

**CITY OF LAGRANGE**  
**LaGrange, Kentucky**

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**FINANCIAL STATEMENTS**  
**June 30, 2014**

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## **City of LaGrange, Kentucky**

### **Management's Discussion and Analysis**

Our discussion and analysis of the City of LaGrange's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read in conjunction with the auditors' report beginning on page 9 and the City's financial statements, which begin on page 11.

#### **FINANCIAL HIGHLIGHTS**

- The City's net position increased in the governmental activities and in the business-type activities. The net position of the governmental activities increased by \$1,614,029, or 71%, and the net position of the business-type activities increased by \$307,432, or 2%.
- In the City's governmental activities, revenues increased approximately \$11,941,942, or 281.9 percent, and expenses increased by \$10,775,094 or 284.4 percent. In the business-type activities, revenues increased by \$203,223, which is an increase of 5.4 percent, and expenses increased by \$250,016 or 7.3 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 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

|                                  | <b>Governmental<br/>Activities</b> |                     | <b>Business-type<br/>Activities</b> |                      | <b>Total Primary<br/>Government</b> |                      |
|----------------------------------|------------------------------------|---------------------|-------------------------------------|----------------------|-------------------------------------|----------------------|
|                                  | <u>FY 2014</u>                     | <u>FY 2013</u>      | <u>FY 2014</u>                      | <u>FY 2013</u>       | <u>FY 2014</u>                      | <u>FY 2013</u>       |
| Current and Other Assets         | \$ 3,151,996                       | \$ 1,936,736        | \$ 2,406,980                        | \$ 2,091,075         | \$ 5,558,976                        | \$ 4,027,811         |
| Noncurrent and Capital Assets    | 3,796,838                          | 3,354,747           | 22,079,101                          | 20,380,525           | 25,875,939                          | 23,735,272           |
| OLDA Investment                  | 8,540,481                          | -                   | -                                   | -                    | 8,540,481                           | -                    |
| Total Assets                     | <u>15,489,315</u>                  | <u>5,291,483</u>    | <u>24,486,081</u>                   | <u>22,471,600</u>    | <u>39,975,396</u>                   | <u>27,763,083</u>    |
| Current Liabilities              | 735,202                            | 243,010             | 777,125                             | 655,514              | 1,512,327                           | 898,524              |
| Long-Term Debt Outstanding       | 10,745,000                         | 1,078,285           | 7,635,559                           | 6,050,121            | 18,380,559                          | 7,128,406            |
| Other non-current liabilities    | 123,473                            | -                   | -                                   | -                    | 123,473                             | -                    |
| OLDA Investment Liability        | -                                  | 1,698,577           | -                                   | -                    | -                                   | 1,698,577            |
| Total Liabilities                | <u>11,603,675</u>                  | <u>3,019,872</u>    | <u>8,412,684</u>                    | <u>6,705,635</u>     | <u>20,016,359</u>                   | <u>9,725,507</u>     |
| Net Position:                    |                                    |                     |                                     |                      |                                     |                      |
| Net investment in capital assets | 2,400,038                          | 2,319,747           | 13,857,402                          | 13,725,614           | 16,257,440                          | 16,045,361           |
| Restricted                       | 738,513                            | 298,554             | 33,271                              | 152,748              | 771,784                             | 451,302              |
| Unrestricted                     | 747,089                            | (346,690)           | 2,182,724                           | 1,887,603            | 2,929,813                           | 1,540,913            |
| Total Net Position               | <u>\$ 3,885,640</u>                | <u>\$ 2,271,611</u> | <u>\$ 16,073,397</u>                | <u>\$ 15,765,965</u> | <u>\$ 19,959,037</u>                | <u>\$ 18,037,576</u> |

Net position of the City's governmental activities increased by 71 percent, from \$2,271,611 in 2013 to \$3,885,640 in 2014. The net position of the business-type activities increased from \$15,765,965 in 2013 to \$16,073,397 in 2014, which is a 1.9 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<br>Activities |            | Business-Type<br>Activities |              | Total Primary<br>Government |              |
|-------------------------------------|----------------------------|------------|-----------------------------|--------------|-----------------------------|--------------|
| Revenues                            | FY 2014                    | FY 2013    | FY 2014                     | FY 2013      | FY 2014                     | FY 2013      |
| <u>Program Revenues</u>             |                            |            |                             |              |                             |              |
| Charges for Service                 | \$ 365,216                 | \$ 357,888 | \$ 3,821,478                | \$ 3,240,031 | \$ 4,186,694                | \$ 3,597,919 |
| Operating Grants &<br>Contributions | 375,030                    | 224,568    | -                           | -            | 375,030                     | 224,568      |
| Capital Grants &<br>Contributions   | 61,470                     | 46,328     | 127,500                     | 368,660      | 188,970                     | 414,988      |
| <u>General Revenue</u>              |                            |            |                             |              |                             |              |
| Taxes                               | 2,557,916                  | 1,430,499  | -                           | -            | 2,557,916                   | 1,430,499    |
| License fees                        | 2,405,424                  | 2,108,019  | -                           | -            | 2,405,424                   | 2,108,019    |
| Investment Earnings                 | 4,920                      | 4,015      | 5,312                       | 8,802        | 10,232                      | 12,817       |
| Rents                               | 5,300                      | 5,575      | -                           | -            | 5,300                       | 5,575        |
| Community Center                    | 1,885                      | 889        | -                           | -            | 1,885                       | 889          |
| Donations                           | 116,187                    | 633        | -                           | -            | 116,187                     | 633          |
| Change in OLDA Investment           | 10,239,058                 | (7,502)    | -                           | -            | 10,239,058                  | (7,502)      |
| Miscellaneous                       | 44,602                     | 64,154     | 9,795                       | 143,369      | 54,397                      | 207,523      |
| Total Revenue                       | 16,177,008                 | 4,235,066  | 3,964,085                   | 3,760,862    | 20,141,093                  | 7,995,928    |
| <u>Program Expenses</u>             |                            |            |                             |              |                             |              |
| General Government                  | 579,456                    | 595,087    | -                           | -            | 579,456                     | 595,087      |
| Public Safety - Police              | 1,410,514                  | 1,378,935  | -                           | -            | 1,410,514                   | 1,378,935    |
| Public Works                        | 799,935                    | 825,840    | -                           | -            | 799,935                     | 825,840      |
| Parks and Recreation                | 199,540                    | 193,498    | -                           | -            | 199,540                     | 193,498      |
| Sanitation                          | 329,889                    | 323,473    | -                           | -            | 329,889                     | 323,473      |
| Community Development               | 10,870,786                 | 289,418    | -                           | -            | 10,870,786                  | 289,418      |
| Public Safety - Fire                | -                          | -          | -                           | -            | -                           | -            |
| Public Properties                   | 49,660                     | 40,023     | -                           | -            | 49,660                      | 40,023       |
| Bus                                 | 151,312                    | -          | -                           | -            | 151,312                     | -            |
| ABC                                 | 123,520                    | 91,174     | -                           | -            | 123,520                     | 91,174       |
| Interest on Debt                    | 48,110                     | 50,180     | -                           | -            | 48,110                      | 50,180       |
| Golf Course                         | -                          | -          | 607,401                     | 604,081      | 607,401                     | 604,081      |
| Sewer and Water                     | -                          | -          | 3,028,762                   | 2,782,066    | 3,028,762                   | 2,782,066    |
| Total Program Expenses              | 14,562,722                 | 3,787,628  | 3,636,163                   | 3,386,147    | 18,198,885                  | 7,173,775    |
| Change in Net Position              |                            |            |                             |              |                             |              |
| Before Transfers                    | 1,614,286                  | 447,438    | 327,922                     | 374,715      | 1,942,208                   | 822,153      |
| Loss on sale of assets              | (257)                      | -          | (20,490)                    | -            | (20,747)                    | -            |
| Change in Net Position              | \$ 1,614,029               | \$ 447,438 | \$ 307,432                  | \$ 374,715   | \$ 1,921,461                | \$ 822,153   |

The City's total revenue increased from \$7,995,928 in 2013 to \$20,141,093 in 2014 or 60.3 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 activities and the changes in those activities, which is presented in Table A-3.

**Table A-3**

### Condensed Governmental Activities - Revenues & Expenditures

|   | <u>FY 2014</u>        | <u>FY 2013</u>    | <u>Variance</u>       |
|---|-----------------------|-------------------|-----------------------|
| Taxes                                       | \$ 2,557,915          | \$ 1,430,499      | \$ 1,127,416          |
| Licenses and permits                        | 2,405,426             | 2,108,020         | 297,406               |
| Intergovernmental                           | 387,990               | 239,830           | 148,160               |
| Charges for Services                        | 365,216               | 357,888           | 7,328                 |
| Other Revenues                              | 172,950               | 106,332           | 66,618                |
| Total Revenues                              | <u>5,889,497</u>      | <u>4,242,569</u>  | <u>1,646,928</u>      |
| General Administration                      | 523,255               | 542,261           | (19,006)              |
| Police Protection                           | 1,371,302             | 1,330,872         | 40,430                |
| Public Works                                | 594,369               | 634,776           | (40,407)              |
| Sanitation                                  | 329,889               | 323,473           | 6,416                 |
| Park and Recreation                         | 177,050               | 171,908           | 5,142                 |
| Community Development                       | 10,870,786            | 289,418           | 10,581,368            |
| Public Properties                           | 49,660                | 40,023            | 9,637                 |
| ABC   | 117,692               | 91,174            | 26,518                |
| Bus   | 136,879               | -                 | 136,879               |
| Capital Outlay                              | 325,825               | 296,141           | 29,684                |
| Debt Service                                | 98,110                | 95,180            | 2,930                 |
| Total Expenditures                          | <u>14,594,817</u>     | <u>3,815,226</u>  | <u>10,779,591</u>     |
| Excess Revenues over                        |                       |                   |                       |
| Expenditures before other financing sources | <u>\$ (8,705,320)</u> | <u>\$ 427,343</u> | <u>\$ (9,132,663)</u> |

Revenues for the City's governmental activities increased by 28 percent, and total expenditures increased by 283 percent. The City's major source of revenue in the governmental activities is taxes, licenses and permits, which makes up 84.2 percent of total revenues, these revenue sources increased by \$1,424,822 in 2014. The large increase in expense is the result of the refunding of the OLDA debt.

## BUSINESS-TYPE ACTIVITIES

Looking at the business-type activities, revenues (FY 2014) for the City increased to \$3,964,085 or 5.4 percent, while total expenses increased 7.3 percent. The excess of revenues over expenses increased net position by \$307,432. The City's major sources of revenue, beyond customer charges, are capital grants and contributions, which dropped by \$241,160. This revenue source made up 3.2 percent of revenue in FY 2014 and 9.8 percent in FY 2013.

