

**CITY OF ALEXANDRIA, KENTUCKY**

**June 30, 2013**

*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

Barbara Weber

Andrew Schabell

Robert Simon

Joseph Anderson

**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  
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, 2013, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors consider 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 opinion.

## **Opinion**

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, 2013, and the respective changes in financial position, thereof for the year then ended in conformity 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, and budgetary comparison information on pages 1 through 7 and 26 through 29, 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 7, 2013, on our consideration of the City of Alexandria, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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, 2013  
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, 2013. 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 and 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 2013 are as follows:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$6,085,755 (net position). Of this amount, \$1,491,291 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$434,706.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$2,125,061, an increase of \$445,832. \$1,722,202 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 \$1,722,202 (47.5%) of the total general fund expenditures.
- The City's total debt increased by \$31,489 (2.8%), including compensated absences, during the current year.
- The City's cash and cash equivalents increased by \$430,360, from \$1,316,547 at June 30, 2012 to \$1,746,907 at June 30, 2013.

**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.

**CITY OF ALEXANDRIA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

**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 liabilities, 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 and 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 through 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 through 25 of this report.

**CITY OF ALEXANDRIA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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 2013 compared to 2012:

**Table 1  
Net Position**

	Governmental Activities	
	2013	2012
<b>Assets</b>		
Current and Other Assets	\$ 2,773,462	\$ 2,464,471
Noncurrent Assets, Net	4,642,538	4,576,851
Total Assets	7,416,000	7,041,322
<b>Liabilities</b>		
Current and Other Liabilities	265,546	339,594
Noncurrent Liabilities	1,064,699	1,050,679
Total Liabilities	1,330,245	1,390,273
<b>Net Position</b>		
Invested in Capital Assets Net of Related Debt	4,310,345	4,259,919
Restricted for		
Municipal Road Aid	129,986	212,979
Charlie Battery	6,509	7,372
Sewer Fund	147,624	139,079
Unrestricted	1,491,291	1,031,700
<b>Total Net Position</b>	\$ 6,085,755	\$ 5,651,049

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$6.1 million as of June 30, 2013.

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.



**CITY OF ALEXANDRIA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

Total assets increased by approximately \$375,000. Equity in cash and cash equivalents, prepaid expenses and receivables increased by approximately \$309,000, and capital assets increased by approximately \$66,000. This activity is partially offset by a decrease in accounts payable and other liabilities of approximately \$92,000, and an increase in long-term liabilities and compensated absences of approximately \$31,000. This resulted in an increase in net position of approximately \$435,000.

Table 2 reflects the change in net position for fiscal year 2013.

**Table 2  
Change in Net Position**

	Governmental Activities	
	Years Ended June 30,	
	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
General Revenues		
Taxes	\$ 3,186,984	\$ 3,249,098
Licenses and Permits	45,836	44,152
Fines and Forfeitures	20,884	19,398
Earnings on Investments	10,524	11,359
Miscellaneous	<u>44,814</u>	<u>69,346</u>
Total General Revenues	<u>3,309,042</u>	<u>3,393,353</u>
Program Revenues		
Charges for Service	530,225	518,177
Operating Grants and Contributions	98,553	93,187
Capital Grants and Contributions	<u>232,923</u>	<u>256,423</u>
Total Program Revenues	<u>861,701</u>	<u>867,787</u>
Total Revenues	<u>4,170,743</u>	<u>4,261,140</u>
<b>Program Expenses</b>		
General Government	810,292	738,214
Police	1,761,446	1,750,003
Public Works	457,722	786,609
Waste Collection	443,002	442,354
Planning & Inspection	30,651	21,620
Park & Recreation	12,480	20,392
Miscellaneous	9,655	1,951
Interest on Long-Term Debt	6,850	7,786
Depreciation	<u>203,939</u>	<u>180,707</u>
Total Program Expenses	<u>3,736,037</u>	<u>3,949,636</u>
<b>Increase in Net Position</b>	<u>\$ 434,706</u>	<u>\$ 311,504</u>

**CITY OF ALEXANDRIA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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 \$4.3 million, and expenditures and other financing uses of approximately \$3.8 million. Revenues decreased by 1.2%, while expenses decreased by 9.7%. The decrease in expenses is largely due to public works.

**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 \$1.5 million.

For the general fund, budgeted revenues and other financing sources were budgeted at \$3.9 million. Actual revenues and other financing sources were approximately \$3.9 million.

