

CITY OF ALEXANDRIA, KENTUCKY

June 30, 2016

*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, 2016, 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, 2016, 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.

Emphasis of Matter

As discussed in the notes to the financial statements, the previously issued financial statements for the year ended June 30, 2015 have been restated for the correction of a material misstatement. Our opinion is not modified with respect to that matter.

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 – 8, 34 – 37, 38 and 39, 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 November 17, 2016, 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.

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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, 2016. Please read it in conjunction with the City's basic financial statements that begin on page 9.

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 9 and 10) 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 11. 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 2016 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 \$3,514,770 (net position).
- The City's total net position increased by \$239,926.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$1,695,723, a decrease of \$498,101. \$1,350,554 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 \$1,350,554 or 29% of the total general fund expenditures.
- The City's total debt decreased by \$78,196 (8%), including compensated absences, during the current year.
- The City's cash and cash equivalents decreased by \$605,508, from \$1,744,431 at June 30, 2015 to \$1,138,923 at June 30, 2016.

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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 9 and 10 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 11 through 14 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 15 through 33 of this report.

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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 2016 compared to 2015:

**Table 1
Net Position**

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015 (As Restated)</u>
Assets		
Current and Other Assets	\$ 1,879,831	\$ 2,405,037
Noncurrent Assets, Net	5,703,966	4,795,952
Total Assets	<u>7,583,797</u>	<u>7,200,989</u>
Deferred Outflows of Resources	<u>625,860</u>	<u>232,271</u>
Liabilities		
Current and Other Liabilities	200,623	247,072
Noncurrent Liabilities	4,082,323	3,633,720
Total Liabilities	<u>4,282,946</u>	<u>3,880,792</u>
Deferred Inflows of Resources	<u>411,941</u>	<u>277,624</u>
Net Position		
Invested in Capital Assets Net of Related Debt	4,860,596	4,226,759
Restricted for		
Municipal Road Aid	79,104	245,863
Charlie Battery	4,059	4,203
Sewer Fund	143,899	138,036
Unrestricted	<u>(1,572,888)</u>	<u>(1,340,017)</u>
Total Net Position	<u>\$ 3,514,770</u>	<u>\$ 3,274,844</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 \$3.5 million as of June 30, 2016.

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)**

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 \$776,000. Equity in cash and cash equivalents, prepaid expenses, and receivables decreased by approximately \$525,000. Capital assets and noncurrent receivables increased by approximately \$908,000. Deferred outflows of resources increased by approximately \$394,000. This activity is partially offset by an decrease in accounts payable and other liabilities of approximately \$46,000, and a increase in long-term liabilities and compensated absences of approximately \$449,000. Additionally, deferred inflows of resources increased by approximately \$134,000. This resulted in an increase in net position of approximately \$240,000.

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)**

Table 2 reflects the change in net position for fiscal years 2016 and 2015 (2015 does not include the effect of the prior period adjustment).

**Table 2
Change in Net Position**

	Governmental Activities	
	Years Ended June 30,	
	2016	2015
Revenues		
General Revenues		
Taxes	\$ 3,490,218	\$ 3,308,655
Licenses and Permits	55,454	121,439
Fines and Forfeitures	16,209	20,194
Earnings on Investments	4,280	4,923
Gain on Sale of Capital Assets	750	16,208
Miscellaneous	35,475	56,625
Total General Revenues	<u>3,602,386</u>	<u>3,528,044</u>
Program Revenues		
Charges for Service	574,982	538,627
Operating Grants and Contributions	71,937	84,179
Capital Grants and Contributions	163,309	194,865
Total Program Revenues	<u>810,228</u>	<u>817,671</u>
Total Revenues	<u>4,412,614</u>	<u>4,345,715</u>
Program Expenses		
General Government	792,369	764,288
Police	1,611,198	1,501,850
Public Works	490,195	1,007,462
Waste Collection	506,982	521,874
Planning and Inspection	49,656	33,878
Park and Recreation	13,189	17,643
Miscellaneous	940	1,687
Interest on Long-Term Debt	6,092	5,564
Pension Expense	493,021	593,349
Depreciation	209,046	199,230
Total Program Expenses	<u>4,172,688</u>	<u>4,646,825</u>
Change in Net Assets	239,926	(301,110)
Prior Period Adjustment	<u>(133,412)</u>	<u>-</u>
Increase (Decrease) in Net Position	\$ <u>106,514</u>	\$ <u>(301,110)</u>

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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 \$4.4 million, and expenditures and other financing uses of approximately \$5.0 million. Revenues excluding transfers increased by 1.1%, while expenses excluding transfers increased by 10.1%. The increase in expenses is largely due to capital outlay.