## 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 Activities - Revenues**

|                            | <u>Budget</u>       | <u>Actual</u>       | <u>Variance</u>     |
|----------------------------|---------------------|---------------------|---------------------|
| Taxes                      | \$ 1,366,920        | \$ 2,557,915        | \$ 1,190,995        |
| Licenses and permits       | 1,977,200           | 2,085,267           | 108,067             |
| Intergovernmental          | 75,000              | 69,089              | (5,911)             |
| Charges for Services       | 355,000             | 365,216             | 10,216              |
| Other Revenues             | 87,900              | 172,950             | 85,050              |
| ABC Fund                   | -                   | 320,159             | 320,159             |
| Bus Fund                   | 171,670             | 129,252             | (42,418)            |
| Foundations and Parks Fund | -                   | 56                  | 56                  |
| Municipal Aid Fund         | 222,000             | 189,593             | (32,407)            |
| Total Revenues             | <u>\$ 4,255,690</u> | <u>\$ 5,889,497</u> | <u>\$ 1,633,807</u> |

**Table A-5**

**Condensed Governmental Activities - Expenditures**

|                            | <u>Budget</u>       | <u>Actual</u>        | <u>Variance</u>     |
|----------------------------|---------------------|----------------------|---------------------|
| General Government         | \$ 539,433          | \$ 523,255           | \$ (16,178)         |
| Police Protection          | 1,397,135           | 1,371,302            | (25,833)            |
| Public Works               | 687,049             | 594,369              | (92,680)            |
| Sanitation                 | 324,000             | 329,889              | 5,889               |
| Park and Recreation        | 245,000             | 177,050              | (67,950)            |
| Community Development      | 487,657             | 10,870,786           | 10,383,129          |
| Public Properties          | 57,437              | 49,660               | (7,777)             |
| Capital Outlay             | 326,200             | 135,250              | (190,950)           |
| Debt Service               | 98,110              | 98,110               | -                   |
| ABC Fund                   | 251,599             | 146,833              | (104,766)           |
| Bus Fund                   | 163,670             | 136,880              | (26,790)            |
| Foundations and Parks Fund | -                   | -                    | -                   |
| Municipal Aid Fund         | 222,000             | 161,433              | (60,567)            |
| Total Expenditures         | <u>\$ 4,799,290</u> | <u>\$ 14,594,817</u> | <u>\$ 9,795,527</u> |

The City budgeted for a total of \$4,255,690 in revenues for 2014, but ended up having revenues of \$5,889,497 which put the City 38.3 percent over the revenue budget. A total of \$4,799,290 was budgeted for expenses, but expenditures totaled \$14,594,817 for the year 2014. The City was over budget on the expenses by \$9,795,527 or 200 percent as detailed above. The City is over budget as a result of refinancing OLDA debt in the current year that was previously reported on the balance sheet of OLDA in prior years.



## CAPITAL ASSETS

The City has a total of \$40,428,206 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 \$2,547,619 (6.7 percent) from last year's total investment of \$37,880,587.

Table A-6

### Capital Assets at Year End Without Depreciation

|                          | Governmental<br>Activities |                     | Business-type<br>Activities |                      | Total Primary<br>Government |                      |
|--------------------------|----------------------------|---------------------|-----------------------------|----------------------|-----------------------------|----------------------|
|                          | FY 2014                    | FY 2013             | FY 2014                     | FY 2013              | FY 2014                     | FY 2013              |
| Land & Improvements      | \$ 730,201                 | \$ 730,201          | \$ -                        | \$ -                 | \$ 730,201                  | \$ 730,201           |
| Construction in progress | 60,536                     | -                   | -                           | -                    | 60,536                      | -                    |
| Buildings & Improvements | 2,085,046                  | 2,085,046           | -                           | -                    | 2,085,046                   | 2,085,046            |
| Vehicles & Equipment     | 2,526,868                  | 2,415,754           | -                           | -                    | 2,526,868                   | 2,415,754            |
| Infrastructure Assets    | 1,037,454                  | 876,020             | -                           | -                    | 1,037,454                   | 876,020              |
| Business-Type Assets     | -                          | -                   | 33,988,101                  | 31,773,566           | 33,988,101                  | 31,773,566           |
| Total Capital Assets     | <u>\$ 6,440,105</u>        | <u>\$ 6,107,021</u> | <u>\$ 33,988,101</u>        | <u>\$ 31,773,566</u> | <u>\$ 40,428,206</u>        | <u>\$ 37,880,587</u> |

## DEBT

This year the City has \$19,527,806 in long-term debt, a 157.3 percent increase from last year's total of \$7,589,425.

Table A-7

### Debt Outstanding at Year End

|                          | Governmental<br>Activities |                     | Business-type<br>Activities |                     | Total Primary<br>Government |                     |
|--------------------------|----------------------------|---------------------|-----------------------------|---------------------|-----------------------------|---------------------|
|                          | FY 2014                    | FY 2013             | FY 2014                     | FY 2013             | FY 2014                     | FY 2013             |
| Capital Leases           | \$ 985,000                 | \$ 1,035,000        | \$ 2,604,867                | \$ 2,835,390        | \$ 3,589,867                | \$ 3,870,390        |
| Bond Issues              | 10,350,635                 | -                   | 5,488,667                   | 3,581,413           | 15,839,302                  | 3,581,413           |
| Capital Equipment Leases | -                          | -                   | -                           | -                   | -                           | -                   |
| Customer Deposits        | -                          | -                   | 69,978                      | 54,382              | 69,978                      | 54,382              |
| Accrued Absences         | 67,838                     | 70,614              | 16,456                      | 12,626              | 84,294                      | 83,240              |
| Total Debt Outstanding   | <u>\$ 11,403,473</u>       | <u>\$ 1,105,614</u> | <u>\$ 8,179,968</u>         | <u>\$ 6,483,811</u> | <u>\$ 19,583,441</u>        | <u>\$ 7,589,425</u> |

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected officials consider many factors when setting the fiscal year 2015 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, LaGrange, KY 40031. The Utility Commission is located at 412 East Jefferson Street, LaGrange, KY 40031.



Certified Public Accountants and Consultants

## INDEPENDENT AUDITORS' REPORT

Mayor and the City Council  
City of LaGrange  
LaGrange, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of LaGrange, Kentucky, as of and for the year ended June 30, 2014, 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 did not audit the financial statements of the Utility Commission of the City of LaGrange (UCCL), which is both a major fund and 87.9%, 96.2%, and 86.1%, respectively, of the assets, net position, and operating revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those activities, is based solely on the report of the other auditors. 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 auditor's 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City LaGrange, Kentucky as of June 30, 2014, 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.

230 Lexington Green Circle, Suite 600 • Lexington, Kentucky 40503-3326  
Phone: 859-231-1800 • Fax: 859-422-1800 • Toll-Free: 1-800-342-7299  
[www.rfhco.com](http://www.rfhco.com)

Members American Institute of Certified Public Accountants and Kentucky Society of Certified Public Accountants



## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-8 and 38-41 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 and other auditors 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 performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of LaGrange, Kentucky's basic financial statements. The supplementary schedules on pages 42-45 are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary schedules 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 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, based on our audit, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### *Prior-year comparative information*

We have previously audited, along with other auditors, the City's 2013 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, business-type activities, and the aggregate remaining fund information in our report dated July 31, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, 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 a report dated May 8, 2015 on our consideration of the City of LaGrange, Kentucky's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of LaGrange, Kentucky's internal control over financial reporting and compliance.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
May 8, 2015

**CITY OF LAGRANGE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
June 30, 2014

|   | Primary Government      |                          |                      | 2013                 |
|---|-------------------------|--------------------------|----------------------|----------------------|
|   | Governmental Activities | Business-type Activities | Totals               | Totals               |
| <b>ASSETS</b>                                       |                         |                          |                      |                      |
| Current assets                                      |                         |                          |                      |                      |
| Cash and cash equivalents                           | \$ 2,010,539            | \$ 1,952,366             | \$ 3,962,905         | \$ 3,054,548         |
| Receivables (net)                                   | 1,114,664               | 378,515                  | 1,493,179            | 857,272              |
| Interest receivable                                 | -                       | 2,510                    | 2,510                | 2,549                |
| Internal balances                                   | 26,793                  | (26,793)                 | -                    | -                    |
| Inventory of supplies                               | -                       | 34,382                   | 34,382               | 113,442              |
| Total current assets                                | <u>3,151,996</u>        | <u>2,340,980</u>         | <u>5,492,976</u>     | <u>4,027,811</u>     |
| Non-current assets                                  |                         |                          |                      |                      |
| Restricted cash and cash equivalents                | 411,800                 | 128,165                  | 539,965              | 238,108              |
| Long-term accounts receivable                       | -                       | 66,000                   | 66,000               | -                    |
| Investment in joint venture (net equity)            |                         |                          |                      |                      |
| Oldham-LaGrange Development Authority               | <u>8,540,481</u>        | <u>-</u>                 | <u>8,540,481</u>     | <u>(1,698,577)</u>   |
| Total non-current assets                            | <u>8,952,281</u>        | <u>194,165</u>           | <u>9,146,446</u>     | <u>(1,460,469)</u>   |
| Capital assets                                      |                         |                          |                      |                      |
| Construction in progress                            | 60,536                  | -                        | 60,536               | 2,405,549            |
| Land and improvements, net                          | 730,201                 | 2,731,438                | 3,461,639            | 3,560,560            |
| Plant and sewer system, net                         | -                       | 18,207,584               | 18,207,584           | 13,875,923           |
| Depreciable buildings, property, and equipment, net | 2,023,257               | 1,011,914                | 3,035,171            | 3,143,871            |
| Infrastructure, net                                 | <u>571,044</u>          | <u>-</u>                 | <u>571,044</u>       | <u>511,261</u>       |
| Total capital assets                                | <u>3,385,038</u>        | <u>21,950,936</u>        | <u>25,335,974</u>    | <u>23,497,164</u>    |
| Total assets  | <u>\$ 15,489,315</u>    | <u>\$ 24,486,081</u>     | <u>\$ 39,975,396</u> | <u>\$ 26,064,506</u> |
| <b>LIABILITIES</b>                                  |                         |                          |                      |                      |
| Current liabilities                                 |                         |                          |                      |                      |
| Accounts payable                                    | \$ 177,909              | \$ 144,233               | \$ 322,142           | \$ 339,990           |
| Accrued payroll liabilities                         | 22,293                  | 7,122                    | 29,415               | 31,197               |
| Accrued interest                                    | -                       | 29,624                   | 29,624               | 29,069               |
| Unearned revenue                                    | -                       | 51,737                   | 51,737               | 37,249               |
| Current portion of long-term obligations            | <u>535,000</u>          | <u>544,409</u>           | <u>1,079,409</u>     | <u>558,534</u>       |
| Total current liabilities                           | <u>735,202</u>          | <u>777,125</u>           | <u>1,512,327</u>     | <u>996,039</u>       |
| Non-current liabilities                             |                         |                          |                      |                      |
| Non-current portion of long-term obligations        | 10,800,635              | 7,549,125                | 18,349,760           | 6,893,269            |
| Accrued leave                                       | 67,838                  | 16,456                   | 84,294               | 83,240               |
| Customer deposits                                   | -                       | 69,978                   | 69,978               | 54,382               |
| Total liabilities                                   | <u>11,603,675</u>       | <u>8,412,684</u>         | <u>20,016,359</u>    | <u>8,026,930</u>     |
| <b>NET POSITION</b>                                 |                         |                          |                      |                      |
| Net investment in capital assets                    | 2,400,038               | 13,857,402               | 16,257,440           | 16,045,361           |
| Restricted for:                                     |                         |                          |                      |                      |
| Road improvements                                   | 326,713                 | -                        | 326,713              | 298,554              |
| Debt service  | 411,800                 | 33,271                   | 445,071              | 152,748              |
| Unrestricted  | <u>747,089</u>          | <u>2,182,724</u>         | <u>2,929,813</u>     | <u>1,540,913</u>     |
| Total net position                                  | <u>3,885,640</u>        | <u>16,073,397</u>        | <u>19,959,037</u>    | <u>18,037,576</u>    |
| Total liabilities and net position                  | <u>\$ 15,489,315</u>    | <u>\$ 24,486,081</u>     | <u>\$ 39,975,396</u> | <u>\$ 26,064,506</u> |