Expenditures and other financing uses were budgeted at approximately \$3.9 million, while actual expenditures and other financing uses were approximately \$3.6 million. The major difference comes from the public works expenditures.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2013, the City had approximately \$4.6 million invested in capital assets (net of depreciation), all in governmental activities.

Table 3 reflects fiscal year 2013 balances compared to fiscal year 2012.

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

	Governmental Activities	
	2013	2012
Land	\$ 1,239,000	\$ 1,239,000
Construction in Progress	-	174,129
Buildings	458,806	474,619
Improvements	125,011	138,527
Infrastructure	2,528,674	2,275,717
Vehicles	168,484	148,681
Equipment	119,522	121,015
Furniture and Fixtures	3,041	5,163
	<u>\$ 4,642,538</u>	<u>\$ 4,576,851</u>

**CITY OF ALEXANDRIA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

The current year capital asset activity included the following activity:

Addition of Infrastructure	\$	325,704
Net Addition of Equipment		45,988
Addition of Vehicle		72,063
Completion of Construction in Progress		(174,129)
Depreciation		<u>(203,939)</u>
Change	\$	<u><u>65,687</u></u>

**Debt**

At June 30, 2013, the City had approximately \$796,000 in outstanding notes payable and capital lease obligations.

The following is a summary of the City's debt transactions during 2013.

		<u>June 30,</u> <u>2012</u>		<u>Additions</u>		<u>Repayments</u>		<u>June 30,</u> <u>2013</u>
Capital Lease Obligations	\$	820,115	\$	-	\$	71,974	\$	748,141
Notes Payable Outstanding		<u>-</u>		<u>48,042</u>		<u>-</u>		<u>48,042</u>
	\$	<u><u>820,115</u></u>	\$	<u><u>48,042</u></u>	\$	<u><u>71,974</u></u>	\$	<u><u>796,183</u></u>

**CITY OF ALEXANDRIA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

**Economic Factors in Next Year's Budget**

The City remains in a solid financial position even though these continue to be extremely difficult economic times.

From fiscal year 2012 to 2013, the City's total revenue decreased by 1.2% and many of the City's other tax revenue sources decreased.

As a result of taking an aggressive approach to collecting delinquent property and occupational taxes the past two fiscal years, the revenues from these two sources have decreased this year. Occupational Tax revenue is expected to remain at current levels since the City is also persistent in collecting fees for vendors operating in the City.

For the 2013 fiscal year, the City's property tax rate was decreased slightly from .181% to .179% per \$100 of value. With assessment values remaining relatively flat, this small decrease should allow the City to maintain the same amount of revenue as last year.

As the City pursues 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 to keep up with normal cost increases; or reduce expenditures in other 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 that the City will be able to continue to find areas to offset mandatory expenditure increases. Therefore, the City will have to revisit revenue policies, consider reduction of some City services or expectations for growth in its reserves. As the City grows in population, it will need to constantly keep City expenses controlled while looking for revenue sources that make sense in order to be responsible to the citizens' needs and wants.

The regular maintenance, upkeep and reconstruction of City streets will continue to be a primary focus of the budget due to the use and age of City streets. The same will be true in order to properly maintain the City's Community Center, City Building and Community Park at desired levels.

With the economy being slow to recover, housing values stabilizing, unemployment levels remaining high, and slow business development, the City does not anticipate any significant increase in overall revenue sources. On a positive note, there have been several new small businesses locate to Alexandria recently. The City is poised for growth and positioned well for the growth that it feels confident will occur as soon as the economy begins to turn around. The Arcadia Development is beginning to take place and will be a significant growth element for the City as the 1000+ homes are constructed.

**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 Karen Barto at the City of Alexandria, 8236 West Main Street, Alexandria, Kentucky 41001.