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 \$1.8 million.

For the general fund, budgeted revenues and other financing sources were budgeted at \$4.1 million. Actual revenues and other financing sources were approximately \$4.3 million.

Expenditures and other financing uses were budgeted at approximately \$5.0 million, while actual expenditures and other financing uses were approximately \$4.6 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, the City had approximately \$5.4 million invested in capital assets (net of depreciation), all in governmental activities.

Table 3 reflects fiscal year 2016 balances compared to fiscal year 2015.

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

	Governmental Activities	
	2016	2015
Land	\$ 1,239,000	\$ 1,239,000
Construction in Progress	55,637	-
Buildings	411,367	427,180
Improvements	194,694	125,199
Infrastructure	3,103,894	2,375,666
Vehicles	291,914	188,855
Equipment	102,067	102,441
Furniture and Fixtures	743	618
	\$ 5,399,316	\$ 4,458,959

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)**

The current year capital asset activity included the following activity:

Addition of Construction in Progress	\$	55,637
Addition of Improvements		81,599
Addition of Infrastructure		811,493
Addition of Equipment		35,414
Addition of Vehicles		164,917
Addition of Furniture and Fixtures		343
Disposal of Equipment		(1,285)
Accumulated Depreciation on Disposal of Equipment		1,285
Depreciation		<u>(209,046)</u>
Change	\$	<u><u>940,357</u></u>

Debt

At June 30, 2016, the City had approximately \$539,000 in outstanding notes payable.

The following is a summary of the City's debt transactions during 2016.

	June 30, 2015	Additions	Repayments	June 30, 2016
Notes Payable Obligations	\$ 601,130	\$ -	\$ 62,410	\$ 538,720
Capital Lease Obligations	<u>16,095</u>	<u>-</u>	<u>16,095</u>	<u>-</u>
	<u>\$ 617,225</u>	<u>\$ -</u>	<u>\$ 78,505</u>	<u>\$ 538,720</u>

Economic Factors in Next Year's Budget

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

The economic conditions these last few years have taken its toll on Alexandria properties, as the City has seen a number of foreclosures and bankruptcies. However, that said, the current delinquencies are less than 0.01% overall.

From fiscal year 2015-2016, 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 2016 fiscal year, the property tax rate will decrease slightly to 0.174% per \$100 of valuation. With some change in assessment values, the City anticipates the same revenue as last year. The City will continue to monitor the budget and follow safe planning and management for the 2016-2017 fiscal year. The City works very hard to keep our property tax rate as low as possible.

**CITY OF ALEXANDRIA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(Continued)**

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 mandatory expenditures. Due to the significant efforts to reduce expenses over the past several years, it appears highly unlikely the City will be able to continue to find areas to offset mandatory expenditure increases. Therefore, the City revisited revenue options, and adopted a gross receipts tax on businesses which is 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 our citizens' needs and wants.

As in previous years, the regular maintenance, upkeep and reconstruction of the City's streets will continue to be a major focus of the City's budget. In fiscal year 2015-2016, the City spent approximately \$800,000 (using municipal road aid funds and budgeted funds) to totally reconstruct Shaw and Sheridan Drives (including sidewalks). This is combining two years of major street work into one fiscal year. This saved the City overall on these two streets due to their proximity to each other. The City also changed its policy so the City will be responsible for sidewalk maintenance and repair, rather than the property owner. The City initiated a plan to systematically maintain the sidewalks and make them ADA compliant.

The City continues to see new businesses locate in Alexandria. The City is poised for growth and positioned well for the growth that will occur as the economy continues to turn around. The Arcadia Development is in full swing with 125 plus homes built thus far. Additionally, the Eagle Ridge development on Poplar Ridge has begun home construction, and the former Thriftway building is occupied by The Bridge (church). The Baptist Life Community is breaking ground on their \$40 million dollar project. The City has initiated a Main Street Revitalization effort that is beginning to take shape with participation from state, county, and city governments along with the property owners.

