

**CITY OF IRVINGTON, KENTUCKY  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**CITY OF IRVINGTON, KENTUCKY  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 2
BASIC FINANCIAL STATEMENTS	
<b>GOVERNMENT - WIDE FINANCIAL STATEMENTS</b>	
Statement of Net Position	3
Statement of Activities	4
<b>FUND FINANCIAL STATEMENTS</b>	
Balance Sheet - Governmental Funds	5
Statement of Revenues, Expenditures, and Changes In Fund Balance - Governmental Funds	6 - 7
Statement of Net Position - Proprietary Funds	8
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	9
Statement of Cash Flows - Proprietary Funds	10
Notes to the Financial Statements	11 - 32
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison General Fund	33
Schedule of Proportionate Share of the Net Pension Liability	34
Schedule of Pension Contributions County Employees' Retirement System	35
Schedule of Proportionate Share of the Net OPEB Liability	36
Schedule of Contributions to the Other Post Employment Benefits	37
<b>OTHER INFORMATION</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	39
Combining Statement of Net Position - Nonmajor Proprietary Funds	40
Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Proprietary Funds	41
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	42 - 43
SCHEDULE OF FINDINGS AND RESPONSES	44 - 49

**SK LEE CPAS, P.S.C.**  
*Certified Public Accountants*

208 Pauline Drive, Suite D  
Berea, Kentucky 40403  
(859) 986-3756

*Member of American Institute of CPA's*

*Member of Kentucky Society of CPA's*

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of the City Council  
City of Irvington  
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 (hereinafter called "the City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during the year ended June 30, 2018, the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which resulted in a restatement of the City's July 1, 2017 net position in the amount of \$244,466. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, pension schedules, and OPEB schedules on pages 33–37 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 me 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 and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### ***Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2021, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

***SK Lee CPAS, P.S.C.***

Berea, Kentucky  
August 5, 2021

**CITY OF IRVINGTON, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 154,209	\$ 112,032	\$ 266,241
Receivables, net			
Customers	-	87,327	87,327
Other	78,719	-	78,719
Due from other funds	9,936	111,507	121,443
<b>Total Current Assets</b>	<b>242,864</b>	<b>310,866</b>	<b>553,730</b>
<b>Non-Current Assets</b>			
Restricted cash	172,671	30,591	203,262
Certificates of deposit	17,431	-	17,431
Capital assets:			
Non-depreciable	91,459	35,300	126,759
Depreciable, net	666,640	2,938,390	3,605,030
<b>Total Non-Current Assets</b>	<b>948,201</b>	<b>3,004,281</b>	<b>3,952,482</b>
<b>Total Assets</b>	<b>1,191,065</b>	<b>3,315,147</b>	<b>4,506,212</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to pension	144,190	142,184	286,374
Deferred amounts related to OPEB	36,615	35,962	72,577
<b>Total Deferred Outflows of Resources</b>	<b>180,805</b>	<b>178,146</b>	<b>358,951</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	65,866	44,434	110,300
Accrued expenses	32,717	45,334	78,051
Accrued interest	-	18,748	18,748
Customer deposits payable	-	50,645	50,645
Deferred revenue	-	7,419	7,419
Due to other funds	111,507	9,936	121,443
Notes payable	9,673	1,350	11,023
Capital leases	38,745	-	38,745
Revenue bonds payable	4,617	32,900	37,517
<b>Total Current Liabilities</b>	<b>263,125</b>	<b>210,766</b>	<b>473,891</b>
<b>Non-Current Liabilities</b>			
Notes payable	56,631	10,073	66,704
Capital leases	44,897	-	44,897
Revenue bonds payable	119,237	838,800	958,037
Net pension liability	364,544	364,544	729,088
Net OPEB liability	125,204	125,204	250,408
<b>Total Non-Current Liabilities</b>	<b>710,513</b>	<b>1,338,621</b>	<b>2,049,134</b>
<b>Total Liabilities</b>	<b>973,638</b>	<b>1,549,387</b>	<b>2,523,025</b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pension	41,912	41,912	83,824
Deferred amounts related to OPEB	6,555	6,555	13,110
<b>Total Deferred Inflows of Resources</b>	<b>48,467</b>	<b>48,467</b>	<b>96,934</b>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	501,730	2,090,567	2,592,297
Restricted	172,671	91,607	264,278
Unrestricted (deficit)	(324,636)	(286,735)	(611,371)
<b>Total Net Position (Deficit)</b>	<b>\$ 349,765</b>	<b>\$ 1,895,439</b>	<b>\$ 2,245,204</b>

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

CITY OF INRVINGTON, KENTUCKY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Government Activities</b>							
General government	\$ 117,415	\$ 15,562	\$ 2,575	\$ -	\$ (99,278)	\$ -	\$ (99,278)
Police	442,030	-	17,791	10,300	(413,939)	-	(413,939)
Fire	51,557	1,102	11,000	-	(39,455)	-	(39,455)
Street	24,218	-	-	23,130	(1,088)	-	(1,088)
Cemetary	2,000	1,400	-	-	(600)	-	(600)
Community services	310	-	-	-	(310)	-	(310)
<b>Total Governmental Activities</b>	<b>637,530</b>	<b>18,331</b>	<b>31,366</b>	<b>33,430</b>	<b>(554,403)</b>	<b>-</b>	<b>(554,403)</b>
<b>Business-Type Activities</b>							
Water and sanitation utilities	569,330	503,201	-	-	-	(66,129)	(66,129)
Sewer utilities	368,138	284,957	-	-	-	(83,181)	(83,181)
<b>Total Business-Type Activities</b>	<b>937,468</b>	<b>788,158</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(149,310)</b>	<b>(149,310)</b>
<b>Total Activities</b>	<b>\$ 1,574,998</b>	<b>\$ 806,489</b>	<b>\$ 31,366</b>	<b>\$ 33,430</b>	<b>\$ (554,403)</b>	<b>\$ (149,310)</b>	<b>\$ (703,713)</b>
					<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>General Revenues</b>							
Property taxes					228,638	-	228,638
Insurance premium taxes					206,555	-	206,555
Occupational taxes and licenses					15,080	-	15,080
Franchise taxes					51,907	-	51,907
Interest income					452	271	723
Miscellaneous					60,347	31,455	91,802
Transfers					-	-	-
Total General Revenues and Transfers					562,979	31,726	594,705
<b>Change in Net Position</b>					<b>8,309</b>	<b>(117,584)</b>	<b>(109,275)</b>
<b>Total Net Position, Beginning, as Originally Stated</b>					<b>437,637</b>	<b>2,130,170</b>	<b>2,567,807</b>
<b>Prior Period Adjustment (See Note 13)</b>					<b>(96,181)</b>	<b>(117,147)</b>	<b>(213,328)</b>
<b>Net Position, Beginning of Year (Restated)</b>					<b>341,456</b>	<b>2,013,023</b>	<b>2,354,479</b>
<b>Net Position, Ending</b>					<b>\$ 349,765</b>	<b>\$ 1,895,439</b>	<b>\$ 2,245,204</b>

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

**CITY OF IRVINGTON, KENTUCKY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 154,209	\$ 172,671	\$ 326,880
Certificates of deposit	17,431	-	17,431
Accounts receivable			
Taxes	78,719	-	78,719
Due to other funds	9,936		9,936
<b>Total Assets</b>	<b>\$ 260,295</b>	<b>\$ 172,671</b>	<b>\$ 432,966</b>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 65,866	\$ -	\$ 65,866
Accrued expenses	32,717	-	32,717
Due to other funds	111,507	-	111,507
<b>Total Liabilities</b>	<b>210,090</b>	<b>-</b>	<b>210,090</b>
 <b>Fund Balances</b>			
Restricted	-	141,880	141,880
Assigned	-	30,791	30,791
Unassigned	50,205	-	50,205
<b>Total Fund Balances</b>	<b>50,205</b>	<b>172,671</b>	<b>222,876</b>
 <b>Total Liabilities and Fund Balances</b>	 <b>\$ 260,295</b>	 <b>\$ 172,671</b>	 <b>\$ 432,966</b>

Amounts reported for *governmental activities* in the Statement of Net Position are different because:

Fund balances reported above \$ 222,876

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 758,099

Net deferred inflows/outflows related to the long-term net pension liability and long-term net OPEB liability are not reported in the funds. 132,338

All long-term liabilities are reported in the Statement of Net Position whereas in governmental funds, long-term liabilities are not due and payable in the current period and therefore are not reported.

