

CITY OF ALBANY, KENTUCKY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

**CITY OF ALBANY, KENTUCKY
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FOR THE YEAR ENDED JUNE 30, 2015**

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CITY OF ALBANY
204 CROSS STREET
ALBANY, KENTUCKY
(606) 387-6011

CITY OFFICIALS AND OFFICERS

MAYOR

John N. Smith

MEMBERS OF COUNCIL

Steve Lawson
Tony Delk
Leland Hicks
Tonya Thrasher
Brad Thrasher
Frankie Stockton

OFFICERS

Melissa P. Smith
City Clerk/Treasurer

Norbert H. Sohm
City Attorney

Ernest Guffey
Chief of Police

Robert Roeper
Fire Chief

SAMMY K. LEE, P.S.C.

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Albany
Albany, Kentucky 42602

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Albany (hereinafter called "the City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America required 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. My opinion on the basic financial statements are not affected by the missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and pension schedules, shown on pages 30-34, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 2, 2016, on my consideration of the City's internal control over financial reporting and on my 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 my 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.

Sammy K. Lee, P.S.C.

Berea, Kentucky
February 2, 2016

**CITY OF ALBANY, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 81,332	\$ 59,751	\$ 141,083
Investments, at cost	462,551	202,135	664,686
Accounts receivables, net			
Customers	367	636,647	637,014
Other	31,815	4,720	36,535
Interest receivable	-	260	260
Due from water	820,852	-	820,852
Prepaid assets	-	1,029	1,029
Inventory, net	-	104,628	104,628
Total Current Assets	1,396,917	1,009,170	2,406,087
Non-Current Assets			
Restricted cash	217,898	486,238	704,136
Capital assets:			
Non-depreciable	83,086	340,661	423,747
Depreciable, net	1,172,489	28,805,333	29,977,822
Total Non-Current Assets	1,473,473	29,632,232	31,105,705
Total Assets	2,870,390	30,641,402	33,511,792
Deferred Outflows of Resources			
Deferred amounts related to pensions	72,434	109,057	181,491
Liabilities			
Current Liabilities			
Accounts payable	12,946	79,222	92,168
Accrued expenses	49,958	80,010	129,968
Revenue bonds payable	-	253,750	253,750
Notes payable	56,538	8,431	64,969
Unearned revenue	9,731	-	9,731
Accrued interest	-	52,987	52,987
Due to general	-	820,852	820,852
Customer deposits payable	-	179,481	179,481
Total Current Liabilities	129,173	1,474,733	1,603,906
Non-Current Liabilities			
Revenue bonds payable	-	4,686,250	4,686,250
Notes payable	-	223,437	223,437
Net pension liability	491,340	789,579	1,280,919
Total Non-Current Liabilities	491,340	5,699,266	6,190,606
Total Liabilities	620,513	7,173,999	7,794,512
Deferred Inflows of Resources			
Deferred amounts related to pensions	65,852	99,148	165,000
Net Position			
Net investment in capital assets	1,199,037	23,974,126	25,173,163
Restricted	217,898	486,238	704,136
Unrestricted	839,524	(983,052)	(143,528)
Total Net Position	\$ 2,256,459	\$ 23,477,312	\$ 25,733,771

Fitchwood fees.

City's property is State. What is City's? No Home or Employee

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	
Government Activities					
General government	\$ 226,254	\$ -	\$ -	\$ -	\$ (226,254)
Police	500,754	-	17,133	-	(483,621)
Fire	176,675	172,484	-	319,056	314,865
Street	292,684	-	-	-	(292,684)
Total Governmental Activities	1,196,367	172,484	17,133	319,056	(687,694)
Business-Type Activities					
Water	2,794,353	2,243,035	-	-	(551,318)
Sewer	547,871	243,390	-	-	(304,481)
Total Business-Type Activities	3,342,224	2,486,425	-	-	(855,799)
Total Activities	\$ 4,538,591	\$ 2,658,909	\$ 17,133	\$ 319,056	\$ (1,543,493)

	Governmental Activities	Business-Type Activities	Total
Change in Net Position			
Net (expense) revenue	\$ (687,694)	\$ (855,799)	\$ (1,543,493)
General Revenues			
Taxes	147,117	-	147,117
Licenses and other taxes	1,121,453	-	1,121,453
Intergovernmental	88,361	-	88,361
Fines, arrest fees, and permits	11,600	-	11,600
Investment income	4,009	1,045	5,054
Miscellaneous	37,926	99,808	137,734
Total General Revenues	1,410,466	100,853	1,511,319
Change in Net Position	722,772	(754,946)	(32,174)
Net Position, Beginning	2,043,784	25,205,908	27,249,692
Prior Period Adjustment	(510,097)	(973,650)	(1,483,747)
Net Position, Beginning, Restated	1,533,687	24,232,258	25,765,945
Net Position, Ending	\$ 2,256,459	\$ 23,477,312	\$ 25,733,771

