

CITY OF LA GRANGE
La Grange, Kentucky



FINANCIAL STATEMENTS
June 30, 2016

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of La Grange, Kentucky
La Grange, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Grange, Kentucky, 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 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 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Grange, Kentucky, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension schedules on pages 3-10 and 41-48 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of La Grange, Kentucky's basic financial statements. The budgetary comparison other governmental funds and the combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison other governmental funds and the combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison other governmental funds and the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Prior-Year Comparative Information

We have previously audited the City's 2015 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated May 23, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2017, on our consideration of the City of La Grange, 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 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 La Grange, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
June 22, 2017

City of La Grange, Kentucky Management's Discussion and Analysis

Our discussion and analysis of the City of La Grange's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. Please read in conjunction with the auditors' report beginning on page 1 and the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's net position increased in both the governmental activities and the business-type activities. The net position of the governmental activities increased by \$2,241,631, or 59%, and the net position of the business-type activities increased by \$170,547, or 1%.
- In the City's governmental activities, revenues increased approximately \$351,209, or 5 percent, and expenses increased by \$336,662 or 8 percent. In the business-type activities, revenues increased by \$429,719, which is an increase of 12 percent, and expenses increased by \$148,887 or 4 percent.

OVERVIEW OF THIS ANNUAL REPORT

This annual report consists of the management's discussion and analysis report, the independent auditors' report, the basic financial statements of the City, and the independent auditors' report on compliance. The financial statements also include notes that explain in more detail some of the information in the financial statements.

The City's financial statements present two kinds of statements, each with a different snapshot of the City's finances. The focus is both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual funds of the City, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the City's accountability.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the City's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net position of the City and the changes in them. One can think of the City's net position—the difference between assets and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health or position is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, changes in property tax rates or valuation, infrastructure asset condition, and new or changed government legislation.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities—Most of the City's basic services are reported here, including general government administration, police, streets, sanitation, public bus and parks. Property taxes, licenses and permits, and grants finance most of these activities.

Business-type activities—The City collects fees from customers to cover the costs of the services, which includes water and sewer and the Eagle Creek golf course.

FUND FINANCIAL STATEMENTS

The City has two kinds of funds:

Governmental Fund—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

Proprietary Fund—Services for which the City charges customers a fee are generally reported in proprietary funds.

NET POSITION

Our analysis begins with a summary of the City's Statement of Net Position, which is presented on Table A-1 followed by an explanation of the results. Changes in net position are presented in Table A-2, which is also followed by an explanation of the results.

Table A-1

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Current and Other Assets	\$ 5,403,284	\$ 4,355,593	\$ 2,850,292	\$ 2,319,325	\$ 8,253,576	\$ 6,674,918
Noncurrent and Capital Assets	4,057,841	3,826,891	20,861,083	21,750,045	24,918,924	25,576,936
OLDA Investment	8,515,331	8,518,188	-	-	8,515,331	8,518,188
Total Assets	<u>17,976,456</u>	<u>16,700,672</u>	<u>23,711,375</u>	<u>24,069,370</u>	<u>41,687,831</u>	<u>40,770,042</u>
Deferred Outflows - pension	551,162	202,795	156,011	57,084	707,173	259,879
Total Assets and Deferred Outflows	<u>\$ 18,527,618</u>	<u>\$ 16,903,467</u>	<u>\$ 23,867,386</u>	<u>\$ 24,126,454</u>	<u>\$ 42,395,004</u>	<u>\$ 41,029,921</u>
Current Liabilities	\$ 1,296,160	\$ 1,259,246	\$ 852,908	\$ 786,210	\$ 2,149,068	\$ 2,045,456
Long-Term Debt Outstanding	8,195,416	9,335,833	6,558,652	7,144,297	14,754,068	16,480,130
Other non-current liabilities	70,816	60,772	33,774	87,937	104,590	148,709
Net Pension Liability	2,934,468	2,289,907	824,603	631,958	3,759,071	2,921,865
Total Liabilities	<u>12,496,860</u>	<u>12,945,758</u>	<u>8,269,937</u>	<u>8,650,402</u>	<u>20,766,797</u>	<u>21,596,160</u>
Deferred Inflows - Pension	18,618	187,200	7,650	56,800	26,268	244,000
Net Position:						
Net investment in capital assets	2,871,872	2,480,089	13,387,153	13,687,755	16,259,025	16,167,844
Restricted	689,106	752,779	228,275	278,319	917,381	1,031,098
Unrestricted	2,451,162	537,641	1,974,371	1,453,178	4,425,533	1,990,819
Total Net Position	<u>\$ 6,012,140</u>	<u>\$ 3,770,509</u>	<u>\$ 15,589,799</u>	<u>\$ 15,419,252</u>	<u>\$ 21,601,939</u>	<u>\$ 19,189,761</u>

Net position of the City's governmental activities increased by 63 percent, from \$3,770,509 in 2015 to \$6,012,140 in 2016. The net position of the business-type activities increased from \$15,419,252 in 2015 to \$15,589,799 in 2016, which is a 1 percent increase. The net position from one activity generally cannot be used to make up for any deficits in the other activities.

NET POSITION, continued

Table A-2
Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Revenues						
<u>Program Revenues</u>						
Charges for Service	\$ 384,972	\$ 369,111	\$ 3,576,710	\$ 3,169,848	\$ 3,961,682	\$ 3,538,959
Operating Grants & Contributions	255,200	344,301	-	-	255,200	344,301
Capital Grants & Contributions	278,340	12,882	256,700	232,868	535,040	245,750
<u>General Revenue</u>						
Taxes	1,483,622	1,499,121	-	-	1,483,622	1,499,121
License fees	4,358,977	4,188,877	-	-	4,358,977	4,188,877
Investment Earnings	1,484	2,270	3,698	4,673	5,182	6,943
Rents	-	3,300	-	-	-	3,300
Community Center	5,860	3,895	-	-	5,860	3,895
Donations	-	31,629	-	-	-	31,629
Change in OLDA Investment	(2,857)	(4,386)	-	-	(2,857)	(4,386)
Miscellaneous	90,941	54,330	-	-	90,941	54,330
Total Revenue	6,856,539	6,505,330	3,837,108	3,407,389	10,693,647	9,912,719
Program Expenses						
General Government	648,002	664,093	-	-	648,002	664,093
Public Safety - Police	1,332,117	1,347,255	-	-	1,332,117	1,347,255
Public Works	936,605	818,784	-	-	936,605	818,784
Parks and Recreation	188,139	189,414	-	-	188,139	189,414
Sanitation	345,825	337,567	-	-	345,825	337,567
Community Development	122,387	83,659	-	-	122,387	83,659
Public Properties	55,975	64,318	-	-	55,975	64,318
Bus	141,013	145,386	-	-	141,013	145,386
ABC	335,195	129,961	-	-	335,195	129,961
Interest on Debt	310,512	298,671	-	-	310,512	298,671
Golf Course	-	-	595,988	590,816	595,988	590,816
Sewer and Water	-	-	3,198,826	3,055,111	3,198,826	3,055,111
Total Program Expenses	4,415,770	4,079,108	3,794,814	3,645,927	8,210,584	7,725,035
Change in Net Position						
Before Transfers	2,440,769	2,426,222	42,294	(238,538)	2,483,063	2,187,684
Transfers	(128,253)	(234,174)	128,253	234,174	-	-
Loss on sale of assets	(70,885)	-	-	(51,982)	(70,885)	(51,982)
Change in Net Position	\$ 2,241,631	\$ 2,192,048	\$ 170,547	\$ (56,346)	\$ 2,412,178	\$ 2,135,702

The City's total revenue increased from \$9,912,719 in 2015 to \$10,693,647 in 2016 or 7 percent. On the following page is a more in-depth description of the revenues and expenses of the governmental and business-type activities.

GOVERNMENTAL ACTIVITIES

Next, the City analyzes the governmental funds and the changes in those activities, which is presented in Table A-3.

Table A-3

Condensed Governmental Funds - Revenues & Expenditures

	<u>FY 2016</u>	<u>FY 2015</u>	<u>Variance</u>
Taxes	\$ 1,483,622	\$ 1,499,121	\$ (15,499)
Licenses and permits	4,358,977	4,188,877	170,100
Intergovernmental	267,040	357,183	(90,143)
Charges for Services	384,972	369,111	15,861
Other Revenues	<u>98,285</u>	<u>99,913</u>	<u>(1,628)</u>
Total Revenues	<u>6,592,896</u>	<u>6,514,205</u>	<u>78,691</u>
General Administration	573,841	613,822	(39,981)
Police Protection	1,253,026	1,365,577	(112,551)
Public Works	652,148	618,884	33,264
Sanitation	345,825	337,567	8,258
Park and Recreation	164,714	165,985	(1,271)
Community Development	122,387	83,659	38,728
Public Properties	52,660	65,859	(13,199)
ABC	282,226	121,628	160,598
Bus	131,527	141,378	(9,851)
Capital Outlay	474,703	371,214	103,489
Debt Service	<u>1,429,678</u>	<u>1,229,504</u>	<u>200,174</u>
Total Expenditures	<u>5,482,735</u>	<u>5,115,077</u>	<u>367,658</u>
Excess Revenues over Expenditures before other financing sources	<u>\$ 1,110,161</u>	<u>\$ 1,399,128</u>	<u>\$ (288,967)</u>

Revenues for the City's governmental funds increased by 1 percent, and total expenditures increased by 7% percent. The City's major source of revenue in the governmental funds is taxes, licenses and permits, which makes up 88.6 percent of total revenues, these revenue sources increased by \$154,601 in 2016.

BUSINESS-TYPE ACTIVITIES

Looking at the business-type activities, revenues (FY 2016) for the City increased to \$3,837,108 or 11.2 percent, while total expenses increased 4 percent. The excess of revenues over expenses increased net position by \$170,547.

BUDGET HIGHLIGHTS

The budget contains proposed expenditures and expected revenues. A comparison of the final budget to actual amounts is presented in the tables below (Tables A-4 & A-5).

Table A-4

Condensed Governmental Funds - Revenues

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes	\$ 1,425,300	\$ 1,483,622	\$ 58,322
Licenses and permits	3,125,890	3,971,770	845,880
Intergovernmental	69,084	70,177	1,093
Charges for Services	399,000	384,972	(14,028)
Other Revenues	85,200	53,930	(31,270)
Foundations and Parks Fund	-	43,720	43,720
ABC Fund	363,967	387,486	23,519
Bus Fund	151,750	36,708	(115,042)
Municipal Aid Fund	367,000	160,511	(206,489)
Total Revenues	<u>\$ 5,987,191</u>	<u>\$ 6,592,896</u>	<u>\$ 605,705</u>

Table A-5

Condensed Governmental Funds - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 604,209	\$ 573,841	\$ (30,368)
Police Protection	1,467,209	1,253,026	(214,183)
Public Works	720,780	652,148	(68,632)
Sanitation	324,000	345,825	21,825
Park and Recreation	166,500	161,599	(4,901)
Community Development	97,750	122,387	24,637
Public Properties	70,466	52,660	(17,806)
Capital Outlay	125,200	244,497	119,297
Debt Service	1,456,610	1,429,678	(26,932)
ABC Fund	363,697	282,226	(81,471)
Bus Fund	151,750	131,527	(20,223)
Foundations and Parks Fund	-	9,137	9,137
Municipal Aid Fund	367,000	224,184	(142,816)
Total Expenditures	<u>\$ 5,915,171</u>	<u>\$ 5,482,735</u>	<u>\$ (432,436)</u>

The City budgeted for a total of \$5,987,191 in revenues for 2016, but ended up having revenues of \$6,592,895 which put the City 10 percent over the revenue budget. A total of \$5,915,171 was budgeted for expenses, but expenditures totaled \$5,482,735 for the year 2016. The City was under budget on expenses by \$432,436 or 7 percent as detailed above.