Notes, capital leases and bonds payables	(273,800)
Net pension liability	(364,544)
Net OPEB liability	(125,204)
	(763,548)

**Net Position of Governmental Activities** **\$ 349,765**

**CITY OF IRVINGTON, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 228,638	\$ -	\$ 228,638
Insurance premium taxes	206,555	-	206,555
Occupational taxes and licenses	15,080	-	15,080
Franchise taxes	51,907	-	51,907
Intergovernmental revenues	30,666	34,130	64,796
Service charges and fees	15,562	2,502	18,064
Other	60,416	383	60,799
<b>Total Revenues</b>	<b>608,824</b>	<b>37,015</b>	<b>645,839</b>
<b>Expenditures</b>			
General	93,051	-	93,051
Police	261,627	-	261,627
Fire	31,962	4,287	36,249
Street	10,837	-	10,837
Cemetery	-	2,000	2,000
Community services	-	310	310
Capital outlay	172,925	-	172,925
Debt service:			
Principal	60,271	-	60,271
Interest	10,256	-	10,256
<b>Total Expenditures</b>	<b>640,929</b>	<b>6,597</b>	<b>647,526</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>			
<b>Other Financing Sources (Uses)</b>			
Lease proceeds	69,274	-	69,274
Transfers in (out)	65,456	(65,456)	-
<b>Total Other Financing Sources (Uses)</b>	<b>134,730</b>	<b>(65,456)</b>	<b>69,274</b>
<b>Net Change in Fund Balance</b>	<b>102,625</b>	<b>(35,038)</b>	<b>67,587</b>
<b>Fund Balance (Deficit), Beginning of Year (Restated)</b>	<b>(52,420)</b>	<b>207,709</b>	<b>155,289</b>
<b>Fund Balance, Ending</b>	<b>\$ 50,205</b>	<b>\$ 172,671</b>	<b>\$ 222,876</b>

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

**CITY OF IRVINGTON, KENTUCKY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS-CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>67,587</b>
<p>Amounts reported for <i>government activities</i> in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$172,925 exceeds depreciaton expense of \$109,669 in the current period.</p>		63,256
<p>Notes 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 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 proceeds of \$69,274 exceeds repayments of \$60,271.</p>		(9,003)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. Change in pension liability and OPEB liability of governmental activities</p>		(113,531)
		(113,531)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>8,309</u></b>

**CITY OF IRVINGTON, KENTUCKY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2018**

	Water & Sanitation Utilities	Sewer Utilities	Non-Major Proprietary Funds	Total Proprietary Funds
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 85,261	\$ 26,771	\$ -	\$ 112,032
Receivables, net				
Customers	50,570	36,757	-	87,327
Due from other funds	34,788	15,703	61,016	111,507
<b>Total Current Assets</b>	<b>170,619</b>	<b>79,231</b>	<b>61,016</b>	<b>310,866</b>
<b>Non-Current Assets</b>				
Restricted cash	-	-	30,591	30,591
Capital assets:				
Non-depreciable	25,300	10,000	-	35,300
Depreciable, net	1,411,363	1,527,027	-	2,938,390
<b>Total Non-Current Assets</b>	<b>1,436,663</b>	<b>1,537,027</b>	<b>30,591</b>	<b>3,004,281</b>
<b>Total Assets</b>	<b>1,607,282</b>	<b>1,616,258</b>	<b>91,607</b>	<b>3,315,147</b>
<b>Deferred Outflows of Resources</b>				
Deferred amounts related to pension	57,288	84,896	-	142,184
Deferred amounts related to OPEB	14,519	21,443	-	35,962
<b>Total Deferred Outflows of Resources</b>	<b>71,807</b>	<b>106,339</b>	<b>-</b>	<b>178,146</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	38,256	6,178	-	44,434
Accrued expenses	20,984	24,350	-	45,334
Accrued interest	5,695	13,053	-	18,748
Customer deposits payable	50,645	-	-	50,645
Deferred revenue	6,999	420	-	7,419
Due to other funds	9,936	-	-	9,936
Notes payable	1,350	-	-	1,350
Revenue bonds payable	7,500	25,400	-	32,900
<b>Total Current Liabilities</b>	<b>141,365</b>	<b>69,401</b>	<b>-</b>	<b>210,766</b>
<b>Non-Current Liabilities</b>				
Notes payable	10,073	-	-	10,073
Revenue bonds payable	342,100	496,700	-	838,800
Net pension liability	145,818	218,726	-	364,544
Net OPEB liability	50,082	75,122	-	125,204
<b>Total Non-Current Liabilities</b>	<b>548,073</b>	<b>790,548</b>	<b>-</b>	<b>1,338,621</b>
<b>Total Liabilities</b>	<b>689,438</b>	<b>859,949</b>	<b>-</b>	<b>1,549,387</b>
<b>Deferred Inflows of Resources</b>				
Deferred amounts related to pension	16,765	25,147	-	41,912
Deferred amounts related to OPEB	2,622	3,933	-	6,555
<b>Total Deferred Inflows of Resources</b>	<b>19,387</b>	<b>29,080</b>	<b>-</b>	<b>48,467</b>
<b>Net Position</b>				
Net investment in capital assets	1,075,640	1,014,927	-	2,090,567
Restricted	-	-	91,607	91,607
Unrestricted (deficit)	(105,376)	(181,359)	-	(286,735)
<b>Total Net Position</b>	<b>\$ 970,264</b>	<b>\$ 833,568</b>	<b>\$ 91,607</b>	<b>\$ 1,895,439</b>

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

**CITY OF IRVINGTON, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Water &amp; Sanitation Utilities</u>	<u>Sewer Utilities</u>	<u>Non-Major Proprietary Funds</u>	<u>Total Proprietary Funds</u>
<b>Operating Revenues</b>				
Charges for services:				
Water	\$ 338,932	\$ -	\$ -	\$ 338,932
Sanitation	164,269	-	-	164,269
Sewer	-	284,957	-	284,957
Miscellaneous	31,255	200	-	31,455
<b>Total Operating Revenues</b>	<u><b>534,456</b></u>	<u><b>285,157</b></u>	<u><b>-</b></u>	<u><b>819,613</b></u>
<b>Operating Expenses</b>				
Salaries	71,711	87,335	-	159,046
Employee benefits	(6,412)	49,280	-	42,868
Purchase of water	146,219	-	-	146,219
Sanitation contract	137,941	-	-	137,941
Contractual services	5,432	4,553	-	9,985
Repairs, parts, and supplies	30,637	35,285	-	65,922
Travel and training	495	1,293	-	1,788
Utilities and telephone	6,434	29,188	-	35,622
Office supplies	7,073	4,063	-	11,136
Insurance	21,189	21,188	-	42,377
Depreciation	128,060	103,958	-	232,018
Bad debt provision	2,516	1,425	-	3,941
Miscellaneous	5,640	3,882	8	9,530
<b>Total Operating Expenses</b>	<u><b>556,935</b></u>	<u><b>341,450</b></u>	<u><b>8</b></u>	<u><b>898,393</b></u>
<b>Operating Loss</b>	<u><b>(22,479)</b></u>	<u><b>(56,293)</b></u>	<u><b>(8)</b></u>	<u><b>(78,780)</b></u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest income	80	25	166	271
Interest expense	(12,387)	(26,688)	-	(39,075)
<b>Total Non-Operating Revenue (Expenses)</b>	<u><b>(12,307)</b></u>	<u><b>(26,663)</b></u>	<u><b>166</b></u>	<u><b>(38,804)</b></u>
<b>Loss before transfers</b>	<u><b>(34,786)</b></u>	<u><b>(82,956)</b></u>	<u><b>158</b></u>	<u><b>(117,584)</b></u>
Transfers (out) in	(26,257)	23,565	2,692	-
<b>Change in Net Position</b>	<u><b>(61,043)</b></u>	<u><b>(59,391)</b></u>	<u><b>2,850</b></u>	<u><b>(117,584)</b></u>
<b>Total Net Position, Beginning, as Originally Stated</b>	<u><b>1,077,736</b></u>	<u><b>963,677</b></u>	<u><b>88,757</b></u>	<u><b>2,130,170</b></u>
<b>Prior Period Adjustment (See Note 13)</b>	<u><b>(46,429)</b></u>	<u><b>(70,718)</b></u>	<u><b>-</b></u>	<u><b>(117,147)</b></u>
<b>Total Net Position, Beginning as Restated</b>	<u><b>1,031,307</b></u>	<u><b>892,959</b></u>	<u><b>88,757</b></u>	<u><b>2,013,023</b></u>
<b>Total Net Position, Ending</b>	<u><u><b>\$ 970,264</b></u></u>	<u><u><b>\$ 833,568</b></u></u>	<u><u><b>\$ 91,607</b></u></u>	<u><u><b>\$ 1,895,439</b></u></u>

