

CITY OF IRVINGTON, KENTUCKY

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

YEAR ENDED JUNE 30, 2011

**CITY OF IRVINGTON, KENTUCKY
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BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
FINANCIAL ADVISORS & BUSINESS CONSULTANTS

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Irvington, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Irvington, Kentucky's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Irvington, Kentucky, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2012 on our consideration of the City of Irvington, Kentucky'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information for general fund and proprietary fund, combining statements for nonmajor governmental funds and combining statements for nonmajor on pages 2 through 7, 29 and 30, and on pages 31 through 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Brown & Company, CPA's

Bardstown, Kentucky
February 21, 2012

**CITY OF IRVINGTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2011**

As management of the City of Irvington, Kentucky ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The City spent over \$38,000 resurfacing several City streets.
- The City of Irvington paid off the 2006 Fire Truck pumper.
- The City of Irvington paid off a 2008 Ford Expedition for the police department and leased two new Crown Victoria's for the police department.

**CITY OF IRVINGTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011**

Overview of Financial Statements

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

Basis of Accounting/Measurement Focus

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

A. Government-Wide Financial Statements

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

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

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

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

B. Governmental Fund Financial Statements

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

**CITY OF IRVINGTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011**

B. Governmental Fund Financial Statements - continued

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

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

The City reports the following major governmental fund:

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

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

C. Proprietary Fund Financial Statements

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

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

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

The City reports the following major proprietary funds:

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

**CITY OF IRVINGTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011**

C. Proprietary Fund Financial Statements - Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined Net Assets for fiscal year ended June 30, 2011 was:

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current And Other Assets | \$411,417.84 | \$301,570.91 | \$445,990.22 | \$401,561.72 | \$857,408.06 | \$703,132.63 |
| Capital Assets | 412,944.84 | 422,472.84 | 2,432,401.70 | 2,571,983.76 | 2,845,346.16 | 2,994,456.60 |
| Total Assets | 824,362.30 | 724,043.75 | 2,878,391.92 | 2,973,545.48 | 3,702,754.22 | 3,697,589.23 |
| Long-Term Liabilities Outstanding | 5,859.36 | 8,850.89 | 856,750.00 | 865,650.00 | 862,609.36 | 874,500.89 |
| Other Liabilities | 176,089.13 | 166,873.33 | 94,183.14 | 102,123.05 | 270,272.27 | 268,996.38 |
| Total Liabilities | 181,948.49 | 175,724.22 | 950,933.14 | 967,773.05 | 1,132,881.63 | 1,143,497.27 |
| Net Assets: | | | | | | |
| Invested In Capital Assets, Net Of Related Debt | 404,093.57 | 388,257.14 | 1,582,701.70 | 1,728,083.76 | 1,986,795.27 | 2,116,340.90 |
| Restricted | - | - | - | - | - | - |
| Unrestricted | 238,320.24 | 160,062.39 | 344,757.08 | 277,688.67 | 583,077.32 | 437,751.06 |
| Total Net Assets | \$642,413.81 | \$548,319.53 | \$1,927,458.78 | \$2,005,772.43 | \$2,569,872.59 | \$2,554,091.96 |

Net Assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$2,569,872.59 which is an increase from the previous year.

**CITY OF IRVINGTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011**

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

| | Governmental activities | | Business-type activities | | Total | |
|--|-------------------------|---------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges For Services | \$ 52,098.30 | \$ 68,788.55 | \$717,362.65 | \$633,112.46 | \$769,460.95 | \$701,901.01 |
| Operating Grants And Contributions | 32,300.96 | 45,362.14 | - | - | 32,300.96 | 45,362.14 |
| Capital Grants And Contributions | - | - | - | - | - | - |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property Taxes | 295,055.37 | 284,765.44 | - | - | 295,055.37 | 284,765.44 |
| Grants And Contributions Not Restricted To Specific Programs | - | 103,285.29 | - | 100,000.00 | - | 203,285.29 |
| Investment Earnings | 6,990.53 | 9,138.37 | 766.61 | 3,252.56 | 7,757.14 | 12,390.93 |
| Gain On Sale Of Fixed Assets | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - |
| Miscellaneous | 4,254.65 | 8,251.87 | - | - | 4,254.65 | 8,251.87 |
| Total Revenues | \$ 390,699.81 | \$519,591.66 | \$718,129.26 | \$736,365.02 | \$1,108,829.07 | \$1,255,956.68 |
| Expenses: | | | | | | |
| General Government | \$176,182.51 | \$188,663.21 | \$ - | \$ - | \$176,182.51 | \$188,663.21 |
| Streets And Maintenance | 38,828.86 | 7,470.24 | - | - | 38,828.86 | 7,470.24 |
| Public Safety—Fire | 23,913.34 | 35,132.39 | - | - | 23,913.34 | 35,132.39 |
| Public Safety—Police | 189,858.24 | 200,347.27 | - | - | 189,858.24 | 200,347.27 |
| Community Development | 33,849.04 | 1,190.87 | - | - | 33,849.04 | 1,190.87 |
| Depreciation | 29,528.38 | 57,488.74 | - | - | 29,528.38 | 57,488.74 |
| Interest On Long-Term Debt | 2,176.62 | 2,890.34 | - | - | 2,176.62 | 2,890.34 |
| Water & Garbage | - | - | 511,681.65 | 456,142.53 | 511,681.65 | 456,142.53 |
| Sewer | - | - | 284,760.96 | 254,489.18 | 284,760.96 | 254,489.18 |
| Other | - | - | - | - | - | - |
| Total Expenses | \$494,336.99 | \$493,183.06 | \$796,442.61 | \$710,631.71 | \$1,290,779.60 | \$1,203,814.77 |
| Increase (Decrease) In Net Assets | \$(103,637.18) | \$26,408.60 | \$(78,313.65) | \$ 25,733.31 | \$(181,950.83) | \$ 52,141.91 |
| Net Assets Beginning | 548,319.53 | 498,403.97 | 2,005,772.43 | 1,936,584.78 | 2,554,091.96 | 2,434,988.75 |
| Prior Period Adjustment | 197,731.46 | 23,506.96 | - | 43,454.34 | 197,731.46 | 66,961.30 |
| Net Assets Ending | \$ 642,413.81 | \$548,319.53 | \$1,927,458.78 | \$2,005,772.43 | \$2,569,872.59 | \$2,554,091.96 |

**CITY OF IRVINGTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011**

Business-Type Activities

The cost of all Proprietary (Business-Type) activities this year was \$796,443 compared to \$710,632 last year. As shown in the Statement of Activities, the amounts paid by users of the systems were \$717,362 and investment earnings were \$767.

Comments on Budget Comparisons

- The City's General Fund revenues for the fiscal year ended June 30, 2011, net of Interfund transfers were \$390,699.81.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$5,286.19 less than budget.
- The total cost of General Fund programs and services was \$510,173.42.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 - 27 of this report.