The City created a new, full-time position of Recreation Director to increase the City's programs for citizens, youth, and seniors. The City continues to support "VIPS in Schools" program and is one of the first Northern Kentucky cities to purchase body worn cameras for police officers.

Contacting the City's Financial Management

This financial report is designed to provide the City's 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 City Clerk, Karen Barto at the City of Alexandria, 8236 West Main Street, Alexandria, Kentucky 41001.

**CITY OF ALEXANDRIA, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and Cash Equivalents	\$ 1,138,923
Accounts Receivable	
Property Taxes	19,214
Insurance Taxes	336,406
Payroll and Occupational Taxes	307,800
Other Receivables - Current Portion	50,188
Prepaid Expenses	27,300
Total Current Assets	1,879,831
Noncurrent Assets	
Other Receivables	304,650
Capital Assets	
Land	1,239,000
Construction in Progress	55,637
Depreciable Capital Assets	6,513,628
Less Accumulated Depreciation	(2,408,949)
Total Capital Assets	5,399,316
Total Noncurrent Assets	5,703,966
Total Assets	7,583,797
Deferred Outflows of Resources	
Difference Between Expected and Actual Experience	56,895
Net Difference Between Projected and Actual Investment Earnings	22,993
Changes of Assumptions	293,945
Changes in Proportion and Difference Between Employer Contributions	
Proportionate Share	11,550
Contributions After Measurement Date	240,477
Total Deferred Outflows of Resources	625,860
Total Assets and Deferred Outflows of Resources	8,209,657
Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Accounts Payable and Accrued Expenses	80,522
Accrued Payroll and Withholdings	53,603
Notes Payable	66,498
Total Current Liabilities	200,623
Noncurrent Liabilities (Less Current Portion)	
Compensated Absences	375,010
Notes Payable	472,222
Net Pension Liability	3,235,091
Total Noncurrent Liabilities	4,082,323
Total Liabilities	4,282,946
Deferred Inflows of Resources	
Net Difference Between Projected and Actual Investment	
Earnings on Pension Plan Investments	208,218
Changes in Proportion and Difference Between Employer Contributions	
Proportionate Share	203,723
Total Deferred Inflows of Resources	411,941
Total Liabilities and Deferred Inflows of Resources	4,694,887
Net Position	
Invested in Capital Assets, Net of Related Debt	4,860,596
Restricted for	
Municipal Road Aid	79,104
Charlie Battery	4,059
Sewer Fund	143,899
Unrestricted	(1,572,888)
Total Net Position	\$ 3,514,770

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
					<u>Primary Government Total Governmental Activities</u>
Primary Government Governmental Activities					
General Government	\$ 792,369	\$ 29,685	\$ 11,023	\$ -	\$ (751,661)
Police	1,611,198	1,605	60,914	-	(1,548,679)
Public Works	490,195	-	-	163,309	(326,886)
Waste Collection	506,982	498,255	-	-	(8,727)
Planning and Inspection	49,656	41,414	-	-	(8,242)
Park and Recreation	13,189	4,023	-	-	(9,166)
Miscellaneous	940	-	-	-	(940)
Interest on Long-Term Debt	6,092	-	-	-	(6,092)
Pension Expense	493,021	-	-	-	(493,021)
Depreciation	209,046	-	-	-	(209,046)
Total Primary Government	\$ 4,172,688	\$ 574,982	\$ 71,937	\$ 163,309	(3,362,460)
General Revenues					
					3,490,218
Taxes					55,454
Licenses and Permits					16,209
Fines and Forfeitures					4,280
Earnings on Investments					750
Gain on Sale of Capital Assets					35,475
Miscellaneous					
Total General Revenues					<u>3,602,386</u>
Change in Net Position					239,926
Net Position July 1, 2015 (As Restated)					<u>3,274,844</u>
See accompanying notes.					<u>\$ 3,514,770</u>
Net Position June 30, 2016					<u>\$ 3,514,770</u>