CAPITAL ASSETS

The City has a total of \$41,883,342 invested in a broad range of capital assets, including police and vehicles, buildings, land, infrastructure assets, and water and sewer lines. This amount represents an increase of \$714,981 (2 percent) from last year's total investment of \$41,168,361.

Table A-6

Capital Assets at Year End Without Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Land & Improvements	\$ 730,201	\$ 730,201	\$ -	\$ -	\$ 730,201	\$ 730,201
Construction in progress	6,022	-	-	-	6,022	-
Buildings & Improvements	2,233,092	2,234,592	-	-	2,233,092	2,234,592
Vehicles & Equipment	2,720,651	2,610,094	-	-	2,720,651	2,610,094
Infrastructure Assets	1,727,116	1,236,432	-	-	1,727,116	1,236,432
Business-Type Assets	-	-	34,466,260	34,357,042	34,466,260	34,357,042
Total Capital Assets	<u>\$ 7,417,082</u>	<u>\$ 6,811,319</u>	<u>\$ 34,466,260</u>	<u>\$ 34,357,042</u>	<u>\$ 41,883,342</u>	<u>\$ 41,168,361</u>

DEBT

This year the City has \$16,530,691 in total debt, a 9 percent decrease from last year's total of \$18,251,491.

Table A-7

Debt Outstanding at Year End

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Capital Leases	\$ 774,167	\$ 935,000	\$ 2,118,731	\$ 2,363,635	\$ 2,892,898	\$ 3,298,635
Bond Issues	8,455,833	9,464,237	5,016,505	5,339,910	13,472,338	14,804,147
Customer Deposits	-	-	60,865	55,509	60,865	55,509
Accrued Absences	70,816	60,772	33,774	32,428	104,590	93,200
Total Debt Outstanding	<u>\$ 9,300,816</u>	<u>\$10,460,009</u>	<u>\$ 7,229,875</u>	<u>\$ 7,791,482</u>	<u>\$ 16,530,691</u>	<u>\$18,251,491</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials consider many factors when setting the fiscal year 2017 budget. Some of the factors are the local economy, expected grant money, and anticipated tax revenue.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of the City, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Stephanie Cooper, City Clerk, at 307 West Jefferson Street, La Grange, KY 40031. The Utility Commission is located at 412 East Jefferson Street, La Grange, KY 40031.

CITY OF LA GRANGE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government			2015 Totals
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,232,088	\$ 1,761,557	\$ 5,993,645	\$ 4,440,707
Investments	-	593,230	593,230	590,880
Receivables, net	1,143,885	479,407	1,623,292	1,611,198
Internal balances	27,311	(27,311)	-	-
Inventory of supplies	-	43,409	43,409	32,133
Total current assets	<u>5,403,284</u>	<u>2,850,292</u>	<u>8,253,576</u>	<u>6,674,918</u>
Non-current assets				
Restricted cash and cash equivalents	411,802	294,694	706,496	715,547
Long-term accounts receivable	-	44,000	44,000	55,000
Investment in joint venture, net equity Oldham-LaGrange Development Authority	<u>8,515,331</u>	<u>-</u>	<u>8,515,331</u>	<u>8,518,188</u>
Total non-current assets	<u>8,927,133</u>	<u>338,694</u>	<u>9,265,827</u>	<u>9,288,735</u>
Capital assets				
Construction in progress	6,022	-	6,022	-
Land and improvements, net	730,201	2,563,361	3,293,562	3,380,714
Plant and sewer system, net	-	17,027,486	17,027,486	17,784,410
Depreciable buildings, property, and equipment, net	1,938,518	931,542	2,870,060	2,989,132
Infrastructure, net	<u>971,298</u>	<u>-</u>	<u>971,298</u>	<u>652,133</u>
Total capital assets	<u>3,646,039</u>	<u>20,522,389</u>	<u>24,168,428</u>	<u>24,806,389</u>
Total assets	<u>17,976,456</u>	<u>23,711,375</u>	<u>41,687,831</u>	<u>40,770,042</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	<u>551,162</u>	<u>156,011</u>	<u>707,173</u>	<u>259,879</u>
Total assets and deferred outflows of resources	<u>\$ 18,527,618</u>	<u>\$ 23,867,386</u>	<u>\$ 42,395,004</u>	<u>\$ 41,029,921</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 207,369	\$ 114,616	\$ 321,985	\$ 324,446
Accrued payroll liabilities	54,207	33,951	88,158	74,534
Accrued interest	-	28,388	28,388	29,218
Unearned revenue	-	38,504	38,504	44,677
Customer deposits	-	60,865	60,865	55,509
Current portion of long-term obligations	<u>1,034,584</u>	<u>576,584</u>	<u>1,611,168</u>	<u>1,572,581</u>
Total current liabilities	<u>1,296,160</u>	<u>852,908</u>	<u>2,149,068</u>	<u>2,100,965</u>
Non-current liabilities				
Non-current portion of long-term obligations	8,195,416	6,558,652	14,754,068	16,480,130
Net pension liability	2,934,468	824,603	3,759,071	2,921,865
Accrued leave	<u>70,816</u>	<u>33,774</u>	<u>104,590</u>	<u>93,200</u>
Total liabilities	<u>12,496,860</u>	<u>8,269,937</u>	<u>20,766,797</u>	<u>21,596,160</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	<u>18,618</u>	<u>7,650</u>	<u>26,268</u>	<u>244,000</u>
NET POSITION				
Net investment in capital assets	2,871,872	13,387,153	16,259,025	16,167,844
Restricted for:				
Road improvements	277,304	-	277,304	340,977
Debt service	411,802	228,275	640,077	630,205
Unrestricted	<u>2,451,162</u>	<u>1,974,371</u>	<u>4,425,533</u>	<u>2,050,735</u>
Total net position	<u>6,012,140</u>	<u>15,589,799</u>	<u>21,601,939</u>	<u>19,189,761</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 18,527,618</u>	<u>\$ 23,867,386</u>	<u>\$ 42,395,004</u>	<u>\$ 41,029,921</u>

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

CITY OF LA GRANGE, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			2015 Totals
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
Primary government								
Governmental activities								
General government	\$ 648,002	\$ -	\$ 7,127	\$ -	\$ (640,875)	\$ -	\$ (640,875)	\$ (658,424)
Public safety-Police	1,332,117	-	51,210	278,340	(1,002,567)	-	(1,002,567)	(1,284,267)
Public works	936,605	-	160,155	-	(776,450)	-	(776,450)	(605,970)
Parks and recreation	188,139	-	-	-	(188,139)	-	(188,139)	(189,414)
Sanitation	345,825	384,972	-	-	39,147	-	39,147	31,544
Community development	122,387	-	-	-	(122,387)	-	(122,387)	(83,659)
Public properties	55,975	-	-	-	(55,975)	-	(55,975)	(64,318)
Bus	141,013	-	36,708	-	(104,305)	-	(104,305)	(69,674)
ABC	335,195	-	-	-	(335,195)	-	(335,195)	(129,961)
Interest on long-term debt	310,512	-	-	-	(310,512)	-	(310,512)	(298,671)
Total governmental activities	4,415,770	384,972	255,200	278,340	(3,497,258)	-	(3,497,258)	(3,352,814)
Business-type activities								
Utility Commission	3,198,826	3,088,141	-	255,700	-	145,015	145,015	(156,286)
Golf Course	595,988	488,569	-	1,000	-	(106,419)	(106,419)	(86,925)
Total business-type activities	3,794,814	3,576,710	-	256,700	-	38,596	38,596	(243,211)
Total primary government	\$ 8,210,584	\$ 3,961,682	\$ 255,200	\$ 535,040	(3,497,258)	38,596	(3,458,662)	(3,596,025)
General revenues								
Taxes								
Property taxes, levied for general purposes					1,295,054	-	1,295,054	1,311,200
Bank shares					56,860	-	56,860	52,435
Motor vehicle tax					131,708	-	131,708	135,486
License fees								
Franchise fees					357,678	-	357,678	354,138
Business licenses					350,902	-	350,902	338,988
Compensation tax					1,749,430	-	1,749,430	1,625,215
Insurance premiums					1,499,153	-	1,499,153	1,498,662
Other fees and permits					401,814	-	401,814	371,874
Investment earnings					1,484	3,698	5,182	6,943
Rents					-	-	-	3,300
Community Center					5,860	-	5,860	3,895
Donations					-	-	-	31,629
Miscellaneous					90,941	-	90,941	54,330
Total general revenues					5,940,884	3,698	5,944,582	5,788,095
(Decrease) in joint venture - Oldham-LaGrange Development Authority					(2,857)	-	(2,857)	(4,386)
Transfers in (out)					(128,253)	128,253	-	-
(Loss) on disposal of capital assets					(70,885)	-	(70,885)	(51,982)
Total general and other revenues					5,738,889	131,951	5,870,840	5,731,727
Change in Net Position					2,241,631	170,547	2,412,178	2,135,702
Net position at beginning of year, as restated					3,770,509	15,419,252	19,189,761	17,054,059
NET POSITION - ENDING					\$ 6,012,140	\$ 15,589,799	\$ 21,601,939	\$ 19,189,761

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

**CITY OF LA GRANGE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	General	Other Governmental Funds	Total Governmental Funds	2015 Totals
ASSETS				
Cash and cash equivalents	\$ 3,700,483	\$ 943,407	\$ 4,643,890	\$ 3,542,300
Receivables, net	1,020,817	123,068	1,143,885	1,198,014
Due from other funds	342,150	-	342,150	370,183
	<u>5,063,450</u>	<u>1,066,475</u>	<u>6,129,925</u>	<u>5,110,497</u>
Total assets	<u>\$ 5,063,450</u>	<u>\$ 1,066,475</u>	<u>\$ 6,129,925</u>	<u>\$ 5,110,497</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 205,383	\$ 1,986	\$ 207,369	\$ 206,895
Accrued payroll payable	51,209	2,998	54,207	39,018
Accrued leave	67,881	2,935	70,816	60,772
Due to other funds	3,041	311,798	314,839	343,102
	<u>327,514</u>	<u>319,717</u>	<u>647,231</u>	<u>649,787</u>
Total liabilities	<u>327,514</u>	<u>319,717</u>	<u>647,231</u>	<u>649,787</u>
Fund balances				
Restricted				
Road improvements	-	277,304	277,304	340,977
Debt service	411,802	-	411,802	411,802
Committed				
Capital projects	-	-	-	64,433
Foundations and parks	-	73,713	73,713	39,130
ABC	-	415,103	415,103	396,004
Bus	-	(19,362)	(19,362)	3,707
Unassigned				
General fund	4,324,134	-	4,324,134	3,204,657
	<u>4,735,936</u>	<u>746,758</u>	<u>5,482,694</u>	<u>4,460,710</u>
Total fund balances	<u>4,735,936</u>	<u>746,758</u>	<u>5,482,694</u>	<u>4,460,710</u>
Total liabilities and fund balances	<u>\$ 5,063,450</u>	<u>\$ 1,066,475</u>	<u>\$ 6,129,925</u>	<u>\$ 5,110,497</u>