For additional information, please contact the **City Clerk, Lisa Ballman** at 216 North 1st Street, P.O. Box 374, Irvington KY, 40146 or by phone at **270-547-3835**.

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2011

| Assets | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|-------------------------------|
| <u>Current Assets</u> | | | |
| Cash & Cash Equivalents | \$ 365,964.51 | \$ 223,747.37 | \$ 589,711.88 |
| Accounts Receivable | 40,116.62 | 55,421.96 | 95,538.58 |
| Due From Other Funds | 5,336.71 | 166,820.89 | 172,157.60 |
| Total Current Assets | <u>\$ 411,417.84</u> | <u>\$ 445,990.22</u> | <u>\$ 857,408.06</u> |
| <u>Noncurrent Assets</u> | | | |
| Capital Assets | \$ 1,209,748.32 | \$ 5,245,489.35 | \$ 6,455,237.67 |
| Accumulated Depreciation | (796,803.86) | (2,813,087.65) | (3,609,891.51) |
| Total Noncurrent Assets | <u>\$ 412,944.46</u> | <u>\$ 2,432,401.70</u> | <u>\$ 2,845,346.16</u> |
| Total Assets | <u><u>\$ 824,362.30</u></u> | <u><u>\$ 2,878,391.92</u></u> | <u><u>\$ 3,702,754.22</u></u> |
| Liabilities & Net Assets | | | |
| <u>Current Liabilities</u> | | | |
| Accounts Payable | \$ 6,519.73 | \$ 28,598.47 | \$ 35,118.20 |
| Due To Other Funds | 155,290.64 | 16,866.96 | 172,157.60 |
| Accrued Payroll & Related Expenses | 2,913.69 | 4,064.35 | 6,978.04 |
| Accrued Interest Payable | - | 20,261.50 | 20,261.50 |
| Current Portion Of Bond Obligations | 2,991.53 | 16,700.00 | 19,691.53 |
| Current Portion Of Accrued Sick Leave | 8,373.54 | 7,691.86 | 16,065.40 |
| Total Current Liabilities | <u>\$ 176,089.13</u> | <u>\$ 94,183.14</u> | <u>\$ 270,272.27</u> |
| <u>Noncurrent Liabilities</u> | | | |
| Noncurrent Portion Of Bond Obligations | \$ 5,859.36 | \$ 833,000.00 | \$ 838,859.36 |
| Customer Deposits | - | 23,750.00 | 23,750.00 |
| Total Noncurrent Liabilities | <u>\$ 5,859.36</u> | <u>\$ 856,750.00</u> | <u>\$ 862,609.36</u> |
| Total Liabilities | <u><u>\$ 181,948.49</u></u> | <u><u>\$ 950,933.14</u></u> | <u><u>\$ 1,132,881.63</u></u> |
| <u>Net Assets</u> | | | |
| Invested In Capital Assets, Net Of Related Debt | \$ 404,093.57 | \$ 1,582,701.70 | \$ 1,986,795.27 |
| Restricted For: | | | |
| Construction | - | - | - |
| Future Use | - | - | - |
| Unrestricted | 238,320.24 | 344,757.08 | 583,077.32 |
| Total Net Assets | <u><u>\$ 642,413.81</u></u> | <u><u>\$ 1,927,458.78</u></u> | <u><u>\$ 2,569,872.59</u></u> |

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

**CITY OF IRVINGTON, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

| FUNCTIONS / PROGRAMS | Program Revenues | | | Net (Expenses) Revenues And Changes In Net Assets | | | |
|---------------------------------------|------------------------|----------------------------|--|--|----------------------------|-----------------------------|------------------------|
| | Expenses | Charges For Services | Operating Grants & Contributions | Capital Grants & Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General Government | \$ 110,965.85 | \$ 152.67 | \$ 188.00 | \$ - | \$ (110,625.18) | \$ - | \$ (110,625.18) |
| Streets And Maintenance | 38,828.86 | - | 8,500.42 | - | (30,328.44) | - | (30,328.44) |
| Police Department | 189,858.24 | 739.00 | 15,112.54 | - | (174,006.70) | - | (174,006.70) |
| Fire Department | 23,913.34 | 8,049.02 | 8,500.00 | - | (7,364.32) | - | (7,364.32) |
| Recycling | 33,849.04 | 36,942.05 | - | - | 3,093.01 | - | 3,093.01 |
| Cemetery | 16,920.17 | 1,085.00 | - | - | (15,835.17) | - | (15,835.17) |
| Veterans Memorial | 804.64 | 5,130.56 | - | - | 4,325.92 | - | 4,325.92 |
| Youth Sports | 47,491.85 | - | - | - | (47,491.85) | - | (47,491.85) |
| Interest On Long-Term Debt | 2,176.62 | - | - | - | (2,176.62) | - | (2,176.62) |
| Depreciation | 29,528.38 | - | - | - | (29,528.38) | - | (29,528.38) |
| Total Governmental Activities | \$ 494,336.99 | \$ 52,098.30 | \$ 32,300.96 | \$ - | \$ (409,937.73) | \$ - | \$ (409,937.73) |
| Business Type Activities: | | | | | | | |
| Water And Garbage | \$ 511,681.65 | \$ 485,999.69 | \$ - | \$ - | \$ - | \$ (25,681.96) | \$ (25,681.96) |
| Sewer | 284,760.96 | 231,362.66 | - | - | - | (53,398.30) | (53,398.30) |
| Total Business Type Activities | \$ 796,442.61 | \$ 717,362.35 | \$ - | \$ - | \$ - | \$ (79,080.26) | \$ (79,080.26) |
| Total Primary Government | \$ 1,290,779.60 | \$ 769,460.65 | \$ 32,300.96 | \$ - | \$ (409,937.73) | \$ (79,080.26) | \$ (489,017.99) |
| General Revenues: | | | | | | | |
| Taxes & Licenses | | | | | \$ 295,055.37 | \$ - | \$ 295,055.37 |
| Investment Earnings | | | | | 6,990.53 | 766.61 | 7,757.14 |
| State & Formula Grants | | | | | - | - | - |
| Gains On Sales Of Fixed Assets | | | | | - | - | - |
| Miscellaneous | | | | | 4,254.65 | - | 4,254.65 |
| Change In Net Assets | | | | | \$ (103,637.18) | \$ (78,313.65) | \$ (181,950.83) |
| Net Assets - Beginning | | | | | 548,319.53 | 2,005,772.43 | 2,554,091.96 |
| Prior Period Adjustment | | | | | 197,731.46 | - | 197,731.46 |
| Net Assets - Ending | | | | | \$ 642,413.81 | \$ 1,927,458.78 | \$ 2,569,872.59 |

