129,909
Noncurrent Liabilities				
Customer deposits payable	42,755	-	-	42,755
Capital lease obligations	11,423	-	-	11,423
Revenue bonds payable	349,600	522,100	-	871,700
Net pension liability	165,606	190,228	-	355,834
Total Noncurrent Liabilities	569,384	712,328	-	1,281,712
Total Liabilities	633,812	777,809	-	1,411,621
Deferred Inflows of Resources				
Deferred amounts related to pensions	8,488	9,750	-	18,238
Net Position				
Net investment in capital assets	1,193,203	1,095,585	-	2,288,788
Restricted for capital and debt service	-	-	88,757	88,757
Unrestricted	(115,467)	(131,908)	-	(247,375)
Total Net Position	\$ 1,077,736	\$ 963,677	\$ 88,757	\$ 2,130,170

The accompanying notes are an integral part of this financial statement.

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds			Total
	Water and Garbage Fund	Sewer Fund	Nonmajor Proprietary Funds	
<u>Operating Revenues</u>				
Water services	\$ 309,441	\$ -	\$ -	\$ 309,441
Sanitation services	142,717	-	-	142,717
Sewer services	-	253,895	-	253,895
Other operating revenue	27,797	100	-	27,897
Total Operating Revenues	479,955	253,995	-	733,950
<u>Operating Expenses</u>				
Depreciation	126,969	103,958	-	230,927
Insurance	50,519	19,159	-	69,678
Maintenance and supplies	36,308	54,483	-	90,791
Office and advertising	4,749	1,566	-	6,315
Professional fees	8,090	4,963	-	13,053
Salaries and wages	83,228	110,018	-	193,246
Utilities	5,397	26,871	-	32,268
Utility tax	10,761	2,968	-	13,729
Other operating expenses	317,990	22,852	-	340,842
Total Operating Expenses	644,011	346,838	-	990,849
Operating Loss	(164,056)	(92,843)	-	(256,899)
<u>Non-Operating Revenues (Expenses)</u>				
Interest income	99	46	176	321
Other income	26,338	-	-	26,338
Other expenses	-	-	(13)	(13)
Interest expense	(12,939)	(27,800)	-	(40,739)
Total Non-Operating Revenues (Expenses)	13,498	(27,754)	163	(14,093)
Income (Loss) Before Transfers	(150,558)	(120,597)	163	(270,992)
Transfers in	58,336	85,000	-	143,336
Transfers out	(33,810)	(11,089)	(67,698)	(112,597)
Changes in Net Position	(126,032)	(46,686)	(67,535)	(240,253)
Net Position - Beginning of Year (Restated)	1,203,768	1,010,363	156,292	2,370,423
Net Position - End of Year	\$ 1,077,736	\$ 963,677	\$ 88,757	\$ 2,130,170

The accompanying notes are an integral part of this financial statement.

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds			Total
	Water and Garbage Fund	Sewer Fund	Nonmajor Proprietary Funds	
Cash Flows from Operating Activities:				
Cash received from customers and others	\$ 486,721	\$ 256,019	\$ -	\$ 742,740
Cash payments to suppliers for goods and services	(431,026)	(130,570)	-	(561,596)
Cash payments to employees for services	(108,336)	(137,736)	-	(246,072)
Net Cash Used by Operating Activities	(52,641)	(12,287)	-	(64,928)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(17,819)	-	-	(17,819)
Principal paid on debt	(8,447)	(21,200)	-	(29,647)
Interest paid on debt	(13,062)	(28,330)	-	(41,392)
Net Cash Used by Capital and Related Financing Activities	(39,328)	(49,530)	-	(88,858)
Cash Flows from Noncapital Financing Activities:				
Transfers	24,526	73,911	(67,698)	30,739
Net Cash Provided (Used) by Noncapital Financing Activities	24,526	73,911	(67,698)	30,739
Cash Flows from Investing Activities:				
Interest income	99	46	176	321
Other non-operating income and expenses	26,338	-	(13)	26,325
Net Cash Provided by Investing Activities	26,437	46	163	26,646
Net Increase (Decrease) in Cash and Cash Equivalents	(41,006)	12,140	(67,535)	(96,401)
Cash and Cash Equivalents - Beginning of Year	80,432	20,254	95,276	195,962
Cash and Cash Equivalents - End of Year	\$ 39,426	\$ 32,394	\$ 27,741	\$ 99,561
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:				
Operating loss	\$ (164,056)	\$ (92,843)	\$ -	\$ (256,899)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	126,969	103,958	-	230,927
Change in assets and liabilities:				
Receivables, net	6,766	2,024	-	8,790
Deferred outflows related to pensions	5,486	49	-	5,535
Accounts payable	2,788	2,292	-	5,080
Accrued expenses	(41,135)	(43,303)	-	(84,438)
Net pension liability	2,053	5,786	-	7,839
Deferred inflows related to pensions	8,488	9,750	-	18,238
Total Adjustments	111,415	80,556	-	191,971
Net Cash Used by Operating Activities	\$ (52,641)	\$ (12,287)	\$ -	\$ (64,928)

The accompanying notes are an integral part of this financial statement.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Irvington (City) is a home rule city located in Breckinridge County, Kentucky. It operates under a councilmanic form of government providing the following types of services: police, fire, water, sewer, sanitation, and street maintenance. Primary revenue sources are property taxes, insurance premium taxes, franchise fees, and water, sewer, and sanitation receipts.