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

CITY OF IRVINGTON, KENTUCKY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Water & Sanitation Utilities	Sewer Utilities	Non-Major Proprietary Funds	Total Proprietary Funds
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 499,721	\$ 272,732	\$ -	\$ 772,453
Cash received from other sources	31,255	200	-	31,455
Cash payments to suppliers for goods and services	(365,955)	(163,947)	(8)	(529,910)
Cash payments to employees	(70,448)	(87,628)	-	(158,076)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>94,573</b>	<b>21,357</b>	<b>(8)</b>	<b>115,922</b>
<b>Cash Flows from Non-Capital and Related Financing Activities</b>				
Transfers in(out)	(26,257)	23,565	2,692	-
<b>Net Cash (Used in) Provided by Capital and Related Financing</b>	<b>(26,257)</b>	<b>23,565</b>	<b>2,692</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Principal, interest, and related fees paid on long-term debt	(22,561)	(50,570)	-	(73,131)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(22,561)</b>	<b>(50,570)</b>	<b>-</b>	<b>(73,131)</b>
<b>Cash Flows from Investing Activities</b>				
Cash received from interest income	80	25	166	271
<b>Net Cash Provided by Investing Activities</b>	<b>80</b>	<b>25</b>	<b>166</b>	<b>271</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>45,835</b>	<b>(5,623)</b>	<b>2,850</b>	<b>43,062</b>
<b>Cash and Cash Equivalents at July 1, 2019</b>	<b>39,426</b>	<b>32,394</b>	<b>27,741</b>	<b>99,561</b>
<b>Cash and Cash Equivalents at June 30, 2020</b>	<b>\$ 85,261</b>	<b>\$ 26,771</b>	<b>\$ 30,591</b>	<b>\$ 142,623</b>
(1) Cash and cash equivalents are reflected in the Statement of Net Position as follows:				
Cash and cash equivalents	\$ 85,261	\$ 26,771	\$ -	\$ 112,032
Restricted cash and cash equivalents	-	-	30,591	30,591
<b>Subtotal</b>	<b>\$ 85,261</b>	<b>\$ 26,771</b>	<b>\$ 30,591</b>	<b>\$ 142,623</b>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</b>				
<b>Operating Loss</b>	<b>\$ (22,479)</b>	<b>\$ (56,293)</b>	<b>\$ (8)</b>	<b>\$ (78,780)</b>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	128,060	103,958	-	232,018
Bad debt provision	2,516	1,425	-	3,941
Changes in assets and liabilities:				
(Increase) decrease in customer accounts receivable	(12,995)	(14,070)	-	(27,065)
(Increase) decrease in other accounts receivable	-	(11,106)	-	(11,106)
(Increase) decrease in outflows of resources	(28,999)	(54,341)	-	(83,340)
Increase (decrease) in accounts payable	8,068	1,689	-	9,757
Increase (decrease) in accrued expenses	1,263	293	-	1,556
Increase (decrease) in customer deposits	7,890	-	-	7,890
Increase (decrease) in deferred revenues	6,999	420	-	7,419
Increase (decrease) in other payables	9,936	-	-	9,936
Increase (decrease) in net pension liability	(19,799)	28,498	-	8,699
Increase (decrease) in net OPEB liability	3,214	5,487	-	8,701
Increase (decrease) in inflows of resources	10,899	15,397	-	26,296
<b>Total adjustments</b>	<b>117,052</b>	<b>77,650</b>	<b>-</b>	<b>194,702</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 94,573</b>	<b>\$ 21,357</b>	<b>\$ (8)</b>	<b>\$ 115,922</b>

**CITY OF IRVINGTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Irvington, Kentucky (hereinafter “the City”) operates under a Mayor-Council form of government located in Breckinridge County. The City’s major operations include police and fire protection, parks and recreation, streets, and general administrative services. The City also operates a water, sewer, and sanitation system for its citizens. The citizens of Irvington elect a mayor-at-large and six city council members. The accompanying financial statements present the City’s primary government unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the City (as distinct from a legal relationship).

**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 independency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

**Basis of Presentation**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and user charges.

**Government-wide financial statements** display information about the reporting government as a whole. These statements focus on the sustainability as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

- *Statement of Net Position* presents information on all of the assets and liabilities, with the difference between the two reported as *net position*.
- *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund financial statements** display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and detailed in the supplementary information.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the business-type activities/enterprise funds and the general fund. Charges are allocated as reimbursement for services provided by the general fund in support of those functions based on levels or services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

CITY OF IRVINGTON, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Basis of Presentation – Continued**

- *General Fund* is the City's primary operating fund. It accounts for all financial operations of the City and except for those required to be accounted for in another designated fund.
- *Special Revenue Funds* consists of accounts for financial resources provided by the State of Kentucky through its Municipal Road Aid and Local Government Economic Assistance Funds, Cedar Hill fund, Christmas parade, Fire department, veterans memorial, and youth sports funds. These funds are restricted for the use of public safety, street improvements, and special events.

**Proprietary fund financial statements** include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

**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.

The government-wide financial statements and the proprietary funds financial statements are presented on a *full accrual* basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues taxes and fees, franchise fees, intergovernmental grants, and interest income.

**CITY OF IRVINGTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus and Basis of Accounting – Continued**

Unavailable revenue, a deferred inflow of resources, arises on the balance sheets of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This *unavailable* revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the balance sheets of the governmental funds for unavailable revenue is recognized as revenue in the Statement of Activities. Note that unavailable revenues also arise outside the scope of measurement focus and basis of accounting, such as when resources are received before there is legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as funds liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's water, sewer, and sanitation funds are charges to customers for sales and services. The water, sewer, and sanitation funds also recognize System Development Charges (SDC) fees intended to recover the cost of connecting new customers to the utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overhead charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the policy to use restricted resources first, then unrestricted resources as they are needed.

**Budgeting**

The City Council adopts an annual budget for the General, Special Revenues, and Proprietary Funds. Any revisions that alter the budget must be approved by the City Council. For 2018, the original budget was approved in April 2017 and amended July 2018. The budget for the General and Special Revenue Funds is presented in the Statements of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance - Budget and Actual. All annual appropriations lapse at fiscal year-end. Budgets for all funds are adopted on a consistent basis with generally accepted accounting principles.

**CITY OF IRVINGTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Cash and Certificates of Deposit**

The City considers demand deposits, money market funds, and other deposits with an original maturity of 90 days or less, to be cash equivalents. The City considers all cash, both restricted and unrestricted, as cash and cash equivalents for purposes of the Statement of Cash Flows.

The City has restricted cash and or certificates of deposits to satisfy bond issue requirements, including cash restricted for bond payments.

Certificates of deposit are reported at cost which approximates fair value. These funds are invested for periods that comply with cash flow requirements of bond ordinances and general government services.