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

**CITY OF IRVINGTON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|---|---|
| Assets & Resources: | | | |
| Cash & Cash Equivalents | \$ 41,955.73 | \$ 324,008.78 | \$ 365,964.51 |
| Accounts Receivable | 40,116.62 | - | 40,116.62 |
| Due From Other Funds | 5,336.71 | - | - |
| Accrued Interest | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total Assets & Resources | <u>\$ 87,409.06</u> | <u>\$ 324,008.78</u> | <u>\$ 406,081.13</u> |
| Liabilities & Fund Balances: | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 6,519.73 | \$ - | \$ 6,519.73 |
| Accrued Payroll & Related Expenses | 2,913.69 | - | - |
| Accrued Sick Leave | 8,373.54 | - | - |
| Due To Other Funds | 155,290.64 | - | 155,290.64 |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities | \$ 173,097.60 | \$ - | \$ 173,097.60 |
| Fund Balances: | | | |
| Unreserved Fund Balances | <u>\$ (85,688.54)</u> | <u>\$ 324,008.78</u> | <u>\$ 238,320.24</u> |
| | <hr/> | <hr/> | <hr/> |
| Total Fund Balances | <u>\$ (85,688.54)</u> | <u>\$ 324,008.78</u> | <u>\$ 238,320.24</u> |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities & Fund Balances | <u>\$ 87,409.06</u> | <u>\$ 324,008.78</u> | <u>\$ 411,417.84</u> |

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

**CITY OF IRVINGTON, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total fund balance per fund financial statements. \$ 238,320.24

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets are not reported in this fund financial statement because
they are not current financial resources, but they are reported in the
statement of net assets. 412,944.46

Certain liabilities (such as bonds payable and the long-term portion of accrued
sick leave) are not reported in this fund financial statement because they are
not due and payable, but they are presented in the statement of net assets. (8,850.89)

Net assets for governmental activities. \$ 642,413.81

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

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|---|
| Revenues: | | | |
| Taxes & Licenses | \$ 295,055.37 | \$ - | \$ 295,055.37 |
| Other Local Sources | 42,276.37 | 14,264.58 | 56,540.95 |
| Intergovernmental | 20,429.76 | 11,683.20 | 32,112.96 |
| Interest Income | 368.21 | 6,622.32 | 6,990.53 |
| | <hr/> | <hr/> | <hr/> |
| Total Revenues | \$ 358,129.71 | \$ 32,570.10 | \$ 390,699.81 |
| Expenditures: | | | |
| General Government | \$ 110,965.85 | \$ - | \$ 110,965.85 |
| Public Safety: | | | |
| Police | 196,442.21 | - | 196,442.21 |
| Fire | 24,541.02 | 16,608.21 | 41,149.23 |
| Streets & Maintenance | 38,828.86 | - | 38,828.86 |
| Community Development | 33,849.04 | 65,216.66 | 99,065.70 |
| Capital Outlay | 23,721.57 | - | 23,721.57 |
| Debt Service | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total Expenditures | \$ 428,348.55 | \$ 81,824.87 | \$ 510,173.42 |
| Excess (Deficit) Of Revenues Over Expenditures | \$ (70,218.84) | \$ (49,254.77) | \$ (119,473.61) |
| Other Financing Sources (Uses): | | | |
| Proceeds From Sale Of Bonds | \$ - | \$ - | \$ - |
| Proceeds From Sale Of Fixed Assets | - | - | - |
| Operating Transfers In | 36,571.16 | - | 36,571.16 |
| Operating Transfers Out | - | (36,571.16) | (36,571.16) |
| | <hr/> | <hr/> | <hr/> |
| Total Other Financing Sources (Uses) | \$ 36,571.16 | \$ (36,571.16) | \$ - |
| Excess (Deficit) Of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses | \$ (33,647.68) | \$ (85,825.93) | \$ (119,473.61) |
| Fund Balance, July 1, 2010 | (52,040.86) | 212,103.25 | 160,062.39 |
| Prior Period Adjustments | <hr/> | <hr/> | <hr/> |
| | - | 197,731.46 | 197,731.46 |
| Fund Balance, June 30, 2011 | <u>\$ (85,688.54)</u> | <u>\$ 324,008.78</u> | <u>\$ 238,320.24</u> |

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

**CITY OF IRVINGTON, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

| | |
|---|-------------------------------|
| Net change in total fund balances per fund financial statements. | \$ (119,473.61) |
| Amounts reported for governmental activities in the statement of activities are different because of the following: | |
| Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year. | (9,527.78) |
| Debt service payments are reported as expenditures in this fund financial statement because they use current financial resources, but they are separated and shown as payments of long-term debt on the statement of net assets and interest expense on the statement of activities. The difference is the amount of principal payment made for the year. | <u>25,364.21</u> |
| Change in net assets of governmental activities. | <u><u>\$ (103,637.18)</u></u> |

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

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

| Assets | Water & Garbage Fund | Sewer Fund | Other Funds | Total |
|--|---|-----------------------|------------------------|-----------------------|
| <u>Current Assets</u> | | | | |
| Cash & Cash Equivalents | \$ 25,458.62 | \$ 18,377.72 | \$ 179,911.03 | \$ 223,747.37 |
| Accrued Interest | - | - | - | - |
| Accounts Receivable | 36,657.28 | 18,764.68 | - | 55,421.96 |
| Due From Other Funds | 60,275.13 | 52,530.25 | 54,015.51 | 166,820.89 |
| Total Current Assets | \$ 122,391.03 | \$ 89,672.65 | \$ 233,926.54 | \$ 445,990.22 |
| <u>Noncurrent Assets</u> | | | | |
| Capital Assets | \$1,752,537.01 | \$3,492,952.34 | \$ - | \$5,245,489.35 |
| Accumulated Depreciation | (944,818.64) | (1,868,269.01) | - | (2,813,087.65) |
| Total Noncurrent Assets | \$ 807,718.37 | \$1,624,683.33 | \$ - | \$2,432,401.70 |
| Total Assets | \$ 930,109.40 | \$1,714,355.98 | \$ 233,926.54 | \$2,878,391.92 |
| Liabilities & Net Assets | | | | |
| <u>Current Liabilities</u> | | | | |
| Accounts Payable | \$ 24,394.98 | \$ 4,203.49 | \$ - | \$ 28,598.47 |
| Accrued Payroll & Related Expenses | 2,166.80 | 1,897.55 | - | 4,064.35 |
| Accrued Interest Payable | 4,059.00 | 16,202.50 | - | 20,261.50 |
| Due To Other Funds | 11,530.25 | 5,336.71 | - | 16,866.96 |
| Current Portion Of Bond Obligations | 3,000.00 | 13,700.00 | - | 16,700.00 |
| Current Portion Of Accrued Sick Leave | 2,475.21 | 5,216.65 | - | 7,691.86 |
| Total Current Liabilities | \$ 47,626.24 | \$ 46,556.90 | \$ - | \$ 94,183.14 |
| <u>Noncurrent Liabilities</u> | | | | |
| Noncurrent Portion Of Bond Obligations | \$ 178,600.00 | \$ 654,400.00 | \$ - | \$ 833,000.00 |
| Customer Deposits | 23,750.00 | - | - | 23,750.00 |
| Total Noncurrent Liabilities | \$ 202,350.00 | \$ 654,400.00 | \$ - | \$ 856,750.00 |
| Total Liabilities | \$ 249,976.24 | \$ 700,956.90 | \$ - | \$ 950,933.14 |
| <u>Net Assets</u> | | | | |
| Invested In Capital Assets, Net Of Related Debt | \$ 626,118.37 | \$ 956,583.33 | \$ - | \$1,582,701.70 |
| Unrestricted | 54,014.79 | 56,815.75 | 233,926.54 | 344,757.08 |
| Total Net Assets | \$ 680,133.16 | \$1,013,399.08 | \$ 233,926.54 | \$1,927,458.78 |