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

Fund balances reported above	\$ 5,482,694	\$ 4,460,710
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,646,039	3,415,089
Equity interests in joint ventures are not financial resources and therefore are not reported in the funds. The equity interest is reported as the net equity in the joint venture's net position.	8,515,331	8,518,188
Net deferred inflows/outflows related to the long-term net pension liability are not reported in the funds.	532,544	15,595
Long-term liabilities, including bonds payable and the net pension liability are not due and payable in the current period and therefore are not reported in the funds.	<u>(12,164,468)</u>	<u>(12,639,073)</u>
Net position of governmental activities	<u>\$ 6,012,140</u>	<u>\$ 3,770,509</u>

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

CITY OF LA GRANGE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds	2015 Totals
REVENUES				
Taxes	\$ 1,483,622	\$ -	\$ 1,483,622	\$ 1,499,121
Licenses and permits	3,971,770	387,207	4,358,977	4,188,877
Intergovernmental	70,177	196,863	267,040	357,183
Charges for services	384,972	-	384,972	369,111
Other revenues	53,929	44,356	98,285	99,913
Total revenues	<u>5,964,470</u>	<u>628,426</u>	<u>6,592,896</u>	<u>6,514,205</u>
EXPENDITURES				
Current				
General administration	573,841	-	573,841	613,822
Public safety-Police	1,253,026	-	1,253,026	1,365,577
Public works	652,148	-	652,148	618,884
Sanitation	345,825	-	345,825	337,567
Parks and recreation	161,599	3,115	164,714	165,985
Community development	122,387	-	122,387	83,659
Public properties	52,660	-	52,660	65,859
ABC	-	282,226	282,226	121,628
Bus	-	131,527	131,527	141,378
Capital outlay	158,336	316,367	474,703	371,214
Debt service	1,429,678	-	1,429,678	1,229,504
Total expenditures	<u>4,749,500</u>	<u>733,235</u>	<u>5,482,735</u>	<u>5,115,077</u>
Excess (deficiency) of revenues over expenditures	<u>1,214,970</u>	<u>(104,809)</u>	<u>1,110,161</u>	<u>1,399,128</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	40,076	-	40,076	-
Proceeds from bond refunding	816,372	-	816,372	-
Other financing use - payment to escrow	(786,505)	-	(786,505)	-
Other financing use - cost of bond issuance	(29,867)	-	(29,867)	-
Transfer in (out)	(135,569)	7,316	(128,253)	(234,174)
Total other financing sources and uses	<u>(95,493)</u>	<u>7,316</u>	<u>(88,177)</u>	<u>(234,174)</u>
Net change in fund balances	1,119,477	(97,493)	1,021,984	1,164,954
Fund balances-beginning	<u>3,616,459</u>	<u>844,251</u>	<u>4,460,710</u>	<u>3,295,756</u>
Fund balances-ending	<u>\$ 4,735,936</u>	<u>\$ 746,758</u>	<u>\$ 5,482,694</u>	<u>\$ 4,460,710</u>
Reconciliation to government-wide change in net position:				
Net change in fund balances			\$ 1,021,984	\$ 1,164,954
Add: capital outlay expenditures capitalized			474,703	371,214
Add: contributed capital			266,500	-
Add: debt service expenditures			1,429,678	1,229,504
Less: proceeds from sale of assets			(40,076)	-
Less: loss on disposal of capital assets			(70,885)	-
Less: change in pension liability			(127,612)	70,596
Less: depreciation on governmental activities assets			(399,292)	(341,163)
Less: decreases in the equity interest of joint ventures			(2,857)	(4,386)
Less: interest expense			(310,512)	(298,671)
Change in net position - governmental activities			<u>\$ 2,241,631</u>	<u>\$ 2,192,048</u>

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

CITY OF LA GRANGE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

ASSETS	Business-type Activities			2015
	Water & Sewer	Golf Course	Totals	Totals
Current assets				
Cash and cash equivalents	\$ 1,698,160	\$ 63,397	\$ 1,761,557	\$ 1,310,209
Investments	593,230	-	593,230	590,880
Receivables, net	468,299	11,108	479,407	413,184
Inventory	36,572	6,837	43,409	32,133
Due from other funds	-	3,040	3,040	3,040
Total current assets	2,796,261	84,382	2,880,643	2,349,446
Non-current assets				
Restricted cash and cash equivalents	213,975	80,719	294,694	303,745
Long-term accounts receivable	-	44,000	44,000	55,000
Total non-current assets	213,975	124,719	338,694	358,745
Capital assets				
Land	94,897	1,614,643	1,709,540	1,709,540
Land improvements	-	2,379,485	2,379,485	2,359,458
Plant and sewer system	28,249,147	-	28,249,147	28,228,034
Buildings and improvements	872,127	-	872,127	857,893
Vehicle and equipment	857,892	398,069	1,255,961	1,202,116
Less: accumulated depreciation	(12,087,221)	(1,856,650)	(13,943,871)	(12,965,741)
Total capital assets	17,986,842	2,535,547	20,522,389	21,391,300
Total assets	20,997,078	2,744,648	23,741,726	24,099,491
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	156,011	-	156,011	57,084
Total assets and deferred outflows of resources	\$ 21,153,089	\$ 2,744,648	\$ 23,897,737	\$ 24,156,575
LIABILITIES				
Current liabilities				
Accounts payable	\$ 95,402	\$ 19,214	\$ 114,616	\$ 117,551
Accrued payroll liabilities	25,351	8,600	33,951	35,516
Accrued interest payable	3,437	24,951	28,388	29,218
Unearned revenue	-	38,504	38,504	44,677
Customer deposits payable	60,865	-	60,865	55,509
Due to other funds	30,351	-	30,351	30,121
Capital lease obligations	236,584	15,000	251,584	244,248
Bonds, notes, and loans payable	135,000	190,000	325,000	315,000
Total current liabilities	586,990	296,269	883,259	871,840
Non-current liabilities				
Capital lease obligations	817,147	1,050,000	1,867,147	2,119,387
Bonds, notes, and loans payable	4,081,505	610,000	4,691,505	5,024,910
Net pension liability	824,603	-	824,603	631,958
Accrued compensated absences	33,774	-	33,774	32,428
Total non-current liabilities	5,757,029	1,660,000	7,417,029	7,808,683
Total liabilities	6,344,019	1,956,269	8,300,288	8,680,523
Deferred inflows - pension	7,650	-	7,650	56,800
NET POSITION				
Net investment in capital assets	12,716,606	670,547	13,387,153	13,687,755
Restricted for:				
Debt service	147,556	80,719	228,275	218,403
Unrestricted	1,937,258	37,113	1,974,371	1,513,094
Total net position	14,801,420	788,379	15,589,799	15,419,252
Total liabilities, deferred inflows of resources and net position	\$ 21,153,089	\$ 2,744,648	\$ 23,897,737	\$ 24,156,575

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

CITY OF LA GRANGE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2016

	<u>Business-type Activities</u>			<u>2015</u>
	<u>Water & Sewer</u>	<u>Golf Course</u>	<u>Totals</u>	<u>Totals</u>
Operating revenues				
Charges for services	\$ 2,978,795	\$ 488,569	\$ 3,467,364	\$ 3,056,652
Other income	109,346	-	109,346	113,196
Total operating revenues	<u>3,088,141</u>	<u>488,569</u>	<u>3,576,710</u>	<u>3,169,848</u>
Operating expenses				
General and administrative	1,673,428	113,293	1,786,721	1,673,868
Rent	-	2,775	2,775	974
Salaries and wages	491,997	123,757	615,754	612,222
Repairs and maintenance	-	62,044	62,044	42,346
Cost of sales	-	32,386	32,386	32,092
Other operating expenses	1,169	51,216	52,385	51,465
Depreciation	850,393	127,737	978,130	967,292
Total operating expenses	<u>3,016,987</u>	<u>513,208</u>	<u>3,530,195</u>	<u>3,380,259</u>
OPERATING INCOME (LOSS)	<u>71,154</u>	<u>(24,639)</u>	<u>46,515</u>	<u>(210,411)</u>
Non-operating income (expense)				
Interest and investment revenue	3,403	295	3,698	4,673
Interest expense	(181,839)	(82,780)	(264,619)	(265,668)
Loss from disposal of capital assets	-	-	-	(51,982)
Total non-operating (expense)	<u>(178,436)</u>	<u>(82,485)</u>	<u>(260,921)</u>	<u>(312,977)</u>
(LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>(107,282)</u>	<u>(107,124)</u>	<u>(214,406)</u>	<u>(523,388)</u>
Transfers in	-	128,253	128,253	234,174
Capital contributions	255,700	1,000	256,700	232,868
CHANGE IN NET POSITION	148,418	22,129	170,547	(56,346)
Net position at beginning of year	<u>14,653,002</u>	<u>766,250</u>	<u>15,419,252</u>	<u>15,475,598</u>
NET POSITION - END OF YEAR	<u>\$ 14,801,420</u>	<u>\$ 788,379</u>	<u>\$ 15,589,799</u>	<u>\$ 15,419,252</u>

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

CITY OF LA GRANGE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2016

	<u>Business-type Activities</u>			<u>2015</u>
	<u>Water & Sewer</u>	<u>Golf Course</u>	<u>Totals</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 3,021,487	\$ 493,827	\$ 3,515,314	\$ 3,178,581
Payments to suppliers	(1,494,918)	(243,471)	(1,738,389)	(1,653,770)
Payments for employee services and benefits	(644,063)	(143,948)	(788,011)	(762,025)
Receipts (refunds) of customer meter deposits	5,356	-	5,356	(14,469)
	<u>887,862</u>	<u>106,408</u>	<u>994,270</u>	<u>748,317</u>
Net cash provided by operating activities				
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES				
Payment under interfund agreements	-	128,253	128,253	234,174
	<u>-</u>	<u>128,253</u>	<u>128,253</u>	<u>234,174</u>
Net cash provided by non-capital financing activities				
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	255,700	1,000	256,700	232,868
Purchases of capital assets	(89,192)	(20,025)	(109,217)	(428,693)
Principal paid on capital debt	(364,904)	(195,000)	(559,904)	(542,960)
Interest paid on capital debt	(190,598)	(83,255)	(273,853)	(274,479)
	<u>(388,994)</u>	<u>(297,280)</u>	<u>(686,274)</u>	<u>(1,013,264)</u>
Net cash (used in) capital and related financing activities				
CASH FLOWS FROM INVESTING ACTIVITIES				
Net change in investments	2,350	-	2,350	2,596
Interest and dividends	3,403	295	3,698	4,673
	<u>5,753</u>	<u>295</u>	<u>6,048</u>	<u>7,269</u>
Net cash provided by investing activities				
Net increase (decrease) in cash and cash equivalents	504,621	(62,324)	442,297	(23,504)
Cash and cash equivalents-beginning of the year	1,407,514	206,440	1,613,954	1,637,458
CASH AND CASH EQUIVALENTS-END OF THE YEAR	<u>\$ 1,912,135</u>	<u>\$ 144,116</u>	<u>\$ 2,056,251</u>	<u>\$ 1,613,954</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 71,154	\$ (24,639)	\$ 46,515	\$ (210,411)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	850,393	127,737	978,130	967,292
Net change in pension liability	44,567	-	44,567	(27,344)
Change in assets and liabilities:				
Receivables, net	(69,778)	11,431	(58,347)	689
Inventory	(10,929)	(347)	(11,276)	2,249
Accounts and other payables	(2,901)	439	(2,462)	11,181
Accrued expenses	-	(2,038)	(2,038)	3,516
Unearned revenue	-	(6,175)	(6,175)	-
Customer deposits payable	5,356	-	5,356	1,145
	<u>887,862</u>	<u>106,408</u>	<u>994,270</u>	<u>748,317</u>
Net cash provided by operating activities				
Cash and cash equivalents consists of the following:				
Unrestricted cash	\$ 1,698,160	\$ 63,397	\$ 1,761,557	\$ 1,310,209
Restricted cash	213,975	80,719	294,694	303,745
	<u>\$ 1,912,135</u>	<u>\$ 144,116</u>	<u>\$ 2,056,251</u>	<u>\$ 1,613,954</u>

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

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of La Grange, Kentucky (the City) operates under the City Council form of government and provides the following services as authorized by its charter: public safety, public works, recreation and community development. The accounting policies of the City conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The financial statements of the City include the funds, account groups and entities over which the Mayor and Council exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the City's ability to significantly influence operation, select the governing body, and participate in fiscal management and the scope of public service. The Council has oversight responsibility for various boards and foundations included in the accompanying financial statements. The La Grange Public Properties Corporation and Utility Commission of the City of La Grange, Kentucky are blended component units that are subject to the City's oversight responsibility. Separately issued financial statements of the Utility Commission can be obtained by request at 203 S. Walnut Street, La Grange, KY, 40031 or by calling (502) 222-9325. The City is involved in a joint venture with Oldham County, Kentucky, in the Oldham-LaGrange Development Authority. See footnote 11.