**CITY OF ALEXANDRIA, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Municipal Road Aid Fund	Charlie Battery Fund	Sewer Fund	Total Govern- mental Funds
Assets					
Cash and Cash Equivalents	\$ 930,653	\$ 59,785	\$ 4,059	\$ 144,426	\$ 1,138,923
Accounts Receivable					
Property Taxes	19,214	-	-	-	19,214
Insurance Taxes	336,406	-	-	-	336,406
Payroll and Occupational Taxes	307,800	-	-	-	307,800
Other Receivables	102	19,319	-	335,417	354,838
Prepaid Expenses	27,300	-	-	-	27,300
Total Assets	\$ 1,621,475	\$ 79,104	\$ 4,059	\$ 479,843	\$ 2,184,481
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 79,997	\$ -	\$ -	\$ 525	\$ 80,522
Deferred Revenues	19,214	-	-	335,419	354,633
Other Accrued Expenses	53,603	-	-	-	53,603
Total Liabilities	152,814	-	-	335,944	488,758
Fund Balances					
Non-Spendable					
Prepaid Expenses	27,300	-	-	-	27,300
Restricted for					
Municipal Road Aid					
Fund Balance	-	79,104	-	-	79,104
Sewer Fund Balance	-	-	-	143,899	143,899
Police Forfeiture Cash	2,433	-	-	-	2,433
Committed for					
Charley Battery Fund Balance	-	-	4,059	-	4,059
Planning and Zoning Cash	27,860	-	-	-	27,860
Assigned					
Insurance Fund Cash	60,514	-	-	-	60,514
Unassigned	1,350,554	-	-	-	1,350,554
Total Fund Balances	1,468,661	79,104	4,059	143,899	1,695,723
Total Liabilities and Fund Balances	\$ 1,621,475	\$ 79,104	\$ 4,059	\$ 479,843	\$ 2,184,481

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balance - Governmental Funds \$ 1,695,723

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	\$ 7,808,265	
Accumulated Depreciation	(2,408,949)	
	<u>5,399,316</u>	5,399,316

Other assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.		354,633
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Compensated absences are not due and payable in the current period, and therefore, are not reported in the governmental funds.		(375,010)
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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.

Difference Between Expected and Actual Experience		56,895
Net Difference Between Projected and Actual Investment Earnings		22,993
Changes of Assumptions		293,945
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions After Measurement Date		11,550
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		240,477
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions		(208,218)
		(203,723)

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		(3,235,091)
Notes Payable		<u>(538,720)</u>

Net Assets of Governmental Activities in the Statement of Net Position		\$ <u><u>3,514,770</u></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, 2016

	<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	\$ 3,486,769	\$ -	\$ -	\$ -	\$ 3,486,769
Licenses and Permits	55,454	-	-	-	55,454
Fines and Forfeitures	16,209	-	-	-	16,209
Other Revenue	35,435	-	40	-	35,475
Earnings on Investments	52	-	-	4,228	4,280
Intergovernmental Revenue	71,937	163,309	-	-	235,246
Charges for Services	575,719	-	-	31,444	607,163
Total Revenues	<u>4,241,575</u>	<u>163,309</u>	<u>40</u>	<u>35,672</u>	<u>4,440,596</u>
Expenditures					
Current					
General Government	815,113	-	-	-	815,113
Police	1,786,371	-	-	-	1,786,371
Public Works	510,718	20,530	-	-	531,248
Waste Collection	506,982	-	-	-	506,982
Planning and Inspection	50,853	-	-	-	50,853
Park and Recreation	13,189	-	-	-	13,189
Miscellaneous	-	-	184	756	940
Debt Service					
Principal	48,427	-	-	30,079	78,506
Interest	2,316	-	-	3,776	6,092
Capital Outlay	908,251	241,152	-	-	1,149,403
Total Expenditures	<u>4,642,220</u>	<u>261,682</u>	<u>184</u>	<u>34,611</u>	<u>4,938,697</u>
(Deficit) Excess of Revenues Over Expenditures	<u>(400,645)</u>	<u>(98,373)</u>	<u>(144)</u>	<u>1,061</u>	<u>(498,101)</u>
Other Financing Sources (Uses)					
Transfers to Other Funds	-	(68,386)	-	-	(68,386)
Transfers from Other Funds	68,386	-	-	-	68,386
Total Other Financing Sources (Uses)	<u>68,386</u>	<u>(68,386)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(332,259)</u>	<u>(166,759)</u>	<u>(144)</u>	<u>1,061</u>	<u>(498,101)</u>
Fund Balance July 1, 2015	<u>1,800,920</u>	<u>245,863</u>	<u>4,203</u>	<u>142,838</u>	<u>2,193,824</u>
Fund Balance June 30, 2016	<u>\$ 1,468,661</u>	<u>\$ 79,104</u>	<u>\$ 4,059</u>	<u>\$ 143,899</u>	<u>\$ 1,695,723</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, 2016**

