

CITY OF ALEXANDRIA, KENTUCKY

June 30, 2017

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT INCLUDING SUPPLEMENTARY INFORMATION*



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**CITY OF ALEXANDRIA, KENTUCKY
CITY OFFICIALS**

MAYOR

William T. Rachford, Jr.

COUNCIL MEMBERS

Stacey Graus

Scott Fleckinger

Sandy Decker

Andrew Schabell

Robert Simon

Sue Neltner

DEPARTMENT HEADS

City Clerk/Treasurer

Karen Barto

City Attorney

Michael A. Duncan

Zoning Administrator

Carol Hofstetter

Public Works Superintendent

Sam Trapp

Chief of Police

J. Michael Ward II

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of City Council
City of Alexandria, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Alexandria, Kentucky (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Alexandria, Kentucky as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability, and schedule of the City's contributions on pages 1–7, 32–35, 36, and 37, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 19, 2017, on our consideration of the City of Alexandria, Kentucky 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* in considering the City of Alexandria, Kentucky's internal control over financial reporting and compliance.

VonLehman & Company Inc.

Fort Wright, Kentucky
October 19, 2017

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

Our discussion and analysis of the City of Alexandria, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the City's basic financial statements that begin on page 8.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 8–9) provide information about the activities of the City as a whole, and present a fair view of the City's finances. Fund financial statements start on page 10. For government activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2017 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,830,623 (net position).
- The City's total net position increased by \$315,853.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$2,120,306, an increase of \$424,583. \$1,609,991 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,609,991 or 40% of the total general fund expenditures.
- The City's total debt decreased by \$18,863 (2%), including compensated absences but excluding net pension liability, during the current year.
- The City's cash and cash equivalents increased by \$357,200, from \$1,138,923 at June 30, 2016 to \$1,496,123 at June 30, 2017.

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

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

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

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

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, police, fire, public works, parks and recreation. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8–9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All activities of the City are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10–13 of this report.

Notes to the Financial Statements

The notes to the financial statements 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 14–31 of this report.

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

Government-Wide Financial Analysis

The perspective of the statement of net position is of the City as a whole. Table 1 provides a summary of the City's net position for 2017 compared to 2016:

**Table 1
Net Position**

	Governmental Activities	
	2017	2016
Assets		
Current and Other Assets	\$ 2,307,141	\$ 1,879,831
Noncurrent Assets, Net	<u>5,545,533</u>	<u>5,703,966</u>
Total Assets	<u>7,852,674</u>	<u>7,583,797</u>
Deferred Outflows of Resources		
	<u>1,030,718</u>	<u>625,860</u>
Liabilities		
Current and Other Liabilities	195,150	200,623
Noncurrent Liabilities	<u>4,650,311</u>	<u>4,082,323</u>
Total Liabilities	<u>4,845,461</u>	<u>4,282,946</u>
Deferred Inflows of Resources		
	<u>207,308</u>	<u>411,941</u>
Net Position		
Invested in Capital Assets Net of Related Debt	4,805,702	4,860,596
Restricted for		
Municipal Road Aid	198,596	79,104
Charlie Battery	4,059	4,059
Sewer Fund	146,452	143,899
Unrestricted	<u>(1,324,186)</u>	<u>(1,572,888)</u>
Total Net Position	<u>\$ 3,830,623</u>	<u>\$ 3,514,770</u>

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$3.8 million as of June 30, 2017.

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

The City's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Total assets and deferred outflows of resources increased by approximately \$674,000. Equity in cash and cash equivalents, prepaid expenses, and receivables increased by approximately \$427,000. Capital assets and noncurrent receivables decreased by approximately \$158,000. Deferred outflows of resources increased by approximately \$405,000. This activity is partially offset by a decrease in accounts payable and other liabilities of approximately \$5,000, and an increase in long-term liabilities and compensated absences of approximately \$568,000. Additionally, deferred inflows of resources decreased by approximately \$205,000. This resulted in an increase in net position of approximately \$316,000.

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

Table 2 reflects the change in net position for fiscal years 2017 and 2016.

**Table 2
Change in Net Position**

	Governmental Activities	
	Years Ended June 30,	
	2017	2016
Revenues		
General Revenues		
Taxes	\$ 3,787,962	\$ 3,490,218
Licenses and Permits	33,170	55,454
Fines and Forfeitures	21,020	16,209
Earnings on Investments	4,297	4,280
(Loss) Gain on Sale of Capital Assets	(110)	750
Miscellaneous	32,109	35,475
Total General Revenues	<u>3,878,448</u>	<u>3,602,386</u>
Program Revenues		
Charges for Service	607,596	574,982
Operating Grants and Contributions	92,006	71,937
Capital Grants and Contributions	-	163,309
Total Program Revenues	<u>699,602</u>	<u>810,228</u>
Total Revenues	<u>4,578,050</u>	<u>4,412,614</u>
Program Expenses		
General Government	846,127	792,369
Police	1,711,153	1,611,198
Public Works	575,144	490,195
Waste Collection	540,425	506,982
Planning and Inspection	72,934	49,656
Park and Recreation	9,295	13,189
Miscellaneous	1,064	940
Interest on Long-Term Debt	6,629	6,092
Pension Expense	255,652	493,021
Depreciation	243,774	209,046
Total Program Expenses	<u>4,262,197</u>	<u>4,172,688</u>
Change in Net Assets	315,853	239,926
Prior Period Adjustment	-	(133,412)
Increase in Net Position	<u>\$ 315,853</u>	<u>\$ 106,514</u>

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of approximately \$4.7 million, and expenditures and other financing uses of approximately \$4.3 million. Revenues excluding transfers increased by 7.4%, while expenses excluding transfers decreased by 11.9%. The decrease in expenses is largely due to significant capital outlay in the prior year.