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

CITY OF ALBANY, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 81,332	\$ -	\$ 81,332
Investments	462,551	-	462,551
Accounts receivable			
Customers	367	-	367
Other	31,815	-	31,815
Due from water	820,852	-	820,852
Restricted cash	155,564	62,334	217,898
Total Assets	<u>\$ 1,552,481</u>	<u>\$ 62,334</u>	<u>\$ 1,614,815</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 12,946	\$ -	\$ 12,946
Accrued expenses	49,958	-	49,958
Notes payable	56,538	-	56,538
Unearned revenue	9,731	-	9,731
Total Liabilities	<u>129,173</u>	<u>-</u>	<u>129,173</u>
Fund Balances			
Restricted	155,564	62,334	217,898
Unassigned	1,267,744	-	1,267,744
Total Fund Balances	<u>1,423,308</u>	<u>62,334</u>	<u>1,485,642</u>
Total Liabilities and Fund Balances	<u>\$ 1,552,481</u>	<u>\$ 62,334</u>	<u>\$ 1,614,815</u>

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

Fund balances reported above	\$ 1,485,642
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,255,575
Net deferred inflows/outflows related to the long-term net pension liability are not reported in the funds.	6,582
All long-term liabilities are reported in the Statement of Net Position whereas in governmental funds, long term liabilities are not due and payable are not due and payable in the current period and therefore are not reported	
Net pension liability	<u>(491,340)</u>
Net Position of Governmental Activities	<u>\$ 2,256,459</u>

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

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

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 147,117	\$ -	\$ 147,117
Licenses and other taxes	1,121,453	-	1,121,453
Intergovernmental	364,196	60,354	424,550
Service charges	172,484	-	172,484
Fines, arrest fees, and permits	11,600	-	11,600
Other	41,935	-	41,935
Total Revenues	1,858,785	60,354	1,919,139
Expenditures			
General and administration department	223,596	-	223,596
Police department	500,312	-	500,312
Fire department	575,454	-	575,454
Street department	193,336	69,922	263,258
Total Expenditures	1,492,698	69,922	1,562,620
Net Change in Fund Balance	366,087	(9,568)	356,519
Fund Balance, Beginning	1,023,004	71,902	1,094,906
Fund Balance, Ending	\$ 1,389,091	\$ 62,334	\$ 1,451,425

Net changes in fund balances - total governmental funds **\$ 356,519**

Amounts reported for *government activities* in the statement of activities are different because:

Proceeds of certain notes payable are reported as financing sources in governmental funds and thus contribute to the increase in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Outstanding loan balance at beginning of the year was \$91,016 compared to \$56,538 at end of year. 33,478

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 \$421,552 exceeds depreciation expense of \$114,116 in the current period. 307,436

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 expense of governmental activities 25,339

Change in net position of governmental activities **\$ 722,772**

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

	Total Enterprise Funds
Assets	
Current Assets	
Cash and cash equivalents	\$ 59,751
Investments, at cost	202,135
Accounts receivables, net	
Customers	636,647
Other	4,720
Interest receivable	260
Prepaid expenses	1,029
Inventory, net	104,628
Total Current Assets	1,009,170
Non-Current Assets	
Restricted cash	486,238
Capital assets:	
Non-depreciable	340,661
Depreciable, net	28,805,333
Total Non-Current Assets	29,632,232
Total Assets	30,641,402
Deferred Outflows of Resources	
Deferred amounts related to pensions	109,057
Liabilities	
Current Liabilities	
Accounts payable	79,222
Accrued expenses	80,010
Revenue bonds payable	253,750
Notes payable	8,431
Accrued interest	52,987
Due to general	820,852
Customer deposits payable	179,481
Total Current Liabilities	1,474,733
Non-Current Liabilities	
Revenue bonds payable	4,686,250
Notes payable	223,437
Net pension liability	789,579
Total Non-Current Liabilities	5,699,266
Total Liabilities	7,173,999
Deferred Inflows of Resources	
Deferred amounts related to pensions	99,148
Net Position	
Net investment in capital assets	23,974,126
Restricted	486,238
Unrestricted	(983,052)
Total Net Position	\$ 23,477,312