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

**CITY OF LAGRANGE, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2014

| Functions/Programs   | Program Revenues     |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                      | 2013 Totals          |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|----------------------|
|  | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-type Activities | Totals               |                      |
| <b>Primary government</b>  |                      |                      |                                    |                                  |   |                          |                      |                      |
| <b>Governmental activities</b>   |                      |                      |                                    |                                  |   |                          |                      |                      |
| General government   | \$ 579,456           | \$ -                 | \$ 3,161                           | \$ -                             | \$ (576,295)                                      | \$ -                     | \$ (576,295)         | \$ (592,250)         |
| Public safety-Police   | 1,410,514            | -                    | 53,575                             | 12,960                           | (1,343,979)                                       | -                        | (1,343,979)          | (1,309,494)          |
| Public works   | 799,935              | -                    | 189,042                            | -                                | (610,893)   | -                        | (610,893)            | (683,288)            |
| Parks and recreation   | 199,540              | -                    | -                                  | 56                               | (199,484)   | -                        | (199,484)            | (162,432)            |
| Sanitation   | 329,889              | 365,216              | -                                  | -                                | 35,327  | -                        | 35,327               | 34,415               |
| Community development  | 10,870,786           | -                    | -                                  | -                                | (10,870,786)                                      | -                        | (10,870,786)         | (289,418)            |
| Public properties  | 49,660               | -                    | -                                  | -                                | (49,660)  | -                        | (49,660)             | (40,023)             |
| Bus  | 151,312              | -                    | 129,252                            | 48,454                           | 26,394  | -                        | 26,394               | 25,000               |
| ABC  | 123,520              | -                    | -                                  | -                                | (123,520)   | -                        | (123,520)            | (91,174)             |
| Interest on long-term debt   | 48,110               | -                    | -                                  | -                                | (48,110)  | -                        | (48,110)             | (50,180)             |
| Total governmental activities  | 14,562,722           | 365,216              | 375,030                            | 61,470                           | (13,761,006)                                      | -                        | (13,761,006)         | (3,158,844)          |
| <b>Business-type activities</b>  |                      |                      |                                    |                                  |   |                          |                      |                      |
| Utility Commission   | 3,028,762            | 3,291,660            | -                                  | -                                | -   | 262,898                  | 262,898              | 299,461              |
| Golf Course  | 607,401              | 529,818              | -                                  | 127,500                          | -   | 49,917                   | 49,917               | (76,917)             |
| Total business-type activities   | 3,636,163            | 3,821,478            | -                                  | 127,500                          | -   | 312,815                  | 312,815              | 222,544              |
| <b>Total primary government</b>  | <b>\$ 18,198,885</b> | <b>\$ 4,186,694</b>  | <b>\$ 375,030</b>                  | <b>\$ 188,970</b>                | <b>(13,761,006)</b>                               | <b>312,815</b>           | <b>(13,448,191)</b>  | <b>(2,936,300)</b>   |
| <b>General revenues</b>  |                      |                      |                                    |                                  |   |                          |                      |                      |
| Taxes  |                      |                      |                                    |                                  |   |                          |                      |                      |
| Property taxes, levied for general purposes                                  |                      |                      |                                    |                                  | 1,279,011   | -                        | 1,279,011            | 1,263,634            |
| Bank shares  |                      |                      |                                    |                                  | 52,353  | -                        | 52,353               | 50,410               |
| Motor vehicle tax  |                      |                      |                                    |                                  | 126,974   | -                        | 126,974              | 116,455              |
| Compensation tax   |                      |                      |                                    |                                  | 1,099,578   | -                        | 1,099,578            | -                    |
| License fees   |                      |                      |                                    |                                  |   |                          |                      |                      |
| Franchise fees   |                      |                      |                                    |                                  | 347,530   | -                        | 347,530              | 298,335              |
| Business licenses  |                      |                      |                                    |                                  | 332,635   | -                        | 332,635              | 297,487              |
| Insurance premiums   |                      |                      |                                    |                                  | 1,405,100   | -                        | 1,405,100            | 1,360,846            |
| Other fees and permits   |                      |                      |                                    |                                  | 320,159   | -                        | 320,159              | 151,351              |
| Investment earnings  |                      |                      |                                    |                                  | 4,920   | 5,312                    | 10,232               | 12,817               |
| Rents  |                      |                      |                                    |                                  | 5,300   | -                        | 5,300                | 5,575                |
| Community Center   |                      |                      |                                    |                                  | 1,885   | -                        | 1,885                | 889                  |
| Donations  |                      |                      |                                    |                                  | 116,187   | -                        | 116,187              | 633                  |
| Miscellaneous  |                      |                      |                                    |                                  | 44,602  | 9,795                    | 54,397               | 207,523              |
| Total general revenues   |                      |                      |                                    |                                  | 5,136,234   | 15,107                   | 5,151,341            | 3,765,955            |
| Increase (decrease) in joint venture - Oldham-LaGrange Development Authority |                      |                      |                                    |                                  | 10,239,058  | -                        | 10,239,058           | (7,502)              |
| (Loss) on disposal of capital assets   |                      |                      |                                    |                                  | (257)   | (20,490)                 | (20,747)             | -                    |
| Total general and other revenues   |                      |                      |                                    |                                  | 15,375,035  | (5,383)                  | 15,369,652           | 3,758,453            |
| <b>Change in Net Position</b>  |                      |                      |                                    |                                  | 1,614,029   | 307,432                  | 1,921,461            | 822,153              |
| Net position - beginning   |                      |                      |                                    |                                  | 2,271,611   | 15,765,965               | 18,037,576           | 17,215,423           |
| <b>NET POSITION - ENDING</b>   |                      |                      |                                    |                                  | <b>\$ 3,885,640</b>                               | <b>\$ 16,073,397</b>     | <b>\$ 19,959,037</b> | <b>\$ 18,037,576</b> |

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

**CITY OF LAGRANGE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2014**

|                                      | General             | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds | 2013<br>Totals      |
|--------------------------------------|---------------------|--------------------------------|--------------------------------|---------------------|
| <b>ASSETS</b>                        |                     |                                |                                |                     |
| Cash and cash equivalents            | \$ 1,698,253        | \$ 724,086                     | \$ 2,422,339                   | \$ 1,355,170        |
| Receivables, net                     | 993,614             | 121,050                        | 1,114,664                      | 525,502             |
| Due from other funds                 | 167,878             | -                              | 167,878                        | 141,738             |
| Total assets                         | <u>\$ 2,859,745</u> | <u>\$ 845,136</u>              | <u>\$ 3,704,881</u>            | <u>\$ 2,022,410</u> |
| <b>LIABILITIES AND FUND BALANCES</b> |                     |                                |                                |                     |
| <b>Liabilities</b>                   |                     |                                |                                |                     |
| Accounts payable                     | \$ 177,909          | \$ -                           | \$ 177,909                     | \$ 193,010          |
| Accrued payroll payable              | 22,293              | -                              | 22,293                         | 22,671              |
| Due to other funds                   | 3,041               | 138,044                        | 141,085                        | 85,674              |
| Accrued leave                        | 67,838              | -                              | 67,838                         | 70,614              |
| Total liabilities                    | <u>271,081</u>      | <u>138,044</u>                 | <u>409,125</u>                 | <u>371,969</u>      |
| <b>Fund balances</b>                 |                     |                                |                                |                     |
| <b>Restricted</b>                    |                     |                                |                                |                     |
| Road improvements                    | -                   | 326,713                        | 326,713                        | 298,554             |
| Debt service                         | 411,800             | -                              | 411,800                        | 5,118               |
| <b>Committed</b>                     |                     |                                |                                |                     |
| Capital projects                     | -                   | 64,429                         | 64,429                         | 64,426              |
| Foundations and parks                | -                   | 39,074                         | 39,074                         | 39,018              |
| ABC                                  | -                   | 233,503                        | 233,503                        | 60,177              |
| Bus                                  | -                   | 43,373                         | 43,373                         | 25,000              |
| <b>Unassigned</b>                    |                     |                                |                                |                     |
| General fund                         | <u>2,176,864</u>    | <u>-</u>                       | <u>2,176,864</u>               | <u>1,158,148</u>    |
| Total fund balances                  | <u>2,588,664</u>    | <u>707,092</u>                 | <u>3,295,756</u>               | <u>1,650,441</u>    |
| Total liabilities and fund balances  | <u>\$ 2,859,745</u> | <u>\$ 845,136</u>              | <u>\$ 3,704,881</u>            | <u>\$ 2,022,410</u> |

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

|  |                     |                     |
|--|---------------------|---------------------|
| Fund balances reported above   | \$ 3,295,756        | \$ 1,650,441        |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.  | 3,385,038           | 3,354,747           |
| 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. | 8,540,481           | (1,698,577)         |
| Long-term liabilities, including bonds payable and unamortized bond premium are not due and payable in the current period and therefore are not reported in the funds.                             | <u>(11,335,635)</u> | <u>(1,035,000)</u>  |
| Net position of governmental activities  | <u>\$ 3,885,640</u> | <u>\$ 2,271,611</u> |