B. Blended Component Units

Blended component units are separate entities that meet the component unit criteria described above and whose governing body is the same as, or designated by the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type.

Component units that are blended into the reporting activity types of the City's report are presented below:

Component Unit	Brief Description/Inclusion Criteria	Reporting
City of La Grange Public Properties Corporation	The Corporation is legally separate from the City, but it is reported as if it were part of the City, the primary government, because its sole purpose is to finance the acquisition of City real estate and buildings.	Governmental Fund
Utility Commission of the City of La Grange, Kentucky	The Commission is operated by a five member board of commissioners which includes four City of La Grange, Kentucky, residents appointed by the Mayor and approved by the City Council. The fifth member of the board of commissioners is a member of the City Council appointed by and from the membership of the City Council. The Commission is an agency that the City Council created to supervise, control and maintain the waterworks and sewer system for the City.	Proprietary Fund Enterprise Fund

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements include a statement of net position and the statement of activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City.

Fund Financial Statements

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds, each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses.

Governmental funds are those through which most governmental functions are financed. The governmental fund measurement focus is the determination of financial position and budgetary control over revenues and expenditures. Proprietary fund types are used to account for operations that are financed and operated in a manner similar to business enterprises - where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

The following funds are used by the City of La Grange:

Governmental Funds

General Fund – The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund. Most of the essential governmental services such as police, community services and general administration are reported in this fund.

Capital Project Fund – The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (continued)

Governmental Funds (continued)

Parks Board Fund – Accounts for the activities of the City of La Grange Foundation, Inc., which was created as a non-profit corporation to receive donations for projects for the betterment of the City of La Grange and Oldham County.

Municipal Road Aid Fund – Special revenue fund that accounts for the money received from the Commonwealth of Kentucky under the gasoline tax distribution program. Amounts received are reserved for road maintenance.

ABC Fund – Accounts for the receipts and expenditures related to the regulation of sales of alcoholic beverages in the City.

Bus Fund – Accounts for the receipts and expenditures related to the operation of the City buses.

Proprietary Funds

Proprietary funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in cash flows.

Enterprise funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounts are maintained on the accrual basis of accounting. The City's enterprise operations include the following:

Utility Commission of the City of La Grange, Kentucky – Accounts for activities in providing water and sewer services to the residents of the City, the operations of which are financed by user charges.

Eagle Creek Golf Course – Accounts for activities in providing golfing facilities to the public and the management of the retail pro-shop.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. Their focus is on individual funds rather than reporting funds by type. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A period of sixty (60) days is used for property tax revenues. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Operating revenues include charges for service and other income, operating expenses include direct costs and depreciation. All other revenues or expenses are treated as non-operating.

Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

E. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents consist of cash on hand, cash on deposit with banks, and certificates of deposit with an original maturity of less than three months (including amounts held in restricted asset accounts).

F. Investments

Investments are reported at fair value. Investments of the City consist of certificates of deposits with an original maturity of three months or greater.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Supplies Inventory

Inventories in the proprietary funds consist of expendable supplies that are stated on a first-in, first-out method. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Inventories of the special revenue funds are recorded as expenditures when purchased rather than when consumed.

I. Accounts Receivable

Governmental activities accounts receivable consists of property taxes, compensation taxes, occupational license fees, insurance premium taxes, franchise fees, ABC fees, bus fees, service revenues and grant funds which are disbursed on an expenditure-reimbursement plan.

Business-type activities extend credit to substantially all of their customers.

Accounts receivable are stated at face amount, less an allowance for doubtful accounts of \$67,829 in the general fund and \$7,498 in the proprietary funds, which approximates fair market value.

The City maintains allowances for doubtful accounts based on evaluation by management and percentages applied to the various aging periods of accounts receivable. Specific accounts deemed uncollectible are charged to the allowance upon evaluation by management. Evaluation factors include familiarity with the customer, credit history and the age of the unpaid bill. Property taxes not collected within sixty (60) days of year end are fully reserved.

J. Capital Assets and Depreciation

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

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 one thousand dollars. 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 capitalized.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets and Depreciation (continued)

Transfers of capital assets between funds are recorded at the net book value of the transferred asset at the time of transfer.

All reported capital assets are depreciated with the exception of land and construction in progress. 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 both general capital assets and proprietary fund assets:

Description	Years
Utility plant and distribution system	20-50
Buildings and improvements	10-40
Land improvements	10-40
Infrastructure	10-25
Machinery and equipment	3-15

K. Unearned Revenue

Unearned revenue represents grant revenues received but unearned. Revenues are recognized when eligible expenditures are incurred.

L. Compensated Absences

Accrued vacation pay vests as of January 1 and must be used by December 31 of each year. Unused vacation pay is payable upon termination of employment. The liability for these compensated absences is recorded as a current liability.

M. Long-Term Debt and Bond Issuance Costs

In the government-wide and proprietary financial statements, outstanding debt is reported as current and long-term liabilities. In accordance with GASB 65, bond issuance costs are expensed in the period incurred.

In the fund financial statements, governmental fund types recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Balances

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable. The City further breaks down both nonspendable and spendable components into the following components:

Nonspendable – amounts that must be maintained intact legally or contractually.

Restricted – amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

Assigned – for all governmental funds, other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the general fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts.

Unassigned – for the general fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are nonspendable, restricted, committed or assigned.

For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City Council.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

As of June 30, 2016, the Bus Fund has a negative fund balance of \$19,362. Going forward the City intends to increase appropriations from the General Fund to the Bus Fund to eliminate the negative fund balance and to keep the City's buses operational.

O. Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts in the financial statements are as adopted by ordinance of the City.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Other Accounting Policies

Interfund transactions are reflected as transfers. Transfers occur for various reasons related to the day to day operations of the funds and are reported as receivables and payables as appropriate and are subject to elimination upon consolidation and are referred to as either "due to/from other fund" in the fund financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Q. 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 benefit terms. Investments are reported at fair value.

R. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through June 22, 2017, which represents the date these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2016, have not been evaluated by the City.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

2. CASH AND INVESTMENTS

As of June 30, 2016, the book balance of the City's deposits totaled \$7,293,371 and the bank balances totaled \$7,449,454.

The following is a detail of the City's cash deposit coverage at June 30, 2016:

FDIC insured	\$ 1,842,518
Collateralized	5,195,134
Invested in money market funds	411,802
Uncollateralized	<u>-</u>
Total	<u>\$ 7,449,454</u>

Restricted assets consist of the following:

	General Fund	Utility Commission	Golf Course	Total
Cash – Debt service reserve	\$ 411,802	\$ 147,556	\$ 80,719	\$ 640,077
Cash – Customer deposits	<u>-</u>	<u>66,419</u>	<u>-</u>	<u>66,419</u>
Total	<u>\$ 411,802</u>	<u>\$ 213,975</u>	<u>\$ 80,719</u>	<u>\$ 706,496</u>

The City's investments at June 30, 2016 are as follows:

Type of Investment	Fair Value	Cost	Interest Rate	Maturity Date
BL&D Bank:				
Certificate of deposit	\$ 262,810	\$ 262,810	0.400%	1/16/2018
Certificate of deposit	138,803	138,803	0.850%	11/5/2016
Certificate of deposit	124,775	124,775	0.850%	11/5/2016
PNC Bank:				
Certificate of deposit	<u>66,842</u>	<u>66,842</u>	0.200%	09/4/2017
	<u>\$ 593,230</u>	<u>\$ 593,230</u>		

3. ACCOUNTS RECEIVABLE

	General Fund	Nonmajor Funds	Governmental Funds Total
Governmental Funds:			
Taxes	\$ 86,913	\$ -	\$ 86,913
Licenses and fees	978,569	95,301	1,073,870
Intergovernmental	4,380	27,767	32,147
Other	<u>18,784</u>	<u>-</u>	<u>18,784</u>
Gross receivables	1,088,646	123,068	1,211,714
Less: allowance for uncollectible	<u>(67,829)</u>	<u>-</u>	<u>(67,829)</u>
Net receivables	<u>\$ 1,020,817</u>	<u>\$ 123,068</u>	<u>\$ 1,143,885</u>
	Water & Sewer Fund	Golf Course Fund	Proprietary Funds Total
Proprietary Funds:			
Customer accounts	\$ 337,496	\$ -	\$ 337,496
Unbilled receivables	138,301	-	138,301
Other	<u>-</u>	<u>55,108</u>	<u>55,108</u>
Gross receivables	475,797	55,108	530,905
Less: allowance for uncollectible	<u>(7,498)</u>	<u>-</u>	<u>(7,498)</u>
Net receivables	<u>\$ 468,299</u>	<u>\$ 55,108</u>	<u>\$ 523,407</u>

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

4. CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital assets not depreciated:				
Construction in progress	\$ -	\$ 6,022	\$ -	\$ 6,022
Land	<u>730,201</u>	<u>-</u>	<u>-</u>	<u>730,201</u>
Totals	<u>730,201</u>	<u>6,022</u>	<u>-</u>	<u>736,223</u>
Capital assets that are depreciated:				
Buildings and improvements	2,234,592	117,940	(119,440)	2,233,092
Machinery and equipment	<u>2,610,094</u>	<u>126,557</u>	<u>(16,000)</u>	<u>2,720,651</u>
Totals	<u>4,844,686</u>	<u>244,497</u>	<u>(135,440)</u>	<u>4,953,743</u>
Total non-infrastructure assets	<u>5,574,887</u>	<u>250,519</u>	<u>(135,440)</u>	<u>5,689,966</u>
Infrastructure assets	<u>1,236,432</u>	<u>490,684</u>	<u>-</u>	<u>1,727,116</u>
Total capital assets	<u>6,811,319</u>	<u>741,203</u>	<u>(135,440)</u>	<u>7,417,082</u>
Less: accumulated depreciation				
Buildings and improvements	863,798	70,635	(24,479)	909,954
Machinery and equipment	1,948,133	157,138	-	2,105,271
Infrastructure	<u>584,299</u>	<u>171,519</u>	<u>-</u>	<u>755,818</u>
Totals	<u>3,396,230</u>	<u>399,292</u>	<u>(24,479)</u>	<u>3,771,043</u>
General capital assets, net	<u>\$ 3,415,089</u>	<u>\$ 341,911</u>	<u>\$ (110,961)</u>	<u>\$ 3,646,039</u>
Business-Type Activities				
Land	\$ 1,709,540	\$ -	\$ -	\$ 1,709,540
Buildings and improvements	3,217,351	34,259	-	3,251,610
Water tank	3,039,105	-	-	3,039,105
Mains, hydrants and new water services	3,959,546	20,473	-	3,980,019
Wastewater treatment plant	10,684,797	638	-	10,685,435
Sewage system lines and pump stations	10,544,588	-	-	10,544,588
Transportation equipment	691,390	32,538	-	723,928
General office equipment	<u>510,724</u>	<u>21,311</u>	<u>-</u>	<u>532,035</u>
Totals	34,357,041	109,219	-	34,466,260
Less: accumulated depreciation	<u>12,965,741</u>	<u>978,130</u>	<u>-</u>	<u>13,943,871</u>
Business-type capital assets, net	<u>\$ 21,391,300</u>	<u>\$ (868,911)</u>	<u>\$ -</u>	<u>\$ 20,522,389</u>