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

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

	<u>Water Utilities</u>	<u>Sewer Utilities</u>	<u>Total Enterprise Funds</u>
Operating Revenues			
Charges for services	\$ 2,243,035	\$ 243,390	\$ 2,486,425
Miscellaneous	84,837	14,971	99,808
Total Operating Revenues	<u>2,327,872</u>	<u>258,361</u>	<u>2,586,233</u>
Operating Expenses			
Salaries	553,307	119,852	673,159
Employee benefits	267,680	51,993	319,673
Administration	15,028	-	15,028
Contractual services	10,736	4,515	15,251
Repairs, parts, and supplies	183,644	24,106	207,750
Vehicle expense	75,680	8,906	84,586
Travel and training	620	1,859	2,479
Utilities and telephone	506,166	56,636	562,802
Labs and supplies	168,412	24,343	192,755
Insurance	21,925	21,925	43,850
Depreciation	810,872	202,570	1,013,442
Bad debt provision	22,430	2,434	24,864
Miscellaneous	35,658	2,645	38,303
Penalties and interest	17,847	-	17,847
Total Operating Expenses	<u>2,690,005</u>	<u>521,784</u>	<u>3,211,789</u>
Operating Income (Loss)	<u>(362,133)</u>	<u>(263,423)</u>	<u>(625,556)</u>
Non-Operating Revenues (Expenses)			
Interest income	888	157	1,045
Interest expense	(104,348)	(26,087)	(130,435)
Total Non-Operating Revenue (Expenses)	<u>(103,460)</u>	<u>(25,930)</u>	<u>(129,390)</u>
Change in Net Position			(754,946)
Total Net Position, Beginning			25,205,908
Prior Period Adjustment			<u>(973,650)</u>
Total Net Position, Beginning, Restated			24,232,258
Total Net Position, Ending			<u>\$23,477,312</u>

Loss for year.
- pension adjustment.

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

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

	Total Enterprise Funds
Cash Flows from Operating Activities	
Cash received from customers	\$ 2,395,251
Cash received from other sources	95,088
Cash payments to suppliers for goods and services	(1,383,528)
Cash payments to employees	(669,998)
	436,813
Net Cash Provided by Operating Activities	436,813
Cash Flows from Capital and Related Financing Activities	
Principal and interest paid on long-term debt	(421,200)
Acquisition and construction of capital assets	(30,850)
	(452,050)
Net Cash Used by Capital and Related Financing Activities	(452,050)
Cash Flows from Investing Activities	
Redemption of investments	36,327
Cash received from interest income	1,045
	37,372
Net Cash Provided by Investing Activities	37,372
Net Increase in Cash and Cash Equivalents	22,135
Cash and Cash Equivalents at July 1, 2014	37,616
Cash and Cash Equivalents at June 30, 2015	\$ 59,751
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	\$ (625,556)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,013,442
Bad debt provision	24,864
Changes in assets and liabilities:	
(Increase) decrease in customer accounts receivable	(91,174)
(Increase) decrease in other receivable	(4,720)
(Increase) decrease in inventory	20,880
Increase (decrease) in accounts payable	(15,648)
Increase (decrease) in accrued expenses	(26,583)
Increase (decrease) in customer deposits	12,290
Increase (decrease) in due to general	120,936
Increase (decrease) in net pension liability	17,991
Deferred inflow/outflows related to pension	(9,909)
	1,062,369
Total adjustments	1,062,369
Net Cash Provided by Operating Activities	\$ 436,813

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Albany, Kentucky (hereinafter the "City") operates under a Mayor-Council form of government. The City's major operations include police and fire protection, streets and roadways, and general administrative services. The City also operates a water and sewer system for its citizens. The citizens of Albany 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

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has no component unit.

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.

CITY OF ALBANY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

As a general rule, the effect of inter-fund 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.

- *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 Fund* accounts for financial resources provided by the State of Kentucky through its Municipal Road Aid and Local Government Economic Assistance Funds. These funds are restricted for the use of public safety and street improvements.

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 investment income.

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

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 and Sewer Funds are charges to customers for sales and services. The Water and Sewer 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 2015, the original budget was approved in June 2014 and amended May 2015. The budget for the General Fund is presented in the Required Supplemental Budgetary Comparison General Fund schedule. 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 ALBANY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Investments

The City considers demand deposits, money market funds, and other investments 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 investments to satisfy bond issue requirements, including cash and investments restricted for bond payments.

Investments are reported at cost which approximates fair value. Investments of the City consist of certificates of deposits. 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 and investment revenue receivable in all funds consist of revenue due on each investment.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Tax Calendar

Property taxes for fiscal year 2015 were levied in November 2014, respectively, on the assessed property located in the City of Albany as of the preceding January 1. The rate for real estate was 18 cents per one hundred dollars of assessed value. The rate for auto and boats was 20 cents and other tangible property was 20 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 |
| 4. Interest charge | 12% per annum from January 1 |

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

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.