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

**CITY OF LAGRANGE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2014**

|   | General      | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds | 2013<br>Totals |
|---|--------------|--------------------------------|--------------------------------|----------------|
| <b>REVENUES</b>   |              |                                |                                |                |
| Taxes   | \$ 2,557,915 | \$ -                           | \$ 2,557,915                   | \$ 1,430,499   |
| Licenses and permits                                      | 2,085,267    | 320,159                        | 2,405,426                      | 2,108,020      |
| Intergovernmental   | 69,696       | 318,294                        | 387,990                        | 239,830        |
| Charges for services                                      | 365,216      | -                              | 365,216                        | 357,888        |
| Other revenues  | 172,335      | 615                            | 172,950                        | 106,332        |
| Total revenues  | 5,250,429    | 639,068                        | 5,889,497                      | 4,242,569      |
| <b>EXPENDITURES</b>                                       |              |                                |                                |                |
| Current   |              |                                |                                |                |
| General administration                                    | 523,255      | -                              | 523,255                        | 542,261        |
| Public safety-Police                                      | 1,371,302    | -                              | 1,371,302                      | 1,330,872      |
| Public works  | 594,369      | -                              | 594,369                        | 634,776        |
| Sanitation  | 329,889      | -                              | 329,889                        | 323,473        |
| Parks and recreation                                      | 177,050      | -                              | 177,050                        | 171,908        |
| Community development                                     | 10,870,786   | -                              | 10,870,786                     | 289,418        |
| Public properties   | 49,660       | -                              | 49,660                         | 40,023         |
| ABC   | -            | 117,692                        | 117,692                        | 91,174         |
| Bus   | -            | 136,879                        | 136,879                        | -              |
| Capital outlay  | 135,250      | 190,575                        | 325,825                        | 296,141        |
| Debt service  | -            | 98,110                         | 98,110                         | 95,180         |
| Total expenditures  | 14,051,561   | 543,256                        | 14,594,817                     | 3,815,226      |
| Excess of Revenues Over<br>(Under) Expenditures           | (8,801,132)  | 95,812                         | (8,705,320)                    | 427,343        |
| Other financing sources                                   |              |                                |                                |                |
| Other financing source-refunding bonds                    | 10,350,635   | -                              | 10,350,635                     | -              |
| Transfer in (out)   | (118,987)    | 118,987                        | -                              | -              |
| Net change in fund balances                               | 1,430,516    | 214,799                        | 1,645,315                      | 427,343        |
| Fund balances-beginning                                   | 1,158,148    | 492,293                        | 1,650,441                      | 1,223,098      |
| Fund balances-ending                                      | \$ 2,588,664 | \$ 707,092                     | \$ 3,295,756                   | \$ 1,650,441   |
| Reconciliation to government-wide change in net position: |              |                                |                                |                |
| Net change in fund balances                               |              |                                | \$ 1,645,315                   | \$ 427,343     |
| Add: capital outlay expenditures capitalized              |              |                                | 325,825                        | 296,141        |
| Add: contributed capital assets                           |              |                                | 48,454                         | -              |
| Add: debt service expenditures                            |              |                                | 98,110                         | 95,180         |
| Add: increases in the equity interest of joint ventures   |              |                                | 10,239,058                     | (7,502)        |
| Less: issuance of refunding bonds                         |              |                                | (10,350,635)                   | -              |
| Less: depreciation on governmental activities assets      |              |                                | (343,731)                      | (313,544)      |
| Less: interest expense                                    |              |                                | (48,110)                       | (50,180)       |
| Less: loss on disposal of capital assets                  |              |                                | (257)                          | -              |
| Change in net position - governmental activities          |              |                                | \$ 1,614,029                   | \$ 447,438     |

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



**CITY OF LAGRANGE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2014**

| <b>ASSETS</b>                             | <b>Business-type Activities</b> |                     |                      | <b>2013</b>          |
|---|---------------------------------|---------------------|----------------------|----------------------|
|   | <b>Water &amp; Sewer</b>        | <b>Golf Course</b>  | <b>Totals</b>        | <b>Totals</b>        |
| <b>Current assets</b>                     |                                 |                     |                      |                      |
| Cash and cash equivalents                 | \$ 1,865,514                    | \$ 86,852           | \$ 1,952,366         | \$ 1,699,378         |
| Receivables (net)                         | 367,415                         | 11,100              | 378,515              | 331,770              |
| Interest receivable                       | 2,510                           | -                   | 2,510                | 2,549                |
| Inventory                                 | 27,950                          | 6,432               | 34,382               | 113,442              |
| Due from other funds                      | -                               | 3,041               | 3,041                | 3,041                |
| <b>Total current assets</b>               | <b>2,263,389</b>                | <b>107,425</b>      | <b>2,370,814</b>     | <b>2,150,180</b>     |
| <b>Non-current assets</b>                 |                                 |                     |                      |                      |
| Restricted cash and cash equivalents      | 69,978                          | 58,187              | 128,165              | 238,108              |
| Long-term accounts receivable             | -                               | 66,000              | 66,000               | -                    |
| <b>Total non-current assets</b>           | <b>69,978</b>                   | <b>124,187</b>      | <b>194,165</b>       | <b>238,108</b>       |
| <b>Capital assets</b>                     |                                 |                     |                      |                      |
| Construction in progress                  | -                               | -                   | -                    | 2,405,549            |
| Land                                      | 94,897                          | 1,614,643           | 1,709,540            | 1,709,540            |
| Land improvements                         | -                               | 2,334,539           | 2,334,539            | 2,346,687            |
| Plant and sewer system                    | 27,924,350                      | -                   | 27,924,350           | 23,097,317           |
| Buildings and improvements                | 857,893                         | -                   | 857,893              | 857,893              |
| Vehicle and equipment                     | 772,569                         | 389,210             | 1,161,779            | 1,356,580            |
| Less: accumulated depreciation            | (10,434,916)                    | (1,602,249)         | (12,037,165)         | (11,631,149)         |
| <b>Total capital assets</b>               | <b>19,214,793</b>               | <b>2,736,143</b>    | <b>21,950,936</b>    | <b>20,142,417</b>    |
| <b>Total assets</b>                       | <b>\$ 21,548,160</b>            | <b>\$ 2,967,755</b> | <b>\$ 24,515,915</b> | <b>\$ 22,530,705</b> |
| <b>LIABILITIES</b>                        |                                 |                     |                      |                      |
| <b>Current liabilities</b>                |                                 |                     |                      |                      |
| Accounts payable                          | \$ 129,017                      | \$ 15,216           | \$ 144,233           | \$ 146,980           |
| Accrued payroll liabilities               | -                               | 7,122               | 7,122                | 8,526                |
| Accrued interest payable                  | 4,708                           | 24,916              | 29,624               | 29,069               |
| Unearned revenue                          | -                               | 51,737              | 51,737               | 37,249               |
| Due to other funds                        | 29,834                          | -                   | 29,834               | 59,105               |
| Capital lease obligations                 | 222,326                         | 15,000              | 237,326              | 230,521              |
| Bonds, notes, and loans payable           | 132,083                         | 175,000             | 307,083              | 278,013              |
| <b>Total current liabilities</b>          | <b>517,968</b>                  | <b>288,991</b>      | <b>806,959</b>       | <b>789,463</b>       |
| <b>Non-current liabilities</b>            |                                 |                     |                      |                      |
| Capital lease obligations                 | 1,287,541                       | 1,080,000           | 2,367,541            | 2,604,869            |
| Bonds, notes, and loans payable           | 4,201,584                       | 980,000             | 5,181,584            | 3,303,400            |
| Accrued compensated absences              | 16,456                          | -                   | 16,456               | 12,626               |
| Customer deposits payable                 | 69,978                          | -                   | 69,978               | 54,382               |
| <b>Total non-current liabilities</b>      | <b>5,575,559</b>                | <b>2,060,000</b>    | <b>7,635,559</b>     | <b>5,975,277</b>     |
| <b>Total liabilities</b>                  | <b>6,093,527</b>                | <b>2,348,991</b>    | <b>8,442,518</b>     | <b>6,764,740</b>     |
| <b>NET POSITION</b>                       |                                 |                     |                      |                      |
| Net investment in capital assets          | 13,371,259                      | 486,143             | 13,857,402           | 13,725,614           |
| Restricted for:                           |                                 |                     |                      |                      |
| Debt service                              | -                               | 33,271              | 33,271               | 152,748              |
| Unrestricted                              | 2,083,374                       | 99,350              | 2,182,724            | 1,887,603            |
| <b>Total net position</b>                 | <b>15,454,633</b>               | <b>618,764</b>      | <b>16,073,397</b>    | <b>15,765,965</b>    |
| <b>Total liabilities and net position</b> | <b>\$ 21,548,160</b>            | <b>\$ 2,967,755</b> | <b>\$ 24,515,915</b> | <b>\$ 22,530,705</b> |

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

**CITY OF LAGRANGE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**for the year ended June 30, 2014**

|   | <b>Business-type Activities</b> |                    |                      | <b>2013</b>          |
|---|---------------------------------|--------------------|----------------------|----------------------|
|   | <b>Water &amp; Sewer</b>        | <b>Golf Course</b> | <b>Totals</b>        | <b>Totals</b>        |
| <b>Operating revenues</b>                         |                                 |                    |                      |                      |
| Charges for services                              | \$ 3,238,017                    | \$ 529,818         | \$ 3,767,835         | \$ 3,234,748         |
| Other income                                      | 53,643                          | -                  | 53,643               | 5,283                |
| <b>Total operating revenues</b>                   | <b>3,291,660</b>                | <b>529,818</b>     | <b>3,821,478</b>     | <b>3,240,031</b>     |
| <b>Operating expenses</b>                         |                                 |                    |                      |                      |
| General and administrative                        | 654,538                         | 132,435            | 786,973              | 629,635              |
| Rent  | -                               | 1,275              | 1,275                | 1,226                |
| Salaries and wages                                | -                               | 136,773            | 136,773              | 144,372              |
| Repairs and maintenance                           | -                               | 38,800             | 38,800               | 61,362               |
| Cost of sales                                     | 592,869                         | 32,236             | 625,105              | 633,149              |
| Other operating expenses                          | 913,163                         | 51,398             | 964,561              | 891,325              |
| Depreciation                                      | 646,271                         | 125,031            | 771,302              | 758,167              |
| <b>Total operating expenses</b>                   | <b>2,806,841</b>                | <b>517,948</b>     | <b>3,324,789</b>     | <b>3,119,236</b>     |
| <b>OPERATING INCOME</b>                           | <b>484,819</b>                  | <b>11,870</b>      | <b>496,689</b>       | <b>120,795</b>       |
| <b>Non-operating income (expense)</b>             |                                 |                    |                      |                      |
| Interest and investment revenue                   | 4,570                           | 742                | 5,312                | 8,802                |
| Interest expense                                  | (221,921)                       | (89,453)           | (311,374)            | (266,911)            |
| Other miscellaneous income                        | 9,795                           | -                  | 9,795                | 143,369              |
| Loss from disposal of capital asset(s)            | (20,490)                        | -                  | (20,490)             | -                    |
| <b>Total non-operating (expense)</b>              | <b>(228,046)</b>                | <b>(88,711)</b>    | <b>(316,757)</b>     | <b>(114,740)</b>     |
| <b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b> | <b>256,773</b>                  | <b>(76,841)</b>    | <b>179,932</b>       | <b>6,055</b>         |
| Capital Contributions                             | -                               | 127,500            | 127,500              | 368,660              |
| <b>CHANGE IN NET POSITION</b>                     | <b>256,773</b>                  | <b>50,659</b>      | <b>307,432</b>       | <b>374,715</b>       |
| Net position - beginning of the year              | 15,197,860                      | 568,105            | 15,765,965           | 15,391,250           |
| <b>NET POSITION - END OF YEAR</b>                 | <b>\$ 15,454,633</b>            | <b>\$ 618,764</b>  | <b>\$ 16,073,397</b> | <b>\$ 15,765,965</b> |