\$1,163,775 of golf course land is recorded under a capital lease with no accumulated depreciation.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the Governmental functions as follows:

General government	\$ 63,801
Police	21,286
Public works	78,341
Parks and recreation	23,427
Infrastructure	171,519
Bus	6,007
ABC	<u>34,911</u>
 Total depreciation expense	 <u>\$ 399,292</u>

5. LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Capital Lease Obligation – Kentucky Bond Corporation

On March 22, 2006, the City entered into a lease agreement in the amount of \$1,250,000 with the Kentucky Area Development Districts Financing Trusts for the financing and leasing of a community center and City Hall. The lease was scheduled to run for a term of 22 years with payments to be made semiannually. The lease carried a stated interest rate of 4.6% with bank fees of \$500 annually. In December 2015, the City entered into a lease agreement in the amount of \$795,000 with the Kentucky Bond Corporation to pay in full the lease agreement with the Kentucky Area Development Districts Financing Trusts. The new lease agreement decreased debt service payments by \$266,368 and has a net economic gain of \$222,921. Repayment of the lease is scheduled to be paid over a period of twelve years. The new lease agreement has a net interest cost of 2.89% over the repayment term.

The minimum obligations of the above lease at June 30, 2016, are as follows:

Fiscal Year	Principal	Interest	Bank Fee	Total
2017	\$ 54,167	\$ 23,225	\$ 2,385	\$ 79,777
2018	60,000	21,600	2,250	83,850
2019	62,083	19,800	2,100	83,983
2020	65,000	17,937	1,945	84,882
2021	65,000	15,988	1,782	82,770
2022-2026	349,167	49,988	6,415	405,570
2027-2028	<u>118,750</u>	<u>4,875</u>	<u>1,119</u>	<u>124,744</u>
 Total	 <u>\$ 774,167</u>	 <u>\$ 153,413</u>	 <u>\$ 17,996</u>	 <u>\$ 945,576</u>

**CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

5. LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (CONTINUED)

Kentucky Bond Corporation Financing Program Revenue Bonds 2014 First Series C

On June 30, 2014, the City issued \$10,295,000 of general obligation revenue bonds through a pooled financing transaction with the Kentucky Bond Corporation to refinance obligations previously reported on the financial statements of the Oldham-LaGrange Development Authority. The proceeds were used to refund previously issued 2012 Series A General Obligation Lease Revenue Refunding Bonds and advance refund 2005 Series D General Obligation Revenue Notes. The new issue will increase debt service payments by \$71,000 and has a net economic gain of \$660,444. The 2012 Series A General Obligation Lease Revenue Refunding Bonds were redeemed in July 2014. The 2005 Series D General Obligation Revenue Notes were redeemed with funds that had been placed in escrow, on June 1, 2015. Payments on the 2014 First Series C bonds are scheduled to be paid over a period of ten years. The bonds have a net interest cost of 2.44% over the repayment term.

The minimum obligations of the above bonds at June 30, 2016, are as follows:

Fiscal Year	Principal	Interest	Fees	Total
2017	\$ 980,417	\$ 197,367	\$ 21,890	\$ 1,199,674
2018	1,003,333	177,758	19,439	1,200,530
2019	1,025,417	157,692	16,930	1,200,039
2020	1,050,417	137,183	14,367	1,201,967
2021	1,075,417	125,486	11,741	1,212,644
2022-2024	<u>3,320,832</u>	<u>175,843</u>	<u>18,068</u>	<u>3,514,743</u>
Total	<u>\$ 8,455,833</u>	<u>\$ 971,329</u>	<u>\$ 102,435</u>	<u>\$ 9,529,597</u>

The total governmental activity debt is summarized as follows:

Current portion of revenue bonds	\$ 980,417
Current portion of capital lease obligation	<u>54,167</u>
Total current portion of long-term obligations	<u>\$ 1,034,584</u>
Accrued compensated absences	\$ 70,816
Long-term portion of revenue bonds	7,475,416
Long-term portion of capital lease obligation	720,000
Net pension liability	<u>2,934,468</u>
Long-term portion of long-term obligations	<u>\$ 11,200,700</u>

A summary of changes in general government long-term debt is as follows:

	July 1, 2015	Additions	Deletions	June 30, 2016
Capital lease obligations	\$ 935,000	\$ 795,000	\$ 955,833	\$ 774,167
Revenue bonds	9,414,167	-	958,334	8,455,833
Net pension liability	2,289,907	644,561	-	2,934,468
Accrued compensated absences	<u>60,772</u>	<u>93,316</u>	<u>83,272</u>	<u>70,816</u>
Total	<u>\$ 12,699,846</u>	<u>\$ 1,532,877</u>	<u>\$ 1,997,439</u>	<u>\$ 12,235,284</u>

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

6. LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES

Business-Type Activities – Utility Commission

Capital Lease Obligation – PNC Bank

On September 24, 2010, the Commission entered into a lease agreement in the amount of \$2,284,645 with PNC Bank for the payoff of previous outstanding debt to the Kentucky Infrastructure Authority (KIA), Kentucky League of Cities and Bedford Loan & Deposit Bank. The principal and interest payments are to be made from the income and revenues of the water and sewer system. PNC Bank shall hold a lien on the system's revenues until such lease and interest payments are paid in full. The lease bears interest at a rate of 3.07% with a maturity date of September 24, 2020.

The minimum obligations of the above lease at June 30, 2016, are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 236,584	\$ 29,591	\$ 266,175
2018	243,399	22,121	265,520
2019	251,760	14,415	266,175
2020	259,696	6,480	266,176
2021	<u>62,292</u>	<u>344</u>	<u>62,636</u>
Total	<u>\$ 1,053,731</u>	<u>\$ 72,951</u>	<u>\$ 1,126,682</u>

Note Payable to Kentucky Rural Water Finance Corporation

On November 13, 2012, the Commission entered into an agreement with the Kentucky Rural Water Finance Corporation to issue Public Projects Revenue Bonds Series 2012 F for the purpose of providing funds to be used for the expansion of the City's waste water treatment plant. The loan has a rate of interest that varies between 2.3% to 4.3% and is payable in monthly payments to include 1/12 of the outstanding principal and 1/6 of the accrued interest balances to be withdrawn on the 20th day of each month for the following months regularly scheduled payment commencing December 20, 2012 for the January 1, 2013 payment. In addition, the loan terms call for an annual fee in the amount of \$450 to be paid to the trustee beginning February 1, 2013.

The minimum obligations of the above revenue bonds at June 30, 2016, are as follows:

Fiscal Year	Principal	Interest	Fees	Total
2017	\$ 135,000	\$ 149,349	\$ 450	\$ 284,799
2018	140,000	145,486	450	285,936
2019	145,000	140,784	450	286,234
2020	150,000	136,666	450	287,116
2021	150,000	131,716	450	282,166
2022-2026	850,000	569,766	2,250	1,422,016
2027-2031	1,000,000	388,553	2,250	1,390,803
2032-2036	1,205,000	165,978	2,250	1,373,228
2037	<u>265,000</u>	<u>5,200</u>	<u>450</u>	<u>270,650</u>
Total	<u>\$ 4,040,000</u>	<u>\$ 1,833,498</u>	<u>\$ 9,450</u>	<u>\$ 5,882,948</u>

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

6. LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)

Business-Type Activities – Utility Commission (continued)

The total business-type – Utility Commission activities long-term debt is summarized as follows:

Current portion of PNC Capital Lease	\$ 236,584
Current portion of Kentucky Rural Water Note	<u>135,000</u>
Total current portion of long-term obligations	<u>\$ 371,584</u>
Long-term portion of PNC Capital Lease	\$ 817,147
Long-term portion of Kentucky Rural Water Note	3,905,000
Bond Premium Kentucky Rural Water Note	176,505
Compensated absences	33,774
Net pension liability	<u>824,603</u>
Total long-term portion of long-term obligations	<u>\$ 5,757,029</u>

A summary of changes in utility long-term debt is as follows:

	July 1, 2015	Additions	Deletions	June 30, 2016
Bonds and leases payable	\$ 5,458,635	\$ -	\$ 364,904	\$ 5,093,731
Bond premium	184,910	-	8,405	176,505
Net pension liability	631,958	192,645	-	824,603
Compensated absences	<u>32,428</u>	<u>1,346</u>	<u>-</u>	<u>33,774</u>
Total	<u>\$ 6,307,931</u>	<u>\$ 193,991</u>	<u>\$ 373,309</u>	<u>\$ 6,128,613</u>

Business-Type Activities – Golf Course

Capital Lease Obligation – Kentucky Area Development Districts Financing Trusts

On March 28, 2007, the City entered into a lease agreement in the amount of \$1,175,000 with the Kentucky Area Development Districts Financing Trusts (KADD) to purchase 80+ acres which includes the back nine holes of the Eagle Creek Golf Course. The principal and interest payments are to be made from the revenues of the golf course. The City is required to pay the extent of the portion of the principal and interest payments that the revenues of the golf course are unable to pay.

The lease is a fixed rate lease and is to run for a term of twenty years with payments to be made monthly. The lease carries a stated interest rate of 4.8% with bank fees of \$500 annually.

The future minimum obligations of the above capital lease at June 30, 2016, are as follows:

Fiscal Year	Principal	Interest	Service Fee	Total
2017	\$ 15,000	\$ 51,120	\$ 500	\$ 66,620
2018	15,000	50,400	500	65,900
2019	20,000	49,680	500	70,180
2020	20,000	48,720	500	69,220
2021	90,000	47,760	500	138,260
2022-2026	720,000	155,280	2,500	877,780
2027	<u>185,000</u>	<u>8,880</u>	<u>500</u>	<u>194,380</u>
Total	<u>\$ 1,065,000</u>	<u>\$ 411,840</u>	<u>\$ 5,500</u>	<u>\$ 1,482,340</u>

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

6. LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)

Business-Type Activities – Golf Course (continued)

Bonds Payable – City of La Grange General Obligation Bonds of 2010

The City issued bonds dated March 1, 2010 in the amount of \$1,730,000. These bonds were used to pay off a previous bond issue from 2000. The bonds mature annually from March 1, 2010 to March 1, 2020, in various amounts from \$100,000 to \$210,000. Interest at 2-3.5% per annum is payable September 1 and March 1. Bonds maturing after March 1, 2011 are subject to early redemption provisions.

The bonds are payable from, and secured by, a pledge of gross revenues derived from the operation of the golf course. If the revenues from the golf course are not sufficient to cover the annual debt service, the City has agreed to levy and collect, each year that the bonds are outsourcing, a bond tax in an amount sufficient to provide for the full payment of the principal and interest of the bonds.