Inventory

Inventories of materials and supplies in all funds are stated at cost on a first-in, first-out basis and charged to expenses as used.

Restricted Assets

Cash and investments 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 investments 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 \$500, 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	15 years
Equipment	5-10 years
Water and Sewer System Utility Plants	25-40 years
Infrastructure	15-40 years

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 time in excess of 120 hours is generally required to be used within one year of accumulation. Upon termination, up to 120 hours of 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.

Net Pension Liability

For the fiscal year ending June 30, 2015, GASB No. 68 was effective for the City. The City participates in a cost-sharing plan to provide pension benefits to employees. Each cost-sharing government reports its proportionate share of the cumulative net pension liability. For the purposes of measuring the net pension liability, deferred outflows or inflows of resources related to pension, and pension 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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 – CASH AND INVESTMENTS

Cash, both restricted and unrestricted, and investments at June 30, 2015 consisted of the following:

<u>Account</u>	<u>Interest Bearing</u>	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Operating	√	\$ 78,401	\$ 59,751	\$ 138,152
LGEAF	√	8,946	-	8,946
Municipal Road Aid	√	53,388	-	53,388
Dare Program	√	16	-	16
Drug Ratification	√	35,021	-	35,021
Fire Membership Fees	√	2,931	-	2,931
Depreciation Fund	√	-	9,978	9,978
Improvement and Refunding	√	-	41,727	41,727
Raw Water Intake Exec Order	√	-	176	176
US Highway 127 Highway Relocation	√	-	25,910	25,910
Sinking Fund - KY Bond Corporation	√	-	177,075	177,075
DSRF - KY Bond Corporation	√	-	231,372	231,372
Certificates of Deposit	√	583,078	202,135	785,213
Total		<u>\$ 761,781</u>	<u>\$ 748,124</u>	<u>\$ 1,509,905</u>

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.

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

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investments. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy states that unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than one year from the date of purchase.

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities 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.

The City's bank deposits were entirely covered by federal depositor insurance or by collateral held by the custodial bank in the City's name. The carrying amount of the City's deposits and investments totaled \$1,509,905 and the bank balances totaled \$1,551,454 At June 30, 2015, \$107,964 of collateral was pledged to the City by the custodial bank.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City invests surplus cash in local bank certificates of deposit and savings accounts. This investment class subjects the City to custodial credit risk. This risk is considered immaterial, and as such, the City does not have an investment policy to deal with such risk.

The City's investments at June 30, 2015, consist entirely of certificates of deposit with maturities of one year or less.

NOTE 3 – RECEIVABLES

Receivables, including accrued interest, as of 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 & Sewer</u>	<u>Total</u>
Property taxes	\$ 367	\$ -	\$ 367
Accounts receivables			
Customers	-	934,378	934,378
Other	31,815	4,720	36,535
Interest receivable	-	260	260
	<hr/>	<hr/>	<hr/>
Gross receivables	32,182	939,358	971,540
Less allowance for bad debt	-	(297,731)	(297,731)
	<hr/>	<hr/>	<hr/>
Net total receivables	<u>\$ 32,182</u>	<u>\$ 641,627</u>	<u>\$ 673,809</u>

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

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. There were no fund transfers for the year ended June 30, 2015.

<u>Fund</u>	<u>Inter-fund Receivables</u>	<u>Inter-fund Payables</u>
General	\$ 820,852	\$ -
Municipal Road Aid	-	-
Proprietary	-	820,852
Total	<u>\$ 820,852</u>	<u>\$ 820,852</u>

CITY OF ALBANY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS

The following table summarizes the changes in capital assets:

	Beginning Balance 6/30/2014	Increases	Decreases	Ending Balance 6/30/2015
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 83,086	\$ -	\$ -	\$ 83,086
Construction in process	260,824	-	260,824	-
Total capital assets, not being depreciated:	343,910	-	260,824	83,086
Capital assets, being depreciated:				
Building	274,267	670,998	-	945,265
Trucks & Equipment	1,184,211	11,378	-	1,195,589
Furniture & Fixtures	54,318	-	-	54,318
Street Repair	488,000	-	-	488,000
Landscaping	12,643	-	-	12,643
Total capital assets, being depreciated:	2,013,439	682,376	-	2,695,815
Less accumulated depreciation for :				
Governmental Activities				
Buildings	206,407	26,035	-	232,442
Trucks & Equipment	911,862	55,052	-	966,914
Furniture & Equipment	53,583	495	-	54,078
Street Repair	224,715	32,534	-	257,249
Landscaping	12,643	-	-	12,643
Total accumulated depreciation	1,409,210	114,116	-	1,523,326
Total capital assets, being depreciated, net	604,229			1,172,489
Capital assets, net	\$ 948,139			\$ 1,255,575