General Fund Budgeting Highlights

The City's budget is prepared according to City Charter and is based on accounting for certain transactions on the modified accrual basis of accounting. The beginning fund balance for the fiscal year was approximately \$1.7 million.

For the general fund, budgeted revenues and other financing sources were budgeted at \$4.3 million. Actual revenues and other financing sources were approximately \$4.5 million.

Expenditures and other financing uses were budgeted at approximately \$4.7 million, while actual expenditures and other financing uses were approximately \$4.3 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the City had approximately \$5.3 million invested in capital assets (net of depreciation), all in governmental activities.

Table 3 reflects fiscal year 2017 balances compared to fiscal year 2016.

**Table 3
Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2017	2016
Land	\$ 1,239,000	\$ 1,239,000
Construction in Progress	55,637	55,637
Buildings	395,554	411,367
Improvements	223,727	194,694
Infrastructure	3,007,103	3,103,894
Vehicles	270,478	291,914
Equipment	85,908	102,067
Furniture and Fixtures	518	743
	\$ 5,277,925	\$ 5,399,316

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

The current year capital asset activity included the following activity:

	2017
Addition of Improvements	\$ 47,239
Addition of Equipment	22,936
Addition of Vehicles	52,318
Disposal of Equipment	(2,000)
Disposal of Vehicles	(21,605)
Accumulated Depreciation on Disposal of Equipment	1,890
Accumulated Depreciation on Disposal of Vehicles	21,605
Depreciation	(243,774)
Change	\$ (121,391)

Debt

At June 30, 2017, the City had approximately \$472,000 in outstanding notes payable.

The following is a summary of the City's debt transactions during 2017.

	June 30, 2016	Additions	Repayments	June 30, 2017
Notes Payable Obligations	\$ 538,720	\$ -	\$ 66,497	\$ 472,223

Economic Factors in Next Year's Budget

The City remains in a solid financial position and is seeing a positive turn in the economic conditions for Alexandria.

The economic conditions over the past few years took their toll on Alexandria properties, as the City saw a number of foreclosures and bankruptcies. However, that said, conditions have improved and the current delinquencies are less than .0152% overall.

From fiscal year 2016-17, the City's total revenue continues to suffer slightly due to economic conditions, but is still consistent with last year, and is expected to increase with anticipated growth.

For the 2017 fiscal year, the property tax rate remains at .174% per \$100 of valuation. With some change in assessment values, the city anticipates a slight increase in revenue due to current growth. The City will continue to monitor the budget and follow safe planning and management for the 2017-18 fiscal year. The City will work very hard to keep the property tax rate as low as possible, but as the City grows, so does the operating expenses.

As the City manages the budget for the upcoming year, there is the realization that some items will increase in cost. The City has only two available options: either increase revenues, or reduce expenditures in some areas to the degree sufficient to cover necessary expenditures. Due to the efforts to contain expenses over the past several years, it appears highly unlikely the City will be able to continue to find areas to offset all expenditure increases. Therefore, the City revisited revenue options, and adopted a gross receipts tax on businesses which became effective January 1, 2017. As the City grows in population, the City will need to constantly keep expenses controlled in order to be responsible to the citizens' needs and wants.

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

As in previous years, the regular maintenance, upkeep and reconstruction of various city streets and sidewalks, will continue to be a major focus of our budget. In fiscal year 2016-17 the City spent in excess of \$310,000 (using municipal road aid funds and budgeted funds) to overlay the Carriage Park Subdivision (including sidewalk maintenance), the Saddle Ridge Subdivision and part of Maple Valley Subdivision.

The City continues to have several new businesses locate in Alexandria. The City is positioned well for growth as the economy improves and the population continues to increase. The Arcadia Development is in full swing and will be opening a second entrance on Tollgate Road soon. Additionally, the Eagle Ridge development on Poplar Ridge is progressing well and nearly completed. The Baptist Life Community development (The Seasons @ Alexandria) is well under construction on their \$40 million dollar project and expected to be completed by end of 2017. The City initiated a Main Street Revitalization effort that is taking shape with participation from state, county, and city governments along with numerous property owners. The City has created additional parking at Main and Washington Streets for Main Street businesses in an effort to encourage development of the "Olde Towne Business District".

Contacting the City for Financial Management Information

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to reflect the City's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to our City Clerk/Treasurer, Karen Barto, at the City of Alexandria, 8236 West Main Street, Alexandria, Kentucky, 41001.

**CITY OF ALEXANDRIA, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental Activities</u>
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and Cash Equivalents	\$ 1,496,123
Accounts Receivable	
Property Taxes	24,816
Insurance Taxes	332,884
Payroll and Occupational Taxes	355,208
Other Receivables - Current Portion	74,412
Prepaid Expenses	<u>23,698</u>
Total Current Assets	<u>2,307,141</u>
Noncurrent Assets	
Other Receivables	<u>267,608</u>
Capital Assets	
Land	1,239,000
Construction in Progress	55,637
Depreciable Capital Assets	6,612,516
Less Accumulated Depreciation	<u>(2,629,228)</u>
Total Capital Assets	<u>5,277,925</u>
Total Noncurrent Assets	<u>5,545,533</u>
Total Assets	<u>7,852,674</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pension	<u>1,030,718</u>
Total Assets and Deferred Outflows of Resources	<u>8,883,392</u>
Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Accounts Payable and Accrued Expenses	105,460
Accrued Payroll and Withholdings	21,983
Notes Payable	<u>67,707</u>
Total Current Liabilities	<u>195,150</u>
Noncurrent Liabilities (Less Current Portion)	
Compensated Absences	422,644
Notes Payable	404,516
Net Pension Liability	<u>3,823,151</u>
Total Noncurrent Liabilities	<u>4,650,311</u>
Total Liabilities	<u>4,845,461</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pension	<u>207,308</u>
Total Liabilities and Deferred Inflows of Resources	<u>5,052,769</u>
Net Position	
Invested in Capital Assets, Net of Related Debt	4,805,702
Restricted for	
Municipal Road Aid	198,596
Charlie Battery	4,059
Sewer Fund	146,452
Unrestricted	<u>(1,324,186)</u>
Total Net Position	<u><u>\$ 3,830,623</u></u>