**Receivables**

Recorded property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. An allowance for doubtful accounts is not deemed necessary by management, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Receivables of the proprietary funds are recognized as revenue when earned, including services provided but not billed. Other receivables consist of amounts due at year end from other state, local and federal governments. Interest revenue receivable in all funds consist of revenue due on each certificate of deposit. Allowances for uncollectible accounts are maintained on all types of receivables that historically experience uncollectible amounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

**Internal Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds," Short-term inter-fund loans are reported as "inter-fund receivables and payables." Long-term inter-fund loans (non-current portion) are reported as "advances from and to other funds." Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**Property Tax Calendar**

Property taxes for fiscal year 2018 were levied in November 2017, respectively, on the assessed property located in the City of Irvington as of the preceding January 1. The rate for real estate was 44.3 cents per one hundred dollars of assessed value. The rate for auto and boats was 66.8 cents and other tangible property was 32 cents per one hundred dollars, respectively. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

- |   |                           |
|---|---------------------------|
| 1. Due date for payment of taxes, 2% discount | November 30               |
| 2. Face value payment period                  | December 1 to December 31 |
| 3. Past due date, 10% penalty                 | January 1                 |

These taxes are collected by the City Clerk. Vehicle taxes are collected by the County Clerk of Breckinridge County and are due and collected in the birth month of the licensee.

**CITY OF IRVINGTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Cash and certificates of deposit which may only be used for construction of capital assets or debt service principal and interest payments in accordance with applicable laws and regulations have been reported as restricted cash and certificates of deposit on the Government-Wide Statement of Net Position and the Proprietary Fund Statement of Net Position.

**Capital Assets**

Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The City defines capital assets as assets with an individual cost of more than \$1,000, and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized. When assets are retired or otherwise disposed of, the costs are removed from the asset accounts and a gain or loss is recorded. In the fund financial statements, capital assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20-40 years
Equipment	5-10 years
Water and Sewer System Utility Plants	20-40 years
Infrastructure	15-40 years

**Compensated Absences**

The City allows employees to accumulate unused sick leave with no limit and vacation leave to a maximum of 160 hours. Accumulated vacation is required to be used within one year of accumulation. Upon termination, accumulated vacation leave will be paid to the employee. Sick leave is not paid upon termination but will be paid only upon illness while in the employment of the City.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

**CITY OF IRVINGTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The City has two items that meet this criterion, as related to pensions and other postemployment benefits (OPEB) reported in the Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension and OPEB liabilities and difference during the measurement period between the City's contributions and its proportion share of total contributions to the pension systems not included in pension expense. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category as related to pensions and OPEB reported in the Statement of Net Position.

**Pensions and Other Postemployment Benefits**

The City participates in a cost-sharing multiple-employer plan to provide pension and OPEB benefits to employees. Each cost-sharing government reports its proportionate share of the cumulative net pension and OPEB liability. For the purposes of measuring the net pension and OPEB liability, deferred outflows or inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net positions of the Kentucky "County Employer Retirement System" (CERS), have been determined by the same basis as they are reported by CERS.

**Net Position/Fund Balances**

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through state statute. In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

*Non-spendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

*Committed* – Portion of fund balance that can only be used for specific purposes imposed by majority vote of the City Council Members. Any changes or removal of specific purposes requires majority action by them.

*Assigned* – Portion of fund balance that has been budgeted by the City Council.

*Unassigned* – Portion of fund balance that has not been restricted, committed or assigned for specific purpose.

**Operating Revenues and Expenses**

Operating revenues and expenses generally result from providing and producing goods and/or services in connection with the enterprise funds. Operating expenses include administrative expenses, supplies, personnel costs, utilities, professional fees, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses and may include interest, grants, and gain or loss on disposition of capital assets.

**CITY OF IRVINGTON, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2018**

**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. Accordingly, actual results could differ from those estimates.

**NOTE 2 – DEPOSITS AND CERTIFICATES OF DEPOSIT**

As of June 30, 2018, the City's cash and cash equivalents balances include deposits held in checking accounts, savings accounts, and certificates of deposit.

The City's bank deposits were entirely covered by federal depository insurance or by collateral held by the custodial bank in the City's name. The carrying amount of the City's deposits and certificates of deposit totaled \$486,934 and the bank balances totaled \$479,602. At June 30, 2018, \$229,354 of collateral was pledged to the City by the custodial bank and \$250,248 by FDIC insurance.

**Credit Risk**

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency. As of June 30, 2018, none of the City's deposits were subject to credit risk.

**Custodial Credit Risk**

Custodial Credit Risk for deposits is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the deposits that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

**NOTE 3 – RECEIVABLES**

Receivables as of fiscal year-end for the City's individual major and non-major funds in the aggregate, including applicable allowances for doubtful accounts are as follows:

	<u>General</u>	<u>Water &amp; Sanitation</u>	<u>Sewer</u>	<u>Total</u>
Accounts receivables				
Customers	\$ -	\$ 53,086	\$ 38,182	\$ 91,268
Other	78,719	-	-	78,719
Gross receivables	78,719	53,086	38,182	169,987
Less allowance for bad debt	-	2,516	1,425	3,941
<b>Net total receivables</b>	<b>\$ 78,719</b>	<b>\$ 50,570</b>	<b>\$ 36,757</b>	<b>\$ 166,046</b>

**CITY OF IRVINGTON, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2018**

**NOTE 4 – INTER-FUND RECEIVABLE/PAYABLE AND TRANSFERS**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Such inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Reallocation of resources between funds of the reporting entity is classified as inter-fund transfers. Such inter-fund transfers between funds are eliminated in the Statement of Activities. Inter-fund receivables/payables at June 30, 2018 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 9,936	\$ 111,507
Wastewater Depreciation	54,016	-
Sewer	15,703	-
Water Capital Improvement	4,000	-
Water Depreciation	3,000	-
Water and Sanitation	34,788	9,936
<b>Total</b>	<b>\$ 121,443</b>	<b>\$ 121,443</b>

**CITY OF IRVINGTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2018**

**NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS**

Capital assets for the governmental activities during the year ended June 30, 2018 are as follows:

	<u>Beginning Balance 7/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/2018</u>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 82,459	\$ -	\$ -	\$ 82,459
Construction in process	-	9,000	-	9,000
<b>Total capital assets, not being depreciated:</b>	<b><u>82,459</u></b>	<b><u>9,000</u></b>	<b><u>-</u></b>	<b><u>91,459</u></b>
<b>Capital assets, being depreciated:</b>				
Buildings	281,274	-	-	281,274
Machinery and equipment	1,060,012	91,441	-	1,151,453
Improvements	55,381	-	-	55,381
Infrastructure	321,196	72,485	-	393,681
<b>Total capital assets, being depreciated:</b>	<b><u>1,717,863</u></b>	<b><u>163,926</u></b>	<b><u>-</u></b>	<b><u>1,881,789</u></b>
<b>Less accumulated depreciation for Governmental Activities</b>				
Building	145,292	8,710	-	154,002
Machinery and equipment	784,526	86,520	-	871,046
Improvements	54,489	892	-	55,381
Infrastructure	121,173	13,547	-	134,720
<b>Total accumulated depreciation</b>	<b><u>1,105,480</u></b>	<b><u>109,669</u></b>	<b><u>-</u></b>	<b><u>1,215,149</u></b>
<b>Total capital assets, being depreciated, net</b>	<b><u>612,383</u></b>			<b><u>666,640</u></b>
<b>Government activities capital assets, net</b>	<b><u>\$ 694,842</u></b>			<b><u>\$ 758,099</u></b>

Depreciation expense for governmental activities is charged to functions as follows:

	<u>2018</u>
General	\$ 16,128
Police	65,588
Fire	14,572
Street	13,381
<b>Total</b>	<b><u>\$ 109,669</u></b>

**CITY OF IRVINGTON, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2018**

**NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS – CONTINUED**

Capital assets for the business-type activities during the year ended June 30, 2018 are as follows:

	<u>Beginning Balance 7/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/2018</u>
<b>Business-Type Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 35,300	\$ -	\$ -	\$ 35,300
<b>Total capital assets, not being depreciated:</b>	<u>35,300</u>	<u>-</u>	<u>-</u>	<u>35,300</u>
<b>Capital assets, being depreciated:</b>				
Buildings	44,932	-	-	44,932
Machinery and Equipment	361,792	-	-	361,792
Water systems	2,687,690	-	-	2,687,690
Sewer systems	3,763,742	-	-	3,763,742
Improvements	5,840	-	-	5,840
<b>Total capital assets, being depreciated:</b>	<u>6,863,996</u>	<u>-</u>	<u>-</u>	<u>6,863,996</u>
<b>Less accumulated depreciation for Business-Type Activities</b>				
Buildings	44,932	-	-	44,932
Machinery and Equipment	337,498	7,663	-	345,161
Water systems	1,174,361	118,597	-	1,292,958
Sewer systems	2,132,757	103,958	-	2,236,715
Improvements	5,840	-	-	5,840
<b>Total accumulated depreciation</b>	<u>3,695,388</u>	<u>230,218</u>	<u>-</u>	<u>3,925,606</u>
<b>Total capital assets, being depreciated, net</b>	<u>3,168,608</u>			<u>2,938,390</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 3,203,908</u>			<u>\$ 2,973,690</u>