The accounting policies of the City of Irvington conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

Reporting Entity

The City's financial statements include the operations of all organizations for which the City Council exercises oversight. Responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The governmental activities reported in the statements are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed mostly by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are therefore clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipient of the goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - Fund financial statements report detailed information about the City's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Concluded)

The City reports the following major governmental fund:

- General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major enterprise funds:

- Water and Garbage Fund - This fund accounts for the operation, maintenance, and development of the water distribution lines and sanitation services.
- Sewer Fund - This fund accounts for the operation, maintenance, and development of the sewage treatment plant and sewer lines.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers revenues reported in the governmental funds to be available if collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures, and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources in the governmental funds.

Capital Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Concluded)

For the government-wide and proprietary fund financial statements, all capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at acquisition value. The City maintains a capitalization threshold of \$1,000. Improvements are capitalized, but the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The City's infrastructure consists of curbs, sidewalks, and streets constructed or improved after July 1, 2003.

Depreciation is provided in the government-wide and proprietary fund financial statements in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The City capitalizes construction period interest as part of the cost of the assets in the proprietary funds. The service lives by type of asset are typically as follows:

Machinery and equipment	10 - 20 years
Improvements	10 - 20 years
Infrastructure	10 - 25 years
Buildings	10 - 25 years
Sewer plant and water line	20 - 40 years

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported in the year in which services are consumed.

Accounts Receivable

All trade and property tax receivables are shown at the estimated amount collectible.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position consists of those assets that do not meet the definition of restricted or net investment in capital assets.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred amounts related to pensions in the Statement of Net Position in this category. Deferred amounts related to pensions include pension contributions made during the current fiscal year but applicable to a future measurement period of the net pension liability.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City reports deferred amounts related to pensions in the Statement of Net Position in this category.

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 (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.

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 reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Property Tax Calendar

The City's property taxes are levied before the first day of November 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 January 1 of the following year. The City's real property tax rate is \$.401 per \$100 and the personal property rate is \$.524 per \$100. The City's vehicle and watercraft tax rate is \$.32 per \$100 of assessed value.

New Accounting Pronouncements

GASB statements effective for the fiscal year had no impact on the City's financial statements.

Fund Balance

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Fund Balance (Concluded)

- **Nonspendable fund balance** - amounts that are not in a spendable form (such as prepayments) 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 a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- **Assigned fund balance** - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- **Unassigned fund balance** - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

The City did not establish any fund balance commitments for the fiscal year. Assigned fund balance is established by the Mayor through adoption or amendment of the budget as intended for a specific purpose. Unrestricted and unassigned fund balances are reduced first, unless expenditures are incurred for a specific purpose for which fund balance has been restricted, committed, or assigned.

NOTE B - BUDGETARY PROCEDURES AND BUDGETARY ACCOUNTING

Normally, prior to June 30, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means for financing them. Deficit budgets are contrary to state law. Public hearings are conducted to obtain citizen comments on the proposed budget and the budget is legally adopted through passage of an appropriation ordinance by City Council. The City Council approves, by ordinance, total budget appropriations only. Budget amendments are made as needed throughout the year.

Actual expenditures and operating transfers may not legally exceed "budget" appropriations at the individual fund level. Budgetary control, however, is maintained at the departmental level. Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

NOTE C - CASH AND INVESTMENTS

The City considers cash and cash equivalents to be cash on hand, demand deposits, and certificates of deposit. At June 30, 2017, the reported amount of the City's cash and cash equivalents was \$424,327 and the bank balance was \$428,487. The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE C - CASH AND INVESTMENTS (CONCLUDED)

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year-end, all of the City's deposits were either insured or collateralized with securities held by the pledging financial institution on behalf of the City. The governing body has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed.

Restricted Cash

Cash is restricted for various legal requirements, such as sinking and reserve accounts, as established by bond ordinances or loan agreements and may be expended only for disbursements allowed under the terms of such. Other cash accounts are reserved for specific projects.

Reconciliation of Cash

For purposes of the Statement of Cash Flows on page 10, cash and cash equivalents as of June 30, 2017 consisted of the following:

	Water and Garbage Fund	Sewer Fund	Nonmajor Proprietary Funds	Total
Cash	\$39,426	\$32,394	\$ -	\$71,820
Restricted cash	-	-	27,741	27,741
Total	\$39,426	\$32,394	\$27,741	\$99,561

NOTE D - LONG-TERM DEBT

Bonds Payable

The construction costs of the City's water and sewer facilities have been financed primarily by the issuance of the revenue bonds listed below. The bonds are secured by and payable on parity from the gross revenues of the utilities system. The original amount of the bond issues, the issue dates, interest rates, and outstanding balances at June 30, 2017 are summarized in the following table.

Bond Series	Issue Date	Interest Rates	Bond Maturity	Original Issue	Outstanding Balance
1989A	12/19/90	5%	1/1/30	\$699,000	\$505,000
1989B	12/19/90	5%	1/1/30	\$73,000	\$40,400
2001	12/14/01	4.5%	1/1/41	\$200,000	\$160,500
2014	1/29/15	2.25%	1/1/54	\$200,000	\$196,500

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

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE D - LONG-TERM DEBT (CONTINUED)

Water and Garbage Fund

All revenues of the system shall first be deposited into the revenue fund. Monthly installments are then to be paid into the sinking fund 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.