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

**CITY OF LAGRANGE, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**for the year ended June 30, 2014**

|   | Business-type Activities |                   |                     | 2013<br>Totals      |
|---|--------------------------|-------------------|---------------------|---------------------|
|   | Water & Sewer            | Golf Course       | Totals              |                     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                          |                   |                     |                     |
| Receipts from customers   | \$ 3,253,083             | \$ 473,153        | \$ 3,726,236        | \$ 3,259,554        |
| Payments to suppliers   | (1,511,269)              | (242,579)         | (1,753,848)         | (1,649,496)         |
| Payments for employee services and benefits   | (590,235)                | (159,384)         | (749,619)           | (721,618)           |
| Receipts of customer meter deposits   | 15,596                   | -                 | 15,596              | 7,567               |
| Other receipts  | 39                       | -                 | 39                  | (1,877)             |
| Net cash provided by operating activities   | <u>1,167,214</u>         | <u>71,190</u>     | <u>1,238,404</u>    | <u>894,130</u>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                   |                          |                   |                     |                     |
| Capital contributions   | -                        | 127,500           | 127,500             | 368,660             |
| Purchases of capital assets   | (2,595,534)              | (4,775)           | (2,600,309)         | (2,297,920)         |
| Principal paid on capital debt  | (326,674)                | (185,000)         | (511,674)           | (454,203)           |
| Proceeds from loans   | 2,188,406                | -                 | 2,188,406           | 2,310,262           |
| Interest paid on capital debt   | (221,921)                | (92,468)          | (314,389)           | (270,817)           |
| Other miscellaneous income  | 9,795                    | -                 | 9,795               | 143,369             |
| Net cash (used in) capital and related financing activities                                       | <u>(945,928)</u>         | <u>(154,743)</u>  | <u>(1,100,671)</u>  | <u>(200,649)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                          |                   |                     |                     |
| Interest and dividends  | 4,570                    | 742               | 5,312               | 8,802               |
| Net cash provided by investing activities   | <u>4,570</u>             | <u>742</u>        | <u>5,312</u>        | <u>8,802</u>        |
| Net increase (decrease) in cash and cash equivalents  | 225,856                  | (82,811)          | 143,045             | 702,283             |
| Cash and cash equivalents-beginning of the year   | 1,709,636                | 227,850           | 1,937,486           | 1,235,203           |
| <b>CASH AND CASH EQUIVALENTS-END OF THE YEAR</b>  | <u>\$ 1,935,492</u>      | <u>\$ 145,039</u> | <u>\$ 2,080,531</u> | <u>\$ 1,937,486</u> |
| <b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b> |                          |                   |                     |                     |
| Operating income  | \$ 484,819               | \$ 11,870         | \$ 496,689          | \$ 120,795          |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: |                          |                   |                     |                     |
| Depreciation  | 646,271                  | 125,031           | 771,302             | 758,167             |
| Change in assets and liabilities:   |                          |                   |                     |                     |
| Receivables, net  | (38,577)                 | (74,168)          | (112,745)           | (18,138)            |
| Inventory   | 78,368                   | 692               | 79,060              | (21,777)            |
| Interest receivable   | 39                       | -                 | 39                  | (1,877)             |
| Due to other funds and compensated leave  | (25,443)                 | -                 | (25,443)            | 6,014               |
| Accounts and other payables   | 6,141                    | (5,319)           | 822                 | 39,253              |
| Accrued expenses  | -                        | (1,404)           | (1,404)             | (324)               |
| Customer deposits payable   | 15,596                   | -                 | 15,596              | 7,567               |
| Unearned revenue  | -                        | 14,488            | 14,488              | 4,450               |
| Net cash provided by operating activities   | <u>\$ 1,167,214</u>      | <u>\$ 71,190</u>  | <u>\$ 1,238,404</u> | <u>\$ 894,130</u>   |

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

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of LaGrange, 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 LaGrange Public Properties Corporation and Utility Commission of the City of LaGrange, 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, LaGrange, KY, 40031 or by calling (502) 222-9325. The City is involved in a joint venture with Oldham County in Oldham-LaGrange Development Authority. See footnote 13.

**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:

| <b>Component Unit</b>                                | <b>Brief Description/Inclusion Criteria</b>   | <b>Reporting</b>                    |
|--|---|-------------------------------------|
| City of LaGrange 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 LaGrange, Kentucky | The Commission is operated by a five member board of commissioners which includes four City of LaGrange, 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<br>Enterprise Fund |

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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**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 LaGrange:

**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 and fire protection, community services and general administration are reported in this fund.

**Debt Service Fund** – Accounts for the activities of the City of LaGrange Public Properties Corporation. The Corporation was created as a non-profit, non-stock corporation to acquire, with borrowed funds, real property for use by the city.

**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 LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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**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 LaGrange Foundation, Inc., which was created as a non-profit corporation to receive donations for projects for the betterment of the City of LaGrange 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 LaGrange, 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 LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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**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**

Cash and cash equivalents include cash on hand and demand deposits, both unrestricted and restricted. Certificates of deposit include all certificates owned by the City. Cash and cash equivalents and certificates of deposits are stated at actual cost which approximates fair value. Kentucky Revised Statute 66.480 permits the City to invest in U.S. Treasury obligations, U.S. Agency obligations, certain Federal instruments, repurchase agreements, commercial banks' certificates of deposit, savings and loan deposits, Commonwealth of Kentucky investment pool and the Kentucky League of Cities investment pool.



**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. 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."

**G. Supplies Inventory**

Inventories in the general and 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.

**H. 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 \$94,442 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.

**I. 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 LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. 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:

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

**J. Unearned Revenue**

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

**K. 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.

**L. 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 LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. 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.

**N. 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 and have been revised for amendments authorized during the year.

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. 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".

The City considers all cash, both restricted and unrestricted, including certificates of deposit with an initial maturity of 90 days or less, as cash for purposes of the statement of cash flows.

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.

**P. Management's Review of Subsequent Events**

The City has evaluated and considered the need to recognize or disclose subsequent events through May 8, 2015 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, 2014, have not been evaluated by the City.

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**2. CASH AND INVESTMENTS**

As of June 30, 2014, the City had deposits in the amount of \$508,132 that were not covered by FDIC insurance or collateralized. The book balance of the City's deposits totaled \$4,502,870 and the bank balances totaled \$4,551,440.

The following is a detail of the City's cash deposit coverage at June 30, 2014:

|   |                     |
|---|---------------------|
| FDIC insured  | \$ 1,255,081        |
| Collateralized by securities held by<br>the bank in the City's name         | 2,215,747           |
| Collateralized by securities held by<br>the bank but not in the City's name | -                   |
| Invested in money market funds  | 572,480             |
| Uncollateralized  | <u>508,132</u>      |
| Total   | <u>\$ 4,551,440</u> |

Restricted assets consist of the following:

|                                  | General Fund      | Utility<br>Commission | Golf Course      | Total             |
|----------------------------------|-------------------|-----------------------|------------------|-------------------|
| Cash – Debt service reserve      | \$ 411,800        | \$ -                  | \$ -             | \$ 411,800        |
| Cash – Bond and interest account | -                 | -                     | 58,187           | 58,187            |
| Cash – Customer deposits         | <u>-</u>          | <u>69,978</u>         | <u>-</u>         | <u>69,978</u>     |
| Total                            | <u>\$ 411,800</u> | <u>\$ 69,978</u>      | <u>\$ 58,187</u> | <u>\$ 539,965</u> |

**3. RECEIVABLES**

|                                   | General<br>Fund       | Nonmajor<br>Funds   | Governmental<br>Funds Total |
|-----------------------------------|-----------------------|---------------------|-----------------------------|
| Governmental Funds:               |                       |                     |                             |
| Taxes                             | \$ 569,799            | \$ 85,521           | \$ 655,320                  |
| Licenses and fees                 | 494,312               | -                   | 494,312                     |
| Grants                            | -                     | 20,026              | 20,026                      |
| Intergovernmental                 | 4,207                 | 15,503              | 19,710                      |
| Other                             | <u>19,738</u>         | <u>-</u>            | <u>19,738</u>               |
| Gross receivables                 | 1,088,056             | 121,050             | 1,209,106                   |
| Less: allowance for uncollectible | <u>(94,442)</u>       | <u>-</u>            | <u>(94,442)</u>             |
| Net receivables                   | <u>\$ 993,614</u>     | <u>\$ 121,050</u>   | <u>\$ 1,114,664</u>         |
|                                   | Water & Sewer<br>Fund | Golf Course<br>Fund | Proprietary<br>Funds Total  |
| Proprietary Funds:                |                       |                     |                             |
| Customer accounts                 | \$ 285,942            | \$ -                | \$ 285,942                  |
| Unbilled receivables              | 88,971                | -                   | 88,971                      |
| Other                             | <u>-</u>              | <u>77,100</u>       | <u>77,100</u>               |
| Gross receivables                 | 374,913               | 77,100              | 452,013                     |
| Less: allowance for uncollectible | <u>(7,498)</u>        | <u>-</u>            | <u>(7,498)</u>              |
| Net receivables                   | <u>\$ 367,415</u>     | <u>\$ 77,100</u>    | <u>\$ 444,515</u>           |

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**4. CAPITAL ASSETS**

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

|   | Balance<br>July 1, 2013 | Additions           | Deductions            | Balance<br>June 30, 2014 |
|---|-------------------------|---------------------|-----------------------|--------------------------|
| <b>Governmental Activities</b>            |                         |                     |                       |                          |
| Capital assets not depreciated:           |                         |                     |                       |                          |
| Land                                      | \$ 730,201              | \$ -                | \$ -                  | \$ 730,201               |
| Construction in progress                  | <u>-</u>                | <u>60,536</u>       | <u>-</u>              | <u>60,536</u>            |
| Totals                                    | <u>730,201</u>          | <u>60,536</u>       | <u>-</u>              | <u>790,737</u>           |
| Capital assets that<br>are depreciated:   |                         |                     |                       |                          |
| Buildings and improvements                | 2,085,046               | -                   | -                     | 2,085,046                |
| Machinery and equipment                   | <u>2,415,754</u>        | <u>152,308</u>      | <u>(41,194)</u>       | <u>2,526,868</u>         |
| Totals                                    | <u>4,500,800</u>        | <u>152,308</u>      | <u>(41,194)</u>       | <u>4,611,914</u>         |
| Total non-infrastructure assets           | <u>5,231,001</u>        | <u>212,844</u>      | <u>(41,194)</u>       | <u>5,402,651</u>         |
| Infrastructure assets                     | <u>876,020</u>          | <u>161,434</u>      | <u>-</u>              | <u>1,037,454</u>         |
| Total capital assets                      | <u>6,107,021</u>        | <u>374,278</u>      | <u>(41,194)</u>       | <u>6,440,105</u>         |
| Less: accumulated depreciation            |                         |                     |                       |                          |
| Buildings and improvements                | 738,593                 | 60,734              | -                     | 799,327                  |
| Machinery and equipment                   | 1,648,921               | 181,346             | (40,937)              | 1,789,330                |
| Infrastructure                            | <u>364,759</u>          | <u>101,651</u>      | <u>-</u>              | <u>466,410</u>           |
| Totals                                    | <u>2,752,273</u>        | <u>343,731</u>      | <u>(40,937)</u>       | <u>3,055,067</u>         |
| General capital assets, net               | <u>\$ 3,354,748</u>     | <u>\$ 30,547</u>    | <u>\$ (257)</u>       | <u>\$ 3,385,038</u>      |
| <b>Business-Type Activities</b>           |                         |                     |                       |                          |
| Land and easements                        | \$ 1,709,540            | \$ -                | \$ -                  | \$ 1,709,540             |
| Buildings and improvements                | 3,204,581               | 4,775               | (16,923)              | 3,192,433                |
| Water tank                                | 2,941,159               | -                   | -                     | 2,941,159                |
| Mains, hydrants and new water<br>services | 3,817,112               | 89,138              | -                     | 3,906,250                |
| Sewage treatment plant                    | 5,794,457               | 4,832,989           | (95,093)              | 10,532,353               |
| Sewage system lines<br>and pump stations  | 10,544,587              | -                   | -                     | 10,544,587               |
| Transportation equipment                  | 240,322                 | 59,297              | (32,776)              | 266,843                  |
| Machinery and equipment                   | 593,214                 | -                   | (204,003)             | 389,211                  |
| General office equipment                  | 523,045                 | 19,660              | (36,980)              | 505,725                  |
| Construction in progress                  | <u>2,405,549</u>        | <u>2,427,440</u>    | <u>(4,832,989)</u>    | <u>-</u>                 |
| Totals                                    | 31,773,566              | 7,433,299           | (5,218,764)           | 33,988,101               |
| Less: accumulated depreciation            | <u>11,631,149</u>       | <u>771,302</u>      | <u>(365,286)</u>      | <u>12,037,165</u>        |
| Business-type capital assets, net         | <u>\$ 20,142,417</u>    | <u>\$ 6,661,997</u> | <u>\$ (4,853,478)</u> | <u>\$ 21,950,936</u>     |