Depreciation expense for business-type activities is charged to functions as follows:

	<u>2018</u>
Water and Sanitation	\$ 126,260
Sewer	103,958
<b>Total</b>	<u>\$ 230,218</u>

**CITY OF IRVINGTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2018**

**NOTE 6 – CAPITAL LEASES**

As of June 30, 2018, the City has several capital lease obligations through Magnolia Bank, Inc. for various vehicles and equipment. Total minimum lease payments are as follows:

2019	\$	38,745
2020		30,649
2021		20,702
Total minimum lease payments		90,096
Less amount representing interest		(6,454)
Present value of minimum lease payments		\$ 83,642

The assets acquired through outstanding capital leases are shown below.

Equipment	\$	133,750
Less: accumulated depreciation		(45,638)
<b>Net</b>		<b>\$ 88,112</b>

**NOTE 7 – LONG-TERM DEBT**

The following is a summary of long-term debt of the City for the year ended June 30, 2018:

	<u>Balance</u>		<u>Balance</u>		<u>Due Within</u>
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>	<u>One Year</u>
<b>Governmental-type</b>					
Notes Payable	\$ 75,588	\$ -	\$ 9,284	\$ 66,304	\$ 9,673
Revenue Bonds	135,484	-	11,630	123,854	4,617
Net Pension Liability	197,477	167,067	-	364,544	-
Net OPEB Liability	-	125,204	-	125,204	-
<b>Business-type</b>					
Notes Payable	12,720	-	1,297	11,423	1,350
Revenue Bonds	902,400	-	30,700	871,700	32,900
Net Pension Liability	355,834	8,710	-	364,544	-
Net OPEB Liability	-	125,204	-	125,204	-
<b>Total</b>	<b>\$ 1,679,503</b>	<b>\$ 426,185</b>	<b>\$ 52,911</b>	<b>\$ 2,052,777</b>	<b>\$ 48,540</b>

**Revenue Bonds and Covenants**

The government issues revenue bonds to provide for the acquisition and construction of major capital facilities. The original amount of revenue bonds issued in prior years, for the items listed below, was \$1,342,313. No general obligation bonds were issued during the current year. Revenue bonds are pledged by revenues and by the full faith and credit of the government. These bonds are issued as 2 and 40-year serial bonds with varying amounts of principal maturing each year. The bond covenants include the maintenance of sinking fund to set aside resources for the payment of future debt service obligations. Interest rates range from 2.25% to 5.0%.

**CITY OF IRVINGTON, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2018**

**NOTE 7 – LONG-TERM DEBT – CONTINUED**

The following is a description of the City's bonds outstanding as of June 30, 2018:

Bond Series	Issue Date	Interest Rates	Bond Maturity	Original Issue	Outstanding Balance
1989A	12/19/90	5%	1/1/30	\$ 699,000	\$ 484,000
1989B	12/19/90	5%	1/1/30	73,000	38,100
2001	12/14/01	4.50%	1/1/41	200,000	156,600
2014	1/29/15	2.25%	1/1/54	200,000	193,000
2012D	11/1/12	3.16%	1/1/33	100,000	72,917
2016-A	4/15/16	2.00%	11/15/24	70,313	50,937
<b>Total</b>				<b>\$ 1,342,313</b>	<b>\$ 995,554</b>

The following are the principal and interest maturities for the bonds outstanding as of June 30, 2018:

Year Ending June 30,	Principal	Interest	Total Annual Requirements
2019	\$ 44,705	\$ 61,101	\$ 105,806
2020	47,287	40,212	87,499
2021	49,671	38,183	87,854
2022	53,263	36,046	89,309
2023	57,258	33,731	90,989
2024-2028	321,053	110,918	431,971
2029-2033	218,017	48,860	266,877
2034-2038	68,700	23,475	92,175
2039-2043	59,100	13,329	72,429
2044-2048	32,500	7,189	39,689
2049-2053	36,500	3,341	39,841
2054	7,500	169	7,669
<b>Total</b>	<b>\$ 995,554</b>	<b>\$ 416,554</b>	<b>\$ 1,412,108</b>

**Notes Payable**

On August 28, 2014, the City of Irvington entered into a loan agreement of \$100,000, with Farmer's Bank (now the Cecilian Bank) for a city hall building. As of June 30, 2018, the City had a balance of \$66,304 on the loan. The note bears interest at a rate of 4% and principal and interest payments are monthly in the amount of \$1,012.61. The note matures on August 28, 2024.

On December 7, 2010, the City of Irvington entered into a loan agreement of \$20,000 with Kentucky Association of Counties (KACO) for a recycling center. As of June 30, 2018, the City had a balance of \$11,423 on the loan. The note bears an interest rate of 6.5% and principal and interest payments are made monthly ranging from \$165 to \$227. The note matures on November 20, 2025.

**CITY OF IRVINGTON, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2018**

**NOTE 7 – LONG-TERM DEBT – CONTINUED**

The minimum obligations of the City's at June 30, 2018 for the payment of loan principal and interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Requirements</u>
2019	\$ 11,023	\$ 3,355	\$ 14,378
2020	11,472	2,877	14,349
2021	11,940	2,375	14,315
2022	12,426	1,855	14,281
2023	12,933	1,314	14,247
2024-2025	17,933	1,742	19,675
<b>Total</b>	<b>\$ 77,727</b>	<b>\$ 13,518</b>	<b>\$ 91,245</b>

**COMPLIANCE WITH RESERVE REQUIREMENTS**

The City of Irvington is required to maintain the following funds and accounts related to the bond issuance and loan agreements:

Depreciation Fund – The bond ordinance requires the creation of a depreciation fund that shall be available and shall be utilized to make repairs and replacements to the system and to pay the costs of constructing additions, extensions, betterments, and improvements to the system which will either increase income and revenues or provide a higher degree of service. The bonds call for the creation of a repairs and maintenance reserve of \$65,640. At June 30, 2018, the depreciation fund was under funded.

Debt Service Fund – The debt service fund is maintained for the payment of principal and interest on bonds. The City is required to make a monthly transfer to the reserve of 1/6 of the next interest due and 1/12 of the next principal. These monthly transfers are to be made until the balance reaches the lesser of 1) the maximum debt service requirement in any fiscal year, 2) 10% of the proceeds of any series bonds or 3) 125% of the average annual debt service requirement.

**NOTE 8 – RETIREMENT PLAN**

The City is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

*Plan Description* – CERS is a cost sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, City, and school board, and any additional eligible local agencies electing to participate in the system. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

**CITY OF IRVINGTON, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2018**

**NOTE 8 – RETIREMENT PLAN-CONTINUED**

*Contributions* – Plan members were required to contribute 5% of their annual creditable compensation for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined, on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2018, participating employers contributed 19.18% (non-hazardous) of each employee’s wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

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

*Benefits* – CERS provides retirement, health insurance, death and disability benefits to plan employees and beneficiaries. Employees are vested in the plan after five years’ service.

For retirement purposes, employees are grouped into three tiers based on hire date:

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of 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.

**CITY OF IRVINGTON, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2018**

**NOTE 8 – RETIREMENT PLAN-CONTINUED**

For the fiscal year ended June 30, 2018 the City's covered payroll for non-hazardous positions was \$328,418. There are no employees subject to the hazardous job classification contribution requirements.

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

At June 30, 2018, the City reported a liability of \$729,088 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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 a projection of the City's long-term share of contributions to the net pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City's proportion was .012 percent for non-hazardous.