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Total Governmental Activities</u>
Primary Government					
Governmental Activities					
General Government	\$ 846,127	\$ 39,226	\$ 312	\$ -	\$ (806,589)
Police	1,711,153	1,499	91,694	-	(1,617,960)
Public Works	575,144	-	-	-	(575,144)
Waste Collection	540,425	539,142	-	-	(1,283)
Planning and Inspection	72,934	26,272	-	-	(46,662)
Park and Recreation	9,295	1,457	-	-	(7,838)
Miscellaneous	1,064	-	-	-	(1,064)
Interest on Long-Term Debt	6,629	-	-	-	(6,629)
Pension Expense	255,652	-	-	-	(255,652)
Depreciation	243,774	-	-	-	(243,774)
Total Primary Government	\$ 4,262,197	\$ 607,596	\$ 92,006	\$ -	(3,562,595)
General Revenues					
Taxes					3,787,962
Licenses and Permits					33,170
Fines and Forfeitures					21,020
Earnings on Investments					4,297
Loss on Sale of Capital Assets					(110)
Miscellaneous					32,109
Total General Revenues					<u>3,878,448</u>
Change in Net Position					315,853
Net Position July 1, 2016					<u>3,514,770</u>
Net Position June 30, 2017					\$ <u>3,830,623</u>

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Municipal Road Aid Fund	Charlie Battery Fund	Sewer Fund	Total Govern- mental Funds
Assets					
Cash and Cash Equivalents	\$ 1,166,831	\$ 178,781	\$ 4,059	\$ 146,452	\$ 1,496,123
Accounts Receivable					
Property Taxes	24,816	-	-	-	24,816
Insurance Taxes	332,884	-	-	-	332,884
Payroll and Occupational Taxes	355,208	-	-	-	355,208
Other Receivables	20,022	19,815	-	302,183	342,020
Prepaid Expenses	23,698	-	-	-	23,698
	\$ 1,923,459	\$ 198,596	\$ 4,059	\$ 448,635	\$ 2,574,749
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 105,460	\$ -	\$ -	\$ -	\$ 105,460
Deferred Revenues	24,817	-	-	302,183	327,000
Other Accrued Expenses	21,983	-	-	-	21,983
	152,260	-	-	302,183	454,443
Fund Balances					
Non-Spendable					
Prepaid Expenses	23,698	-	-	-	23,698
Restricted for					
Municipal Road Aid					
Fund Balance	-	198,596	-	-	198,596
Sewer Fund Balance	-	-	-	146,452	146,452
Police Forfeiture Cash	7,271	-	-	-	7,271
Committed for					
Charley Battery Fund Balance	-	-	4,059	-	4,059
Planning and Zoning Cash	43,313	-	-	-	43,313
Assigned					
Insurance Fund Cash	86,926	-	-	-	86,926
Unassigned	1,609,991	-	-	-	1,609,991
	1,771,199	198,596	4,059	146,452	2,120,306
Total Liabilities and Fund Balances	\$ 1,923,459	\$ 198,596	\$ 4,059	\$ 448,635	\$ 2,574,749

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Fund Balance - Governmental Funds \$ 2,120,306

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds.

Cost of Capital Assets	\$ 7,907,153	
Accumulated Depreciation	<u>(2,629,228)</u>	
		5,277,925

Other assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.		327,000
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Compensated absences are not due and payable in the current period, and therefore, are not reported in the governmental funds.		(422,644)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pension		1,030,718
Deferred Inflows of Resources Related to Pension		<u>(207,308)</u>

Long-term liabilities, including net pension obligations and notes payable, are not due and payable in the current period, and therefore, are not reported as liabilities in governmental funds.		
Net Pension Liability		(3,823,151)
Notes Payable		<u>(472,223)</u>

Net Assets of Governmental Activities in the Statement of Net Position		\$ <u>3,830,623</u>
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See accompanying notes.