**CITY OF ALEXANDRIA, KENTUCKY  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 1,746,907
Accounts Receivable	
Property Taxes	26,025
Insurance Taxes	245,498
Payroll & Occupational Taxes	271,077
Other Receivables	465,363
Prepaid Expenses	<u>18,592</u>
Total Current Assets	<u>2,773,462</u>
<b>Noncurrent Assets</b>	
Capital Assets	
Land	1,239,000
Depreciable Capital Assets	5,323,088
Less Accumulated Depreciation	<u>(1,919,550)</u>
Total Noncurrent Assets	<u>4,642,538</u>
Total Assets	<u>7,416,000</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable and Accrued Expenses	98,862
Accrued Payroll and Withholdings	76,135
Deferred Revenue	1,106
Current Portion of Capital Lease Obligations	16,357
Current Portion of Notes Payable	<u>73,086</u>
Total Current Liabilities	<u>265,546</u>
<b>Noncurrent Liabilities</b>	
Compensated Absences	357,959
Capital Lease Obligations	31,685
Notes Payable	<u>675,055</u>
Total Noncurrent Liabilities	<u>1,064,699</u>
Total Liabilities	<u>1,330,245</u>
<b>Net Position</b>	
Invested in Capital Assets, Net of Related Debt	4,310,345
Restricted for	
Municipal Road Aid	129,986
Charlie Battery	6,509
Sewer Fund	147,624
Unrestricted	<u>1,491,291</u>
<b>Total Net Position</b>	<u><u>\$ 6,085,755</u></u>

See accompanying notes.

CITY OF ALEXANDRIA, KENTUCKY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government</b>					<b>Primary Government</b>
<b>Governmental Activities</b>					<b>Total Governmental Activities</b>
General Government	\$ 810,292	\$ 23,940	\$ 38,358	\$ -	(747,994)
Police	1,761,446	9,338	60,195	-	(1,691,913)
Public Works	457,722	-	-	232,923	(224,799)
Waste Collection	443,002	460,621	-	-	17,619
Planning & Inspection	30,651	34,523	-	-	3,872
Park & Recreation	12,480	1,803	-	-	(10,677)
Miscellaneous	9,655	-	-	-	(9,655)
Interest on Long-Term Debt	6,850	-	-	-	(6,850)
Depreciation	203,939	-	-	-	(203,939)
<b>Total Primary Government</b>	<b>\$ 3,736,037</b>	<b>\$ 530,225</b>	<b>\$ 98,553</b>	<b>\$ 232,923</b>	<b>(2,874,336)</b>
<b>General Revenues</b>					
Taxes					3,186,984
Licenses and Permits					45,836
Fines and Forfeitures					20,884
Earnings on Investments					10,524
Miscellaneous					44,814
<b>Total General Revenues</b>					<b>3,309,042</b>
<b>Change in Net Position</b>					<b>434,706</b>
<b>Net Position July 1, 2012</b>					<b>5,651,049</b>
<b>Net Position June 30, 2013</b>					<b>\$ 6,085,755</b>

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<b>General Fund</b>	<b>Municipal Road Aid Fund</b>	<b>Charlie Battery Fund</b>	<b>Sewer Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,469,106	\$ 111,146	\$ 6,509	\$ 160,146	\$ 1,746,907
Due (To) From Other Funds	(56,389)	68,386	-	(11,997)	-
Accounts Receivable					
Property Taxes	26,025	-	-	-	26,025
Insurance Taxes	245,498	-	-	-	245,498
Payroll & Occupational Taxes	271,077	-	-	-	271,077
Other Receivables	250	18,840	-	446,273	465,363
Prepaid Expenses	18,592	-	-	-	18,592
	<b>\$ 1,974,159</b>	<b>\$ 198,372</b>	<b>\$ 6,509</b>	<b>\$ 594,422</b>	<b>\$ 2,773,462</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 98,337	\$ -	\$ -	\$ 525	\$ 98,862
Deferred Revenues	27,131	-	-	446,273	473,404
Other Accrued Expenses	76,135	-	-	-	76,135
	201,603	-	-	446,798	648,401
<b>Fund Balances</b>					
Nonspendable					
Prepaid Expenses	18,592	-	-	-	18,592
Restricted for					
Municipal Road Aid					
Fund Balance	-	198,372	-	-	198,372
Sewer Fund Balance	-	-	-	147,624	147,624
Police Forfeiture Cash	4,649	-	-	-	4,649
Committed for					
Charley Battery Fund Balance	-	-	6,509	-	6,509
Planning & Zoning Cash	22,781	-	-	-	22,781
Assigned					
Insurance Fund Cash	4,332	-	-	-	4,332
Unassigned	1,722,202	-	-	-	1,722,202
	1,772,556	198,372	6,509	147,624	2,125,061
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,974,159</b>	<b>\$ 198,372</b>	<b>\$ 6,509</b>	<b>\$ 594,422</b>	<b>\$ 2,773,462</b>

See accompanying notes.