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

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

| | Water & Garbage Fund | Sewer Fund | Other Funds | Total |
|--|----------------------------|------------------------|----------------------|------------------------|
| Operating Revenues: | | | | |
| Water Service | \$ 333,519.22 | \$ - | - | \$ 333,519.22 |
| Sewer Service | - | 231,162.66 | - | 231,162.66 |
| Garbage Service | 111,319.14 | - | - | 111,319.14 |
| Miscellaneous | 41,161.33 | 200.00 | - | 41,361.33 |
| Total Operating Revenues | \$ 485,999.69 | \$ 231,362.66 | \$ - | \$ 717,362.35 |
| Operating Expenses: | | | | |
| Salaries & Benefits | \$ 117,281.87 | \$ 76,379.16 | \$ - | \$ 193,661.03 |
| Insurance | 28,074.34 | 24,048.13 | - | 52,122.47 |
| Depreciation | 74,482.65 | 84,813.33 | - | 159,295.98 |
| Garbage Costs | 105,087.10 | - | - | 105,087.10 |
| Water Costs | 114,296.90 | - | - | 114,296.90 |
| Other Operating Expenses | 47,273.79 | 66,800.34 | - | 114,074.13 |
| Interest Expense | 8,181.00 | 32,720.00 | - | 40,901.00 |
| Total Operating Expenses | \$ 494,677.65 | \$ 284,760.96 | \$ - | \$ 779,438.61 |
| Income (Loss) From Operations | \$ (8,677.96) | \$ (53,398.30) | \$ - | \$ (62,076.26) |
| Non-Operating Revenues (Expenses): | | | | |
| State Grants | \$ - | \$ - | \$ - | \$ - |
| Transfers In (Out) | 7,600.00 | (5,091.50) | (2,508.50) | - |
| Debt Service on Purchased Water | (17,004.00) | - | - | (17,004.00) |
| Interest Income | 119.12 | 105.82 | 541.67 | 766.61 |
| Total Non-Operating Revenues (Exp.) | \$ (9,284.88) | \$ (4,985.68) | \$ (1,966.83) | \$ (16,237.39) |
| Net Income (Loss) | \$ (17,962.84) | \$ (58,383.98) | \$ (1,966.83) | \$ (78,313.65) |
| Retained Earnings, July 1, 2010 | \$ 698,096.00 | \$ 1,071,783.06 | \$ 235,893.37 | \$ 2,005,772.43 |
| Retained Earnings, June 30, 2011 | \$ 680,133.16 | \$ 1,013,399.08 | \$ 233,926.54 | \$ 1,927,458.78 |

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

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

| | Water & Garbage Fund | Sewer Fund | Other Funds | Total |
|--|----------------------------|----------------|----------------|-----------------|
| Cash Flows From Operating Activities | | | | |
| Cash Received From: | | | | |
| Water Service | \$ 319,759.54 | \$ - | \$ - | \$ 319,759.54 |
| Sewer Service | - | 203,344.05 | - | 203,344.05 |
| Garbage Service | 111,319.14 | - | - | 111,319.14 |
| Miscellaneous | 41,161.33 | - | - | 41,161.33 |
| Cash Paid To / For: | | | | |
| Salaries & Benefits | \$ (117,281.87) | \$ (76,379.16) | \$ - | \$ (193,661.03) |
| Insurance | (28,074.34) | (24,048.13) | - | (52,122.47) |
| Garbage Costs | (105,087.10) | - | - | (105,087.10) |
| Water Costs | (114,296.90) | - | - | (114,296.90) |
| Other Operating Expenses | (51,632.24) | (71,681.80) | - | (123,314.04) |
| Interest Expense | (8,181.00) | (32,720.00) | - | (40,901.00) |
| Net Cash Provided By Operating Activities | \$ 47,686.56 | \$ (1,485.04) | \$ - | \$ 46,201.52 |
| Cash Flows From Noncapital Financing Activities | | | | |
| Operating Transfers In | \$ 7,600.00 | \$ - | \$ 56,184.00 | \$ 63,784.00 |
| Operating Transfers Out | - | (5,091.50) | (58,692.50) | (63,784.00) |
| Net Cash Provided (Used) By Noncapital Financing Activities | \$ 7,600.00 | \$ (5,091.50) | \$ (2,508.50) | \$ - |
| Cash Flows From Capital & Related Financing Activities | | | | |
| Debt Service On Bond Obligations | \$ (1,600.00) | \$ 7,400.00 | \$ - | \$ 5,800.00 |
| Debt Service On Purchased Water | (17,004.00) | - | - | (17,004.00) |
| Net Cash Provided (Used) By Capital & Related Financing Activities | \$ (18,604.00) | \$ 7,400.00 | \$ - | \$ (11,204.00) |
| Cash Flows From Investing Activities | | | | |
| Grant Money Received | \$ - | \$ - | \$ - | \$ - |
| Money Loaned To Other Fund | - | - | - | - |
| Purchases Of Capital Assets | (19,713.92) | - | - | (19,713.92) |
| Receipt Of Interest Income | 119.12 | 105.82 | 1,371.79 | 1,596.73 |
| Net Cash Provided (Used) By Investing Activities | \$ (19,594.80) | \$ 105.82 | \$ 1,371.79 | \$ (18,117.19) |
| Net Increase In Cash & Cash Equivalents | \$ 17,087.76 | \$ 929.28 | \$ (1,136.71) | \$ 16,880.33 |
| Balances, Beginning Of Year | 8,370.86 | 17,448.44 | 181,047.74 | 206,867.04 |
| Balances, End Of Year | \$ 25,458.62 | \$ 18,377.72 | \$ 179,911.03 | \$ 223,747.37 |
| Reconciliation Of Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities | | | | |
| Operating Income | \$ (8,677.96) | \$ (53,398.30) | \$ - | \$ (62,076.26) |
| Adjustments To Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities | | | | |
| Depreciation | 74,482.65 | 84,813.33 | - | 159,295.98 |
| Change In Assets & Liabilities | | | | |
| Receivables | (359.68) | (18.61) | - | (378.29) |
| Accounts Payable & Accrued Expenses | (4,358.45) | (4,881.46) | - | (9,239.91) |
| Customer Deposits | (13,400.00) | - | - | (13,400.00) |
| Due To Other Funds | - | (28,000.00) | - | (28,000.00) |
| Net Cash Provided By Operating Activities | \$ 47,686.56 | \$ (1,485.04) | \$ - | \$ 46,201.52 |

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

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Note 1—Summary of Significant Accounting Policies

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

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Irvington. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Irvington.