Change in Fund Balances - Total Governmental Funds \$ (498,101)

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 in the period.

Depreciation Expense	\$	(209,046)	
Capital Outlays		1,149,403	940,357

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. 78,505

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. (309)

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, 2015		(232,271)	
Amortization of Deferred Outflows and Inflows of Resources		69,406	
Cost of Benefits Earned Net of Employee Contributions		(330,156)	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (27,982)

Change in Net Position - Governmental Activities \$ 239,926

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
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.

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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, 2016, \$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, 2016 was as follows:

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
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	<u>1,239,000</u>	<u>55,637</u>	<u>-</u>	<u>1,294,637</u>
Depreciable Capital Assets				
Buildings	632,530	-	-	632,530
Improvements	257,254	81,599	-	338,853
Infrastructure	3,060,144	811,493	-	3,871,637
Vehicles	657,704	164,917	-	822,621
Equipment	772,487	35,414	(1,285)	806,616
Furniture and Fixtures	41,028	343	-	41,371
Total Depreciable Capital Assets	<u>5,421,147</u>	<u>1,093,766</u>	<u>(1,285)</u>	<u>6,513,628</u>
Total Capital Assets at Historical Cost	<u>6,660,147</u>	<u>1,149,403</u>	<u>(1,285)</u>	<u>7,808,265</u>
Less Accumulated Depreciation				
Buildings	205,350	15,813	-	221,163
Improvements	132,055	12,104	-	144,159
Infrastructure	684,478	83,265	-	767,743
Vehicles	468,849	61,858	-	530,707
Equipment	670,046	35,788	(1,285)	704,549
Furniture and Fixtures	40,410	218	-	40,628
Total Accumulated Depreciation	<u>2,201,188</u>	<u>209,046</u>	<u>(1,285)</u>	<u>2,408,949</u>
Depreciable Capital Assets, Net	<u>3,219,959</u>	<u>884,720</u>	<u>-</u>	<u>4,104,679</u>
Governmental Activities Capital Assets - Net	<u>\$ 4,458,959</u>	<u>\$ 940,357</u>	<u>\$ -</u>	<u>\$ 5,399,316</u>

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

NOTE 5 - LONG-TERM DEBT

Capital Lease Obligations

The City had capital lease obligations for vehicles with maturities through July, 2015 at interest rates of 3.2%. Depreciation expense for vehicles under capital lease obligations was \$16,430 and \$10,954 for 2016 and 2015, respectively. The following is a summary of property held under capital lease obligations at cost less accumulated depreciation:

	June 30,	
	2016	2015
Vehicles	\$ 48,042	\$ 48,042
Less Accumulated Depreciation	48,042	31,612
	<u>\$ -</u>	<u>\$ 16,430</u>

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:

Years	Principal Amount	Interest Amount	Fees Amount	Total Debt Service
2017	\$ 36,117	\$ 3,280	\$ 2,776	\$ 42,173
2018	37,022	2,554	2,186	41,762
2019	37,949	1,804	1,580	41,333
2020	38,900	1,036	960	40,896
2021	<u>33,786</u>	<u>260</u>	<u>316</u>	<u>34,362</u>
Total	<u>\$ 183,774</u>	<u>\$ 8,934</u>	<u>\$ 7,818</u>	<u>\$ 200,526</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.