**CITY OF ALEXANDRIA, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

**Total Fund Balance - Governmental Funds** \$ 2,125,061

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	\$ 6,562,088	
Accumulated Depreciation	<u>(1,919,550)</u>	
		4,642,538

Other assets are not available to pay for current-period expenditures, and therefore, are deferred in the governmental funds.		472,298
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Compensated absences are not due and payable in the current period, and therefore, are not reported in the governmental funds.		(357,959)
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Long-term liabilities, including notes payable, are not due and payable in the current period, and therefore, are not reported as liabilities in governmental funds.

Capital Lease Obligations		(48,042)
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Notes Payable		<u>(748,141)</u>
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<b>Net Assets of Governmental Activities in the Statement of Net Position</b>		<b>\$ <u><u>6,085,755</u></u></b>
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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, 2013**

	<u>General Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Charlie Battery Fund</u>	<u>Sewer Fund</u>	<u>Total Funds</u>
<b>Revenues</b>					
Taxes	\$ 3,183,928	\$ -	\$ -	\$ -	\$ 3,183,928
Licenses and Permits	45,836	-	-	-	45,836
Fines and Forfeitures	20,884	-	-	-	20,884
Other Revenue	41,870	42,801	40	-	84,711
Earnings on Investments	2,466	-	-	8,058	10,524
Intergovernmental Revenue	98,553	232,923	-	-	331,476
Charges for Services	530,225	-	-	48,380	578,605
<b>Total Revenues</b>	<u>3,923,762</u>	<u>275,724</u>	<u>40</u>	<u>56,438</u>	<u>4,255,964</u>
<b>Expenditures</b>					
Current:					
General Government	812,385	-	-	-	812,385
Police	1,716,929	-	-	-	1,716,929
Public Works	473,481	11,391	-	-	484,872
Waste Collection	443,002	-	-	-	443,002
Planning & Inspection	30,401	-	-	-	30,401
Park & Recreation	12,480	-	-	-	12,480
Miscellaneous	-	-	903	8,752	9,655
Debt Service					
Principal	32,781	-	-	39,193	71,974
Interest	471	-	-	6,379	6,850
Capital Outlay	104,931	116,653	-	-	221,584
<b>Total Expenditures</b>	<u>3,626,861</u>	<u>128,044</u>	<u>903</u>	<u>54,324</u>	<u>3,810,132</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	296,901	147,680	(863)	2,114	445,832
<b>Fund Balance July 1, 2012</b>	<u>1,475,655</u>	<u>50,692</u>	<u>7,372</u>	<u>145,510</u>	<u>1,679,229</u>
<b>Fund Balance June 30, 2013</b>	<u>\$ 1,772,556</u>	<u>\$ 198,372</u>	<u>\$ 6,509</u>	<u>\$ 147,624</u>	<u>\$ 2,125,061</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, 2013**

**Change in Fund Balances - Total Governmental Funds** \$ 445,832

Amounts reported for governmental activities in the statement of activities 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	\$	(203,939)	
Capital Outlays		<u>221,584</u>	17,645

Repayment of note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			71,974
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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.			(55,421)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.			<u>(45,324)</u>
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<b>Change in Net Position - Governmental Activities</b>	<b>\$</b>		<b><u><u>434,706</u></u></b>
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See accompanying notes.

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

**NOTE 1 - ACCOUNTING POLICIES**

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 Reporting Entity**

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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements.

**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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Basis of Presentation (Continued)**

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.

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.
- (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.

**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 2 - 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 \$1,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend an 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:

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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Governmental Fund Balances (Continued)**

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.

**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 requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**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.

**NOTE 3 - 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 three supplementary appropriation ordinances. All appropriations lapse at fiscal year end.