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

Since the City exercises oversight authority over the fire department, its activities are accounted for in the fire department fund. The fire department derives its revenues primarily from subscription dues, grants, fire area tax, and donations.

Basis of Presentation

The City's government-wide financial statements provide both short-term and long-term information about the City's overall financial status. Fund financial statements focus on the individual activities of City government, reporting the City's operations in more detail than the government-wide financial statements.

Government-wide financial statements

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

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

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

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Note 1- Summary of Significant Accounting Policies – Continued

Governmental Fund financial statements

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

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

The City reports the following major governmental funds:

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to specified purposes.

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

The City reports the following major proprietary funds:

Proprietary Funds

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. 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.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Note 1- Summary of Significant Accounting Policies – Continued

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed primarily through user charges, or (b) where the governing body has decided that determination of net income is appropriate.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within 60 days of the fiscal year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenses, and Changes in Net Assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Note 1- Summary of Significant Accounting Policies – Continued

Basis of Accounting- continued

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates assessed for the year ended June 30, 2011, to finance the General Fund operations were \$.291 per \$100 valuation for real property, \$.539 per \$100 valuation for business personal property and \$.320 per \$100 valuation for motor vehicles.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$1,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized. All reported capital assets are depreciated. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Budgetary Process

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

Budgetary Basis of Accounting: The City's budgetary process accounts for its transactions the same as the governmental funds, using the cash basis of accounting.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Note 1- Summary of Significant Accounting Policies – Continued

Basis of Accounting- continued

Budgetary Process - concluded

Normally, prior to June 30, the Mayor submits to the City Council a proposed operating budget for the General, Special Revenue, and Proprietary Funds for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means for financing them. Deficit budgets are contrary to state law. Public hearings are conducted to obtain citizen comments on the proposed budget and the budget is legally adopted through passage of an appropriation ordinance by City Council.

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

Cash and Cash Equivalents

The City considers cash and cash equivalents to be cash on hand, demand deposits, and certificates of deposit. The City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Deposits of the City are categorized to give an indication of the level of risk assumed at year-end. At year-end, the City had \$244,102.88 of deposits that were uninsured by FDIC but were collateralized with securities held by the pledging financial institution.

Accounts Receivable

An allowance for uncollectible accounts of trade receivables has not been provided in the financial statements due to the City's ability to discontinue service to delinquent customers. Management also feels that any uncollectible accounts would be insignificant.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2011 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Note 1- Summary of Significant Accounting Policies – Continued

Basis of Accounting- continued

Investments

Investments consist of savings accounts and certificates of deposit plus accrued interest.

Fund Balance Reserves

The City reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Assets

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, those revenues are primarily property taxes.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Amounts owed between funds are classified as "Due from/due to other funds" on the balance sheet.

Note 2- Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the City's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Note 3- Property Taxes

The City's property taxes are levied before the first day of November on the assessed values as of January 1 for all real and personal property located in the City including vehicles. Property taxes are due December 31 and become delinquent May 1 of the following year. The City's real property tax rate is \$.291 per \$100 valuation and personal property tax rate is \$.539 per \$100 valuation. The City's vehicle tax rate is \$.320 per \$100 of assessed value. The City is permitted by the Kentucky Constitution to levy taxes up to \$.75 per \$100 of assessed value, as its population is less than 10,000. The City is well within the maximum tax rate it is allowed to levy. Property taxes paid by November 30th receive a 2% discount. A 10% penalty is assessed for payments received after December 31.

Note 4 – Pension Plans

All City of Irvington regular full-time employees with at least 100 hours of work per month participate in Kentucky's County Employees Retirement System, a defined benefit plan, which is a multiple-employer, public employee retirement system.

All City full-time employees are eligible to participate in the System. Covered employees are required by State statute to contribute 5.00% of their salary to the plan. The City is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. For the year ended June 30, 2011, the City's matching obligations were 16.16% for all employees.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among Public Employee Retirement Systems (PERS). The measure is independent of the actuarial funding method used to determine contributions to the System.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2009 comprehensive annual financial report which is available from Kentucky Retirement Systems. A copy may be obtained from the Legislative Research Library in Frankfort, Kentucky.

Three-year Trend Information:

| <u>Fiscal Year Ended</u> | <u>Annual Amount Withheld from Employees</u> | <u>Annual Amount Contributed by the City</u> | <u>Total Amount Contributed</u> |
|------------------------------|--|--|-------------------------------------|
| 6/30/2009 | \$16,017.68 | \$44,598.76 | \$60,616.44 |
| 6/30/2010 | 10,127.73 | 31,970.17 | 42,097.90 |
| 6/30/2011 | 11,402.92 | 46,116.47 | 57,519.39 |

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Note 5- Compensated Absences

The City allows all employees occupying permanent positions annual vacation and sick leave at their current salary rate. Accrued vacation and sick leave is limited to 160 hours and 240 hours, respectively, at any time. Any employee who terminates employment with the City shall be compensated for all accrued vacation leave at the time of the final paycheck. However, employees who terminate employment shall not be compensated for accrued sick leave or be permitted to apply accrued sick leave toward retirement.

Note 6- Investments

The City's investment guidelines are defined by City ordinance and a written investment policy that is approved by City Council. The investment policy specifies limits by instrument and institution (within instrument) and establishes a diversified investment strategy, minimum credit quality, and authorized institutions available as counterparties.

Note 7 – Long-Term Debt

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

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

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

Water Funds

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

Wastewater Funds

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

Note 8 - Litigation

The City's lawyer has advised us that the City is not currently involved with any litigation issues.

Note 9 – Credit Risk

Cash and cash equivalents as defined in the notes to the financial statements are secured for up to \$250,000 under FDIC insurance guidelines. The remaining cash balances are secured by a depository bond at the banking institution.