The minimum obligations of the above bonds at June 30, 2016, are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 190,000	\$ 29,878	\$ 219,878
2018	195,000	23,322	218,322
2019	200,000	16,205	216,205
2020	<u>215,000</u>	<u>8,505</u>	<u>223,505</u>
Total	<u>\$ 800,000</u>	<u>\$ 77,910</u>	<u>\$ 877,910</u>

The total business-type - golf course activities debt is summarized as follows:

Current portion of capital lease	\$ 15,000
Current portion of bond	<u>190,000</u>
Total current portion of long-term obligations	<u>\$ 205,000</u>
Long-term portion of capital lease	\$ 1,050,000
Long-term portion of bonds	<u>610,000</u>
Total long-term obligations	<u>\$ 1,660,000</u>

A summary of changes in golf course long-term debt is as follows:

	July 1, 2015	Additions	Deletions	June 30, 2016
Capital lease	\$ 1,080,000	\$ -	\$ 15,000	\$ 1,065,000
Bond issue	<u>980,000</u>	<u>-</u>	<u>180,000</u>	<u>800,000</u>
Total	<u>\$ 2,060,000</u>	<u>\$ -</u>	<u>\$ 195,000</u>	<u>\$ 1,865,000</u>

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

7. RETIREMENT PLAN

CERS

The City of La Grange is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

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

Contributions – For the year ended June 30, 2016, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2016, participating employers contributed 17.06% of each employee's wages for non-hazardous job classifications and 32.95% of each employee's wages for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2016, the City contributed \$165,561, or 100% of the required contribution for non-hazardous job classifications, which was allocated \$120,531 to the CERS pension fund and \$45,030 to the CERS insurance fund. The City contributed \$239,305, or 100% of the required contribution for hazardous job classifications, which was allocated \$147,142 to the CERS pension fund and \$92,163 to the CERS insurance fund.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

7. RETIREMENT PLAN (CONTINUED)

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2016, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net		
Pension Liability	Non-hazardous	Hazardous
<u>\$ 3,759,071</u>	<u>\$ 1,695,033</u>	<u>\$ 2,064,038</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2016 was as follows:

Non-hazardous	Hazardous
.020%	.134%

The proportionate share at June 30, 2016 relative to June 30, 2015 was substantially identical for non-hazardous and decreased for hazardous by .06%.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

7. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2016, the City recognized pension expense of \$382,443. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 58,916	\$ -
Changes of assumptions	349,293	-
Net difference between projected and actual earnings on Plan investments	28,157	-
Changes in proportion and differences between City contributions and proportionate share of contributions	3,134	26,268
City contributions subsequent to the measurement date	<u>267,673</u>	<u>-</u>
Total	<u>\$ 707,173</u>	<u>\$ 26,268</u>

The \$267,673 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2017	\$ 112,608
2018	112,608
2019	77,372
2020	110,644

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	3.25%
Salary increases	4.00%, average, including inflation
Investment rate of return	7.50%, net of Plan investment expense, including inflation

Hazardous

Inflation	3.25%
Salary increases	4.00%, average, including inflation
Investment rate of return	7.50%, net of Plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy 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.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

**CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

7. RETIREMENT PLAN (CONTINUED)

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by 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 time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Asset Class	Target Allocation	Long-term Nominal Real Rate of Return
Combined Equity	44%	5.4%
Combined Fixed Income	19%	1.5%
Real Return (Diversified Inflation Strategies)	10%	3.5%
Real Estate	5%	4.5%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.5%
Cash Equivalent	2%	-.25%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

7. RETIREMENT PLAN (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
 – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, 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 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability
1% decrease	6.50%	\$ 2,163,926	6.50%	\$ 2,642,034
Current discount rate	7.50%	\$ 1,695,033	7.50%	\$ 2,064,038
1% increase	8.50%	\$ 1,293,477	8.50%	\$ 1,585,149

Payable to the Pension Plan – At June 30, 2016, the City reported a payable of \$8,102 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016. The payable includes both the pension and insurance contribution allocation.

8. OPERATING LEASE

On January 7, 2013, the golf course entered into an operating lease with PNC Equipment Finance, LLC to lease 58 golf carts. The lease terms call for 24 payments of \$8,526. The payments are made six months at a time from May through October. The future lease obligations at June 30, 2016, are as follows:

Fiscal Year	
2017	\$ <u>34,104</u>

Operating lease expense for the year ended June 30, 2016, totaled \$ 51,156.

9. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2016 were levied in September 2015 on the assessed property located in the City as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	Due Date
1. Due date for payment	Upon receipt
2. Discount of 2%	November 15
3. Face value payment period	December 15
4. 10% penalty delinquent date	December 16

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

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the city also carries commercial insurance for all other risks of loss such as worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. INVESTMENT IN JOINT VENTURE – OLDHAM-LAGRANGE DEVELOPMENT AUTHORITY

Oldham-LaGrange Development Authority (OLDA) was formed as a non-profit, non-stock corporation as provided by the Local Industrial Development Authority Act under KRS 154.50. The City of La Grange, Kentucky and the County of Oldham, Kentucky formed the Development Authority under an interlocal Cooperation Agreement. The purpose of the Development Authority is to promote economic development and create jobs within the boundaries of the City and County by financing through the Government Authority the acquisition and development of property.

The City of La Grange issued General Obligation Lease Revenue Notes, 2005 Series A, 2005 Series B, 2005 Series C, and 2005 Series D dated July 1, 2005 for \$10,000,000 for the purchase of land and infrastructure improvements thereto, by way of the Development Authority. The proceeds were turned over to the Oldham-LaGrange Development Authority. The Lease Revenue Notes are to be paid with the proceeds from the sale and use of property managed by the Development Authority.

On December 1, 2008, OLDA, through the City of La Grange, issued \$5,215,000 of general obligation lease revenue refunding bonds. The bonds were issued to (1) purchase an escrow scheduled to mature at such times and in such amounts as are necessary and will be adequate, with investment or reinvestment thereof, to meet the currently scheduled interest requirements of the 2005 Series C bonds and (2) pay or refund in advance of maturity, the remaining principal, accrued interest and premium of the City of La Grange bonds, Series of 2005 A and B, dated August 3, 2005 and (3) pay the bond issuance expenses.

On January 21, 2010, the Oldham-LaGrange Development authority through the City of La Grange, issued \$7,555,000 of general obligation lease revenue refunding bonds. The bonds were issued to (1) purchase an escrow scheduled to mature at such times and in such amounts as are necessary and will be adequate, with investment or reinvestment thereof, to meet the currently scheduled interest requirements of the 2010 series bonds and (2) pay or refund in advance of maturity, the remaining principal, accrued interest and premium of the City of La Grange bonds, Series of 2005 C, dated August 3, 2005 and Series 2008 bonds dated December 1, 2008 and (3) pay the bond issuance expenses.

On May 25, 2012, OLDA, through the City, issued \$8,100,000 of 2012 Series A general obligation lease revenue refunding bonds to replace the City 2010 Series A general obligation lease refunding bonds. The bonds were issued to (1) purchase an escrow scheduled to mature at such times and in such amounts as are necessary and will be adequate, with investment or reinvestment thereof, to meet the currently scheduled interest requirements of the 2012 Series bonds and (2) pay or refund in advance of maturity, the remaining principal, accrued interest, and premium of the City 2010 Series A general obligation lease revenue refunding and (3) pay the bond issuance expenses.

On June 30, 2014, the City issued \$10,925,000 of 2014 First Series C general obligation revenue bonds to redeem both the 2012 Series A general obligation lease revenue refunding bonds and the 2005 Series D general obligation lease revenue notes. The 2012 Series A General Obligation Lease Revenue Refunding Bonds were redeemed in July 2014. The 2005 Series D General Obligation Revenue Notes were redeemed with funds placed in escrow on June 1, 2015. The 2014 First Series C bonds will be reported on the financial statements as a liability of the City and are scheduled to be paid by the City over a period of ten years. See footnote 5 for additional information regarding the 2014 First Series C General Obligation Revenue Bonds.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

11. JOINT VENTURE – OLDHAM-LAGRANGE DEVELOPMENT AUTHORITY (CONTINUED)

Oldham-LaGrange Development Authority issues separate financial statements available through its administrative office at 112 South 1st Avenue P.O. Box 366, La Grange, KY 40031 or by telephone at (502) 222-1635. Summarized totals for the Development Authority for the year ended June 30, 2016, are as follows:

Total assets	\$ 16,377,256
Total liabilities	\$ 99,000
Total net position	\$ 16,278,256

The net equity investment in Oldham-LaGrange Development Authority for the City of La Grange at June 30, 2016, is \$8,515,331. The net equity is determined by the following:

	OLDA Audit 6/30/2016	City Allocation	County Allocation
Beginning net equity, July 1, 2015	\$ 16,154,483	\$ 8,518,188	\$ 7,636,295
Operating loss before transfers in	(85,714)	(42,857)	(42,857)
Principal payments transfers in	<u>209,487</u>	<u>40,000</u>	<u>169,487</u>
Ending net equity, June 30, 2016	<u>\$ 16,278,256</u>	<u>\$ 8,515,331</u>	<u>\$ 7,762,925</u>

12. TRANSFERS

The purpose of transfers is to move resources between the General Fund and other funds, for budgetary purposes, to the funds that will expend them. During fiscal year 2016, the General Fund transferred \$71,750 to the Bus Fund and \$128,253 to the Golf Course. The Capital Projects Fund transferred \$64,434 to the General Fund as part of the lease agreement with the Kentucky Bond Corporation.

13. INTERFUND BALANCES

This table shows interfund balances as of June 30, 2016:

	General Fund	Water & Sewer Fund	Road Aid Fund	ABC Fund	Bus Fund	Total Due From
General Fund	\$ -	\$ 30,351	\$ -	\$ 187,768	\$ 124,031	\$ 342,150
Water & Sewer Fund	-	-	-	-	-	-
Golf Course	3,041	-	-	-	-	3,041
MRA Fund	-	-	-	-	-	-
ABC Fund	-	-	-	-	-	-
Bus Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Due To	<u>\$ 3,041</u>	<u>\$ 30,351</u>	<u>\$ -</u>	<u>\$ 187,768</u>	<u>\$ 124,031</u>	<u>\$ 345,191</u>

Interfund balances result from goods and services type transactions that have occurred between individual funds that have resulted in amounts owed between funds.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

14. RESTATEMENT OF NET POSITION

The beginning net position of the governmental activities has been restated to remove a bond premium that was recorded in a prior year. The restatement of net position is as follows:

<u>Governmental Activities</u>	2016
Net position, at beginning of year	\$ 3,720,438
Bond premium as of June 30, 2015	<u>50,071</u>
Net position, at beginning of year, as restated	<u>\$ 3,770,509</u>

15. SUBSEQUENT EVENTS

Kentucky Bond Corporation Financing Program Revenue Bonds Series 2016D

On November 30, 2016, the City issued \$1,100,000 of general obligation revenue bonds through a pooled financing transaction with the Kentucky Bond Corporation. The proceeds were used to refund the lease agreement entered into on March 28, 2007 with the Kentucky Area Development Districts Financing Trusts. Payments on the Series 2016D revenue bonds are scheduled to be paid over a period of 11 years, with principal and interest payments beginning in February 2017. The new debt issue will decrease debt service payments by \$97,935 and has a net economic gain of \$79,607. The bonds have a net interest cost of 2.84% over the repayment term.