CITY OF ALEXANDRIA, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Charlie Battery Fund</u>	<u>Sewer Fund</u>	<u>Total Govern- mental Funds</u>
Revenues					
Taxes	\$ 3,782,359	\$ -	\$ -	\$ -	\$ 3,782,359
Licenses and Permits	33,170	-	-	-	33,170
Fines and Forfeitures	21,020	-	-	-	21,020
Other Revenue	27,705	-	-	-	27,705
Earnings on Investments	63	-	-	4,234	4,297
Intergovernmental Revenue	98,460	165,495	-	-	263,955
Charges for Services	607,596	-	-	32,341	639,937
	<u>4,570,373</u>	<u>165,495</u>	<u>-</u>	<u>36,575</u>	<u>4,772,443</u>
Total Revenues					
	<u>4,570,373</u>	<u>165,495</u>	<u>-</u>	<u>36,575</u>	<u>4,772,443</u>
Expenditures					
Current					
General Government	868,546	-	-	-	868,546
Police	1,900,174	-	-	-	1,900,174
Public Works	712,063	46,003	-	-	758,066
Waste Collection	540,425	-	-	-	540,425
Planning and Inspection	73,669	-	-	-	73,669
Park and Recreation	11,192	-	-	-	11,192
Miscellaneous	-	-	-	169	169
Debt Service					
Principal	36,117	-	-	30,380	66,497
Interest	3,156	-	-	3,473	6,629
Capital Outlay	122,493	-	-	-	122,493
	<u>4,267,835</u>	<u>46,003</u>	<u>-</u>	<u>34,022</u>	<u>4,347,860</u>
Total Expenditures					
	<u>4,267,835</u>	<u>46,003</u>	<u>-</u>	<u>34,022</u>	<u>4,347,860</u>
Excess of Revenues Over Expenditures	<u>302,538</u>	<u>119,492</u>	<u>-</u>	<u>2,553</u>	<u>424,583</u>
Fund Balance July 1, 2016	<u>1,468,661</u>	<u>79,104</u>	<u>4,059</u>	<u>143,899</u>	<u>1,695,723</u>
Fund Balance June 30, 2017	<u>\$ 1,771,199</u>	<u>\$ 198,596</u>	<u>\$ 4,059</u>	<u>\$ 146,452</u>	<u>\$ 2,120,306</u>

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Change in Fund Balances - Total Governmental Funds \$ 424,583

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation

Depreciation Expense	\$	(243,774)	
Capital Outlays		<u>122,493</u>	(121,281)

The difference between the proceeds related to the sale of capital assets and the net book value of those assets disposed of during the year is shown as a loss on disposal of capital assets on the statement not reported in the governmental funds as the costs of these capital assets were reported as an expenditure at the time of acquisition. (110)

Repayment of notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 66,497

Compensated absences not expected to be paid within the next fiscal year are not reported as liabilities in the fund, but are reported as liabilities in the statement of net position. This is the net change in compensated absences for the year. (47,634)

Governmental funds report City pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

City Pension Contributions - June 30, 2016		(240,477)	
City Pension Contributions - June 30, 2017		277,083	
Cost of Benefits Earned Net of Employee Contributions		(15,175)	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (27,633)

Change in Net Position - Governmental Activities \$ 315,853

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

Kentucky Revised Statutes and Ordinances of the City Council of the City of Alexandria, Kentucky (the City) designate the purpose, function and restrictions of the various funds. The financial statements included herein consist of the General Fund, the Municipal Road Aid Fund, the Charlie Battery Fund, and the Sewer Fund.

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Alexandria, Kentucky.

The City of Alexandria, Kentucky is a charter city, in which citizens elect the mayor at large and six council members. The accompanying financial statements present the City's primary government. Component units are those over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The City has no component units.

Basis of Presentation

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The City has no business-type activities.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

Governmental fund financial statements; therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the statements for governmental funds.

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

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds, rather than reporting funds by type. Each major fund is presented in a separate column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balance, which reports on the changes in net total position. Fiduciary funds are reported using the economic resources measurement focus.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Basis of Presentation (Continued)**

The City has the following funds:

Governmental Fund Types

- A) The General Fund is the main operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the City.
- B) The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. These are major funds of the City. The City has two special revenue funds; Municipal Road Aid Fund and Charlie Battery Fund.
- C) The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. This is a major fund of the City. The City has one debt service fund; Sewer Fund.

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.

Revenues—Exchange and Non-Exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are 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 sixty 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 resources 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 they can be recognized.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

Capital Assets

General capital assets are assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend an asset's life are not.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Capital Assets (Continued)**

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for general capital assets:

Description	Governmental Activities Estimated Lives
Buildings	40 Years
Building Improvements	20 Years
Public Domain Infrastructure	25 Years
Vehicles	7 Years
Machinery and Equipment	5 Years
Furniture and Fixtures	5 Years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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, 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 sixty 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.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Non-Spendable – Amounts that cannot be spent, either because they are in a non-spendable form, or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance, or resolution.
- Assigned – Amounts that are designated by the Mayor for a particular purpose, but are not spendable until a budget ordinance is passed, or there is a majority vote approval (for capital projects or debt service) by City Council.
- Unassigned – All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

The net position represents the difference between assets and liabilities. Net position 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. The net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

The City considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

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 activities column of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as interfund balances.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is a liability for unpaid accumulated sick and vacation leave since the City does have a policy to pay specified amounts when employees separate from service with the City. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Property Taxes

Property taxes include amounts levied on real property. Property values were assessed on January 1st and property taxes were due on October 31st.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- A) In accordance with City ordinance, by May 31, the Mayor submits to the City Council, a proposed operating budget on the modified accrual basis of accounting for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B) A public meeting is conducted to obtain citizen comments.
- C) By July 1, the budget is legally enacted through passage of an ordinance.
- D) The Mayor is required, by Kentucky Revised Statutes, to present a quarterly report to the Council explaining any variance from the approved budget.
- E) Appropriations continue in effect until a new budget is adopted.
- F) The Council may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Council. The Council adopted two supplementary appropriation ordinances. All appropriations lapse at fiscal year-end.

NOTE 3 - DEPOSITS AND INVESTMENTS

It is the policy of the City to invest public funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the City, and conforming to all state statutes and City regulations governing the investments of public funds.

The City is authorized to invest in:

- A) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
- B) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, or a United States government agency.
- C) Obligations of any corporation of the United States government.
- D) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by the Kentucky Revised Statutes.