Sewer Fund

All revenues of the system shall first be deposited into the revenue fund. Monthly installments are then to be paid into the sinking fund 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.

Loan Payable

In 2015, the City of Irvington entered into a loan agreement with The Farmers Bank (now The Cecilian Bank) for the purchase of an existing medical clinic to be converted to city hall. The note is due in monthly installments of \$1,013, including interest at 4%, secured by a mortgage on the property.

Leases Payable

The City has acquired various equipment and structures through capital leases. Construction of a Youth Sports Park was completed in 2012 and was financed by leases through The Kentucky League of Cities Funding Trust (KLC) and The Kentucky Bond Corporation (KBC), with proceeds of \$100,000 from each. Each has a varying interest rate ranging from 2% to 3%. Interest on the KLC lease is due monthly, while principal payments of \$5,000 are made annually. KBC is paid in varying monthly payments over 20 years.

A recycle center was constructed in 2010 through a lease with the Kentucky Association of Counties (KACO). The original amount of \$20,000 is amortized over ten years with monthly payments ranging from \$165 to \$227 per month, including interest at approximately 5.8%.

The remaining leases are due to Lease One Magnolia for a fire engine, a 2014 Dodge Charger, and a 2017 Dodge Charger. The interest rate ranges from 4% to 5%. At year end, only one payment of \$23,917 remained on the fire engine. Two payments of \$8,096 were due on the 2014 Charger, and three payments of \$8,649 remained on the 2017 Charger.

Debt Service Requirements

The annual requirements to amortize revenue bonds, loans, and leases payable outstanding as of June 30, 2017, including interest payments are as follows:

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE D - LONG-TERM DEBT (CONCLUDED)

Fiscal Year Ending June 30,	Governmental Activities			
	Loan Payable		Leases Payable	
	Principal	Interest	Principal	Interest
2018	\$ 9,297	\$ 2,854	\$ 49,459	\$ 8,457
2019	9,676	2,476	27,392	6,407
2020	10,070	2,081	20,238	5,264
2021	10,480	1,671	12,171	4,476
2022	10,907	1,244	12,363	3,942
2023 - 2027	25,158	1,170	47,612	12,086
2028 - 2032	-	59,902	25,000	4,045
2033	-	-	2,916	1,825
Totals	\$ 75,588	\$ 71,398	\$197,151	\$46,502

Fiscal Year Ending June 30,	Business-Type Activities			
	Bonds Payable		Lease Payable	
	Principal	Interest	Principal	Interest
2018	\$ 30,700	\$ 38,914	\$ 1,297	\$ 871
2019	32,900	37,494	1,350	879
2020	35,300	35,966	1,405	793
2021	37,500	34,318	1,462	703
2022	40,900	32,561	1,522	610
2023 - 2027	260,500	130,429	5,684	1,329
2028 - 2032	247,800	59,902	-	-
2033 - 2037	66,400	28,775	-	-
2038 - 2042	67,900	15,743	-	-
2043 - 2047	31,500	7,898	-	-
2048 - 2052	36,000	4,151	-	-
2053 - 2054	15,000	506	-	-
Totals	\$902,400	\$426,657	\$ 12,720	\$ 5,185

Changes in Long-Term Debt

Changes in noncurrent liabilities, including current portions of long-term debt, for the year ended June 30, 2017 were as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due In One Year
<u>Governmental Activities</u>					
Loan payable	\$ 84,521	\$ -	\$ 8,933	\$ 75,588	\$ 9,297
Capital lease obligations	214,063	32,617	49,529	197,151	49,459
	<u>\$298,584</u>	<u>\$ 32,617</u>	<u>\$58,462</u>	<u>\$272,739</u>	<u>\$58,756</u>
<u>Business-Type Activities</u>					
Bonds payable	\$930,800	\$ -	\$28,400	\$902,400	\$30,700
Capital lease obligations	13,967	-	1,247	12,720	1,297
	<u>\$944,767</u>	<u>\$ -</u>	<u>\$29,647</u>	<u>\$915,120</u>	<u>\$31,997</u>

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE E - RESTATEMENT

Due to various errors in the June 30, 2016 financial statements, a number of adjustments were necessary to correct the beginning balances for net position and fund balance.

	Governmental Activities	Business-Type Activities	
		Water and Garbage Fund	Sewer Fund
Net Position at June 30, 2016, Previously Reported	\$329,626	\$204,477	\$514,774
Prior period adjustment for:			
Omitted cash in bank	-	220	-
Accounts receivable at June 30, 2016 - restated	(17,951)	-	-
Fixed assets at June 30, 2016 - restated	(23,583)	1,216,547	543,298
Deferred outflows, deferred inflows, and net pension liability at June 30, 2016 - restated	(2,902)	(1,294)	(9,576)
Omitted accounts payable	(7,317)	-	-
Payroll liabilities at June 30, 2016 - restated	(14,282)	(23,237)	(23,968)
Omitted accrued interest payable	-	(5,945)	(14,165)
Note payable balance at June 30, 2016 - restated	12,418	-	-
Omitted bond payable	-	(200,000)	-
Transfer in incorrect period	-	13,000	-
Total prior period adjustment	<u>(53,617)</u>	<u>999,291</u>	<u>495,589</u>
Net Position at June 30, 2016, Restated	<u>\$276,009</u>	<u>\$1,203,768</u>	<u>\$1,010,363</u>