**NOTE 4 - 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, 2013, the City's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the City's behalf and the FDIC insurance.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 1,239,000	\$ -	\$ -	\$ 1,239,000
Construction in Progress	174,129	-	(174,129)	-
Total Capital Assets Not Being Depreciated	<u>1,413,129</u>	<u>-</u>	<u>(174,129)</u>	<u>1,239,000</u>
Depreciable Capital Assets				
Buildings	632,530	-	-	632,530
Improvements	234,695	-	-	234,695
Infrastructure	2,734,440	325,704	-	3,060,144
Vehicles	545,398	72,063	-	617,461
Equipment	696,941	45,988	(5,699)	737,230
Furniture and Fixtures	41,028	-	-	41,028
Total Depreciable Capital Assets	<u>4,885,032</u>	<u>443,755</u>	<u>(5,699)</u>	<u>5,323,088</u>
Total Capital Assets at Historical Cost	<u>6,298,161</u>	<u>443,755</u>	<u>(179,828)</u>	<u>6,562,088</u>
Less Accumulated Depreciation				
Buildings	157,911	15,813	-	173,724
Improvements	96,168	13,516	-	109,684
Infrastructure	458,723	72,747	-	531,470
Vehicles	396,717	52,260	-	448,977
Equipment	575,926	47,481	(5,699)	617,708
Furniture and Fixtures	35,865	2,122	-	37,987
Total Accumulated Depreciation	<u>1,721,310</u>	<u>203,939</u>	<u>(5,699)</u>	<u>1,919,550</u>
Depreciable Capital Assets, Net	<u>3,163,722</u>	<u>239,816</u>	<u>-</u>	<u>3,403,538</u>
<b>Governmental Activities Capital Assets - Net</b>	<u>\$ 4,576,851</u>	<u>\$ 239,816</u>	<u>\$ (174,129)</u>	<u>\$ 4,642,538</u>

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



**NOTE 6 - LONG-TERM DEBT**

**CAPITAL LEASE OBLIGATIONS**

The City has 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 \$2,042 and \$0 for 2013 and 2012, respectively. The following is a summary of property held under capital lease obligations at cost less accumulated depreciation:

	June 30,	
	2013	2012
Vehicles	\$ 48,042	\$ -
Less Accumulated Depreciation	<u>2,042</u>	<u>-</u>
	<u>\$ 46,000</u>	<u>\$ -</u>

Future minimum payments under the capital lease obligations for the remainder of the leases are as follows:

Years Ending June 30,	
2014	\$ 16,619
2015	16,619
2016	<u>16,618</u>
	49,856
Less Amounts Representing Interest	<u>1,814</u>
Net Capital Lease Obligations	48,042
Current Capital Lease Obligations	<u>16,357</u>
Long-Term Capital Lease Obligations	<u>\$ 31,685</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
2014	\$ 33,602	\$ 5,377	\$ 4,462	\$ 43,441
2015	34,444	4,697	3,911	43,052
2016	35,307	4,008	3,353	42,668
2017	36,191	3,280	2,776	42,247
2018	37,098	2,554	2,186	41,838
2019 - 2021	<u>107,509</u>	<u>3,100</u>	<u>2,855</u>	<u>113,464</u>
Total	<u>\$ 284,151</u>	<u>\$ 23,016</u>	<u>\$ 19,543</u>	<u>\$ 326,710</u>

**NOTE 6 - LONG-TERM DEBT (Continued)**

**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 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:

Years	Principal Amount	Interest Amount	Fees Amount	Total Debt Service
2014	\$ 20,648	\$ 2,918	\$ 584	\$ 24,150
2015	20,855	2,711	542	24,108
2016	21,065	2,502	500	24,067
2017	21,276	2,290	458	24,024
2018	21,489	2,077	415	23,981
2019 - 2023	110,720	7,111	1,423	119,254
2024 - 2026	80,856	1,625	324	82,805
Total	<u>\$ 296,909</u>	<u>\$ 21,234</u>	<u>\$ 4,246</u>	<u>\$ 322,389</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:

Years	Principal Amount	Interest Amount	Fees Amount	Total Debt Service
2014	\$ 8,836	\$ 1,452	\$ 290	\$ 10,578
2015	8,925	1,363	273	10,561
2016	9,014	1,274	255	10,543
2017	9,105	1,183	237	10,525
2018	9,196	1,092	218	10,506
2019 - 2023	47,382	4,059	812	52,253
2024 - 2028	54,923	1,661	334	56,918
Total	<u>\$ 147,381</u>	<u>\$ 12,084</u>	<u>\$ 2,419</u>	<u>\$ 161,884</u>

**NOTE 6 - LONG-TERM DEBT (Continued)**

**Enzweiler Road Note Payable**

In December, 1994, the City entered into an agreement with a bank for the improvement of the sewer lines on Enzweiler Road. The full amount of allowable funds is \$200,000 at an interest rate of 6.95%, maturing in December, 2014. As of December 31, 2010, all funds had been received. This note will be repaid over a period of 20 years with principal payments due on the fifth of December each year. Interest is paid quarterly on the fifth of March, June, September and December of each year. The note will be repaid with funds collected from residents of Enzweiler Road and remitted to the City each year on the property tax bills.