For the year ended June 30, 2018, the City recognized pension expenses of \$146,816. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual results	\$ 904	\$ 18,507
Changes of assumptions	134,536	-
Net difference between projected and actual earnings on plan investments	57,743	48,725
Changes in proportion and difference between City contributions and proportionate share of contributions	46,897	16,592
City contributions subsequent to the measurement date	46,294	-
<b>Total</b>	<b><u>\$ 286,374</u></b>	<b><u>\$ 83,824</u></b>

The \$46,294 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year ending June 30,</u>		
2019	\$	68,718
2020	\$	65,063
2021	\$	37,838
2022	\$	(9,362)

**CITY OF IRVINGTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2018**

**NOTE 8– RETIREMENT PLAN-CONTINUED**

*Actuarial Methods and Assumptions*

For financial reporting, the actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2017 were based on an actuarial valuation date of June 30, 2016. The total pension liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2016 but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of GRS' replication. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017.

Valuation date	June 30, 2016
Experience study	July 1, 2008 - June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Remaining amortization period	26 years, closed
Payroll growth rate	4.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary increase	4.00% average
Investment rate of return	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 (setback for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback 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 long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate or return assumptions 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 weighing 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 time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, 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 THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2018**

**NOTE 8 – RETIREMENT PLAN – CONTINUED**

The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Nominal Real Rate of Return</u>
U.S Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	0.11%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
<b>Total</b>	<b>100.00%</b>	<b>6.56%</b>

*Discount Rate*

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the new pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net Pension Liability</u>
1% Decrease	5.25%	\$ 919,538
Current discount rate	6.25%	\$ 729,088
1% Increase	7.25%	\$ 569,778

*Payable to the Pension Plan* – At June 30, 2018, the City reported no outstanding liability amount to the pension plan.

**CITY OF IRVINGTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2018**

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

*Plan Description*

Employees of the City are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under the Kentucky revised Statute Section 61.645. The KRS board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

*Benefits Provided*

The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. Because of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned services without regard to a maximum dollar amount.

*Contributions*

Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City has contractually required contribution rate for the year ended June 30, 2018 was 4.70% (non-hazardous) of covered payroll. Contributions to the Insurance Fund from the City were \$15,030 for the year ended June 30, 2018, Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

*Net OPEB Liability*

For financial reporting, the actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2017 were based on an actuarial valuation date of Jun 30, 2016. The total OPEB liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2016 but did replicate the prior actuary's valuations results on the same assumptions, methods, and data, as of that date. The roll-forward is based on the results of GRS' replication.

**CITY OF IRVINGTON, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2018**

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2018:

Valuation date	June 30, 2016
Experience study	July 1, 2008 - June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Remaining amortization period	26 years, closed
Payroll growth rate	4.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary increase	4.00% average
Investment rate of return	7.50%
Healthcare Trend Rate	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Pre - 65	
Post - 65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2013 with Scale BB (setback 1 year for females).

*Discount Rate*

The projection of cash flows used to determine the discount rate of 5.83% for CERS non-hazardous, and 5.84% for CERS hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KRS. 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 (See chart below.). These ranges were combined to produce the long-term expected rate of return by weighing the 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 assumptions are intended to be long-term assumptions and are 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 THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2018**

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>	<u>Target Allocation</u>
U.S Equity	5.97%	17.50%
International Equity	7.85%	17.50%
Global Bonds	2.63%	4.00%
Global Credit	3.63%	2.00%
High Yield	5.75%	7.00%
Emerging Market Debt	5.50%	5.00%
Private Credit	8.75%	10.00%
Real Estate	0.11%	5.00%
Absolute Return	5.63%	10.00%
Real Return	6.13%	10.00%
Private Equity	8.25%	10.00%
Cash	1.88%	2.00%
	<u>6.56%</u>	<u>100.00%</u>

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.84%) or one percentage point higher (6.84%) follows:

	<u>Discount Rate</u>	<u>City's proportionate share of net OPEB liability</u>
1% Decrease	4.84%	\$ 318,631
Current discount rate	5.84%	\$ 250,408
1% Increase	6.80%	\$ 193,636

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.84%) or one percentage point higher (6.84%) than current healthcare cost trend rates follows:

<u>City's Net OPEB Liability (Asset)</u>		
<u>Healthcare Cost</u>		
Trend Rate 1% Decrease 4.84%	Current Discount Rate 5.84%	Trend Rate 1% Increase 6.84%
<u>\$ 192,076</u>	<u>\$ 250,408</u>	<u>\$ 326,237</u>

**CITY OF IRVINGTON, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
JUNE 30, 2018**

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

*OPEB Liabilities, OPEB Expense, and Deferred Inflows of Resources Related to OPEB*

At June 30, 2018, the City reported a liability of \$318,631 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2017. This method to be reflective of the employers' long-term contribution effort. At June 30, 2018, the City's proportion was .012 percent.

For the year ended June 30, 2018, the City recognized OPEB expenses of \$28,535. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual results	\$ -	\$ 695
Implicit subsidy	3,060	-
Changes of assumptions	54,487	-
Net difference between projected and actual earnings on plan investments	-	11,834
Changes in proportion and difference between City contributions and proportionate share of contributions	-	581
City contributions subsequent to the measurement date	15,030	-
<b>Total</b>	<u><u>\$ 72,577</u></u>	<u><u>\$ 13,110</u></u>

The \$15,030 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year ending June 30,</u>	
2019	\$ 7,119
2020	\$ 7,119
2021	\$ 7,119
2022	\$ 7,119
2023	\$ 10,078
Thereafter	\$ 2,822

Deferred outflows and inflows related to differences between projected and actual earnings on plan investment are netted and amortized over a closed five-year period. Those changes in net OPEB liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they incurred.

**CITY OF IRVINGTON, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**JUNE 30, 2018**

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

The City is not involved in lawsuits or matters which require disclosure with the ABA Statement policy regarding Lawyer's Responses to Auditor's Request per the opinion of counsel.

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 allowances, if any, will not be significant.

The City has a contract with Hardinsburg Municipal Utilities, (Hardinsburg, KY), whereby the City pays Hardinsburg Municipal Utilities 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. For the year ended June 30, 2017, the City paid \$146,219 in water expense.

The City has a contract with Red River Waste Solution LP, whereby the City pays Red River Waste Solution LP for sanitation services. For the year ended June 30, 2018, the City paid \$137,941 in sanitation expense.

**NOTE 11 – RISK MANAGEMENT**

The City is exposed to various forms of asset losses associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. As of June 30, 2018, the City was sufficiently insured.

**NOTE 12 – DATE OF MANAGEMENT'S REVIEW**

Subsequent events were evaluated through August 5, 2021, which is the date the financial statements were available to be issued.

**NOTE 13 – PRIOR PERIOD ADJUSTMENT**

As described in Note 9 regarding the City's participation in the County Employee's Retirement Plan, the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, became effective for fiscal year 2018. That amount was under calculated in the amount of \$127,319 for governmental activities and \$117,147 for business-type activities as of June 30, 2018. In addition, a prior period adjustment was recorded to reduce accrued expenses in the general fund in the amount of \$31,138.