	<u>General Fund</u>
Fund Balance (Deficit) at June 30, 2016, Previously Reported	\$ (70,173)
Prior period adjustment for:	
Payroll liabilities at June 30, 2016 - restated	(17,951)
Omitted accounts payable	(7,317)
Payroll liabilities at June 30, 2016 - restated	(14,282)
Total prior period adjustment	<u>(39,550)</u>
Fund Balance (Deficit) at June 30, 2016, Restated	<u>\$(109,723)</u>

NOTE F - DEFICIT FUND BALANCE/NET POSITION

The General Fund ended the year with a deficit fund balance. The Cedar Hill, Fire Department, Fire Truck, and Veterans Memorial Funds had operations resulting in a current year reduction in fund balance. The Water and Garbage, Sewer, Wastewater Sinking, and Water Capital Improvement Funds had operations resulting in a decrease in net position.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE G - PENSION PLANS

General Information about the County Employees Retirement System

Plan Description – Full-time employees are covered by the County Employees Retirement System (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. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or from the website at www.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:

CERS Non-Hazardous

<u>Tier 1</u>	Participation date	Before September 1, 2008
Defined Benefit	Unreduced retirement	27 years service or 65 years old with 4 years service
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
<u>Tier 2</u>	Participation date	September 1, 2008 – December 31, 2013
Defined Benefit	Unreduced retirement	At least 5 years service and 65 years old
	Reduced retirement	Age 57+ and sum of service years plus age = 87 At least 10 years service and 60 years old
<u>Tier 3</u>	Participation date	After December 31, 2013
Cash Balance	Unreduced retirement	At least 5 years service and 65 years old
	Reduced retirement	Age 57+ and sum of service years plus age = 87 Not available

Contributions – Employees in all tiers contributed 5% of their salaries and those in Tiers 2 and 3 also contributed an additional 1% of their salaries for insurance. Participating employers contributed 18.68% (13.95% pension; 4.73% insurance) for the year ended June 30, 2017.

Medical Insurance Plan

Plan Description – In addition to the pension benefits described above, Kentucky Revised Statute 61.702 requires CERS to provide post-retirement healthcare benefits to eligible members and dependents. Changes made to the medical plan may be made by the Kentucky Retirement Systems' Board of Trustees and the General Assembly. Additional information can be obtained in the aforementioned financial statements and required supplementary information for CERS.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE G - PENSION PLANS (CONTINUED)

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

At June 30, 2017, the City reported a liability of \$553,311 for its proportionate share of the net pension liability for CERS. The net pension liability was measured as of June 30, 2016, 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 was based on the actual contributions of the City relative to the total contributions of all participating members of CERS during the measurement period July 1, 2015 through June 30, 2016. At June 30, 2016, the City's proportion was 0.01124%, a decrease of 0.00106% over the prior year.

For the year ended June 30, 2017, the City recognized total pension expense of \$83,226 for CERS.

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	\$ 2,416	\$ -
Changes of assumptions	29,311	-
Net difference between projected and actual earnings on pension plan investments	52,017	-
Changes in proportion and differences between City contributions and proportionate share of contributions	29,604	28,360
City contributions subsequent to the measurement date	42,307	-
	\$155,655	\$28,360

\$42,307 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 ending June 30, 2017. Other amounts reported as deferred inflows and outflows related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2018	\$39,182
2019	19,279
2020	15,005
2021	11,522

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE G - PENSION PLANS (CONTINUED)

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

Actuarial assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation
Projected Salary Increases	4%, average, including inflation
Inflation Rate	3.25%

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 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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

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 2009 through 2013, is outlined in a report dated December 3, 2015. 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 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.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE G - PENSION PLANS (CONCLUDED)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44%	5.4%
Combined Fixed Income	19%	1.5%
Real Return (Diversified Inflation Strategies)	10%	3.5%
Real Estate	5%	4.5%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.5%
Cash Equivalent	2%	-0.25%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining twenty-seven year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117.

Sensitivity of Proportionate Share of Net Pension Liability to Changes in the Discount Rate – The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

1% Decrease 6.5%	Current Discount 7.5%	1% Increase 8.5%
<u>\$689,515</u>	<u>\$553,311</u>	<u>\$436,557</u>