La Grange Utilities Commission

On January 25, 2015, authorized representatives of the Energy and Environment Cabinet identified multiple violations of KRS Chapter 224. The Commission is currently implementing a corrective action plan that includes a project with an estimated total cost of \$3.6 million which is roughly 17% complete as of the date of this report.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LA GRANGE, KENTUCKY
 REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
 GENERAL FUND
 for the year ended June 30, 2016

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
TAXES				
General property taxes	\$ 1,238,300	\$ 1,238,300	\$ 1,290,418	\$ 52,118
Bank shared tax	52,000	52,000	56,860	4,860
Omitted tangibles	12,000	12,000	4,636	(7,364)
Motor vehicle taxes	<u>123,000</u>	<u>123,000</u>	<u>131,708</u>	<u>8,708</u>
Total municipal taxation	<u>1,425,300</u>	<u>1,425,300</u>	<u>1,483,622</u>	<u>58,322</u>
LICENSES, PERMITS AND BILLINGS				
Business licenses	325,000	325,000	350,902	25,902
Insurance premiums	1,397,000	1,397,000	1,499,153	102,153
ABC license fees	13,890	13,890	14,607	717
Compensation tax	1,080,000	1,080,000	1,749,430	669,430
Franchise fees	<u>310,000</u>	<u>310,000</u>	<u>357,678</u>	<u>47,678</u>
Total licenses, permits and billings	<u>3,125,890</u>	<u>3,125,890</u>	<u>3,971,770</u>	<u>845,880</u>
INTERGOVERNMENTAL REVENUES				
Grants	12,000	12,000	11,840	(160)
KLEFPF	41,000	41,000	39,972	(1,028)
Federal overtime	12,000	12,000	11,238	(762)
LGEAF	<u>4,084</u>	<u>4,084</u>	<u>7,127</u>	<u>3,043</u>
Total intergovernmental	<u>69,084</u>	<u>69,084</u>	<u>70,177</u>	<u>1,093</u>
CHARGES FOR SERVICE				
Sanitation fees	<u>399,000</u>	<u>399,000</u>	<u>384,972</u>	<u>(14,028)</u>
OTHER REVENUE				
Interest	4,000	4,000	1,484	(2,516)
Penalties	15,000	15,000	2,759	(12,241)
Encroachment fees	3,200	3,200	5,100	1,900
Rent	7,000	7,000	-	(7,000)
Miscellaneous	<u>56,000</u>	<u>56,000</u>	<u>44,586</u>	<u>(11,414)</u>
Total other	<u>85,200</u>	<u>85,200</u>	<u>53,929</u>	<u>(31,271)</u>
TOTAL REVENUE	<u>\$ 5,104,474</u>	<u>\$ 5,104,474</u>	<u>\$ 5,964,470</u>	<u>\$ 859,996</u>

CITY OF LA GRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2016

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES				
General Government				
Salaries	\$ 114,464	\$ 114,464	\$ 116,003	\$ 1,539
Overtime	2,000	2,000	687	(1,313)
Employee Insurance	38,640	38,640	26,910	(11,730)
Employer portion FICA	10,800	10,800	10,038	(762)
Employer portion Medicare	2,550	2,550	2,294	(256)
Mayor/Council	60,480	60,480	60,480	-
Employer portion retirement	15,000	15,000	17,026	2,026
Unemployment insurance	4,000	4,000	-	(4,000)
Computer maintenance	36,000	36,000	32,807	(3,193)
Tax preparation (PVA)	35,000	35,000	36,176	1,176
Ordinance codification	5,000	5,000	3,907	(1,093)
Workers compensation	2,975	2,975	3,288	313
Property/liability insurance	55,800	55,800	50,012	(5,788)
Auditing	22,000	22,000	25,000	3,000
Gas/electric/telephone	110,000	110,000	113,301	3,301
Legal fees	50,000	50,000	33,050	(16,950)
Legal advertisements	10,000	10,000	9,556	(444)
Office supplies	6,000	6,000	7,921	1,921
Repair and maintenance	4,000	4,000	1,200	(2,800)
Seminars/education	7,000	7,000	6,614	(386)
Miscellaneous	10,500	10,500	11,674	1,174
Small equipment purchases	1,000	1,000	5,747	4,747
Board of adjustments and appeals	1,000	1,000	150	(850)
Total administration	<u>604,209</u>	<u>604,209</u>	<u>573,841</u>	<u>(30,368)</u>
Police				
Police salaries	614,706	614,706	558,786	(55,920)
Overtime salaries	31,000	31,000	22,856	(8,144)
Part-time salaries	53,256	53,256	33,860	(19,396)
KLEFPF	43,400	43,400	39,926	(3,474)
Employee insurance	167,670	167,670	101,363	(66,307)
Employer portion FICA	42,574	42,574	34,821	(7,753)
Employer portion Medicare	9,685	9,685	7,893	(1,792)
Employer portion retirement	218,220	218,220	182,342	(35,878)
Workers compensation	27,221	27,221	30,449	3,228
Automobile insurance	29,426	29,426	16,260	(13,166)
Liability insurance	33,789	33,789	33,788	(1)
Radio maintenance	6,000	6,000	3,458	(2,542)
Computer maintenance	16,000	16,000	14,872	(1,128)
Seminars and education	6,000	6,000	11,968	5,968
Uniform expense	20,000	20,000	10,800	(9,200)
Miscellaneous	22,000	22,000	26,159	4,159
Crime prevention	3,000	3,000	3,465	465
Criminal investigations	3,000	3,000	2,276	(724)
Firing range expenses	1,000	1,000	805	(195)
Small equipment purchases	4,000	4,000	9,573	5,573
Gas and oil	50,000	50,000	42,787	(7,213)
Equipment repairs	30,000	30,000	23,651	(6,349)
Drug enforcement funds	1,500	1,500	960	(540)
Dry cleaning	2,000	2,000	867	(1,133)
Telephone/cellular/pagers	15,600	15,600	22,879	7,279
One call	3,912	3,912	3,912	-
Oldham County dispatch	12,250	12,250	12,250	-
Total police department	<u>1,467,209</u>	<u>1,467,209</u>	<u>1,253,026</u>	<u>(214,183)</u>

CITY OF LA GRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2016

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Works				
Salaries	\$ 302,252	\$ 302,252	\$ 316,911	\$ 14,659
Overtime salaries	8,000	8,000	8,277	277
Employee insurance	155,000	155,000	117,554	(37,446)
Employer portion FICA	18,000	18,000	17,350	(650)
Employer portion Medicare	4,500	4,500	3,900	(600)
Employer portion retirement	50,000	50,000	56,859	6,859
Workers compensation	27,000	27,000	24,134	(2,866)
Vehicle insurance	29,000	29,000	14,524	(14,476)
Utilities	13,700	13,700	13,693	(7)
Seminars/Education	2,500	2,500	2,657	157
Uniforms	3,000	3,000	3,048	48
Small equipment purchases	2,500	2,500	9,044	6,544
Gas and oil	18,000	18,000	12,992	(5,008)
Equipment/vehicle repairs	15,000	15,000	13,813	(1,187)
Computer maintenance	500	500	1,223	723
Crushed rock	1,000	1,000	163	(837)
Signs and posts	6,000	6,000	5,848	(152)
Sidewalks	2,500	2,500	277	(2,223)
Drainage	3,000	3,000	1,985	(1,015)
Paving material	2,000	2,000	779	(1,221)
Street paint	2,000	2,000	163	(1,837)
Snow removal	3,000	3,000	1,377	(1,623)
Grounds maintenance	10,000	10,000	7,136	(2,864)
Building maintenance	6,000	6,000	5,017	(983)
Equipment rental	2,000	2,000	1,182	(818)
Tires and batteries	5,000	5,000	4,064	(936)
Miscellaneous	3,828	3,828	2,904	(924)
CDL license	1,000	1,000	980	(20)
Contract help	21,000	21,000	1,050	(19,950)
Safety	2,000	2,000	361	(1,639)
Street lighting	1,500	1,500	2,883	1,383
Total public works	<u>720,780</u>	<u>720,780</u>	<u>652,148</u>	<u>(68,632)</u>
Sanitation	<u>324,000</u>	<u>324,000</u>	<u>345,825</u>	<u>21,825</u>
Parks and Recreation	<u>166,500</u>	<u>166,500</u>	<u>161,599</u>	<u>(4,901)</u>
Community Development				
Main street	5,000	5,000	5,258	258
Discover downtown LaGrange	30,000	30,000	30,206	206
Economic development, OLDA	52,750	52,750	65,875	13,125
Historic preservation	3,500	3,500	17,566	14,066
Tree replacement	1,500	1,500	463	(1,037)
Elementary school - library	2,000	2,000	-	(2,000)
Festivals - Christmas, OC Day	3,000	3,000	3,019	19
Total community development	<u>97,750</u>	<u>97,750</u>	<u>122,387</u>	<u>24,637</u>

CITY OF LA GRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2016

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Properties				
Salaries	\$ 31,879	\$ 31,879	\$ 32,849	\$ 970
Overtime	1,500	1,500	-	(1,500)
Employer portion FICA	2,200	2,200	1,822	(378)
Employer portion Medicare	500	500	410	(90)
Employer portion retirement	5,458	5,458	5,448	(10)
Health insurance	13,000	13,000	6,894	(6,106)
Workers compensation	429	429	596	167
Tools and equipment	2,500	2,500	2,521	21
Gas and oil	3,000	3,000	(4,342)	(7,342)
Truck repairs	2,000	2,000	(1,001)	(3,001)
Repairs/maintenance on blue house	2,000	2,000	6,003	4,003
Electric/telephone on blue house	3,500	3,500	1,139	(2,361)
Repairs/maintenance 208/210 Main St.	2,500	2,500	321	(2,179)
	<u>70,466</u>	<u>70,466</u>	<u>52,660</u>	<u>(17,806)</u>
Total public properties				
	<u>70,466</u>	<u>70,466</u>	<u>52,660</u>	<u>(17,806)</u>
Capital Outlay				
General - equipment	103,200	103,200	154,228	51,028
Police - equipment	12,000	12,000	-	(12,000)
Public works - equipment	10,000	10,000	4,108	(5,892)
	<u>125,200</u>	<u>125,200</u>	<u>158,336</u>	<u>33,136</u>
Total capital outlay				
	<u>125,200</u>	<u>125,200</u>	<u>158,336</u>	<u>33,136</u>
Debt Service	<u>1,456,610</u>	<u>1,456,610</u>	<u>1,429,678</u>	<u>(26,932)</u>
TOTAL EXPENDITURES	<u>\$ 5,032,724</u>	<u>\$ 5,032,724</u>	<u>\$ 4,749,500</u>	<u>\$ (283,224)</u>

**CITY OF LA GRANGE, KENTUCKY
 REQUIRED SUPPLEMENTAL SCHEDULE OF
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
 Last Three Fiscal Years**

	2014	2015	2016
City's proportion of the net pension liability	0.020%	0.020%	0.020%
City's proportionate share of the net pension liability (asset)	\$ 1,386,844	\$ 1,284,599	\$ 1,695,033
City's covered employee payroll	\$ 927,729	\$ 920,089	\$ 970,461
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	149.49%	139.62%	174.66%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2015 valuation:

The assumed investment rate of return was decreased from 7.75% to 7.5%.

The assumed rate of inflation was reduced from 3.5% to 3.25%.

The assumed rate of wage inflation was reduced from 1% to .75%.

Payroll growth assumption was reduced from 4.5% to 4%.

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy 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.

The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

**CITY OF LA GRANGE, KENTUCKY
REQUIRED SUPPLEMENTAL SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS
Last Three Fiscal Years**

	2014	2015	2016
City's proportion of the net pension liability	0.140%	0.140%	0.134%
City's proportionate share of the net pension liability (asset)	\$ 1,671,411	\$ 1,637,266	\$ 2,064,038
City's covered employee payroll	\$ 690,007	\$ 687,758	\$ 726,269
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	242.23%	238.06%	284.20%
Plan fiduciary net position as a percentage of the total pension liability	57.74%	63.46%	57.52%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2015 valuation:

The assumed investment rate of return was decreased from 7.75% to 7.5%.