Deposits

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City maintains deposits with financial institutions insured by the FDIC. As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2017, \$250,000 of the City's deposits were covered by FDIC insurance and the remaining balance was collateralized with securities held by the financial institutions on the City's behalf.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 1,239,000	\$ -	\$ -	\$ 1,239,000
Construction in Progress	55,637	-	-	55,637
Total Capital Assets Not Being Depreciated	1,294,637	-	-	1,294,637
Depreciable Capital Assets				
Buildings	632,530	-	-	632,530
Improvements	338,853	47,239	-	386,092
Infrastructure	3,871,637	-	-	3,871,637
Vehicles	822,621	52,318	(21,605)	853,334
Equipment	806,616	22,936	(2,000)	827,552
Furniture and Fixtures	41,371	-	-	41,371
Total Depreciable Capital Assets	6,513,628	122,493	(23,605)	6,612,516
Total Capital Assets at Historical Cost	7,808,265	122,493	(23,605)	7,907,153
Less Accumulated Depreciation				
Buildings	221,163	15,813	-	236,976
Improvements	144,159	18,206	-	162,365
Infrastructure	767,743	96,791	-	864,534
Vehicles	530,707	73,754	(21,605)	582,856
Equipment	704,549	38,985	(1,890)	741,644
Furniture and Fixtures	40,628	225	-	40,853
Total Accumulated Depreciation	2,408,949	243,774	(23,495)	2,629,228
Depreciable Capital Assets, Net	4,104,679	(121,281)	(110)	3,983,288
Governmental Activities Capital Assets - Net	\$ 5,399,316	\$ (121,281)	\$ (110)	\$ 5,277,925

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE 5 - LONG-TERM DEBT**Notes Payable**Kentucky League of Cities Note Payable

In July of 2004, the City entered into a note with the Kentucky League of Cities for the purchase of the city building for \$700,000 at an interest rate of 3.0%, maturing in April, 2021.

The Kentucky League of Cities note is scheduled to mature as follows:

<u>Years</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Fees Amount</u>	<u>Total Debt Service</u>
2018	\$ 37,022	\$ 2,617	\$ 2,186	\$ 41,825
2019	37,949	1,868	1,580	41,397
2020	38,900	1,102	960	40,962
2021	<u>33,786</u>	<u>317</u>	<u>316</u>	<u>34,419</u>
Total	\$ <u>147,657</u>	\$ <u>5,904</u>	\$ <u>5,042</u>	\$ <u>158,603</u>

Kentucky Infrastructure Authority Loan F05-03

In June, 2007, the City entered into an agreement with the Kentucky Infrastructure Authority (KIA) for the improvement of the sewer lines on Viewpoint Drive. The full amount of allowable funds is \$426,220 at an interest rate of 1.0%, maturing in December, 2026. As of December 31, 2010, all funds had been received. This note will be repaid over a period of 20 years, with payments due on the first of both December and June of each year. The note will be repaid with funds collected from residents of Viewpoint Drive. These funds will be collected by the Sanitation District Number 1 of Northern Kentucky as an additional surcharge on owners' quarterly sewer sanitation bills, and remitted to the City quarterly.

The Kentucky Infrastructure Authority Loan F05-03 is scheduled to mature as follows:

<u>Years</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Fees Amount</u>	<u>Total Debt Service</u>
2018	\$ 21,489	\$ 2,077	\$ 415	\$ 23,981
2019	21,705	1,862	372	23,939
2020	21,922	1,644	329	23,895
2021	22,142	1,424	285	23,851
2022	22,364	1,202	240	23,806
2023 - 2027	<u>103,443</u>	<u>2,603</u>	<u>521</u>	<u>106,567</u>
Total	\$ <u>213,065</u>	\$ <u>10,812</u>	\$ <u>2,162</u>	\$ <u>226,039</u>

NOTE 5 - LONG-TERM DEBT (Continued)

Notes Payable (Continued)

Kentucky Infrastructure Authority Loan F07-05

In June, 2009, the City entered into an agreement with the Kentucky Infrastructure Authority (KIA) for the improvement of the sewer lines on Douglas James Drive. The full amount of allowable funds is \$186,073 at an interest rate of 1.0%, maturing in December, 2028. As of December 31, 2010, all funds had been received. This note will be repaid over a period of 20 years, with payments due on the first of both December and June of each year. The note will be repaid with funds collected from residents of Douglas James Drive. These funds will be collected by the Sanitation District Number 1 of Northern Kentucky as an additional surcharge on owners' quarterly sewer sanitation bills, and remitted to the City quarterly.

The Kentucky Infrastructure Authority Loan F07-05 is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Fees Amount	Total Debt Service
2018	\$ 9,196	\$ 1,092	\$ 218	\$ 10,506
2019	9,288	1,000	200	10,488
2020	9,381	907	181	10,469
2021	9,475	813	163	10,451
2022	9,570	718	144	10,432
2023 - 2027	49,311	2,130	426	51,867
2028 - 2029	15,280	153	31	15,464
Total	\$ 111,501	\$ 6,813	\$ 1,363	\$ 119,677

The total of the City's notes payable is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Fees Amount	Total Debt Service
2018	\$ 67,707	\$ 5,786	\$ 2,819	\$ 76,312
2019	68,942	4,730	2,152	75,824
2020	70,203	3,653	1,470	75,326
2021	65,403	2,554	764	68,721
2022	31,934	1,920	384	34,238
2023 - 2027	152,754	4,733	947	158,434
2028 - 2029	15,280	153	31	15,464
Total	\$ 472,223	\$ 23,529	\$ 8,567	\$ 504,319

The following is a summary of the City's long-term debt transactions for the year ended June 30, 2017.