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE H - CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<u>Governmental Activities</u>				
Not Depreciated:				
Land	\$ 82,459	\$ -	\$ -	\$ 82,459
Depreciated:				
Machinery and equipment	902,882	157,130	-	1,060,012
Buildings	281,274	-	-	281,274
Improvements	55,381	-	-	55,381
Infrastructure	284,556	36,640	-	321,196
Subtotal	<u>1,524,093</u>	<u>193,770</u>	<u>-</u>	<u>1,717,863</u>
Accumulated Depreciation	<u>1,026,945</u>	<u>78,535</u>	<u>-</u>	<u>1,105,480</u>
Net Capital Assets	<u>\$ 579,607</u>	<u>\$ 115,235</u>	<u>\$ -</u>	<u>\$ 694,842</u>
<u>Business-Type Activities</u>				
Not Depreciated:				
Land	\$ 35,300	\$ -	\$ -	\$ 35,300
Depreciated:				
Machinery and equipment	361,792	-	-	361,792
Buildings	44,932	-	-	44,932
Improvements	138,820	-	-	138,820
Water system	2,554,710	-	-	2,554,710
Sewer system	3,763,742	-	-	3,763,742
Subtotal	<u>6,863,996</u>	<u>-</u>	<u>-</u>	<u>6,863,996</u>
Accumulated Depreciation	<u>3,464,461</u>	<u>230,927</u>	<u>-</u>	<u>3,695,388</u>
Net Capital Assets	<u>\$3,434,835</u>	<u>\$(230,927)</u>	<u>\$ -</u>	<u>\$3,203,908</u>

Depreciation expense and related accumulated depreciation are detailed as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<u>Governmental Activities</u>				
Machinery and equipment	\$ 727,147	\$ 57,379	\$ -	\$ 784,526
Buildings	136,047	9,245	-	145,292
Improvements	54,082	407	-	54,489
Infrastructure	109,669	11,504	-	121,173
Total	<u>\$1,026,945</u>	<u>\$ 78,535</u>	<u>\$ -</u>	<u>\$1,105,480</u>
<u>Business-Type Activities</u>				
Machinery and equipment	\$ 329,836	\$ 7,663	\$ -	\$ 337,499
Buildings	44,516	416	-	44,932
Improvements	138,820	-	-	138,820
Water system	922,491	118,890	-	1,041,381
Sewer system	2,028,798	103,958	-	2,132,756
Total	<u>\$3,464,461</u>	<u>\$230,927</u>	<u>\$ -</u>	<u>\$3,695,388</u>

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE H - CAPITAL ASSETS (CONCLUDED)

Depreciation expense was charged to functions in the Statement of Activities as follows:

<u>Governmental Activities</u>	
General government	\$ 9,189
Streets and maintenance	9,654
Police department	45,008
Fire department	14,684
	<u>\$78,535</u>

NOTE I - LEASED EQUIPMENT

The gross amount of assets purchased under capital leases and the accumulated amortization for each class are as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>
Equipment and vehicles	\$101,481	\$23,250

This information was available only for assets acquired since 2015. Any assets acquired by lease prior to that time have not been segregated from assets acquired by other means.

NOTE J - TRANSFERS OF FUNDS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
Fire Department	General	\$10,000	Operating expenses
Fire Truck	General	54,000	Delinquent taxes
Fire Truck	Water and Garbage	3,510	Operating expenses
General	Sewer	10,000	Operating expenses
General	Water and Garbage	18,039	Construction
Wastewater Sinking	Sewer	7,000	Debt service
Sewer	Water and Garbage	11,089	Debt service
Water Capital Improvement	Sewer	35,000	Operating expenses
Water Capital Improvement	Water and Garbage	25,698	Operating expenses
Water and Garbage	General	810	Operating expenses
Water and Garbage	Sewer	33,000	Debt service

NOTE K - INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables balances at June 30, 2017, were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ -	\$100,401
Wastewater Depreciation	54,016	-
Sewer	4,597	-
Water Capital Improvement	4,000	-
Water Depreciation	3,000	-
Water and Garbage	34,788	-
Totals	<u>\$100,401</u>	<u>\$100,401</u>

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE L - COMMITMENTS AND CONTINGENCIES

Grants

The City receives state grants for specific purposes that are subject to review and audit by state agencies. Such audits could result in a request for reimbursement by the State for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of city management, such disallowances, if any, will not be significant.

Contracts

The City has a contract with the City of Hardinsburg, Kentucky (Hardinsburg), whereby the City pays Hardinsburg for water usage at a rate that is adjustable annually based on the costs of operating the water plant. Irvington currently pays \$2.35 per thousand gallons of consumption, subject to a minimum of 3 million gallons per month, and approximately \$1,417 per month until June 30, 2017 to fund its portion of the construction debt service. For the year ended June 30, 2017, the City paid \$149,723 in water expense and \$17,004 for the construction debt service.

NOTE M - SUBSEQUENT EVENTS

The City failed to file and pay federal and state payroll liabilities and Kentucky sales tax returns for various periods during calendar years 2014, 2015, and 2016. With penalties and interest, the delinquent balance reached \$176,211. Of this total, \$48,219 remained due and payable at June 30, 2017 and was remitted in October 2018.

NOTE N - CONCENTRATIONS OF CREDIT RISK

The City extends credit to all citizens who live within the City limits and who utilize the utility system. Credit losses may be minimal and are generally within management's expectations.