**CITY OF IRVINGTON, KENTUCKY  
REQUIRED SUPPLEMENTAL  
BUDGETARY COMPARISON-GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 215,000	\$ 229,500	\$ 228,638	\$ (862)
Insurance premium taxes	130,000	176,500	206,555	30,055
Occupational taxes and licenses	600	500	15,080	14,580
Franchise taxes	50,500	51,000	51,907	907
Intergovernmental Revenue	61,200	79,100	30,666	(48,434)
Service charges and fees	27,600	24,684	15,562	(9,122)
Other	-	-	60,416	60,416
<b>Total Revenues</b>	<b>484,900</b>	<b>561,284</b>	<b>608,824</b>	<b>47,540</b>
<b>Expenditures</b>				
General	135,504	191,168	93,051	98,117
Police	293,250	293,800	261,627	32,173
Fire	50,646	70,313	31,962	38,351
Streets	22,500	54,500	10,837	43,663
Capital outlay	-	65,933	172,925	(106,992)
Debt service				
Principal			60,271	
Interest	-	-	10,256	(10,256)
<b>Total Expenditures</b>	<b>501,900</b>	<b>675,714</b>	<b>640,929</b>	<b>34,785</b>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources and uses</b>	<b>(17,000)</b>	<b>(114,430)</b>	<b>(32,105)</b>	<b>82,325</b>
<b>Other Financing Sources (uses)</b>				
Lease proceeds			69,274	<b>69,274</b>
Transfer in	17,000	114,430	65,456	<b>(48,974)</b>
Transfer out	-	-	-	-
<b>Net other financing sources (uses)</b>	<b>17,000</b>	<b>114,430</b>	<b>134,730</b>	<b>20,300</b>
<b>Net Change in Fund Balance</b>			<b>102,625</b>	<b>33,055</b>
<b>Fund Balance, Beginning</b>	-	-	<b>(52,420)</b>	<b>(52,420)</b>
<b>Fund Balance, Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,205</b>	<b>\$ (19,365)</b>

**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 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.

**CITY OF IRVINGTON, KENTUCKY  
SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST FOUR FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability (asset)	0.010388%	0.012296%	0.011238%	0.012456%
City's proportionate share of the net pension liability (asset)	\$337,030	\$528,678	\$553,311	\$729,088
City's covered-employee payroll	\$286,887	\$268,081	\$303,277	\$328,418
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	117.48%	197.21%	182.44%	222.00%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.50%

**CITY OF IRVINGTON, KENTUCKY  
SCHEDULE OF CONTRIBUTIONS  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST FOUR FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 36,712	\$ 31,927	\$ 42,307	\$ 46,294
Contributions in relation to the contractually required contribution	<u>36,712</u>	<u>31,297</u>	<u>42,307</u>	<u>46,294</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 286,887	\$ 268,081	\$ 303,277	\$328,418
Contributions as a percentage of covered-employee payroll	12.80%	11.91%	13.95%	14.10%

Notes to Required Supplementary Information:

*Valuation dates.* Actuarially determined contribution rates are calculated as of July 1st preceding the fiscal year end in which the contributions are reported.

*Changes in benefit terms.* There were no benefit changes reported in the June 30, 2016 actuarial report.

*Changes in assumptions.* There were no changes in assumptions and methods reported in the June 30, 2016 actuarial report.

**CITY OF IRVINGTON, KENTUCKY  
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
FISCAL YEAR 2018**

<b>Change in the Net OPEB Liability - Non-Hazardous</b>	<b>Measurement Period Ending June 30, 2017</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 10,646
Interest	30,001
Benefit changes	-
Difference between actual and expected experience	(827)
Assumption changes	64,807
Benefit payments	(17,453)
<b>Net Change in Total OPEB Liability</b>	<b>342,176</b>
<b>Total OPEB Liability - Beginning</b>	<b>438,829</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 526,002</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 16,607
Contributions - member	1,141
Benefit payments	(17,453)
Net investment income	32,981
Administrative Expense	(98)
Other	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>33,177</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>242,416</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 275,593</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 250,408</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	<b>52.4%</b>
<b>Covered Payroll</b>	<b>\$ 320,194</b>
<b>Net OPEB Liability as a Percentage of Covered Payroll</b>	<b>78.21%</b>

CITY OF IRVINGTON, KENTUCKY  
 SCHEDULE OF CITY'S OPEB CONTRIBUTIONS  
 COUNTY EMPLOYEES' RETIREMENT SYSTEM  
 FISCAL YEAR 2018

<b>NON-HAZARDOUS</b>	<b>June 30, 2018</b>
Contractually required contribution	\$ 15,030
Contributions in relation to the contractually required contribution	(15,030)
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>
City's covered-employee payroll	\$ 328,418
Contributions as a percentage of covered-employee payroll	4.58%

CITY OF IRVINGTON, KENTUCKY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2018

	Special Revenue Funds								
	Cedar Hill Fund	Christmas Parade Fund	Fire Dept. Fund	Fire Truck Fund	LGEA Fund	Road Fund	Veterans Memorial Fund	Youth Sports Fund	Total Non-major Fund
<b>Assets</b>									
Cash in bank	\$ 73,173	\$ 248	\$ 30,271	\$ -	\$ 29,709	\$ 38,998	\$ 272	\$ -	\$ 172,671
<b>Total Assets</b>	<b>\$ 73,173</b>	<b>\$ 248</b>	<b>\$ 30,271</b>	<b>\$ -</b>	<b>\$ 29,709</b>	<b>\$ 38,998</b>	<b>\$ 272</b>	<b>\$ -</b>	<b>\$ 172,671</b>
<b>Fund Balance</b>									
Restricted:									
Cemetery maintenance	\$ 73,173	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,173
Economic assistance	-	-	-	-	29,709	-	-	-	29,709
Municipal roads	-	-	-	-	-	38,998	-	-	38,998
Assigned:									
Community projects	-	248	-	-	-	-	272	-	520
Public safety	-	-	30,271	-	-	-	-	-	30,271
Recreation	-	-	-	-	-	-	-	-	-
<b>Total Fund Balance</b>	<b>\$ 73,173</b>	<b>\$ 248</b>	<b>\$ 30,271</b>	<b>\$ -</b>	<b>\$ 29,709</b>	<b>\$ 38,998</b>	<b>\$ 272</b>	<b>\$ -</b>	<b>\$ 172,671</b>

CITY OF IRVINGTON, KENTUCKY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds								Total Non-major Fund
	Cedar Hill Fund	Christmas Parade Fund	Fire Dept. Fund	Fire Truck Fund	LGEA Fund	Road Fund	Veterans Memorial Fund	Youth Sports Fund	
<b>Revenues</b>									
Charges for services	\$ 1,400	\$ -	\$ 1,102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,502
Interest income	3	-	10	-	45	58	-	-	116
Intergovernmental revenues	-	-	11,000	-	-	23,130	-	-	34,130
Miscellaneous	-	-	-	-	-	-	267	-	267
<b>Total Revenues</b>	<b>1,403</b>	<b>-</b>	<b>12,112</b>	<b>-</b>	<b>45</b>	<b>23,188</b>	<b>267</b>	<b>-</b>	<b>37,015</b>
<b>Expenditures</b>									
Current:									
Cemetery	2,000	-	-	-	-	-	-	-	2,000
Community projects	-	-	-	-	-	-	170	140	310
Fire department	-	-	2,469	1,818	-	-	-	-	4,287
<b>Total Expenditures</b>	<b>2,000</b>	<b>-</b>	<b>2,469</b>	<b>1,818</b>	<b>-</b>	<b>-</b>	<b>170</b>	<b>140</b>	<b>6,597</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(597)</b>	<b>-</b>	<b>9,643</b>	<b>(1,818)</b>	<b>45</b>	<b>23,188</b>	<b>97</b>	<b>(140)</b>	<b>30,418</b>
<b>Other Financing Sources</b>									
Transfers out	-	-	(11,000)	-	-	(54,456)	-	-	(65,456)
<b>Net Change in Fund Balance</b>	<b>(597)</b>	<b>-</b>	<b>(1,357)</b>	<b>(1,818)</b>	<b>45</b>	<b>(31,268)</b>	<b>97</b>	<b>(140)</b>	<b>(35,038)</b>
<b>Fund Balance - Beginning of Year</b>	<b>73,770</b>	<b>248</b>	<b>31,628</b>	<b>1,818</b>	<b>29,664</b>	<b>70,266</b>	<b>175</b>	<b>140</b>	<b>207,709</b>
<b>Fund Balance - End of Year</b>	<b>\$ 73,173</b>	<b>\$ 248</b>	<b>\$ 30,271</b>	<b>\$ -</b>	<b>\$ 29,709</b>	<b>\$ 38,998</b>	<b>\$ 272</b>	<b>\$ -</b>	<b>\$ 172,671</b>