NOTE 5 - LONG-TERM DEBT (Continued)

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>
2017	\$ 21,276	\$ 2,290	\$ 458	\$ 24,024
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 - 2026	114,084	3,747	749	118,580
2027	<u>11,722</u>	<u>59</u>	<u>12</u>	<u>11,793</u>
Total	<u>\$ 234,340</u>	<u>\$ 13,103</u>	<u>\$ 2,620</u>	<u>\$ 250,063</u>

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:

<u>Years</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Fees Amount</u>	<u>Total Debt Service</u>
2017	\$ 9,105	\$ 1,183	\$ 237	\$ 10,525
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 - 2026	48,821	2,620	524	51,965
2027 - 2029	<u>25,340</u>	<u>381</u>	<u>76</u>	<u>25,797</u>
Total	<u>\$ 120,606</u>	<u>\$ 7,996</u>	<u>\$ 1,599</u>	<u>\$ 130,201</u>

NOTE 5 - LONG-TERM DEBT (Continued)

The total of the City's notes payable 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>
2017	\$ 66,498	\$ 6,753	\$ 3,471	\$ 76,249
2018	67,707	5,723	2,819	75,760
2019	68,942	4,666	2,152	75,260
2020	70,203	3,587	1,470	170,545
2021	65,403	2,497	764	37,590
2022 - 2026	162,905	6,367	1,273	37,590
2027 - 2029	<u>37,062</u>	<u>440</u>	<u>88</u>	<u>580,790</u>
Total	\$ <u>538,720</u>	\$ <u>30,033</u>	\$ <u>12,037</u>	\$ <u>1,053,784</u>

The following is a summary of the City's long-term debt transactions for the year ended June 30, 2016.

<u>Governmental Activities</u>	<u>Debt Outstanding June 30, 2015</u>	<u>Additions of New Debt</u>	<u>Retirements and Repayments</u>	<u>Debt Outstanding June 30, 2016</u>	<u>Amounts Due Within 1 Year</u>
Compensated Absences	\$ 374,701	\$ 309	\$ -	\$ 375,010	\$ -
Notes Payable	601,130	-	62,410	538,720	66,498
Capital Lease Obligations	<u>16,095</u>	<u>-</u>	<u>16,095</u>	<u>-</u>	<u>-</u>
	\$ <u>991,926</u>	\$ <u>309</u>	\$ <u>78,505</u>	\$ <u>913,730</u>	\$ <u>66,498</u>

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, 2016, the outstanding principal on the Industrial Building Revenue Bond is \$2,128,530.

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:

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.

Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008 but		
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).

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)

Benefit Formula for Tiers 1 & 2			
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).
	2.00% if:	Member begins participating on or after 08/01/2004 and before 09/01/2008.	
Average of the last complete five if participation began on or after 09/01/2008 but before 01/01/2014.	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%)

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.

Hazardous Plan:

Retirement Eligibility for Members Whose Participation Began Before 09/01/2008		
Age	Years of Service	Allowance Reduction
55	5	None
Any	20	None
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.

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	None
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.

Retirement Eligibility for Members Whose Participation Began On or After 01/01/2014		
Age	Years of Service	Allowance Reduction
60	5	
Any	25	

NOTE 6 - PENSION PLAN (Continued)

Benefit Formula				
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.
Average of the three highest complete years if participation began on or after 09/01/2008.		Increasing percent based on service at retirement* 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%)**

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 as 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)

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, 2016 and 2015, 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.

Plan members who began participating on, or after, September 1, 2008, 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.

Plan 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, 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, 2016, participating employers contributed 17.06% (12.42% pension fund and 4.64% insurance fund) for the nonhazardous system and 32.95% (20.26% pension fund and 12.69% insurance fund) for the hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the pension fund (excluding the insurance portion) from the City were \$240,477 for the year ended June 30, 2016.

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

At June 30, 2016, the City reported a liability of \$3,235,091 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2016, the City's proportion for the nonhazardous system was 0.02% and for the hazardous system was 0.15%.

NOTE 6 - PENSION PLAN (Continued)

Change of Benefit Terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015 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, 2016, the City recognized pension expense of \$493,021. At June 30, 2016, 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	\$ 22,993	\$ 208,218
Difference between expected and actual experience	56,895	-
Changes of assumptions	293,945	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	11,550	203,723
Contributions after measurement date	<u>240,477</u>	<u>-</u>
Total	<u>\$ 625,860</u>	<u>\$ 411,941</u>

The \$240,477 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>	
2017	\$ (5,830)
2018	(5,830)
2019	(29,330)
2020	<u>14,432</u>
Total	<u>\$ (26,558)</u>

NOTE 6 - PENSION PLAN (Continued)

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, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 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.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, 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 capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The 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.