NOTE O - NET POSITION

Net position of the governmental activities was restricted as follows:

<u>Purpose</u>	<u>Amount</u>
Cemetery maintenance	\$ 73,770
Economic assistance	29,664
Municipal roads	70,266
Total	<u>\$173,700</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF IRVINGTON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance from Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 200,000	\$ 200,000	\$ 189,331	\$ (10,669)
Insurance premium taxes	130,000	130,000	301,927	171,927
Other taxes and licenses	16,300	16,300	16,636	336
Franchise fees	40,410	40,410	48,209	7,799
Interest income	-	-	359	359
Miscellaneous	-	-	24,830	24,830
Charges for services	17,200	17,200	7,422	(9,778)
Intergovernmental revenues	57,526	57,526	120,081	62,555
Total Revenues	461,436	461,436	708,795	247,359
Expenditures				
Current:				
General government	118,614	118,614	121,462	(2,848)
Streets and maintenance	40,000	40,000	12,053	27,947
Police department	257,105	316,435	331,024	(14,589)
Fire department	55,717	55,717	13,843	41,874
Capital outlay	-	-	193,770	(193,770)
Debt service				
Principal	-	-	58,462	(58,462)
Interest	-	-	10,950	(10,950)
Total Expenditures	471,436	530,766	741,564	(210,798)
Deficiency of Revenues Over Expenditures	(10,000)	(69,330)	(32,769)	36,561
Other Financing Sources (Uses)				
Sale of property	-	-	27,679	27,679
Lease proceeds	-	-	32,617	32,617
Transfers in	10,000	69,330	64,810	(4,520)
Transfers out	-	-	(28,039)	(28,039)
Total Other Financing Sources (Uses)	10,000	69,330	97,067	27,737
Net Changes in Fund Balance	-	-	64,298	64,298
Fund Balance (Deficit) - Beginning of Year - (Restated)	-	-	(109,723)	(109,723)
Fund Balance (Deficit) - End of Year	\$ -	\$ -	\$ (45,425)	\$ (45,425)

See accompanying notes to required supplementary information.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A - BASIS OF PRESENTATION

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 budget and all transactions are presented in accordance with the City's budgetary basis in the Budgetary Comparison Schedule - General Fund to provide a meaningful comparison of actual results with the budget. No adjustments have been made to convert the actual data presented on the GAAP basis to the cash basis of accounting for revenues because any differences were deemed to be immaterial.

NOTE B - BUDGET VIOLATIONS

During the 2017 fiscal year, the City incurred line item expenditures in excess of budget for the fiscal year.

**CITY OF IRVINGTON, KENTUCKY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY**

Last 10 Fiscal Years*

<u>COUNTY EMPLOYEES RETIREMENT SYSTEM</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Non-Hazardous</u>			
City's proportion of the net pension liability	0.011238%	0.012296%	0.010388%
City's proportionate share of the net pension liability	\$ 553,311	\$ 528,678	\$ 337,030
City's covered payroll	\$ 257,061	\$ 287,937	\$ 238,320
City's proportionate share of the net pension liability as a percentage of its covered payroll	215.25%	183.61%	141.42%
Plan fiduciary net position as a percentage of the total pension liability	55.503%	59.968%	66.801%

Note: The data provided in this schedule is based on the measurement date of the CERS net pension liability, which is as of June 30th of the prior fiscal year.

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

See accompanying notes to required supplementary information.

**CITY OF IRVINGTON, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS**

Last 10 Fiscal Years*

<u>COUNTY EMPLOYEES RETIREMENT SYSTEM</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Non-Hazardous</u>			
Contractually required contribution	\$ 42,307	\$ 31,927	\$ 36,712
Contributions in relation to the contractually required contribution	<u>(42,307)</u>	<u>(31,927)</u>	<u>(36,712)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 303,276	\$ 257,061	\$ 287,937
Contributions as a percentage of covered payroll	13.95%	12.42%	12.75%

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

See accompanying notes to required supplementary information.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO PENSION SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A - CHANGES OF BENEFIT TERMS

There were no changes of benefit terms for the County Employees Retirement System (CERS).

NOTE B - CHANGES OF ASSUMPTIONS

For the valuation performed as of June 30, 2016, there were no changes in assumptions for CERS.

SUPPLEMENTARY INFORMATION

**CITY OF IRVINGTON, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

Special Revenue Funds

	Cedar Hill Fund	Christmas Parade Fund	Fire Department Fund	Fire Truck Fund	LGEA Fund	Road Fund	Veterans Memorial Fund	Youth Sports Fund	Total Nonmajor Funds
Assets									
Cash in bank	\$ 73,770	\$ 248	\$ 31,628	\$ 1,818	\$ 29,664	\$ 70,266	\$ 175	\$ 140	\$ 207,709
Total Assets	\$ 73,770	\$ 248	\$ 31,628	\$ 1,818	\$ 29,664	\$ 70,266	\$ 175	\$ 140	\$ 207,709
Fund Balance									
Restricted:									
Cemetery maintenance	\$ 73,770	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,770
Economic assistance	-	-	-	-	29,664	-	-	-	29,664
Municipal roads	-	-	-	-	-	70,266	-	-	70,266
Assigned:									
Community projects	-	248	-	-	-	-	175	-	423
Public safety	-	-	31,628	1,818	-	-	-	-	33,446
Recreation	-	-	-	-	-	-	-	140	140
Total Fund Balance	\$ 73,770	\$ 248	\$ 31,628	\$ 1,818	\$ 29,664	\$ 70,266	\$ 175	\$ 140	\$ 207,709