CITY OF IRVINGTON, KENTUCKY  
 COMBINING STATEMENT OF NET POSITION - NON-MAJOR PROPRIETARY FUNDS  
 JUNE 30, 2018

	Wastewater Capital Improvement Fund	Wastewater Depreciation Fund	Wastewater Sinking Fund	Water Capital Improvement Fund	Water Depreciation Fund	Total Non-major Funds
<b>Assets</b>						
<b>Current Assets</b>						
Due from other funds	\$ -	\$ 54,016	\$ -	\$ 4,000	\$ 3,000	\$ 61,016
<b>Non-Current Assets</b>						
Restricted cash	10,757	1,918	951	3,336	13,629	30,591
<b>Total Assets</b>	<b>10,757</b>	<b>55,934</b>	<b>951</b>	<b>7,336</b>	<b>16,629</b>	<b>91,607</b>
<b>Net Position</b>						
Restricted:						
Capital	10,757	55,934	-	7,336	16,629	90,656
Debt service	-	-	951	-	-	951
<b>Total Net Position</b>	<b>\$ 10,757</b>	<b>\$ 55,934</b>	<b>\$ 951</b>	<b>\$ 7,336</b>	<b>\$ 16,629</b>	<b>\$ 91,607</b>

CITY OF IRVINGTON, KENTUCKY  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
 NET POSITION - NON-MAJOR PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Wastewater Capital Improvement Fund	Wastewater Depreciation Fund	Wastewater Sinking Fund	Water Capital Improvement Fund	Water Depreciation Fund	Total Non-major Funds
<b><u>Non-Operating Revenues (Expenses)</u></b>						
Interest income	\$ 72	\$ 2	\$ 9	\$ 6	\$ 77	\$ 166
Other expenses	(4)	(2)	(3)	-	1	(8)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>68</b>	<b>-</b>	<b>6</b>	<b>6</b>	<b>78</b>	<b>158</b>
<b>Income (Loss) Before Transfers</b>	<b>68</b>	<b>-</b>	<b>6</b>	<b>6</b>	<b>78</b>	<b>158</b>
Transfers in	900	3,438	28,000	-	1,000	33,338
Transfers out	(820)	(2,650)	(27,176)	-	-	(30,646)
<b>Changes in Net Position</b>	<b>148</b>	<b>788</b>	<b>830</b>	<b>6</b>	<b>1,078</b>	<b>2,850</b>
<b>Net Position - Beginning of Year</b>	<b>10,609</b>	<b>55,146</b>	<b>121</b>	<b>7,330</b>	<b>15,551</b>	<b>88,757</b>
<b>Net Position - End of Year</b>	<b>\$ 10,757</b>	<b>\$ 55,934</b>	<b>\$ 951</b>	<b>\$ 7,336</b>	<b>\$ 16,629</b>	<b>\$ 91,607</b>

**SK LEE CPAS, P.S.C.**

*Certified Public Accountants*

*208 Pauline Drive, Suite D*

*Berea, Kentucky 40403*

*(859) 986-3756*

*Member of American Institute of CPA's*

*Member of Kentucky Society of CPA's*

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

To the Honorable Mayor and Members of the City Council  
City of Irvington  
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 (hereinafter called "the City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 5, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of 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.

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 City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and responses that We consider to be material weaknesses as items 2018-001, 2018-002, and 2018-003.

**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 2018-004, 2018-005, and 2018-006.

### **The City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City'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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***SK Lee CPAs, P.S.C.***

Berea, Kentucky  
August 5, 2021

**CITY OF IRVINGTON, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018**

**MATERIAL WEAKNESS**

2018-001 Financial Statement Preparation

Condition:

A key component of internal control is to ensure that personnel, management, or others within the City have the ability to prepare financial statements, including the notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Criteria:

During my audit procedures, I noted some instances of this objective not being completely achieved.

Cause:

The City did not prepare a complete set of GAAP financial statements and related note disclosures.

Effect:

Management is responsible establishing and maintaining internal controls for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with accounting principles generally accepted in the United States of America. The City does not internally possess the ability to recognize and implement new authoritative guidance in regard to financial reporting. However, management is knowledgeable in respect to the financial accounting and amounts reported in the financial statements. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures.

Recommendation:

Management should continue to engage the audit firm to prepare a draft of the financial statements including the notes to the financial or hire an accountant to perform their services.

Views of Responsible Officials:

Management agrees with the recommendation.

**CITY OF IRVINGTON, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

**MATERIAL WEAKNESS**

2018-002 Segregation of Duties

Condition:

While conducting my audit procedures to gain an understanding of internal controls over financial reporting, I noted a lack of segregation of duties which enabled one individual access to custody of assets and recording and reporting of the City's transactions in the cash receipts.

Criteria:

Segregation of duties is a control in which no person should be given the responsibility to perform more than one related function of an accounting process.

Cause:

Due to the small number of administrative and clerical employees at the City, there is an inherent limitation in its ability to segregate custodial duties from recordkeeping duties in the cash collection and billing process.

Effect:

The lack of internal controls increases the risk that an error, either intentional or unintentional, will go undetected and the financial statements will contain material misstatements.

Recommendation:

The lack of segregation of duties is a common deficiency in cities the size of Irvington.

Views of Responsible Officials:

Management agrees with the recommendation.

**CITY OF IRVINGTON, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

**MATERIAL WEAKNESS**

2018-003 Material Audit Adjustments

Condition:

While conducting my audit procedures to gain an understanding of internal controls over financial reporting, I noted numerous material adjustments were required to correct errors in the City's accounting records. Transfers were out of balance, allocations were inconsistent, and some significant transactions were not recorded.

Criteria:

Basic bookkeeping and account functions are the responsibility of the City's management.

Cause:

Due to staff turnover, the individual primarily assigned to accounting for the year ended June 30, 2018, and earlier was not available for inquiry. However, our observation indicated that the errors were due to a lack of understanding and carelessness.

Effect:

The City's accounting records were on a cash basis and omitted long-term account balances such as fixed assets and debt liabilities.

Recommendation:

The new city clerk should continue to be trained in governmental accounting.

Views of Responsible Officials:

Management agrees with the recommendation.

**CITY OF IRVINGTON, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

**NON-COMPLIANCE**

2018-004 Bond Required Transfers

Condition:

While conducting my audit procedures, I noted the City failed to make required transfers to accounts required under the terms of its bond issues and to properly fund its depreciation accounts.

Criteria:

The United States Department of Agriculture regulations require the City to transfer amounts to sinking funds monthly in amounts sufficient to pay semi-annual interest and annual principal on the outstanding bond issues. The City is required to make monthly transfers to the Water and Sanitation fund and to Wastewater Depreciation fund until the account reaches \$65,640.

Cause:

The City failed to make required transfers.

Effect:

The City was not in compliance with the terms of its bond issues.

Recommendation:

All required transfers should be resumed immediately. If resources permit, the depreciation account should be brought to the required minimum.

Views of Responsible Officials:

Management agrees with the recommendation and has since made required transfers.

**CITY OF IRVINGTON, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

**NON-COMPLIANCE**

2018-005 Competitive Bidding/Budget Overruns

**Condition:**

During my audit procedures, we noted some instances of this objective not being completely achieved.

**Criteria:**

Kentucky bid law requires that cities expending \$30,000 or more for a single purchase advertise for bids unless certain exceptions are met. These include declaration for emergency, certifying that item is available from only on source, or utilizing a state price contract.

In addition, the City must adopt an annual budget and no expenditure shall exceed appropriations unless it is amended in accordance with Kentucky budget laws.

**Cause:**

The City was not aware of competitive bidding process. The City adopted their amended budget so close to the fiscal year ending date of June 30, 2018. By this date, expenditures had already been incurred and budget violations had occurred. Amending the budget after the incurrence of the appropriation is a budget violation.

**Effect:**

The City was in violation of KRS 424.260 and KRS 91A.030

**Recommendation:**

City officials should become familiar with state bidding regulations regarding purchasing of goods and services and ensure that all expected expenditures from grants, goods, services, debt and capital outlays are budgeted accordingly and amended prior to incurring the liability.

**Views of Responsible Officials:**

Management agrees with the recommendation.

**CITY OF IRVINGTON, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2018**

**NON-COMPLIANCE**

2018-006 Late Audit Report

**Condition:**

The City's audit report for the year ended June 30, 2018 was not completed by the due date of February 1, 2019.

**Criteria:**

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.

**Cause:**

The City did not engage an auditor timely to be in compliance with financial audit requirement.

**Effect:**

The City was in violation of its annual financial audit requirement.

**Recommendation:**

The City should engage audits with sufficient time to complete the engagement by the required date.

**Views of Responsible Officials:**

Management agrees with recommendation.