The Enzweiler Road Note Payable is scheduled to mature as follows:

<u>Years</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2014	\$ 10,000	\$ 1,043	\$ 11,043
2015	<u>9,700</u>	<u>348</u>	<u>10,048</u>
Total	<u>\$ 19,700</u>	<u>\$ 1,391</u>	<u>\$ 21,091</u>

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>
2014	\$ 73,086	\$ 10,790	\$ 5,336	\$ 89,212
2015	73,924	9,119	4,726	87,769
2016	65,386	7,784	4,108	77,278
2017	66,572	6,753	3,471	76,796
2018	67,783	5,723	2,819	76,325
2019 - 2023	265,611	14,270	5,090	284,971
2024 - 2028	<u>135,779</u>	<u>3,286</u>	<u>658</u>	<u>139,723</u>
Total	<u>\$ 748,141</u>	<u>\$ 57,725</u>	<u>\$ 26,208</u>	<u>\$ 832,074</u>

The following is a summary of the City's long-term debt transactions for the year ended June 30, 2013.

<u>Governmental Activities</u>	<u>Debt Outstanding June 30, 2012</u>	<u>Additions of New Debt</u>	<u>Retirements and Repayments</u>	<u>Debt Outstanding June 30, 2013</u>	<u>Amounts Due Within 1 Year</u>
Compensated Absences	\$ 302,538	\$ 55,421	\$ -	\$ 357,959	\$ -
Notes Payable	820,115	-	71,974	748,141	73,086
Capital Lease Obligations	-	<u>48,042</u>	-	<u>48,042</u>	<u>16,357</u>
	<u>\$ 1,122,653</u>	<u>\$ 103,463</u>	<u>\$ 71,974</u>	<u>\$ 1,154,142</u>	<u>\$ 89,443</u>

**NOTE 7 - EMPLOYEE'S RETIREMENT SYSTEM**

**County Employees Retirement System (CERS)**

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

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

Non-Hazardous Contributions - For the year ended June 30, 2013, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2013, participating employers contributed 19.55% of each employee's creditable compensation. Administrative costs of Kentucky Retirement System (KRS) are financed through employer contributions and investment earnings.

Hazardous Contributions - For the year ended June 30, 2013, plan members were required to contribute 8% of their annual creditable compensation. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2013, participating employers contributed 37.60% of each employee's creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

The required contribution and the actual percentage contributed for the City the current and previous two years are as follows:

<u>Years</u>	<u>Contribution Rate</u>	<u>Contributed</u>
2013	\$ 396,729	100%
2012	\$ 393,517	100%
2011	\$ 374,441	100%

**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 8 - OPERATING LEASES**

The City leases equipment under operating leases expiring at various times through March, 2015. Expenditures for equipment under operating leases totaled \$7,677 for the year ended June 30, 2013. Future minimum rental payments under these leases are as follows:

Years Ending June 30,	
2014	\$ 7,677
2015	<u>5,237</u>
Total	<u>\$ 12,914</u>

**NOTE 9 - 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, 2013 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 10 - 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 11 - 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 12 - SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2013, the date of the most recent financial statements, have been evaluated for possible adjustment to the financial statements or disclosure is November 7, 2013, which is the date on which the financial statements were available to be issued.