NOTE 6 - PENSION PLAN (Continued)

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	100.00 %	

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 28 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.

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	\$ 1,272,871	\$ 997,060	\$ 760,852
Hazardous	\$ 2,864,755	\$ 2,238,031	\$ 1,720,233

NOTE 6 - PENSION PLAN (Continued)

Changes of assumptions: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated. The changes are noted below.

- 1) The assumed investment rate of return was decreased from 7.75% to 7.50%.
- 2) The assumed rate of inflation was reduced from 3.50% to 3.25%.
- 3) The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- 4) Payroll growth assumption was reduced from 4.50% to 4.00%.
- 5) 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).
- 6) For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2014 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 3 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 investigations is conducted.
- 7) The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurate reflect experience.

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 January, 2019. Expenditures for equipment under operating leases totaled \$20,784 for the year ended June 30, 2016. Future minimum rental payments under these leases are as follows:

Years Ending June 30,		
2017	\$	20,784
2018		10,024
2019		<u>4,080</u>
Total	\$	<u><u>34,888</u></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, 2016 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.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

For the year ended June 30, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, for the County Employee's Retirement System and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

As a result of the implementation of GASB Statements No. 68 and 71, the City recognized contributions after measurement date of \$365,383 for the year ended June 30, 2015. Those contributions after measurement date included contributions to both the pension fund as well as the insurance fund of the CERS systems. Therefore, the net position was overstated by \$133,112 as of June 30, 2015.

The items above had the following effect:

Net Position, June 30, 2015	\$ 3,408,256
Contributions after Measurement Date for Insurance Fund	<u>(133,412)</u>
Restated Net Position, June 30, 2015	<u>\$ 3,274,844</u>

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 3,230,012	\$ 3,230,012	\$ 3,486,769	\$ 256,757
Licenses and Permits	106,700	106,700	55,454	(51,246)
Fines and Forfeitures	18,000	18,000	16,209	(1,791)
Other Revenues	35,000	35,000	35,435	435
Earnings on Investments	2,000	2,000	52	(1,948)
Intergovernmental Revenue	125,700	139,186	71,937	(67,249)
Charges for Services	523,500	527,188	575,719	48,531
Total Revenues	4,040,912	4,058,086	4,241,575	183,489
Expenditures				
General Government	907,262	942,975	815,113	127,862
Police	1,848,600	1,867,242	1,786,371	80,871
Public Works	697,280	697,280	510,718	186,562
Waste Collection	537,000	570,978	506,982	63,996
Planning and Inspection	38,400	45,474	50,853	(5,379)
Park and Recreation	13,470	13,470	13,189	281
Debt Service				
Principal	35,000	36,592	48,427	(11,835)
Interest	200	200	2,316	(2,116)
Capital Outlay	814,200	867,788	908,251	(40,463)
Total Expenditures	4,891,412	5,041,999	4,642,220	399,779
Deficit of Revenues and Other Financing Sources Over Expenditures	(850,500)	(983,913)	(400,645)	583,268
Other Financing Sources				
Transfers In	-	-	68,386	68,386
Net Change in Fund Balance	(850,500)	(983,913)	(332,259)	651,654
Fund Balance July 1, 2015	1,800,920	1,800,920	1,800,920	-
Fund Balance June 30, 2016	\$ 950,420	\$ 817,007	\$ 1,468,661	\$ 651,654

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, 2016

	<u>Budgeted Items</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental Revenue	\$ 165,000	\$ 165,000	\$ 163,309	\$ (1,691)
Expenditures				
Public Works	<u>300,000</u>	<u>300,000</u>	<u>261,682</u>	<u>38,318</u>
(Deficit) Excess of Revenues Over Expenditures	(135,000)	(135,000)	(98,373)	36,627
Other Financing Sources				
Transfers Out	<u>-</u>	<u>-</u>	<u>(68,386)</u>	<u>(68,386)</u>
Net Change in Fund Balance	(135,000)	(135,000)	(166,759)	(31,759)
Fund Balance July 1, 2015	<u>245,863</u>	<u>245,863</u>	<u>245,863</u>	<u>-</u>
Fund Balance June 30, 2016	<u>\$ 110,863</u>	<u>\$ 110,863</u>	<u>\$ 79,104</u>	<u>\$ (31,759)</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, 2016**