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Note 10 - Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-----------------------|-----------------------|-------------|-----------------------|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$28,459.25 | \$20,000.00 | \$ - | \$48,459.25 |
| Parking Lot | 15,000.00 | - | - | 15,000.00 |
| Baseball Field | 33,000.00 | - | - | 33,000.00 |
| Total Capital Assets Not Being Depreciated | 76,459.25 | - | - | 96,459.25 |
| Capital Assets Being Depreciated | | | | |
| Machinery And Equipment | 605,005.07 | - | - | 605,005.07 |
| Buildings | 191,274.16 | - | - | 191,274.16 |
| Improvements | 55,381.19 | - | - | 55,381.19 |
| Infrastructure | 261,628.65 | - | - | 261,628.65 |
| Total Capital Assets Being Depreciated | 1,113,289.07 | - | - | 1,113,289.07 |
| Less Accumulated Depreciation For | | | | |
| Machinery And Equipment | 574,174.15 | 10,514.44 | - | 584,688.59 |
| Buildings | 89,904.08 | 8,620.94 | - | 98,525.02 |
| Improvements | 48,797.57 | 954.57 | - | 49,752.14 |
| Infrastructure | 54,399.68 | 9,438.43 | - | 63,838.11 |
| Total Accumulated Depreciation | 767,275.48 | 29,528.38 | - | 796,803.86 |
| Total Capital Assets Being Depreciated, Net | 346,013.59 | - | - | 346,013.59 |
| Governmental Activities Capital Assets, Net | \$422,472.84 | \$(9,528.38) | \$ - | \$412,944.46 |
| Business-Type Activities | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$15,300.00 | \$ - | \$ - | \$15,300.00 |
| Total Capital Assets Not Being Depreciated | 15,300.00 | - | - | 15,300.00 |
| Capital Assets Being Depreciated | | | | |
| Machinery And Equipment | 322,172.48 | - | - | 322,172.48 |
| Buildings | 33,523.69 | - | - | 33,523.69 |
| Improvements | 352,551.07 | - | - | 352,551.07 |
| Water Line | 1,133,054.76 | 19,714.35 | - | 1,152,769.11 |
| Sewer Plant | 3,369,173.00 | - | - | 3,369,173.00 |
| Total Capital Assets Being Depreciated | 5,210,475.00 | 19,714.35 | - | 5,230,189.35 |
| Less Accumulated Depreciation For | | | | |
| Machinery And Equipment | 190,637.11 | 14,282.21 | - | 204,919.32 |
| Buildings | 29,135.01 | 37.83 | - | 29,172.84 |
| Improvements | 334,142.68 | 3,108.16 | - | 337,250.84 |
| Water Line | 427,723.36 | 57,638.46 | - | 485,361.81 |
| Sewer Plant | 1,672,153.51 | 84,229.33 | - | 1,756,382.84 |
| Total Accumulated Depreciation | 2,653,791.67 | 159,295.98 | - | 2,813,087.65 |
| Total Capital Assets Being Depreciated, Net | \$2,556,683.33 | \$(139,581.63) | \$ - | \$2,417,101.70 |
| Business-Type Activities Capital Assets, Net | \$2,571,983.33 | \$(139,581.63) | \$ - | \$2,432,401.70 |

CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2011

Note 11 - Debt And Lease Obligations

Governmental Activities

| Year | | Fire Truck | Police Vehicle | Parking Lot | Total |
|---------------|------|---------------|-------------------|--------------------|--------------------|
| 2011 | 2012 | \$ - | \$ - | \$ 2,991.53 | \$ 2,991.53 |
| 2012 | 2013 | - | - | 3,133.32 | 3,133.32 |
| 2013 | 2014 | - | - | 2,726.04 | 2,726.04 |
| Totals | | \$ - | \$ - | \$ 8,850.89 | \$ 8,850.89 |

Proprietary Activities

| Year | | 1989 Series A Bond Issue | 1989 Series B Bond Issue | 2001 Series Bond Issue | Total |
|------|------|-----------------------------|-----------------------------|---------------------------|----------------------|
| 2011 | 2012 | \$ 12,000.00 | \$ 1,700.00 | \$ 3,000.00 | \$ 16,700.00 |
| 2012 | 2013 | 13,000.00 | 1,800.00 | 3,100.00 | 17,900.00 |
| 2013 | 2014 | 14,000.00 | 1,900.00 | 3,200.00 | 19,100.00 |
| 2014 | 2015 | 16,000.00 | 2,000.00 | 3,400.00 | 21,400.00 |
| 2015 | 2016 | 17,000.00 | 2,100.00 | 3,500.00 | 22,600.00 |
| 2016 | 2017 | 19,000.00 | 2,200.00 | 3,700.00 | 24,900.00 |
| 2017 | 2018 | 21,000.00 | 2,300.00 | 3,900.00 | 27,200.00 |
| 2018 | 2019 | 23,000.00 | 2,400.00 | 4,000.00 | 29,400.00 |
| 2019 | 2020 | 25,000.00 | 2,600.00 | 4,200.00 | 31,800.00 |
| 2020 | 2021 | 27,000.00 | 2,600.00 | 4,400.00 | 34,000.00 |
| 2021 | 2022 | 30,000.00 | 2,800.00 | 4,600.00 | 37,400.00 |
| 2022 | 2023 | 33,000.00 | 2,900.00 | 4,800.00 | 40,700.00 |
| 2023 | 2024 | 36,000.00 | 3,100.00 | 5,000.00 | 44,100.00 |
| 2024 | 2025 | 39,000.00 | 3,200.00 | 5,300.00 | 47,500.00 |
| 2025 | 2026 | 43,000.00 | 3,400.00 | 5,500.00 | 51,900.00 |
| 2026 | 2027 | 47,000.00 | 3,600.00 | 5,700.00 | 56,300.00 |
| 2027 | 2028 | 51,000.00 | 3,700.00 | 6,000.00 | 60,700.00 |
| 2028 | 2029 | 56,000.00 | 4,000.00 | 6,300.00 | 66,300.00 |
| 2029 | 2030 | 74,000.00 | 3,800.00 | 6,500.00 | 84,300.00 |
| 2030 | 2031 | - | - | 6,900.00 | 6,900.00 |
| 2031 | 2032 | - | - | 7,100.00 | 7,100.00 |
| 2032 | 2033 | - | - | 7,500.00 | 7,500.00 |
| 2033 | 2034 | - | - | 7,800.00 | 7,800.00 |
| 2034 | 2035 | - | - | 8,200.00 | 8,200.00 |
| 2035 | 2036 | - | - | 8,500.00 | 8,500.00 |
| 2036 | 2037 | - | - | 8,900.00 | 8,900.00 |
| 2037 | 2038 | - | - | 9,300.00 | 9,300.00 |
| 2038 | 2039 | - | - | 9,700.00 | 9,700.00 |
| 2039 | 2040 | - | - | 10,200.00 | 10,200.00 |
| 2040 | 2041 | - | - | 10,200.00 | 10,200.00 |
| | | \$ 596,000.00 | \$ 52,100.00 | \$ 180,400.00 | \$ 828,500.00 |

**CITY OF IRVINGTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Note 12 – Risk Management

The City of Irvington is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City currently carries property, general liability, and workman's compensation insurance through the Kentucky League of Cities. The City reports all of its risk management activities in its General Fund.

Note 13 – Commitments and Contingencies

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

Note 14 – Subsequent Events

The City did not have any subsequent events to report.