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

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**4. CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the Governmental functions as follows:

|                            |                   |
|----------------------------|-------------------|
| General government         | \$ 56,202         |
| Police                     | 39,212            |
| Public Works               | 103,915           |
| Parks and recreation       | 22,490            |
| Infrastructure             | 101,651           |
| Bus                        | 14,433            |
| ABC                        | <u>5,828</u>      |
| Total depreciation expense | <u>\$ 343,731</u> |

**5. LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES**

**Capital Lease Obligation – Kentucky Area Development Districts Financing Trusts**

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 City may prepay principal components of lease rental payments in minimum amounts of \$50,000. The lease is to run for a term of 22 years with payments to be made semiannually. The lease carries a stated interest rate of 4.6% with bank fees of \$500 annually.

The minimum obligations of the above capital lease at June 30, 2014, are as follows:

| <b>Fiscal Year</b> | <b>Principal</b>  | <b>Interest</b>   | <b>Bank Fee</b> | <b>Total</b>        |
|--------------------|-------------------|-------------------|-----------------|---------------------|
| 2015               | \$ 50,000         | \$ 45,310         | \$ 500          | \$ 95,810           |
| 2016               | 55,000            | 43,010            | 500             | 98,510              |
| 2017               | 55,000            | 40,480            | 500             | 95,980              |
| 2018               | 60,000            | 37,950            | 500             | 98,450              |
| 2019               | 60,000            | 35,190            | 500             | 95,690              |
| 2020-2024          | 355,000           | 130,640           | 2,500           | 488,140             |
| 2025-2028          | <u>350,000</u>    | <u>41,400</u>     | <u>2,000</u>    | <u>393,400</u>      |
| Total              | <u>\$ 985,000</u> | <u>\$ 373,980</u> | <u>\$ 7,000</u> | <u>\$ 1,365,980</u> |

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**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 will be redeemed with funds that have 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, with the first principal payment scheduled to be made on February 1, 2015. The bonds have a net interest cost of 2.44% over the repayment term.

The minimum obligations of the above bonds at June 30, 2014, are as follows:

| <b>Fiscal Year</b> | <b>Principal</b>            | <b>Interest</b>            | <b>Fees</b>              | <b>Total</b>                |
|--------------------|-----------------------------|----------------------------|--------------------------|-----------------------------|
| 2015               | \$ 485,000                  | \$ 132,973                 | \$ 15,835                | \$ 633,808                  |
| 2016               | 950,000                     | 224,450                    | 25,275                   | 1,199,725                   |
| 2017               | 970,000                     | 205,450                    | 22,900                   | 1,198,350                   |
| 2018               | 995,000                     | 186,050                    | 20,475                   | 1,201,525                   |
| 2019               | 1,015,000                   | 166,150                    | 17,988                   | 1,199,138                   |
| 2020-2024          | <u>5,880,000</u>            | <u>488,863</u>             | <u>50,613</u>            | <u>6,419,476</u>            |
| <b>Total</b>       | <b><u>\$ 10,295,000</u></b> | <b><u>\$ 1,403,936</u></b> | <b><u>\$ 153,086</u></b> | <b><u>\$ 11,852,022</u></b> |

The total governmental activity debt is summarized as follows:

|   |                             |
|---|-----------------------------|
| Current portion of revenue bonds                      | \$ 485,000                  |
| Current portion of capital lease obligation           | <u>50,000</u>               |
| <b>Total current portion of long-term obligations</b> | <b><u>\$ 535,000</u></b>    |
| Accrued compensated absences                          | \$ 67,838                   |
| Unamortized bond premium                              | 55,635                      |
| Long-term portion of revenue bonds                    | 9,810,000                   |
| Long-term portion of capital lease obligation         | <u>935,000</u>              |
| <b>Long-term portion of long-term obligations</b>     | <b><u>\$ 10,868,473</u></b> |

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

|                              | <b>July 1, 2013</b>        | <b>Additions</b>            | <b>Payments</b>          | <b>June 30, 2014</b>        |
|------------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------|
| Capital lease obligations    | \$ 1,035,000               | \$ -                        | \$ 50,000                | \$ 985,000                  |
| Revenue bonds                | -                          | 10,295,000                  | -                        | 10,295,000                  |
| Unamortized bond premium     | -                          | 55,635                      | -                        | 55,635                      |
| Accrued compensated absences | <u>70,614</u>              | <u>85,814</u>               | <u>88,590</u>            | <u>67,838</u>               |
| <b>Total</b>                 | <b><u>\$ 1,105,614</u></b> | <b><u>\$ 10,436,449</u></b> | <b><u>\$ 138,590</u></b> | <b><u>\$ 11,403,473</u></b> |



**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**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, 2014, are as follows:

| <b>Fiscal Year</b> | <b>Principal</b>           | <b>Interest</b>          | <b>Total</b>               |
|--------------------|----------------------------|--------------------------|----------------------------|
| 2015               | \$ 222,326                 | \$ 43,849                | \$ 266,175                 |
| 2016               | 229,248                    | 36,927                   | 266,175                    |
| 2017               | 236,584                    | 29,591                   | 266,175                    |
| 2018               | 244,054                    | 22,121                   | 266,175                    |
| 2019               | 251,760                    | 14,415                   | 266,175                    |
| 2020               | 259,635                    | 6,540                    | 266,175                    |
| 2021               | <u>66,260</u>              | <u>284</u>               | <u>66,544</u>              |
| <b>Total</b>       | <b><u>\$ 1,509,867</u></b> | <b><u>\$ 153,727</u></b> | <b><u>\$ 1,663,594</u></b> |

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 20<sup>th</sup> 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, 2014, are as follows:

| <b>Fiscal Year</b> | <b>Principal</b>           | <b>Interest</b>            | <b>Fees</b>             | <b>Total</b>               |
|--------------------|----------------------------|----------------------------|-------------------------|----------------------------|
| 2015               | \$ 132,083                 | \$ 155,750                 | \$ 450                  | \$ 288,283                 |
| 2016               | 135,000                    | 152,713                    | 450                     | 288,163                    |
| 2017               | 137,083                    | 149,608                    | 450                     | 287,141                    |
| 2018               | 142,083                    | 145,871                    | 450                     | 288,404                    |
| 2019               | 147,083                    | 143,639                    | 450                     | 291,172                    |
| 2020-2024          | 835,037                    | 667,379                    | 2,250                   | 1,504,666                  |
| 2025-2029          | 1,014,508                  | 454,147                    | 2,250                   | 1,470,906                  |
| 2030-2034          | 1,232,553                  | 236,102                    | 2,250                   | 1,470,906                  |
| 2035-2037          | <u>558,236</u>             | <u>23,208</u>              | <u>1,350</u>            | <u>582,794</u>             |
| <b>Total</b>       | <b><u>\$ 4,333,667</u></b> | <b><u>\$ 2,128,418</u></b> | <b><u>\$ 10,350</u></b> | <b><u>\$ 6,472,435</u></b> |



**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**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 leases            | \$ 222,326          |
| Current portion of revenue bonds                 | <u>132,083</u>      |
| Total current portion of long-term obligations   | <u>\$ 354,409</u>   |
| Long-term portion of PNC capital lease           | \$ 1,287,541        |
| Long-term portion of revenue bonds               | 4,201,584           |
| Accrued compensated absences                     | 16,456              |
| Customer deposits                                | <u>69,978</u>       |
| Total long-term portion of long-term obligations | <u>\$ 5,575,559</u> |

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

|                              | July 1, 2013        | Additions           | Payments          | June 30, 2014       |
|------------------------------|---------------------|---------------------|-------------------|---------------------|
| Capital lease obligations    | \$ 1,725,390        | \$ -                | \$ 215,523        | \$ 1,509,867        |
| Revenue bonds                | 2,256,413           | 2,188,406           | 111,152           | 4,333,667           |
| Accrued compensated absences | 12,626              | 16,456              | 12,626            | 16,456              |
| Customer deposits payable    | <u>54,382</u>       | <u>15,596</u>       | <u>-</u>          | <u>69,978</u>       |
| Total                        | <u>\$ 4,048,811</u> | <u>\$ 2,220,458</u> | <u>\$ 339,301</u> | <u>\$ 5,929,968</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, 2014, are as follows:

| Fiscal Year | Principal           | Interest          | Service Fee     | Total               |
|-------------|---------------------|-------------------|-----------------|---------------------|
| 2015        | \$ 15,000           | \$ 52,560         | \$ 500          | \$ 68,060           |
| 2016        | 15,000              | 51,840            | 500             | 67,340              |
| 2017        | 15,000              | 51,120            | 500             | 66,620              |
| 2018        | 15,000              | 50,400            | 500             | 65,900              |
| 2019        | 20,000              | 48,720            | 500             | 69,220              |
| 2020-2024   | 500,000             | 210,000           | 2,500           | 712,500             |
| 2025-2027   | <u>515,000</u>      | <u>50,640</u>     | <u>1,500</u>    | <u>567,140</u>      |
| Total       | <u>\$ 1,095,000</u> | <u>\$ 515,280</u> | <u>\$ 6,500</u> | <u>\$ 1,616,780</u> |