**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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>Revenues</b>				
Taxes	\$ 3,135,612	\$ 3,135,612	\$ 3,183,928	\$ 48,316
Licenses and Permits	44,475	44,475	45,836	1,361
Fines and Forfeitures	18,000	18,000	20,884	2,884
Other Revenues	50,000	50,000	41,870	(8,130)
Earnings on Investments	2,400	2,400	2,466	66
Intergovernmental Revenue	123,400	132,758	98,553	(34,205)
Charges for Services	<u>514,600</u>	<u>506,000</u>	<u>530,225</u>	<u>24,225</u>
 Total Revenues	 <u>3,888,487</u>	 <u>3,889,245</u>	 <u>3,923,762</u>	 <u>34,517</u>
 <b>Expenditures</b>				
General Government	830,822	823,682	812,385	11,297
Police	1,806,100	1,802,112	1,716,929	85,183
Public Works	699,940	716,540	473,481	243,059
Waste Collection	420,000	446,000	443,002	2,998
Planning & Inspection	35,568	35,568	30,401	5,167
Park & Recreation	11,920	19,520	12,480	7,040
Debt Service				
Principal	32,400	32,800	32,781	19
Interest	660	660	471	189
Capital Outlay	<u>51,077</u>	<u>59,077</u>	<u>104,931</u>	<u>(45,854)</u>
 Total Expenditures	 <u>3,888,487</u>	 <u>3,935,959</u>	 <u>3,626,861</u>	 <u>309,098</u>
 <b>(Deficit) Excess of Revenues</b>				
<b>Over Expenditures</b>	-	(46,714)	296,901	343,615
 <b>Fund Balance July 1, 2012</b>	 <u>1,475,655</u>	 <u>1,475,655</u>	 <u>1,475,655</u>	 <u>-</u>
 <b>Fund Balance June 30, 2013</b>	 <u>\$ 1,475,655</u>	 <u>\$ 1,428,941</u>	 <u>\$ 1,772,556</u>	 <u>\$ 343,615</u>

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, 2013**

	<u>Budgeted Items</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Other Revenues	\$ -	\$ -	\$ 42,801	\$ 42,801
Intergovernmental Revenue	213,000	213,000	232,923	19,923
Total Revenues	213,000	213,000	275,724	62,724
<b>Expenditures</b>				
Public Works	213,000	213,000	128,044	(84,956)
<b>Excess of Revenues Over Expenditures</b>				
	-	-	147,680	147,680
<b>Fund Balance July 1, 2012</b>	<u>50,692</u>	<u>50,692</u>	<u>50,692</u>	<u>-</u>
<b>Fund Balance June 30, 2013</b>	<u>\$ 50,692</u>	<u>\$ 50,692</u>	<u>\$ 198,372</u>	<u>\$ 147,680</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, 2013**

	<u>Budgeted Items</u>		<u>Actual</u>	<b>Variance with Final Budget (Unfavorable) Favorable</b>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u>
<b>Revenues</b>				
Other Revenue	\$ -	\$ 84	\$ 40	\$ (44)
<b>Expenditures</b>				
Postage	-	500	-	500
Miscellaneous	-	500	903	(403)
Total Expenditures	-	1,000	903	97
<b>(Deficit)/Excess of Revenues Over Expenditures</b>	-	(916)	(863)	53
<b>Fund Balance July 1, 2012</b>	<u>7,372</u>	<u>7,372</u>	<u>7,372</u>	<u>-</u>
<b>Fund Balance June 30, 2013</b>	<u>\$ 7,372</u>	<u>\$ 6,456</u>	<u>\$ 6,509</u>	<u>\$ 53</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, 2013**

	<b>Budgeted Items</b>		<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Earnings on Investments	\$ 5,150	\$ 5,150	\$ 8,058	\$ 2,908
Assessment Revenue	34,200	34,200	48,380	14,180
	<u>39,350</u>	<u>39,350</u>	<u>56,438</u>	<u>17,088</u>
Total Revenues	<u>39,350</u>	<u>39,350</u>	<u>56,438</u>	<u>17,088</u>
<b>Expenditures</b>				
Miscellaneous	930	930	8,752	(7,822)
Debt Service				
Principal	38,800	38,800	39,193	(393)
Interest	6,800	6,800	6,379	421
	<u>46,530</u>	<u>46,530</u>	<u>54,324</u>	<u>(7,794)</u>
Total Expenditures	<u>46,530</u>	<u>46,530</u>	<u>54,324</u>	<u>(7,794)</u>
<b>(Deficit)/Excess of Revenues Over Expenditures</b>	(7,180)	(7,180)	2,114	9,294
<b>Fund Balance July 1, 2012</b>	<u>145,510</u>	<u>145,510</u>	<u>145,510</u>	<u>-</u>
<b>Fund Balance June 30, 2013</b>	<u>\$ 138,330</u>	<u>\$ 138,330</u>	<u>\$ 147,624</u>	<u>\$ 9,294</u>

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, 2013, 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 7, 2013

#### **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.

Honorable Mayor  
Members of City Council  
City of Alexandria, Kentucky

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.*

Fort Mitchell, Kentucky  
November 7, 2013