CITY OF IRVINGTON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds								Total Nonmajor Funds
	Cedar Hill Fund	Christmas Parade Fund	Fire Department Fund	Fire Truck Fund	LGEA Fund	Road Fund	Veterans Memorial Fund	Youth Sports Fund	
Revenues									
Charges for services	\$ -	\$ -	\$ 10,854	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,854
Interest income	2	-	351	-	13	95	50	-	511
Intergovernmental revenues	-	-	11,000	-	2,773	22,988	-	-	36,761
Miscellaneous	3,150	-	2,459	-	-	-	-	-	5,609
Total Revenues	3,152	-	24,664	-	2,786	23,083	50	-	53,735
Expenditures									
Current:									
Cemetery	4,224	-	-	-	-	-	-	-	4,224
Community	-	-	-	-	-	-	1,183	-	1,183
Fire department	-	-	15,260	-	-	-	-	-	15,260
Total Expenditures	4,224	-	15,260	-	-	-	1,183	-	20,667
Excess (Deficiency) of Revenues Over Expenditures	(1,072)	-	9,404	-	2,786	23,083	(1,133)	-	33,068
Other Financing Sources									
Transfers out	-	-	(10,000)	(57,510)	-	-	-	-	(67,510)
Net Change in Fund Balance	(1,072)	-	(596)	(57,510)	2,786	23,083	(1,133)	-	(34,442)
Fund Balance - Beginning of Year	74,842	248	32,224	59,328	26,878	47,183	1,308	140	242,151
Fund Balance - End of Year	\$ 73,770	\$ 248	\$ 31,628	\$ 1,818	\$ 29,664	\$ 70,266	\$ 175	\$ 140	\$ 207,709

**CITY OF IRVINGTON, KENTUCKY
 COMBINING STATEMENT OF NET POSITION -
 NONMAJOR PROPRIETARY FUNDS
 JUNE 30, 2017**

	<u>Wastewater Capital Improvement Fund</u>	<u>Wastewater Depreciation Fund</u>	<u>Wastewater Sinking Fund</u>	<u>Water Capital Improvement Fund</u>	<u>Water Depreciation Fund</u>	<u>Total Nonmajor Funds</u>
Assets						
Current Assets						
Due from other funds	\$ -	\$ 54,016	\$ -	\$ 4,000	\$ 3,000	\$ 61,016
Noncurrent Assets						
Restricted cash	10,609	1,130	121	3,330	12,551	27,741
Total Assets	<u>10,609</u>	<u>55,146</u>	<u>121</u>	<u>7,330</u>	<u>15,551</u>	<u>88,757</u>
Net Position						
Restricted:						
Capital	10,609	55,146	-	7,330	15,551	88,636
Debt service	-	-	121	-	-	121
Total Net Position	<u>\$ 10,609</u>	<u>\$ 55,146</u>	<u>\$ 121</u>	<u>\$ 7,330</u>	<u>\$ 15,551</u>	<u>\$ 88,757</u>

CITY OF IRVINGTON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Wastewater Capital Improvement Fund	Wastewater Depreciation Fund	Wastewater Sinking Fund	Water Capital Improvement Fund	Water Depreciation Fund	Total Nonmajor Funds
<u>Non-Operating Revenues (Expenses)</u>						
Interest income	\$ 72	\$ 2	\$ 2	\$ 25	\$ 75	\$ 176
Other expenses	-	-	(13)	-	-	(13)
Total Non-Operating Revenues (Expenses)	<u>72</u>	<u>2</u>	<u>(11)</u>	<u>25</u>	<u>75</u>	<u>163</u>
Income (Loss) Before Transfers	72	2	(11)	25	75	163
Transfers	-	-	(7,000)	(60,698)	-	(67,698)
Changes in Net Position	72	2	(7,011)	(60,673)	75	(67,535)
Net Position - Beginning of Year	<u>10,537</u>	<u>55,144</u>	<u>7,132</u>	<u>68,003</u>	<u>15,476</u>	<u>156,292</u>
Net Position - End of Year	<u>\$ 10,609</u>	<u>\$ 55,146</u>	<u>\$ 121</u>	<u>\$ 7,330</u>	<u>\$ 15,551</u>	<u>\$ 88,757</u>

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***



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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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the City Council
City of Irvington, Kentucky

We were engaged to audit, 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 (City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 21, 2019. We were unable to express an audit opinion on these financial statements due to limited information available for beginning balances.

Internal Control over Financial Reporting

In planning our engagement to audit the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 Responses, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 *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. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2017-001 to 2017-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 2017-004 and 2017-005.

City of Irvington, Kentucky's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result 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.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, Kentucky

January 21, 2019

**CITY OF IRVINGTON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

Finding: 2017-001 (Repeat)

<i>Condition:</i>	The City Clerk's responsibilities include the cash receipts and cash disbursement functions, collections and deposits, preparing bank reconciliations, general accounting, and preparing all payroll-related disbursements and supporting documents.
<i>Criteria:</i>	Inadequate segregation of duties is an example of a material weakness in the design of controls.
<i>Cause:</i>	Budgetary constraints allow only a limited office staff, but the City has not optimized opportunities to segregate duties.
<i>Effect:</i>	Significant controls over transaction processing were absent.
<i>Recommendation:</i>	The City should take advantage of any possible outside assistance. Where possible, duties should be performed by the Mayor and Assistant Clerk.
<i>Management Response:</i>	<i>The City is currently using outside assistance. We will continue to look for areas where we can perform checks and balances.</i>