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

	2015
General	\$ 7,307
Police	18,647
Fire	44,873
Street	43,289
Total	\$ 114,116

CITY OF ALBANY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 5 – SUMMARY OF CHANGES IN CAPITAL ASSETS – CONTINUED

	Beginning Balance 6/30/2014	Increases	Decreases	Ending Balance 6/30/2015
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 340,661	\$ -	\$ -	\$ 340,661
Total capital assets, not being depreciated:	340,661	-	-	340,661
Capital assets, being depreciated:				
Building	106,670	-	-	106,670
Office Equipment	35,442	-	-	35,442
Sewer Trucks & Equipment	78,092	29,563	-	107,655
Sewer Utility Plant	14,083,639	-	-	14,083,639
Water House & Building	87,907	-	-	87,907
Water Trucks & Equipment	444,565	1,287	-	445,852
Water Utility Plant & Transmission Lines	27,321,115	-	-	27,321,115
Total capital assets, being depreciated:	42,157,430	30,850	-	42,188,280
Less accumulated depreciation for :				
Business-Type Activities				
Building	27,999	2,667	-	30,666
Office Equipment	34,452	152	-	34,604
Sewer Trucks & Equipment	71,962	2,684	-	74,646
Sewer Utility Plant	1,974,877	326,785	-	2,301,662
Water House & Building	53,529	2,784	-	56,313
Water Trucks & Equipment	385,235	11,129	-	396,364
Water Utility Plant & Transmission Lines	9,821,451	667,241	-	10,488,692
Total accumulated depreciation	12,369,505	1,013,442	-	13,382,947
Total capital assets, being depreciated, net	29,787,925			28,805,333
Capital assets, net	\$ 30,128,586			\$ 29,145,994

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

	2015
Water	\$ 810,872
Sewer	202,570
Total	\$ 1,013,442

CITY OF ALBANY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 6 – LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2015:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
Business-type					
Revenue Bonds	\$ 5,220,000	\$ -	\$ 280,000	\$ 4,940,000	\$ 253,750
Notes Payable	240,299	-	8,431	\$ 231,868	8,431
Governmental-type					
Notes Payable	90,016	-	33,478	\$ 56,538	56,538
	<u>\$ 5,550,315</u>	<u>\$ -</u>	<u>\$ 321,909</u>	<u>\$ 5,228,406</u>	<u>\$ 318,719</u>

The following are principal and interest maturities for long-term debt outstanding as of June 30, 2015:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual</u> <u>Requirements</u>
2016	\$ 318,719	\$ 124,794	\$ 443,513
2017	222,597	110,619	333,216
2018	228,431	115,435	343,866
2019	230,514	111,035	341,549
2020	235,514	106,593	342,107
2021-2025	1,213,404	445,243	1,658,647
2026-2030	1,115,490	318,078	1,433,568
2031-2035	980,910	167,664	1,148,574
2036-2040	661,747	30,821	692,568
2041-2043	21,080	-	21,080
Total	<u>\$ 5,228,406</u>	<u>\$ 1,530,282</u>	<u>\$ 6,758,688</u>

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 \$5,595,000. 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. This bond was issued as a 25 year serial bond 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% to 3.25%. The debt reserve requirement was in compliance for the fiscal year.

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

NOTE 6 – LONG-TERM DEBT – CONTINUED

Bonds Payable

Bonds payable consists of bonds payable to the Kentucky Bond Corporation. The interest rates range from 2-3.25%. Principal and interest payments are made semi-annually. Outstanding balances are as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Outstanding 6/30/2015</u>
2012E	2% - 3.25%	11/28/12	02/01/38	5,595,000	4,940,000
Totals				<u>\$ 5,595,000</u>	<u>\$ 4,940,000</u>

The bond ordinances state that the Enterprise Fund is to create a special fund designated as the Depreciation Fund. All hook-up fees, proceeds from property damage insurance, sale of surplus or worn-out equipment, and a sum equal to not less than one twelfth (1/12) of five percent (5%) of the annual gross income and revenue of the public water and sewer project of the previous fiscal year, should be deposited into the Depreciation Fund. The Water Company transferred its required amounts into all Depreciation Funds.