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

**Business-Type Activities – Golf Course (continued)**

Bonds Payable – City of LaGrange 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 outstanding, 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, 2014, are as follows:

| <b>Fiscal Year</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
|--------------------|---------------------|-------------------|---------------------|
| 2015               | \$ 175,000          | \$ 40,710         | \$ 215,710          |
| 2016               | 180,000             | 35,548            | 215,548             |
| 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>\$ 1,155,000</u> | <u>\$ 154,168</u> | <u>\$ 1,309,168</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>175,000</u>      |
| Total current portion of long-term obligations | <u>\$ 190,000</u>   |
| Long-term portion of capital lease             | \$ 1,080,000        |
| Long-term portion of bonds                     | <u>980,000</u>      |
| Total long-term obligations                    | <u>\$ 2,060,000</u> |

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

|               | <b>July 1, 2013</b> | <b>Additions</b> | <b>Payments</b>   | <b>June 30, 2014</b> |
|---------------|---------------------|------------------|-------------------|----------------------|
| Capital lease | \$ 1,110,000        | \$ -             | \$ 15,000         | \$ 1,095,000         |
| Bond issue    | <u>1,325,000</u>    | <u>-</u>         | <u>170,000</u>    | <u>1,155,000</u>     |
| Total         | <u>\$ 2,435,000</u> | <u>\$ -</u>      | <u>\$ 185,000</u> | <u>\$ 2,250,000</u>  |

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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**7. 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, 2014, are as follows:

| <b>Fiscal Year</b> |                   |
|--------------------|-------------------|
| 2015               | \$ 51,156         |
| 2016               | 51,156            |
| 2017               | <u>34,104</u>     |
| Total              | <u>\$ 136,416</u> |

Operating lease expense for the year ended June 30, 2014, totaled \$ 51,156.

**8. RETIREMENT PLAN**

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

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each 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, 2014, plan members were required to contribute 8.00% of wages for hazardous and 5.00% for non-hazardous job classifications. Employees hired after September 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 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board.

For the year ended June 30, 2014, participating employers contributed 35.70% of each hazardous employee's and 18.89% of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution (employee and employer) and the actual percentage contributed for the City for the current and previous year are as follows:

| <b>Year</b> | <b>Required Contribution</b> | <b>Percentage Contributed</b> |
|-------------|------------------------------|-------------------------------|
| 2014        | \$ 525,755                   | 100%                          |
| 2013        | \$ 518,448                   | 100%                          |
| 2012        | \$ 489,119                   | 100%                          |

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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**9. PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2014 were levied in September 2013 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:

| <b>Description</b>             | <b>Due Date</b> |
|--------------------------------|-----------------|
| 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.

**10. PROPERTY LEASE**

The City and Baptist Healthcare Affiliates, Inc. entered into a lease agreement to park two ambulances at the fire station (Fire Station No. 1), that covered the period of December 3, 2012 through December 3, 2013. The monthly payment for the lease was \$200. The lease was not renewed on December 3, 2013 for an additional year.

**11. ECONOMIC DEPENDENCE**

The Commission purchases water at wholesale from the Oldham County Water District, which in turn is sold to the Commission's customers. The Commission purchased water at a rate of \$1.70 per 1,000 gallons during 2014.

**12. 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.

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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**13. 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 LaGrange, 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 LaGrange 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 LaGrange, 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 LaGrange 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 LaGrange, 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 LaGrange 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 will be redeemed with funds that have been 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, with the first principal payment scheduled to be made on February 1, 2015. See footnote 5 for additional information regarding the 2014 First Series C General Obligation Revenue Bonds.

Oldham-LaGrange Development Authority issues separate financial statements available through its administrative office at 412 East Main Street, LaGrange, KY 40031 or by telephone at (502) 225-6420. Summarized totals for the Development Authority for the year ended June 30, 2014, are as follows:

|                    |               |
|--------------------|---------------|
| Total assets       | \$ 16,423,583 |
| Total liabilities  | \$ 2,345,500  |
| Total net position | \$ 14,078,083 |

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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

The net equity investment in Oldham-LaGrange Development Authority for the City of LaGrange at June 30, 2014, is \$8,540,481. The net equity is determined by the following:

|                                    | OLDA Audit<br>6/30/2014 | City<br>Allocation  | County<br>Allocation |
|------------------------------------|-------------------------|---------------------|----------------------|
| Beginning net equity, July 1, 2013 | \$ 3,844,985            | (\$ 1,698,577)      | \$ 5,543,562         |
| Operating loss before transfers in | (430,509)               | (215,254)           | (215,255)            |
| Principal payments transfers in    | <u>10,663,607</u>       | <u>10,454,312</u>   | <u>209,295</u>       |
| Ending net equity, June 30, 2014   | <u>\$ 14,078,083</u>    | <u>\$ 8,540,481</u> | <u>\$ 5,537,602</u>  |

**14. 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 2014 the General Fund transferred \$98,110 to the Debt Service Fund and \$26,000 to the Bus Fund. The Debt Service fund transferred \$5,123 to the General Fund.

**15. INTERFUND BALANCES**

This table shows interfund balances as of June 30, 2014:

|                    | General<br>Fund | Water & Sewer<br>Fund | Road Aid<br>Fund | ABC<br>Fund      | Bus<br>Fund      | Total<br>Due From |
|--------------------|-----------------|-----------------------|------------------|------------------|------------------|-------------------|
| General Fund       | \$ -            | \$ 29,834             | \$ 440           | \$ 69,905        | \$ 67,699        | \$ 167,878        |
| Water & Sewer Fund | -               | -                     | -                | -                | -                | -                 |
| Golf Course        | 3,041           | -                     | -                | -                | -                | 3,041             |
| MRA Fund           | -               | -                     | -                | -                | -                | -                 |
| ABC Fund           | -               | -                     | -                | -                | -                | -                 |
| Bus Fund           | -               | -                     | -                | -                | -                | -                 |
| Total Due To       | <u>\$ 3,041</u> | <u>\$ 29,834</u>      | <u>\$ 440</u>    | <u>\$ 69,905</u> | <u>\$ 67,699</u> | <u>\$ 170,919</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 LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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**16. CONTINGENCIES AND GASB 68**

**Sick Leave**

The City's sick leave policy permits the accumulation of twelve sick days per year up to a maximum of 70 days for full time employees. Employees are not paid for unused sick leave days upon termination of employment. However, if an employee (who was hired after October 5, 1998) retires from the City with 15 years (20 years for the utility commission) or more of service, the City will contribute the employer match percent (currently 18.89% for non-hazardous duty and 35.70% for hazardous duty) of the unused sick days monetary amount to the County Employees Retirement System. The employee does not receive any remuneration for sick time credit upon termination. Accordingly, sick pay is charged to expenditures when taken. The Utility Commission has made a provision and reported in the financial statements a contingent liability associated with employees who have reached 15 years of service. At June 30, 2014, the Commission accrued sick pay of \$5,586 due to employees. The City has made no provision in the financial statements for any contingent liabilities associated with estimated unused sick leave. At June 30, 2014, the City had an unrecorded sick pay liability to its employees of \$246,648. The estimated liability includes required salary related payments.

**Financial Reporting for Pension Plans**

In June 2012, the GASB approved a pair of related Statements that reflect substantial changes to the accounting and financial reporting of state and local government employers and pension plans. Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, addresses financial reporting for state and local government employers whose employees are provided with pensions through pension plans that are covered under Statement No. 67.

The guidance contained in these Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. It is designed to improve the decision usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments. Under the pension standards now in effect, cost-sharing employers have not been required to present actuarial information about pensions. Instead, information has been required to be presented in the pension plan's own financial statements for all of the participating governments combined.

Through its research, the GASB concluded that the needs of users of information regarding cost-sharing employers do not differ significantly from those interested in single and agent employers. Therefore, the GASB believes it is important to give users of the financial statements of cost-sharing employers access to better, more transparent financial information. Consequently, under the new standards the GASB is requiring that cost-sharing governments report a net pension liability, pension expense, and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan.

Statement No. 68 will take effect for pension plan employers in fiscal years beginning after June 15, 2014, (that is, for years ended June 30, 2015, or later). The City is currently evaluating the effects of this statement on its financial statements. The City's potential unfunded liability, based on June 30, 2014 plan financial statements, is estimated to be \$4,316,000. The actual liability for June 30, 2015, could be considerably different due to changes in system assumptions and liabilities.

## SUPPLEMENTARY INFORMATION



**CITY OF LAGRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2014**

|                                       | <u>Enacted<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>       | <u>Variance</u>     |
|---------------------------------------|---------------------------|---------------------------|---------------------|---------------------|
| <b>REVENUES</b>                       |                           |                           |                     |                     |
| <b>TAXES</b>                          |                           |                           |                     |                     |
| General property taxes                | \$ 1,197,220              | \$ 1,197,220              | \$ 1,264,584        | \$ 67,364           |
| Bank shared tax                       | 50,400                    | 50,400                    | 52,353              | 1,953               |
| Omitted tangibles                     | 12,000                    | 12,000                    | 14,427              | 2,427               |
| Motor vehicle taxes                   | 107,300                   | 107,300                   | 126,974             | 19,674              |
| Compensation tax                      | -                         | -                         | 1,099,578           | 1,099,578           |
| Total municipal taxation              | <u>1,366,920</u>          | <u>1,366,920</u>          | <u>2,557,915</u>    | <u>1,190,996</u>    |
| <b>LICENSES, PERMITS AND BILLINGS</b> |                           |                           |                     |                     |
| Business licenses                     | 297,000                   | 297,000                   | 332,635             | 35,635              |
| Insurance premiums                    | 1,395,000                 | 1,395,000                 | 1,405,100           | 10,100              |
| Franchise fees                        | <u>285,200</u>            | <u>285,200</u>            | <u>347,532</u>      | <u>62,332</u>       |
| Total licenses, permits and billings  | <u>1,977,200</u>          | <u>1,977,200</u>          | <u>2,085,267</u>    | <u>108,067</u>      |
| <b>INTERGOVERNMENTAL REVENUES</b>     |                           |                           |                     |                     |
| Grants                                | 21,000                    | 21,000                    | 12,960              | (8,040)             |
| KLEFPF                                | 39,000                    | 39,000                    | 40,261              | 1,261               |
| Federal overtime                      | 12,000                    | 12,000                    | 13,314              | 1,314               |
| LGEAF                                 | <u>3,000</u>              | <u>3,000</u>              | <u>3,161</u>        | <u>161</u>          |
| Total intergovernmental               | <u>75,000</u>             | <u>75,000</u>             | <u>69,696</u>       | <u>(5,304)</u>      |
| <b>CHARGES FOR SERVICE</b>            |                           |                           |                     |                     |
| Sanitation fees                       | <u>355,000</u>            | <u>355,000</u>            | <u>365,216</u>      | <u>10,216</u>       |
| <b>OTHER REVENUE</b>                  |                           |                           |                     |                     |
| Donations                             | -                         | -                         | 116,187             | 116,187             |
| Interest                              | 2,000                     | 2,000                     | 4,361               | 2,361               |
| Penalties                             | 14,000                    | 14,000                    | 2,936               | (11,064)            |
| Encroachment fees                     | 3,200                     | 3,200                     | 4,900               | 1,700               |
| Rent                                  | 4,500                     | 4,500                     | 5,300               | 800                 |
| Miscellaneous                         | <u>64,200</u>             | <u>64,200</u>             | <u>38,651</u>       | <u>(25,549)</u>     |
| Total other                           | <u>87,900</u>             | <u>87,900</u>             | <u>172,335</u>      | <u>84,435</u>       |
| <b>TOTAL REVENUE</b>                  | <u>\$ 3,862,020</u>       | <u>\$ 3,862,020</u>       | <u>\$ 5,250,429</u> | <u>\$ 1,388,410</u> |