	Debt Outstanding June 30, 2016	Additions of New Debt	Retirements and Repayments	Debt Outstanding June 30, 2017	Amounts Due Within 1 Year
Governmental Activities					
Compensated Absences	\$ 375,010	\$ 47,634	\$ -	\$ 422,644	\$ -
Notes Payable	538,720	-	66,497	472,223	67,707
	\$ 913,730	\$ 47,634	\$ 66,497	\$ 894,867	\$ 67,707

NOTE 5 - LONG-TERM DEBT (Continued)**Conduit Debt Obligations**

The City has issued an Industrial Building Revenue Bond to provide financial assistance to a private-sector entity for the purchase or addition of property including land and a building. The bond is secured by the property financed and is payable solely from the private-sector entity. Neither the City nor any political subdivision thereof, is obligated in any manner for repayment of the bond. Accordingly, the bond is not reported as a liability in the accompanying financial statements. As of June 30, 2017, the outstanding principal on the Industrial Building Revenue Bond is \$1,534,157.

NOTE 6 - PENSION PLAN**General Information About the Pension Plan**

Plan description: County Employees Retirement System consists of two plans, Nonhazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in nonhazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS.

Benefits provided: These systems provide for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

Nonhazardous Plan

**Tier 1: Retirement Eligibility for Members Whose Participation
Began Before 09/01/2008**

Age	Years of Service	Allowance Reduction
65	4	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

**Tier 2: Retirement Eligibility for Members Whose Participation
Began On or After 09/01/2008 but Before 01/01/2014**

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service).

**Tier 3: Retirement Eligibility for Members Whose Participation
Began On or After 01/01/2014**

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None

NOTE 6 - PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Nonhazardous Plan (Continued)

Benefit Formula for Tiers 1

Final Compensation	X	Benefit Factor	X	Years of Service
Average of the five highest if participation began before 09/01/2008.		2.20% if:	Member begins participating prior to 08/01/2004.	Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).

Benefit Formula for Tiers 2

Final Compensation	X	Benefit Factor	X	Years of Service
Average of the last complete five if participation began on or after 09/01/2008 but before 01/01/2014.		2.00% if:	Member begins participating on or after 08/01/2004 and before 09/01/2008.	Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
		Increasing percent based on service at retirement* plus 2.00% for each year of service over 30 if:	Member begins participating on or after 09/01/2008.	

* **Service (and Benefit Factor): 10 years or less (1.10%); 10 - 20 years (1.30%); 20 - 26 years (1.50%); 26 - 30 years (1.75%)**

Benefit Formula for Tiers 3

(A-B) = C X 75% = D then B+D = Interest					
A	B	C	D	Total Interest Credited to Members' Accounts	
5 Year Geometric Average Return	2016 Rate	Upside Sharing Interest	Interest Rate Earned	Interest Rate Earned (4% + Upside)	
5.16%	4.00%	1.16%	0.87%	4.87%	\$ 672,783

Tier 3 member begins participating on or after 01/01/2014. Each year that a member is an active contributing member to the System, the member and the member's employer will contribute 5.00% and 4.00% of creditable compensation respectively into a hypothetical account. This hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4.00%. If the System's geometric average net investment return for the previous five years exceeds 4.00%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4.00%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

NOTE 6 - PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Hazardous Plan

**Tier 1: Retirement Eligibility for Members Whose Participation
Retirement Eligibility for Members Whose Participation Began Before 09/01/2008**

Age	Years of Service	Allowance Reduction
55	5	None
Any	20	6.5% per year for first five years, and 4.5% for next five years before age 55 or 20 years of service.
50	15	6.5% per year for first five years, and 4.5% for next five years before age 55 or 20 years of service.

**Tier 2: Retirement Eligibility for Members Whose Participation
Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008 but**

Age	Years of Service	Allowance Reduction
60	5	None
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 60 or 25 years of service.
50	15	6.5% per year for first five years, and 4.5% for next five years before age 60 or 25 years of service.

**Tier 3: Retirement Eligibility for Members Whose Participation
Retirement Eligibility for Members Whose Participation Began On or After 01/01/2014**

Age	Years of Service	Allowance Reduction
60	5	None
Any	25	None

Benefit Formula for Tiers 1

Final Compensation	X	Benefit Factor	X	Years of Service
Average of the three highest if participation began before 09/01/2008.		2.50% if:		Member begins participating before 09/01/2008.
				Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).

Benefit Formula for Tiers 2

Final Compensation	X	Benefit Factor	X	Years of Service
Average of the three highest if participation began before 09/01/2008.		Increasing percent based on service at retirement* plus 2.00% for each year of service over 30 if:		Member begins participating on or after 09/01/2008 but before 01/01/2014.
				Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).

* **Service (and Benefit Factor): 10 years or less (1.30%); 10 - 20 years (1.50%); 20 - 25 years (2.25%); 25 + years (2.50%)**

NOTE 6 - PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Hazardous Plan (Continued)

Benefit Formula for Tiers 3					
(A-B) = C X 75% = D then B+D = Interest					
A	B	C	D	Total Interest Credited to Members' Accounts	
5 Year Geometric Average Return	2016 Rate	Upside Sharing Interest	Interest Rate Earned	Interest Rate Earned (4% + Upside)	
5.34%	4.00%	1.34%	1.01%	5.01%	\$ 147,772

Member begins participating on or after 01/01/2014. Each year that a member is an active contributing member to the System, the member and the member's employer will contribute 8.00% and 7.50% of creditable compensation respectively into a hypothetical account. This hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4.00%. If the System's geometric average net investment return for the previous five years exceeds 4.00%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4.00%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

Nonhazardous and Hazardous Plans

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

For disability benefits, members participating before 08/01/2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after 08/01/2004 but before 01/01/2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed at the higher of 20% for nonhazardous and 25% for hazardous of Final Rate of Pay or the amount calculated under the Benefit Formula based upon actual service. Members participating on or after 01/01/2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% for nonhazardous and 25% for hazardous of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