Assuming the bonds are not called prior to maturity, the minimum obligations of the City's funds at June 30, 2015 for the payment of bond principal and interest are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Requirements</u>
2016	253,750	124,794	378,544
2017	214,167	110,619	324,786
2018	220,000	115,435	335,435
2019	222,083	111,035	333,118
2020	227,083	106,593	333,676
2021	232,083	102,052	334,135
2022	230,833	97,410	328,243
2023	229,167	92,559	321,726
2024	237,083	81,403	318,486
2025	242,083	81,819	323,902
2026	230,419	75,644	306,063
2027	212,085	69,592	281,677
2028	219,162	63,912	283,074
2029	212,500	57,653	270,153
2030	199,165	51,277	250,442
2031	207,081	45,303	252,384
2032	193,335	39,087	232,422
2033	172,084	33,197	205,281
2034	179,166	27,851	207,017
2035	187,084	22,226	209,310
2036	181,666	16,277	197,943
2037	190,384	10,372	200,756
2038	247,537	4,172	251,709
Totals	<u>\$ 4,940,000</u>	<u>\$ 1,540,282</u>	<u>\$ 6,480,282</u>

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

NOTE 6 – LONG-TERM DEBT – CONTINUED

Notes Payable

Notes payable consists of a loan in the original amount of \$749,947 from Kentucky Infrastructure Authority. This is an interest free loan. Principal payments are made bi-annually. The maturity date is December 1, 2042. Note payables to Community Trust Bank were retired this year. Payments on the notes over the next five years are estimated as follows:

<u>Fiscal Year</u>	<u>Annual Requirements of Principal</u>	<u>Interest</u>	<u>Total Annual Requirements</u>
2016	\$ 8,431	\$ -	\$ 8,431
2017	8,431	-	8,431
2018	8,431	-	8,431
2019	8,431	-	8,431
2020	8,431	-	8,431
2021	8,431	-	8,431
2022	8,431	-	8,431
2023	8,431	-	8,431
2024	8,431	-	8,431
2025	8,431	-	8,431
2026	8,431	-	8,431
2027	8,431	-	8,431
2028	8,432	-	8,432
2029	8,432	-	8,432
2030	8,432	-	8,432
2031	8,432	-	8,432
2032	8,432	-	8,432
2033	8,432	-	8,432
2034	8,432	-	8,432
2035	8,432	-	8,432
2036	8,432	-	8,432
2037	8,432	-	8,432
2038	8,432	-	8,432
2039	8,432	-	8,432
2040	8,432	-	8,432
2041	8,432	-	8,432
2042	8,432	-	8,432
2043	4,216	-	4,216
Totals	<u>\$ 231,868</u>	<u>\$ -</u>	<u>\$ 231,868</u>

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

NOTE 6 – LONG-TERM DEBT – CONTINUED

Notes Payable – Continued

Notes payable consists of a loan in the amount of \$56,538, to the Monticello Banking Company for the fire department. The interest rate is 2.25% over the term of the note. The loan is to be retired in one principal payment plus interest on September 6, 2015. The loan is collateralized by certificate of deposit.

NOTE 7 – RETIREMENT PLAN

The City of Albany 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.

Contributions – For the year ended June 30, 2015, plan members were required to contribute 5% of wages 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, 2015, participating employers contributed 17.67% (non-hazardous) and 34.31% (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 members 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.

For the fiscal year ended June 30, 2015 the City's covered payroll for non-hazardous positions was \$1,027,114. There are no employees subject to the hazardous job classification contribution requirements.

The City's contribution for the fiscal year ended June 30, 2015 amounted to \$234,634, of which \$181,491 was contributed by the City and \$53,143 by the City's employees.

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

NOTE 7 – RETIREMENT PLAN – CONTINUED

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

At June 30, 2015, the City reported a liability of \$1,280,919 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability 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, 2014, the City's proportion was .046 percent for non-hazardous, which was equal to its proportion measured as of June 30, 2013.

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	165,000
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	181,491	-
Total	<u>\$ 181,491</u>	<u>\$ 165,000</u>

The \$181,491 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, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2016	\$(41,250)
2017	\$(41,250)
2018	\$(41,250)
2019	\$(41,250)

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

NOTE 7 – RETIREMENT PLAN – CONTINUED

Actuarial Methods and Assumptions

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2014. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation date	30-Jun-14
Experience Study	July 1, 2005-June 30, 2008
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smooth market
Inflation	3.5%
Salary increase	4.5%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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

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 ALBANY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7 – 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:

Asset Class	Target Allocation	Long-term Nominal Real Rate of Return
Domestic equity	30%	8.45%
International equity	22%	8.85%
Emerging market equity	5%	10.50%
Private equity	7%	11.25%
Real estate	5%	4.50%
Core US fixed income	10%	5.25%
High yield US fixed income	5%	7.25%
Non US fixed income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate 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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	Discount Rate	City's Proportionate Share of Net Pension Liability
1% Decrease	6.75%	\$ 1,946,027
Current Discount Rate	7.75%	\$ 1,478,819
1% Increase	8.75%	\$ 1,066,030

Payable to the Pension Plan – At June 30, 2015, the City reported no outstanding liability amount to the pension plan.