	<u>Budgeted Items</u>		<u>Actual</u>	<u>Variance with Final Budget (Unfavorable) Favorable</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other Revenue	\$ 50	\$ 50	\$ 40	\$ (10)
Expenditures				
Postage	500	500	-	500
Miscellaneous	1,000	1,000	184	816
Total Expenditures	1,500	1,500	184	1,316
(Deficit) Excess of Revenues Over Expenditures	(1,450)	(1,450)	(144)	1,306
Fund Balance July 1, 2015	4,203	4,203	4,203	-
Fund Balance June 30, 2016	<u>\$ 2,753</u>	<u>\$ 2,753</u>	<u>\$ 4,059</u>	<u>\$ 1,306</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, 2016

	Budgeted Items		Actual	Variance with Final Budget (Unfavorable) Favorable
	Original	Final		
Revenues				
Earnings on Investments	\$ 4,350	\$ 4,350	\$ 4,228	\$ (122)
Assessment Revenue	<u>30,950</u>	<u>30,950</u>	<u>31,444</u>	<u>494</u>
Total Revenues	<u>35,300</u>	<u>35,300</u>	<u>35,672</u>	<u>372</u>
Expenditures				
Miscellaneous	1,000	1,000	756	244
Debt Service				
Principal	30,000	30,000	30,079	(79)
Interest	<u>4,200</u>	<u>4,200</u>	<u>3,776</u>	<u>424</u>
Total Expenditures	<u>35,200</u>	<u>35,200</u>	<u>34,611</u>	<u>589</u>
Excess of Revenues Over Expenditures and Other Financing Uses	100	100	1,061	961
Fund Balance July 1, 2015	<u>142,838</u>	<u>142,838</u>	<u>142,838</u>	<u>-</u>
Fund Balance June 30, 2016	<u>\$ 142,938</u>	<u>\$ 142,938</u>	<u>\$ 143,899</u>	<u>\$ 961</u>

See accompanying notes.

CITY OF ALEXANDRIA, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2016

County Employees Retirement System

	<u>2016</u>	<u>2015</u>
City's Proportion of the Net Pension Liability (Asset) - Non Hazardous	0.02%	0.02%
City's Proportion of the Net Pension Liability (Asset) - Hazardous	0.15%	0.17%
City's Proportionate Share of the Net Pension Liability (Asset) - Non Hazardous	\$ 997,060	\$ 737,836
City's Proportionate Share of the Net Pension Liability (Asset) - Hazardous	<u>2,238,031</u>	<u>1,985,439</u>
Total City's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 3,235,091</u>	<u>\$ 2,723,275</u>
City's Covered - Employee Payroll	\$ 1,395,020	\$ 1,325,102
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	231.90%	205.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non Hazardous	59.97%	66.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Hazardous	57.52%	63.46%

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY
SCHEDULE OF THE CITY'S CONTRIBUTIONS
June 30, 2016**

**County Employees Retirement System
Last 3 Fiscal Years**

<u>Nonhazardous</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 66,780	\$ 69,047	\$ 72,458
Contributions in Relation to the Contractually Required Contribution	<u>(66,780)</u>	<u>(69,047)</u>	<u>(72,458)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 537,679	\$ 541,546	\$ 527,356
Contributions as a Percentage of Covered-Employee Payroll	12.42%	12.75%	13.74%
<u>Hazardous</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Contractually Required Contribution	\$ 173,697	\$ 163,224	\$ 171,865
Contributions in Relation to the Contractually Required Contribution	<u>(173,697)</u>	<u>(163,224)</u>	<u>(171,865)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 857,341	\$ 787,380	\$ 789,460
Contributions as a Percentage of Covered-Employee Payroll	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, 2016, 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 November 17, 2016.

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*.

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.