The assumed rate of inflation was reduced from 3.5% to 3.25%.

The assumed rate of wage inflation was reduced from 1% to .75%.

Payroll growth assumption was reduced from 4.5% to 4%.

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy 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.

The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

**CITY OF LA GRANGE, KENTUCKY
REQUIRED SUPPLEMENTAL
SCHEDULE OF CONTRIBUTIONS - NONHAZARDOUS
Last Four Fiscal Years**

	2013	2014	2015	2016
Contractually required employer contribution	\$ 107,875	\$ 124,691	\$ 117,307	\$ 120,531
Contributions relative to contractually required employer contribution	<u>107,875</u>	<u>124,691</u>	<u>117,307</u>	<u>120,531</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 887,128	\$ 927,729	\$ 920,089	\$ 970,461
Employer contributions as a percentage of covered-employee payroll	12.16%	13.44%	12.75%	12.42%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2015 valuation:

The assumed investment rate of return was decreased from 7.75% to 7.5%.

The assumed rate of inflation was reduced from 3.5% to 3.25%.

The assumed rate of wage inflation was reduced from 1% to .75%.

Payroll growth assumption was reduced from 4.5% to 4%.

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy 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.

The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

**CITY OF LA GRANGE, KENTUCKY
REQUIRED SUPPLEMENTAL
SCHEDULE OF CONTRIBUTIONS - HAZARDOUS
Last Four Fiscal Years**

	2013	2014	2015	2016
Contractually required employer contribution	\$ 133,993	\$ 150,215	\$ 142,572	\$ 147,142
Contributions relative to contractually required employer contribution	<u>133,993</u>	<u>150,215</u>	<u>142,572</u>	<u>147,142</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 666,630	\$ 690,007	\$ 687,758	\$ 726,269
Employer contributions as a percentage of covered-employee payroll	20.10%	21.77%	20.73%	20.26%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2015 valuation:

The assumed investment rate of return was decreased from 7.75% to 7.5%.

The assumed rate of inflation was reduced from 3.5% to 3.25%.

The assumed rate of wage inflation was reduced from 1% to .75%.

Payroll growth assumption was reduced from 4.5% to 4%.

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy 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.

The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

**CITY OF LA GRANGE, KENTUCKY
 SUPPLEMENTARY BUDGETARY COMPARISON
 OTHER GOVERNMENTAL FUNDS
 for the year ended June 30, 2016**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
MUNICIPAL ROAD AID FUND				
REVENUES				
Fund Payments	\$ 270,530	\$ 270,530	\$ 160,155	\$ (110,375)
Interest	-	-	356	356
Carryover	<u>96,470</u>	<u>96,470</u>	<u>-</u>	<u>(96,470)</u>
TOTAL REVENUE	<u>\$ 367,000</u>	<u>\$ 367,000</u>	<u>\$ 160,511</u>	<u>\$ (206,489)</u>
EXPENDITURES				
Street repair and maintenance	<u>\$ 367,000</u>	<u>\$ 367,000</u>	<u>\$ 224,184</u>	<u>\$ (142,816)</u>
TOTAL EXPENDITURES	<u>\$ 367,000</u>	<u>\$ 367,000</u>	<u>\$ 224,184</u>	<u>\$ (142,816)</u>
CAPITAL PROJECTS FUND				
REVENUES				
Interest	\$ -	\$ -	\$ 1	\$ 1
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>
EXPENDITURES				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Transfers out	<u>-</u>	<u>-</u>	<u>(64,434)</u>	<u>(64,434)</u>
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (64,434)</u>	<u>\$ (64,434)</u>
PARKS BOARD FUND				
REVENUES				
Other revenues	\$ -	\$ -	\$ 43,720	\$ 43,720
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,720</u>	<u>\$ 43,720</u>
EXPENDITURES				
Foundations and parks	\$ -	\$ -	\$ 3,115	\$ 3,115
Capital outlay	<u>-</u>	<u>-</u>	<u>6,022</u>	<u>6,022</u>
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,137</u>	<u>\$ 9,137</u>

CITY OF LA GRANGE, KENTUCKY
 SUPPLEMENTARY BUDGETARY COMPARISON
 OTHER GOVERNMENTAL FUNDS
 for the year ended June 30, 2016

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
ABC FUND				
REVENUES				
Licenses and permits	\$ 363,967	\$ 363,967	\$ 387,486	\$ 23,519
TOTAL REVENUE	<u>\$ 363,967</u>	<u>\$ 363,967</u>	<u>\$ 387,486</u>	<u>\$ 23,519</u>
EXPENDITURES				
ABC	\$ 298,697	\$ 298,697	\$ 282,226	\$ (16,471)
Capital outlay	65,000	65,000	86,161	21,161
TOTAL EXPENDITURES	<u>\$ 363,697</u>	<u>\$ 363,697</u>	<u>\$ 368,387</u>	<u>\$ 4,690</u>
BUS FUND				
REVENUES				
Intergovernmental revenues	\$ 151,750	\$ 151,750	\$ 36,708	\$ (115,042)
TOTAL REVENUE	<u>\$ 151,750</u>	<u>\$ 151,750</u>	<u>\$ 36,708</u>	<u>\$ (115,042)</u>
EXPENDITURES				
General and administrative	\$ 30,108	\$ 30,108	14,933	\$ (15,175)
Salaries and wages	82,869	82,869	96,889	14,020
Repairs and maintainence	16,273	16,273	4,971	(11,302)
Fuel	22,500	22,500	14,734	(7,766)
TOTAL EXPENDITURES	<u>\$ 151,750</u>	<u>\$ 151,750</u>	<u>\$ 131,527</u>	<u>\$ (20,223)</u>

**CITY OF LA GRANGE, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	Municipal Road Aid Fund	Capital Projects Fund	Foundations and Parks Fund	ABC Fund	Bus Fund	Total
ASSETS						
Assets						
Cash	\$ 249,537	\$ -	\$ 73,713	\$ 507,569	\$ 112,588	\$ 943,407
Accounts receivable	<u>27,767</u>	<u>-</u>	<u>-</u>	<u>95,301</u>	<u>-</u>	<u>123,068</u>
Total assets	<u>\$ 277,304</u>	<u>\$ -</u>	<u>\$ 73,713</u>	<u>\$ 602,870</u>	<u>\$ 112,588</u>	<u>\$ 1,066,475</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,986	\$ 1,986
Accrued payroll payable	-	-	-	-	2,998	2,998
Accrued leave	-	-	-	-	2,935	2,935
Due to other fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,767</u>	<u>124,031</u>	<u>311,798</u>
Total liabilities	-	-	-	187,767	131,950	319,717
Fund balance	<u>277,304</u>	<u>-</u>	<u>73,713</u>	<u>415,103</u>	<u>(19,362)</u>	<u>746,758</u>
Total liabilities and fund balance	<u>\$ 277,304</u>	<u>\$ -</u>	<u>\$ 73,713</u>	<u>\$ 602,870</u>	<u>\$ 112,588</u>	<u>\$ 1,066,475</u>

CITY OF LA GRANGE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2016

	Municipal Road Aid Fund	Capital Projects Fund	Foundations and Parks Fund	ABC Fund	Bus Fund	Total
REVENUES						
Licenses and permits	\$ -	\$ -	\$ -	\$ 387,207	\$ -	\$ 387,207
Intergovernmental revenues	160,155	-	-	-	36,708	196,863
Other revenues	356	1	43,720	279	-	44,356
	<u>160,511</u>	<u>1</u>	<u>43,720</u>	<u>387,486</u>	<u>36,708</u>	<u>628,426</u>
Total revenues						
EXPENDITURES						
ABC	-	-	-	282,226	-	282,226
Bus	-	-	-	-	131,527	131,527
Foundations and parks	-	-	3,115	-	-	3,115
Capital outlay	224,184	-	6,022	86,161	-	316,367
	<u>224,184</u>	<u>-</u>	<u>9,137</u>	<u>368,387</u>	<u>131,527</u>	<u>733,235</u>
Total expenditures						
Excess revenues over (under) expenditures before other sources (uses)	<u>(63,673)</u>	<u>1</u>	<u>34,583</u>	<u>19,099</u>	<u>(94,819)</u>	<u>(104,809)</u>
Other financing sources (uses)						
Transfers in (out)	<u>-</u>	<u>(64,434)</u>	<u>-</u>	<u>-</u>	<u>71,750</u>	<u>7,316</u>
Total other financing sources (uses)	<u>-</u>	<u>(64,434)</u>	<u>-</u>	<u>-</u>	<u>71,750</u>	<u>7,316</u>
Excess revenues and other sources over (under) expenditures	(63,673)	(64,433)	34,583	19,099	(23,069)	(97,493)
Fund balances, July 1, 2015	<u>340,977</u>	<u>64,433</u>	<u>39,130</u>	<u>396,004</u>	<u>3,707</u>	<u>844,251</u>
FUND BALANCES - JUNE 30, 2016	<u>\$ 277,304</u>	<u>\$ -</u>	<u>\$ 73,713</u>	<u>\$ 415,103</u>	<u>\$ (19,362)</u>	<u>\$ 746,758</u>



**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**

Mayor and City Council
City of La Grange, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Grange, Kentucky, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of La Grange, Kentucky's basic financial statements and have issued our report thereon dated June 22, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of La Grange, Kentucky'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of La Grange, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of La Grange, Kentucky's internal control.

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

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. We consider the deficiency (2016-001) described in the accompanying schedule of findings and responses to be a material weakness.

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. We consider the deficiency (2016-002) described in the accompany schedule of findings and responses to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of La Grange, Kentucky's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

The City of La Grange, Kentucky's Response to Findings

The City of La Grange, Kentucky's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of La Grange, Kentucky's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RFH

RFH, PLLC
Lexington, Kentucky
June 22, 2017

CITY OF LA GRANGE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2016

2016-001 *The City should have internal controls in place that enable it to accurately record all transactions including year-end accrual transactions.*

Criteria: The City is required to have internal controls in place that enable it to apply generally accepted accounting principles to its transactions. Specifically, this includes interfund transactions, payments-on-behalf of the City, accounting for property taxes and year-end accrual transactions.

Condition: Management was unable to prepare all year-end accruals and audit adjustments were needed for non-routine transactions.

Cause: The City executes basic and routine transactions throughout the year, however, the City does not apply generally accepted accounting principles to certain non-routine transactions recorded during the year and in making its year-end accruals.

Effect: Management relied on the auditor's year-end adjustments to bring the City's accounting records into compliance with generally accepted accounting principles. Management reviewed, approved and accepted responsibility for the adjusting journal entries prior to the issuance of the financial statements.

Recommendation: We recommend management review the costs and benefits involved to retain a consultant with the required expertise to advise the City during the year concerning non-routine transactions and to assist the City with its year-end close so that the City's accounting records will be in compliance with generally accepted accounting principles.

Management's Response: This is an ongoing finding. Management has determined that it is more cost effective to continue to rely on the auditor's adjustments to bring the City's accounting records into compliance with generally accepted accounting principles.

2016-002 *The City should have internal controls in place that enable it to prepare complete financial statements.*

Criteria: The City is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

Condition: Management was unable to prepare draft financial statements, including the related notes to the financial statements.

Cause: The City lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, does not have the internal control procedures required to draft the financial statements in conformity with generally accepted accounting principles.

Effect: Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

Recommendation: We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements or review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

Management's Response: This is an ongoing finding. Management has determined that it is more cost effective to continue to engage the auditor to draft the financial statements and related notes.