For pre-retirement death benefits, the beneficiary of a deceased active member will be eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

NOTE 6 - PENSION PLAN (Continued)**General Information about the Pension Plan (Continued)**Nonhazardous and Hazardous Plans (Continued)

Monthly retirement allowances are increased July 1 each year by 1.00% to 1.50%. The Kentucky General Assembly has the authority to increase, suspend, or reduce Cost of Living Adjustments. HB 265 of 2012 eliminated the July 1, 2012 and July 1, 2013 COLAs for all retirees. SB2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100.00% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

Contributions: For the fiscal years ended June 30, 2017 and 2016, plan members who began participating prior to September 1, 2008, were required to contribute 5% nonhazardous and 8% hazardous of their annual creditable compensation. These members were classified in the Tier 1 structure of benefits.

Tier 2 members were required to contribute a total of 6% for nonhazardous and 9% for hazardous of their annual creditable compensation. The 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the tier 3 structure of benefits. 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. Members contribute 5% nonhazardous and 8% hazardous of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% nonhazardous and 7.5% hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

Participating employers were required to contribute at an actuarially determined rate for CERS pensions. Per Kentucky Revised Statute Section CERS 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding 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 contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2017 and 2016, participating employers contributed 18.68% (13.95% pension fund and 4.73% insurance fund) and 17.06% (12.42% pension fund and 4.64% insurance fund), respectively, for the non-hazardous system of each employee's creditable compensation. For the hazardous system, participating employers contributed 31.06% (21.71% pension fund and 9.35% insurance fund) and 32.95% (20.26% pension fund and 12.69% insurance fund) of each employee's creditable compensation for the fiscal year ended June 30, 2017 and 2016, respectively. The actuarially determined rates set by the Board for the fiscal years were a percentage of each employee's creditable compensation. Contributions to the pension fund from the City including insurance contributions were \$388,946 and \$374,222 for the years ended June 30, 2017 and June 30, 2016, respectively.

NOTE 6 - PENSION PLAN (Continued)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the City reported a liability of \$3,823,151 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2017, the City's proportion for the nonhazardous system was 0.02% and for the hazardous system was 0.16%.

Change of Benefit Terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 are listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

- 1) Tiered structure for benefit accrual rates
- 2) New retirement eligibility requirements
- 3) Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

For the year ended June 30, 2017, the City recognized pension expense of \$255,652. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 44,694	\$ -
Difference between expected and actual experience	332,542	-
Changes of assumptions	214,808	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	161,591	207,308
Contributions after measurement date	<u>277,083</u>	<u>-</u>
Total	<u>\$ 1,030,718</u>	<u>\$ 207,308</u>

NOTE 6 - PENSION PLAN (Continued)

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

The \$277,083 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,		
2017	\$	178,654
2018		178,654
2019		105,886
2020		<u>83,133</u>
Total	\$	<u><u>546,327</u></u>

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

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year Smoothed market
Inflation	3.25%
Salary Increase	4.00%, Average, including inflation
Investment Rate of Return	7.50% Net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For health retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

NOTE 6 - PENSION PLAN (Continued)

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

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, at a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Asset Class	Target Allocation	Long Term Expected Nominal Return
Combined Equity	44.00 %	5.40 %
Combined Fixed Income	19.00	1.50 %
Real Return (Diversified Inflation Strategies)	10.00	3.50 %
Real Estate	5.00	4.50 %
Absolute Return (Diversified Hedge Funds)	10.00	4.25 %
Private Equity	10.00	8.50 %
Cash Equivalent	2.00	(0.25) %
Total	<u>100.00 %</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 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 determination does not use a municipal bond rate. The periods of projected benefit payments for all current plan members were projected through 2117.

NOTE 6 - PENSION PLAN (Continued)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

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 using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Nonhazardous	\$ 1,294,433	\$ 1,038,734	\$ 819,552
Hazardous	\$ 3,498,049	\$ 2,784,417	\$ 2,195,807

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

401(k) Plan and 457 Plan

The City also permits employees to participate in a 401(k) or 457 plan sponsored by the Commonwealth of Kentucky.

NOTE 7 - OPERATING LEASES

The City leases equipment under operating leases expiring at various times through February, 2027. Expenditures for equipment under operating leases totaled \$25,010 for the year ended June 30, 2017. Future minimum rental payments under these leases are as follows:

Years Ending June 30,	
2018	\$ 25,770
2019	19,826
2020	11,340
2021	4,200
2022	4,200
Thereafter	<u>19,600</u>
Total	<u>\$ 84,936</u>

NOTE 8 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the general fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2017 will not materially affect the financial condition of the City. Therefore, the general fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE 9 - CLAIMS AND JUDGEMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 10 - CONTINGENT LIABILITIES

The City is, from time to time, a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALEXANDRIA, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 3,480,345	\$ 3,480,345	\$ 3,782,359	\$ 302,014
Licenses and Permits	60,250	60,250	33,170	(27,080)
Fines and Forfeitures	16,200	16,200	21,020	4,820
Other Revenues	40,000	40,000	27,705	(12,295)
Earnings on Investments	100	100	63	(37)
Intergovernmental Revenue	131,700	131,700	98,460	(33,240)
Charges for Services	594,700	594,700	607,596	12,896
Total Revenues	4,323,295	4,323,295	4,570,373	247,078
Expenditures				
General Government	909,640	934,551	868,546	66,005
Police	1,925,600	2,027,076	1,900,174	126,902
Public Works	699,575	738,229	712,063	26,166
Waste Collection	595,360	623,393	540,425	82,968
Planning and Inspection	25,000	36,493	73,669	(37,176)
Park and Recreation	11,620	11,812	11,192	620
Debt Service				
Principal	36,000	36,117	36,117	-
Interest	2,000	3,156	3,156	-
Capital Outlay	278,500	280,818	122,493	158,325
Total Expenditures	4,483,295	4,691,645	4,267,835	423,810
(Deficit) Excess of Revenues and Other Financing Sources Over Expenditures	(160,000)	(368,350)	302,538	670,888
Fund Balance July 1, 2016	1,468,661	1,468,661	1,468,661	-
Fund Balance June 30, 2017	\$ 1,308,661	\$ 1,100,311	\$ 1,771,199	\$ 670,888