CITY OF ALBANY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The City receives funding from federal, state, and local government agencies. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of grants advanced, or refuse to reimburse the City for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the City's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their program.

As of June 30, 2015 there were no pending litigation, unasserted claims nor assessments against the City.

NOTE 9 – 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, 2015, the City was sufficiently insured.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

The City implemented accounting standards GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("Statement No. 65"). The provisions of Statement No. 65 relevant to the City related to the changes in the accounting and reporting of bonded debt activities. Specifically, bond issuance costs incurred are recorded as current period expenditures as opposed to being capitalized and amortized over the maturity period of the debt. Due to the implementation of GASB Statement No. 65, the business-type net assets decreased by \$202,062 as a result of adjustments to the bond issuance costs.

Due to the implementation of new accounting standards GASB Statement No. 68, the government-wide net assets decreased by \$1,281,685 as a result of adjustments to the net pension liability. As described in Note 7 regarding the City's participation in the County Employee's Retirement Plan, the Government Accounting Standards Board's Statement No. 68 became effective for Fiscal year 2015. The new standard required the City to report its proportionate share of the net pension liability and related deferred outflows of resources and deferred inflows of resources. That amount was calculated to be \$510,097 for governmental activities and \$771,588 for business-type activities as of June 30, 2014.

NOTE 11 – DATE OF MANAGEMENT'S REVIEW

Subsequent events were evaluated through February 2, 2016, which is the date the financial statements were available to be issued.

**CITY OF ALBANY, KENTUCKY
REQUIRED SUPPLEMENTAL
BUDGETARY COMPARISON - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 145,000	\$ 145,000	\$ 147,117	\$ 2,117
Licenses and other taxes	754,000	754,000	1,121,453	367,453
Intergovernmental	27,000	27,000	364,196	337,196
Service charges	140,000	140,000	172,484	32,484
Fines, arrest fees, and permits	6,500	6,500	11,600	
Interest income	-	-	4,009	4,009
Other	11,400	11,400	37,926	26,526
Total Revenues	<u>1,083,900</u>	<u>1,083,900</u>	<u>1,858,785</u>	<u>774,885</u>
Expenditures				
General and administrative	232,850	232,850	223,596	9,254
Police	542,247	542,247	500,312	41,935
Fire	189,620	189,620	575,454	(385,834)
Street	201,400	201,400	193,336	8,064
Total Expenditures	<u>1,166,117</u>	<u>1,166,117</u>	<u>1,492,698</u>	<u>(326,581)</u>
Net Change in Fund Balance	(82,217)	(82,217)	366,087	448,304
Fund Balance, Beginning	<u>1,261,453</u>	<u>1,261,453</u>	<u>1,023,004</u>	<u>599,499</u>
Fund Balance, Ending	<u>\$1,179,236</u>	<u>\$ 1,179,236</u>	<u>\$1,389,091</u>	<u>\$ 1,047,803</u>

CITY OF ALBANY, KENTUCKY
 REQUIRED SUPPLEMENTAL
 BUDGETARY COMPARISON GENERAL FUND-CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
General & Administrative				
Salaries	\$ 117,000	\$ 117,000	\$ 103,954	\$ (13,046)
Employee benefits	51,850	51,850	38,945	(12,905)
Professional services	11,000	11,000	17,102	6,102
Insurance	11,500	11,500	13,151	1,651
Office expense	3,000	3,000	15,970	12,970
Telephone & utilities	8,500	8,500	4,421	(4,079)
Travel & training	3,000	3,000	2,591	(409)
Repairs & maintenance	15,000	15,000	18,662	3,662
Miscellaneous	12,000	12,000	8,800	(3,200)
Total General & Administration	\$ 232,850	\$ 232,850	\$ 223,596	\$ (9,254)
Police Department				
Salaries (including incentive pay)	270,000	270,000	302,393	32,393
Employee benefits	143,947	143,947	115,059	(28,888)
Vehicle expense	41,800	41,800	32,324	(9,476)
Insurance	27,000	27,000	10,688	(16,312)
Professional fees	2,500	2,500	1,930	(570)
Uniform, supplies & equipment	27,000	27,000	14,033	(12,967)
Dispatching	15,000	15,000	8,250	(6,750)
Telephone & utilities	8,000	8,000	10,611	2,611
Travel & training	5,000	5,000	1,081	(3,919)
Miscellaneous	2,000	2,000	1,443	(557)
Capital outlay	-	-	2,500	2,500
Total Police Department	\$ 542,247	\$ 542,247	\$ 500,312	\$ (41,935)