Finding: 2017-002

<i>Condition:</i>	As part of the audit, management requested us to prepare a draft of the City's financial statements, including the related notes. Material adjustments were required during the preparation of the financial statements.
<i>Criteria:</i>	Management is responsible for establishing internal controls over the preparation of GAAP-based financial statements.
<i>Cause:</i>	The design of internal controls did not prevent material adjustments.
<i>Effect:</i>	The potential exists for material misstatements to occur and not be prevented or detected by the City's internal control.
<i>Recommendation:</i>	Management and accounting personnel should review the policies and procedures for recording journal entries and enhance internal control over financial reporting.
<i>Management Response:</i>	<i>We will ensure that the new City Clerk/Treasurer will obtain as much financial and accounting training as possible.</i>

**CITY OF IRVINGTON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

Finding: 2017-003

<i>Condition:</i>	As noted in finding 2017-002, numerous material adjustments were required to correct errors in the City's accounting records. Revenues were offset against expenses/expenditures, transfers were out of balance, classifications were inconsistent, and some significant transactions were never recorded at all.
<i>Criteria:</i>	Basic bookkeeping and accounting functions are the responsibility of City management.
<i>Cause:</i>	Due to staff turnover, the individual primarily assigned to accounting for the year ended June 30, 2017 and earlier was not available for inquiry. However, our observation indicated that the errors were due to a combination of lack of understanding and carelessness.
<i>Effect:</i>	The City's accounting records provided very limited accurate information. The balance sheet failed to reflect \$1,773,065 in assets and \$278,185 in liabilities.
<i>Recommendation:</i>	The new City Clerk should become thoroughly trained in governmental accounting. While she is gaining these skills, the City should utilize qualified outside assistance.
<i>Management Response:</i>	<i>The new City Clerk/Treasurer is currently receiving accounting assistance by a financial consultant. We have arranged for a city clerk mentor to come to city hall at the end of February to train her on city government. She will also be attending the two KMCA conferences in April and July 2019.</i>

Finding: 2017-004

<i>Condition:</i>	The City failed to make required transfers to accounts required under the terms of its bond issues and to properly fund its depreciation accounts.
<i>Criteria:</i>	United States Department of Agriculture regulations require the City to transfer amounts to sinking funds on a monthly basis in amounts sufficient to pay semi-annual interest and annual principal on its four outstanding bond issues. The City is also required to make monthly transfers to the Water and Garbage Fund and to the Wastewater Depreciation Fund accounts until the amounts reach \$65,640. The total of both depreciation accounts together at year-end was \$13,681.
<i>Cause:</i>	There were insufficient revenues to fund these accounts at the time.
<i>Effect:</i>	The City was not in compliance with the terms of its bond issues.
<i>Recommendation:</i>	All required transfers should be resumed immediately. If resources permit, the depreciation accounts should be brought to the required minimum.
<i>Management Response:</i>	<i>Payments had been deposited into each of the four savings accounts in 2018 but not consistently. We have made the necessary deposits into each of the accounts for January and February 2019 and will ensure that we continue to do so each month so that the funds will be there to pay the USDA Rural Development payment due on January 1, 2020.</i>

**CITY OF IRVINGTON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

Finding: 2017-005

<i>Condition:</i>	The City leased two police vehicles and a shredder trailer, each in excess of \$20,000, without competitive bidding.
<i>Criteria:</i>	Kentucky bid law requires that cities expending \$20,000 or more for a single purchase advertise for bids unless certain exceptions are met. These include declaration of an emergency, certifying that the item is available from only one source, or utilizing a state price contract.
<i>Cause:</i>	Although a price contract for police cars was in place, the City was able to negotiate a lower price through another dealership. The shredder trailer was paid for through a specific grant, therefore a recommended unit was purchased. In both cases, the City was not aware of the bidding requirement.
<i>Effect:</i>	The City likely was in violation of KRS 424.260.
<i>Recommendation:</i>	The Mayor, city council, and management in charge of purchasing should become thoroughly familiar with state regulations regarding obtaining goods and services.
<i>Management Response:</i>	<i>Mayor has spoken to the city council members and department heads regarding any single purchase of \$20,000 or more as it will need to be advertised for bid under Kentucky law. The KLC City Officials Academy held in January had a session regarding procurement and contracting that was very helpful on this issue.</i>

Finding: 2017-006

<i>Condition:</i>	The City's audit report for the year ended June 30, 2017 was not completed by the due date of February 1, 2018.
<i>Criteria:</i>	KRS 91A.040 requires city audits to be completed by February 1 immediately following the fiscal year being audited. In addition, an electronic copy of the audit report is required to be submitted to the Department of Local Government within ten days of completion.
<i>Cause:</i>	The City learned its previous auditor was no longer permitted to perform audits, so additional time was required to engage another firm to complete the audit.
<i>Effect:</i>	The City was in violation of its annual financial audit requirement.
<i>Recommendation:</i>	Every effort should be made to engage auditors with sufficient time to complete the engagement by the required date.
<i>Management Response:</i>	<i>We hired our regular auditors in a timely fashion. They were contacted when they failed to begin work, but they became impossible to reach. Eventually, we learned that they were no longer permitted to perform audits at which time we engaged another firm. We anticipate that the required schedule will resume when we get past the transition period.</i>