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
MUNICIPAL ROAD AID FUND
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Items</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental Revenue	\$ 160,000	\$ 160,000	\$ 165,495	\$ 5,495
Expenditures				
Public Works	<u>160,000</u>	<u>160,000</u>	<u>46,003</u>	<u>113,997</u>
Excess of Revenues Over Expenditures	-	-	119,492	119,492
Fund Balance July 1, 2016	<u>79,104</u>	<u>79,104</u>	<u>79,104</u>	<u>-</u>
Fund Balance June 30, 2017	<u>\$ 79,104</u>	<u>\$ 79,104</u>	<u>\$ 198,596</u>	<u>\$ 119,492</u>

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
CHARLIE BATTERY FUND
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Items</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Other Revenue	\$ 50	\$ 50	\$ -	\$ (50)
Expenditures				
Postage	500	500	-	500
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total Expenditures	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
(Deficit) Excess of Revenues Over Expenditures	(1,450)	(1,450)	-	1,450
Fund Balance July 1, 2016	<u>4,059</u>	<u>4,059</u>	<u>4,059</u>	<u>-</u>
Fund Balance June 30, 2017	<u>\$ 2,609</u>	<u>\$ 2,609</u>	<u>\$ 4,059</u>	<u>\$ 1,450</u>

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
SEWER FUND
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Items</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Earnings on Investments	\$ 100	\$ 100	\$ 4,234	\$ 4,134
Assessment Revenue	<u>35,000</u>	<u>35,000</u>	<u>32,341</u>	<u>(2,659)</u>
Total Revenues	<u>35,100</u>	<u>35,100</u>	<u>36,575</u>	<u>1,475</u>
Expenditures				
Miscellaneous	800	800	169	631
Debt Service				
Principal	29,900	29,900	30,380	(480)
Interest	<u>4,400</u>	<u>4,400</u>	<u>3,473</u>	<u>927</u>
Total Expenditures	<u>35,100</u>	<u>35,100</u>	<u>34,022</u>	<u>1,078</u>
Excess of Revenues and Other Financing Uses Over Expenditures				
	-	-	2,553	2,553
Fund Balance July 1, 2016	<u>143,899</u>	<u>143,899</u>	<u>143,899</u>	<u>-</u>
Fund Balance June 30, 2017	<u>\$ 143,899</u>	<u>\$ 143,899</u>	<u>\$ 146,452</u>	<u>\$ 2,553</u>

See accompanying notes.

CITY OF ALEXANDRIA, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2017

County Employees Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's Proportion of the Net Pension Liability (Asset) - Non Hazardous	0.02%	0.02%	0.02%
City's Proportion of the Net Pension Liability (Asset) - Hazardous	0.16%	0.15%	0.17%
City's Proportionate Share of the Net Pension Liability (Asset) - Non Hazardous	\$ 1,038,734	\$ 997,060	\$ 737,836
City's Proportionate Share of the Net Pension Liability (Asset) - Hazardous	<u>2,784,417</u>	<u>2,238,031</u>	<u>1,985,439</u>
Total City's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 3,823,151</u>	<u>\$ 3,235,091</u>	<u>\$ 2,723,275</u>
City's Covered - Employee Payroll	\$ 1,395,020	\$ 1,328,926	\$ 1,316,816
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	274.06%	243.44%	206.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non Hazardous	59.97%	59.97%	66.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Hazardous	57.52%	57.52%	63.46%

See accompanying notes.

CITY OF ALEXANDRIA, KENTUCKY
SCHEDULE OF THE CITY'S CONTRIBUTIONS
June 30, 2017

County Employees Retirement System
Last 4 Fiscal Years

<u>Nonhazardous</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 81,549	\$ 66,780	\$ 69,047	\$ 72,458
Contributions in Relation to the Contractually Required Contribution	<u>(81,549)</u>	<u>(66,780)</u>	<u>(69,047)</u>	<u>(72,458)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 584,582	\$ 537,679	\$ 541,546	\$ 527,356
Contributions as a Percentage of Covered-Employee Payroll	13.95%	12.42%	12.75%	13.74%
<u>Hazardous</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 195,534	173,697	\$ 163,224	\$ 171,865
Contributions in Relation to the Contractually Required Contribution	<u>(195,534)</u>	<u>(173,697)</u>	<u>(163,224)</u>	<u>(171,865)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 900,663	\$ 857,341	\$ 787,380	\$ 789,460
Contributions as a Percentage of Covered-Employee Payroll	21.71%	20.26%	20.73%	21.77%

See accompanying notes.

OTHER SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' 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**

Honorable Mayor
Members of City Council
City of Alexandria, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Alexandria, Kentucky (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Alexandria, Kentucky's basic financial statements, and have issued our report thereon dated October 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Honorable Mayor
Members of City Council
City of Alexandria, Kentucky
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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VonLehman & Company Inc.

Fort Wright, Kentucky
October 19, 2017