SUPPLEMENTARY INFORMATION

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

| | Original Budget | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--|-----------------------|-----------------------|-----------------------|--|
| Revenues: | | | | |
| Taxes & Licenses | \$ 314,100.00 | \$ 300,568.00 | \$ 295,055.37 | \$ (5,512.63) |
| Other Local Sources | 149,500.00 | 78,938.00 | 56,540.95 | (22,397.05) |
| Intergovernmental | 37,400.00 | 16,480.00 | 32,112.96 | 15,632.96 |
| Interest Income | - | - | 6,990.53 | 6,990.53 |
| Total Revenues | \$ 501,000.00 | \$ 395,986.00 | \$ 390,699.81 | \$ (5,286.19) |
| Expenditures: | | | | |
| General Government | \$ 206,548.00 | \$ 187,001.00 | \$ 110,965.85 | \$ 76,035.15 |
| Public Safety: | | | | |
| Police | 236,116.00 | 213,665.00 | 196,442.21 | 17,222.79 |
| Fire | 24,336.00 | 24,272.00 | 41,149.23 | (16,877.23) |
| Streets & Maintenance | 34,000.00 | 38,595.00 | 38,828.86 | (233.86) |
| Community Development | 100,000.00 | - | 99,065.70 | (99,065.70) |
| Capital Outlay | - | 23,726.00 | 23,721.57 | 4.43 |
| Debt Service | - | - | - | - |
| Total Expenditures | \$ 601,000.00 | \$ 487,259.00 | \$ 510,173.42 | \$ (22,914.42) |
| Excess (Deficit) Of Revenues Over Expenditures | \$(100,000.00) | \$ (91,273.00) | \$(119,473.61) | \$ (28,200.61) |
| Other Financing Sources (Uses): | | | | |
| Proceeds From Sale Of Bonds | \$ - | \$ 20,000.00 | \$ - | \$ (20,000.00) |
| Proceeds From Sale Of Fixed Assets | - | - | - | - |
| Operating Transfers In | 100,000.00 | 47,097.00 | 36,571.16 | (10,525.84) |
| Operating Transfers Out | - | - | (36,571.16) | (36,571.16) |
| Total Other Financing Sources (Uses) | \$ 100,000.00 | \$ 67,097.00 | \$ - | \$ (67,097.00) |
| Excess (Deficit) Of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses | \$ - | \$ (24,176.00) | \$(119,473.61) | \$ (95,297.61) |
| Fund Balance, July 1, 2010 | 160,062.39 | 160,062.39 | 160,062.39 | - |
| Prior Period Adjustments | - | - | 197,731.46 | 197,731.46 |
| Fund Balance, June 30, 2011 | \$ 160,062.39 | \$ 135,886.39 | \$ 238,320.24 | \$ 102,433.85 |

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

CITY OF IRVINGTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
RETAINED EARNINGS - BUDGET AND ACTUAL - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

| | Original Budget | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--|------------------------|------------------------|------------------------|--|
| Operating Revenues: | | | | |
| Water Service | \$ 275,000.00 | \$ 299,926.00 | \$ 333,519.22 | \$ 33,593.22 |
| Sewer Service | 213,000.00 | 214,456.00 | 231,162.66 | 16,706.66 |
| Garbage Service | 100,000.00 | 107,379.00 | 111,319.14 | 3,940.14 |
| Miscellaneous | 160,033.00 | 33,082.00 | 41,361.33 | 8,279.33 |
| Total Operating Revenues | \$ 748,033.00 | \$ 654,843.00 | \$ 717,362.35 | \$ 62,519.35 |
| Operating Expenses: | | | | |
| Water System Expenses | \$ 437,208.00 | \$ 475,531.00 | \$ 494,677.65 | \$ (19,146.65) |
| Wastewater Expenses | 310,825.00 | 277,352.00 | 284,760.96 | (7,408.96) |
| Total Operating Expenses | \$ 748,033.00 | \$ 752,883.00 | \$ 779,438.61 | \$ (26,555.61) |
| Income (Loss) From Operations | \$ - | \$ (98,040.00) | \$ (62,076.26) | \$ 35,963.74 |
| Non-Operating Revenues (Expenses): | | | | |
| State Grants | \$ - | \$ - | \$ - | \$ - |
| Transfers In (Out) | - | - | - | - |
| Debt Service On Purchased Water | - | - | (17,004.00) | (17,004.00) |
| Interest Income | - | - | 766.61 | 766.61 |
| Total Non-Operating Revenues (Expenses) | \$ - | \$ - | \$ (16,237.39) | \$ (16,237.39) |
| Net Income (Loss) | \$ - | \$ (98,040.00) | \$ (78,313.65) | \$ 19,726.35 |
| Retained Earnings, July 1, 2010 | \$ 2,005,772.43 | \$ 2,005,772.43 | \$ 2,005,772.43 | \$ - |
| Retained Earnings, June 30, 2011 | \$ 2,005,772.43 | \$ 1,907,732.43 | \$ 1,927,458.78 | \$ 19,726.35 |

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

**CITY OF IRVINGTON, KENTUCKY
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2011**

| | LGEA Fund | Road Fund | Fire Department Fund | Fire Truck Fund | Cedar Hill | Veterans Memorial | Youth Sports | Christmas Parade | Totals |
|--|---------------------|---------------------|----------------------------|-----------------------|---------------------|----------------------|---------------------|---------------------|----------------------|
| Assets: | | | | | | | | | |
| Cash & Cash Equivalents | \$ 20,231.94 | \$ 19,477.06 | \$ 37,609.75 | \$ 105,001.86 | \$ 88,006.04 | \$ 8,615.50 | \$ 43,404.49 | \$ 1,662.14 | \$ 324,008.78 |
| Accrued Interest | - | - | - | - | - | - | - | - | - |
| Total Assets | <u>\$ 20,231.94</u> | <u>\$ 19,477.06</u> | <u>\$ 37,609.75</u> | <u>\$ 105,001.86</u> | <u>\$ 88,006.04</u> | <u>\$ 8,615.50</u> | <u>\$ 43,404.49</u> | <u>\$ 1,662.14</u> | <u>\$ 324,008.78</u> |
| Liabilities & Fund Balances: | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due To Other Funds | - | - | - | - | - | - | - | - | - |
| Total Liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund Balances: | | | | | | | | | |
| Unreserved Fund Balances | \$ 20,231.94 | \$ 19,477.06 | \$ 37,609.75 | \$ 105,001.86 | \$ 88,006.04 | \$ 8,615.50 | \$ 43,404.49 | \$ 1,662.14 | \$ 324,008.78 |
| Total Liabilities & Fund Balances | <u>\$ 20,231.94</u> | <u>\$ 19,477.06</u> | <u>\$ 37,609.75</u> | <u>\$ 105,001.86</u> | <u>\$ 88,006.04</u> | <u>\$ 8,615.50</u> | <u>\$ 43,404.49</u> | <u>\$ 1,662.14</u> | <u>\$ 324,008.78</u> |