**CITY OF ALBANY, KENTUCKY
REQUIRED SUPPLEMENTAL
BUDGETARY COMPARISON GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

Expenditures (Continued)	Budget		Actual	Variance with Final Budget
	Original	Final		
Fire Department				
Salaries	\$ 13,320	\$ 13,320	\$ 10,419	\$ (2,901)
Employee benefits	1,000	1,000	834	(166)
Fire personnel allowance	44,000	44,000	41,021	(2,979)
Vehicle expense	28,000	28,000	36,405	8,405
Insurance	5,300	5,300	10,688	5,388
Professional fees	-	-	2,312	2,312
Travel & training	4,500	4,500	1,403	(3,097)
Supplies & equipment	6,500	6,500	8,739	2,239
Telephone & utilities	8,000	8,000	11,089	3,089
Miscellaneous	4,000	4,000	-	(4,000)
Dispatching Contract	15,000	15,000	8,370	(6,630)
Debt services	60,000	60,000	34,000	(26,000)
Capital outlay	-	-	410,174	410,174
Total Fire Department	\$ 189,620	\$ 189,620	\$ 575,454	\$ 385,834
Street Department				
Salaries	\$ 96,000	\$ 96,000	\$ 83,063	\$ (12,937)
Employee benefits	60,400	60,400	42,333	(18,067)
Vehicle expense	10,000	10,000	6,356	(3,644)
Insurance	16,000	16,000	10,687	(5,313)
Professional fees	-	-	3,015	3,015
Uniforms & supplies	4,000	4,000	6,735	2,735
Street lighting	9,000	9,000	17,568	8,568
Repairs & maintenance	-	-	13,340	13,340
Miscellaneous	6,000	6,000	1,361	(4,639)
Capital outlay	-	-	8,878	8,878
Total Street Department	\$ 201,400	\$ 201,400	\$ 193,336	\$ (8,064)

**CITY OF ALBANY, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
JUNE 30, 2015**

NON-HAZARDOUS

City's proportion of the net pension liability (asset)	0.045581%
City's proportionate share of the net pension liability (asset)	\$1,027,000
City's covered-employee payroll	\$1,027,114
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	99.99%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

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

	<u>NON-HAZARDOUS</u>
Contractually required contribution	\$ 181,491
Contributions in relation to the contractually required contribution	<u>(191,491)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 1,027,114
Contributions as a percentage of covered-employee payroll	17.67%

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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 Albany
Albany, Kentucky 42602

I 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, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated February 2, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2015-001, and 2015-002.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2015-003.

The City's Response to Findings

The City's response to the findings identified in my 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, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Sammy K. Lee, P.S.C.

Berea, Kentucky

February 2, 2016

**CITY OF ALBANY, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

MATERIAL WEAKNESS

2015-001 Financial Statement Preparation

Condition:

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

Criteria:

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).

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 regards 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 these services.

Views of Responsible Officials:

Management agrees with the recommendation.

**CITY OF ALBANY, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

MATERIAL WEAKNESS

2015-002 Water and Sewer Fees Collection

Condition:

While conducting my audit procedures to gain an understanding of internal controls over financial reporting, I noted a lack of controls that ensure timely collections and monitoring of water and sewer fees delinquent accounts.

Criteria:

Management should have controls in place to monitor customer delinquency and cutoff procedures for nonpayment.

Cause:

The City does not have controls in place to effectively monitor timely collections.

Effect:

The City's accounts receivable continuously increase each year due to inefficient collection efforts.

Recommendation:

Management should review past due accounts each month and perform necessary cutoff procedures. Management should also consider updating the water and sewer department software in order to prepare and monitor more accurate reports.

Views of Responsible Officials:

Management agrees with the recommendation.

**CITY OF ALBANY, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

NON-COMPLIANCE

Finding 2015-003 Vendor Payments

Criteria:

KRS 65.140 requires all vendor payments be paid within 30 days of receipt of the invoice.

Condition:

While conducting my audit procedures, I noted the City did not remit payments due to vendors and payroll related liabilities in a timely fashion.

Cause:

The City did not follow guidelines and remit payments in a timely manner.

Effect:

The City incurred fines and interest for non-payment and late payments.

Recommendation:

Management should follow KRS 65.140 and pay all vendor payments within 30 days of receipt.

Views of Responsible Officials:

Management agrees with recommendation.