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

CITY OF IRVINGTON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

| | LGEA Fund | Road Fund | Fire Department Fund | Fire Truck Fund | Cedar Hill | Veterans Memorial | Youth Sports | Christmas Parade | Totals |
|--|---------------------|-----------------------|----------------------|----------------------|-----------------------|--------------------|-----------------------|--------------------|-----------------------|
| Revenues: | | | | | | | | | |
| Intergovernmental | \$ 1,723.92 | \$ 1,459.28 | \$ 8,500.00 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,683.20 |
| Interest Income | 95.83 | 162.19 | 94.33 | 4,974.30 | 1,295.67 | - | - | - | 6,822.32 |
| Other Local Sources | - | - | 8,049.02 | - | 1,085.00 | 5,130.56 | - | - | 14,264.58 |
| Total Revenues | \$ 1,819.75 | \$ 1,621.47 | \$ 16,643.35 | \$ 4,974.30 | \$ 2,380.67 | \$ 5,130.56 | \$ - | \$ - | \$ 32,570.10 |
| Expenditures: | | | | | | | | | |
| Fire Department Expenses | \$ - | \$ - | \$ 16,608.21 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 16,608.21 |
| Cemetery Expenses | - | - | - | - | 16,920.17 | - | - | - | 16,920.17 |
| Veterans Memorial Expenses | - | - | - | - | - | 804.64 | - | - | 804.64 |
| Youth Sports Expenses | - | - | - | - | - | - | 47,491.85 | - | 47,491.85 |
| Total Expenditures | \$ - | \$ - | \$ 16,608.21 | \$ - | \$ 16,920.17 | \$ 804.64 | \$ 47,491.85 | \$ - | \$ 81,824.87 |
| Excess (Deficit) Of Revenues Over Expenditures | \$ 1,819.75 | \$ 1,621.47 | \$ 35.14 | \$ 4,974.30 | \$ (14,539.50) | \$ 4,325.92 | \$ (47,491.85) | \$ - | \$ (49,254.77) |
| Other Financing Sources (Uses) | | | | | | | | | |
| Operating Transfers In | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating Transfers Out | - | (30,571.16) | (6,000.00) | - | - | - | - | - | (36,571.16) |
| Total Other Financing Sources (Uses) | \$ - | \$ (30,571.16) | \$ (6,000.00) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (36,571.16) |
| Excess (Deficit) Of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses | \$ 1,819.75 | \$ (28,949.69) | \$ (5,964.86) | \$ 4,974.30 | \$ (14,539.50) | \$ 4,325.92 | \$ (47,491.85) | \$ - | \$ (85,825.93) |
| Fund Balance, July 1, 2010 | \$ 18,412.19 | \$ 48,426.75 | \$ 43,574.61 | \$ 100,027.56 | \$ - | \$ - | \$ - | \$ 1,662.14 | \$ 212,103.25 |
| Prior Period Adjustments | - | - | - | - | 102,545.54 | 4,289.58 | 90,896.34 | - | 197,731.46 |
| Fund Balance, June 30, 2011 | \$ 20,231.94 | \$ 19,477.06 | \$ 37,609.75 | \$ 105,001.86 | \$ 88,006.04 | \$ 8,615.50 | \$ 43,404.49 | \$ 1,662.14 | \$ 324,008.78 |

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

**CITY OF IRVINGTON, KENTUCKY
COMBINING STATEMENT OF NET ASSETS - NONMAJOR PROPRIETARY FUNDS
AS OF JUNE 30, 2011**

| | <u>Water Depreciation Fund</u> | <u>Water Capital Improvement Fund</u> | <u>Wastewater Depreciation Fund</u> | <u>Wastewater Capital Improvement Fund</u> | <u>Wastewater Sinking Fund</u> | <u>Totals</u> |
|---|--|---|---|--|--|----------------------|
| Assets: | | | | | | |
| Cash & Cash Equivalents | \$ 17,453.14 | \$ 98,491.67 | \$ 28,981.47 | \$ 16,887.56 | \$ 18,097.19 | \$ 179,911.03 |
| Due From Other Funds | - | - | 54,015.51 | - | - | 54,015.51 |
| Accrued Interest | - | - | - | - | - | - |
| Total Assets | <u>\$ 17,453.14</u> | <u>\$ 98,491.67</u> | <u>\$ 82,996.98</u> | <u>\$ 16,887.56</u> | <u>\$ 18,097.19</u> | <u>\$ 233,926.54</u> |
| Liabilities & Fund Balances: | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due To Other Funds | - | - | - | - | - | - |
| Total Liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund Balances: | | | | | | |
| Unreserved Fund Balances | <u>\$ 17,453.14</u> | <u>\$ 98,491.67</u> | <u>\$ 82,996.98</u> | <u>\$ 16,887.56</u> | <u>\$ 18,097.19</u> | <u>\$ 233,926.54</u> |
| Total Liabilities & Fund Balances | <u>\$ 17,453.14</u> | <u>\$ 98,491.67</u> | <u>\$ 82,996.98</u> | <u>\$ 16,887.56</u> | <u>\$ 18,097.19</u> | <u>\$ 233,926.54</u> |

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

CITY OF IRVINGTON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN NET ASSETS - NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

| | <u>Water Depreciation Fund</u> | <u>Water Capital Improvement Fund</u> | <u>Wastewater Depreciation Fund</u> | <u>Wastewater Capital Improvement Fund</u> | <u>Wastewater Sinking Fund</u> | <u>Totals</u> |
|--|--|---|---|--|--|----------------------|
| Revenues: | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest Income | 61.48 | 265.79 | 116.61 | 38.26 | 59.53 | 541.67 |
| Other Local Sources | - | - | - | - | - | - |
| Total Revenues | \$ 61.48 | \$ 265.79 | \$ 116.61 | \$ 38.26 | \$ 59.53 | \$ 541.67 |
| Expenditures: | | | | | | |
| Other Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenditures | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Excess (Deficit) Of Revenues Over Expenditures | \$ 61.48 | \$ 265.79 | \$ 116.61 | \$ 38.26 | \$ 59.53 | \$ 541.67 |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers In | \$ 2,400.00 | \$ 6,000.00 | \$ 4,584.00 | \$ 1,200.00 | \$ 42,000.00 | \$ 56,184.00 |
| Operating Transfers Out | (16,000.00) | - | - | - | (42,692.50) | (58,692.50) |
| Total Other Financing Sources (Uses) | \$ (13,600.00) | \$ 6,000.00 | \$ 4,584.00 | \$ 1,200.00 | \$ (692.50) | \$ (2,508.50) |
| Excess (Deficit) Of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses | \$ (13,538.52) | \$ 6,265.79 | \$ 4,700.61 | \$ 1,238.26 | \$ (632.97) | \$ (1,966.83) |
| Fund Balance, July 1, 2010 | \$ 30,991.66 | \$ 92,225.88 | \$ 78,296.37 | \$ 15,649.30 | \$ 18,730.16 | \$ 235,893.37 |
| Fund Balance, June 30, 2011 | \$ 17,453.14 | \$ 98,491.67 | \$ 82,996.98 | \$ 16,887.56 | \$ 18,097.19 | \$ 233,926.54 |

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