**CITY OF LAGRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2014**

|                                  | <u>Enacted<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>    | <u>Variance</u> |
|----------------------------------|---------------------------|---------------------------|------------------|-----------------|
| <b>EXPENDITURES</b>              |                           |                           |                  |                 |
| <b>General Government</b>        |                           |                           |                  |                 |
| Salaries                         | \$ 79,215                 | \$ 79,215                 | \$ 94,201        | \$ 14,986       |
| Overtime                         | 2,000                     | 2,000                     | 1,203            | (797)           |
| Employee Insurance               | 33,600                    | 33,600                    | 23,225           | (10,375)        |
| Employer portion FICA            | 8,635                     | 8,635                     | 9,161            | 526             |
| Employer portion Medicare        | 2,019                     | 2,019                     | 2,147            | 128             |
| Mayor/Council                    | 60,480                    | 60,480                    | 60,480           | -               |
| Employer portion retirement      | 14,884                    | 14,884                    | 13,734           | (1,150)         |
| Unemployment insurance           | 5,000                     | 5,000                     | -                | (5,000)         |
| Computer maintenance             | 25,000                    | 25,000                    | 19,617           | (5,383)         |
| Tax preparation (PVA)            | 35,000                    | 35,000                    | 35,207           | 207             |
| Ordinance codification           | 5,000                     | 5,000                     | -                | (5,000)         |
| Workers compensation             | 5,600                     | 5,600                     | 7,348            | 1,748           |
| Property/liability insurance     | 49,000                    | 49,000                    | 51,511           | 2,511           |
| Administration compensation tax  | -                         | -                         | 692              | 692             |
| Auditing                         | 22,000                    | 22,000                    | -                | (22,000)        |
| Gas/electric/telephone           | 103,000                   | 103,000                   | 100,640          | (2,360)         |
| Legal fees                       | 50,000                    | 50,000                    | 52,156           | 2,156           |
| Legal advertisements             | 7,000                     | 7,000                     | 12,029           | 5,029           |
| Legal fees - delinquent taxes    | -                         | -                         | (4,867)          | (4,867)         |
| Office supplies                  | 7,000                     | 7,000                     | 7,170            | 170             |
| Repair and maintenance           | 5,000                     | 5,000                     | 1,873            | (3,127)         |
| Seminars/education               | 6,000                     | 6,000                     | 6,349            | 349             |
| Miscellaneous                    | 12,000                    | 12,000                    | 11,275           | (725)           |
| Small equipment purchases        | 1,000                     | 1,000                     | 3,885            | 2,885           |
| Board of adjustments and appeals | 1,000                     | 1,000                     | 200              | (800)           |
| Renaissance fund                 | -                         | -                         | 14,019           | 14,019          |
|                                  | <u>539,433</u>            | <u>539,433</u>            | <u>523,255</u>   | <u>(16,178)</u> |
| <b>Police</b>                    |                           |                           |                  |                 |
| Police salaries                  | 586,835                   | 586,835                   | 590,528          | 3,693           |
| Overtime salaries                | 18,000                    | 18,000                    | 26,346           | 8,346           |
| Part-time salaries               | 62,814                    | 62,814                    | 48,618           | (14,196)        |
| KLEFPF                           | 40,300                    | 40,300                    | 42,075           | 1,775           |
| Employee insurance               | 138,659                   | 138,659                   | 118,394          | (20,265)        |
| Employer portion FICA            | 42,343                    | 42,343                    | 39,273           | (3,070)         |
| Employer portion Medicare        | 9,904                     | 9,904                     | 9,178            | (726)           |
| Employer portion Retirement      | 209,473                   | 209,473                   | 229,780          | 20,307          |
| Workers compensation             | 33,300                    | 33,300                    | 22,235           | (11,065)        |
| Automobile insurance             | 28,000                    | 28,000                    | 19,016           | (8,984)         |
| Liability insurance              | 44,557                    | 44,557                    | 21,576           | (22,981)        |
| Radio maintenance                | 6,000                     | 6,000                     | 121              | (5,879)         |
| Computer maintenance             | 16,000                    | 16,000                    | 16,240           | 240             |
| Seminars and education           | 6,000                     | 6,000                     | 7,986            | 1,986           |
| Uniform expense                  | 15,000                    | 15,000                    | 14,112           | (888)           |
| Miscellaneous                    | 25,000                    | 25,000                    | 34,126           | 9,126           |
| Crime prevention                 | 4,000                     | 4,000                     | 1,698            | (2,302)         |
| Criminal investigations          | 4,000                     | 4,000                     | 2,218            | (1,782)         |
| Firing range expense             | 2,500                     | 2,500                     | 4,785            | 2,285           |
| Small equipment purchases        | 4,000                     | 4,000                     | 4,994            | 994             |
| Gas and oil                      | 47,000                    | 47,000                    | 60,547           | 13,547          |
| Equipment repairs                | 30,000                    | 30,000                    | 35,875           | 5,875           |
| Drug enforcement funds           | 1,500                     | 1,500                     | -                | (1,500)         |
| Dry cleaning                     | 2,200                     | 2,200                     | 400              | (1,800)         |
| Telephone/cellular/pagers        | 7,500                     | 7,500                     | 8,931            | 1,431           |
| Oldham County dispatch           | 12,250                    | 12,250                    | 12,250           | -               |
|                                  | <u>1,397,135</u>          | <u>1,397,135</u>          | <u>1,371,302</u> | <u>(25,833)</u> |

**CITY OF LAGRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2014**

|                                     | <u>Enacted<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>     | <u>Variance</u>   |
|-------------------------------------|---------------------------|---------------------------|-------------------|-------------------|
| <b>Public Works</b>                 |                           |                           |                   |                   |
| Salaries                            | \$ 286,810                | \$ 286,810                | \$ 282,130        | \$ (4,680)        |
| Overtime salaries                   | 6,000                     | 6,000                     | 8,693             | 2,693             |
| Employee insurance                  | 129,950                   | 129,950                   | 94,224            | (35,726)          |
| Employer portion FICA               | 20,140                    | 20,140                    | 16,504            | (3,636)           |
| Employer portion Medicare           | 4,710                     | 4,710                     | 3,860             | (850)             |
| Employer portion Retirement         | 56,439                    | 56,439                    | 53,151            | (3,288)           |
| Workers Compensation                | 27,500                    | 27,500                    | 19,911            | (7,589)           |
| Vehicle insurance                   | 26,500                    | 26,500                    | 25,382            | (1,118)           |
| Utilities                           | 10,500                    | 10,500                    | 13,243            | 2,743             |
| Seminars/Education                  | 1,000                     | 1,000                     | 326               | (674)             |
| Uniforms                            | 6,000                     | 6,000                     | 6,796             | 796               |
| Small equipment purchases           | 2,500                     | 2,500                     | 5,985             | 3,485             |
| Gas and oil                         | 18,000                    | 18,000                    | 21,754            | 3,754             |
| Equipment/vehicle repairs           | 14,000                    | 14,000                    | 17,040            | 3,040             |
| Computer maintenance                | 1,000                     | 1,000                     | 625               | (375)             |
| Crushed rock                        | 1,000                     | 1,000                     | 1,481             | 481               |
| Signs and posts                     | 6,000                     | 6,000                     | 2,081             | (3,919)           |
| Sidewalks                           | 3,000                     | 3,000                     | 512               | (2,488)           |
| Drainage                            | 3,000                     | 3,000                     | (417)             | (3,417)           |
| Paving material                     | 2,500                     | 2,500                     | 1,534             | (966)             |
| Street paint                        | 2,000                     | 2,000                     | 1,937             | (63)              |
| Snow removal                        | 5,000                     | 5,000                     | 3,102             | (1,898)           |
| Grounds maintenance                 | 10,000                    | 10,000                    | 3,112             | (6,888)           |
| Building maintenance                | 6,000                     | 6,000                     | 2,656             | (3,344)           |
| Equipment rental                    | 2,000                     | 2,000                     | 1,574             | (426)             |
| Tires and batteries                 | 2,500                     | 2,500                     | 3,095             | 595               |
| Miscellaneous                       | 2,000                     | 2,000                     | 1,492             | (508)             |
| CDL license                         | 1,000                     | 1,000                     | 440               | (560)             |
| Contract help                       | 26,000                    | 26,000                    | -                 | (26,000)          |
| Safety                              | 2,000                     | 2,000                     | 1,373             | (627)             |
| Street lighting                     | 2,000                     | 2,000                     | 773               | (1,227)           |
| <b>Total public works</b>           | <u>687,049</u>            | <u>687,049</u>            | <u>594,369</u>    | <u>(92,680)</u>   |
| <b>Sanitation</b>                   | <u>324,000</u>            | <u>324,000</u>            | <u>329,889</u>    | <u>5,889</u>      |
| <b>Parks and Recreation</b>         | <u>245,000</u>            | <u>245,000</u>            | <u>177,050</u>    | <u>(67,950)</u>   |
| <b>Community Development</b>        |                           |                           |                   |                   |
| Main street                         | 5,000                     | 5,000                     | 4,575             | (425)             |
| Discover downtown LaGrange          | 28,000                    | 28,000                    | 37,250            | 9,250             |
| Economic development, OLDA          | 419,657                   | 419,657                   | 10,823,565        | 10,403,908        |
| Historic preservation               | 2,500                     | 2,500                     | 1,894             | (606)             |
| Tree replacement                    | 1,500                     | 1,500                     | -                 | (1,500)           |
| Elementary school - library         | 2,000                     | 2,000                     | 2,000             | -                 |
| Festivals - Christmas, OC Day       | 3,000                     | 3,000                     | 1,502             | (1,498)           |
| HDB bus transportation              | 26,000                    | 26,000                    | -                 | (26,000)          |
| <b>Total special appropriations</b> | <u>487,657</u>            | <u>487,657</u>            | <u>10,870,786</u> | <u>10,383,129</u> |

**CITY OF LAGRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2014**

|                                     | <u>Enacted<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>            | <u>Variance</u>         |
|-------------------------------------|---------------------------|---------------------------|--------------------------|-------------------------|
| <b>Public Properties</b>            |                           |                           |                          |                         |
| Salaries                            | \$ 25,675                 | \$ 25,675                 | \$ 22,957                | \$ (2,718)              |
| Overtime                            | 1,030                     | 1,030                     | -                        | (1,030)                 |
| Employer portion FICA               | 1,580                     | 1,580                     | 1,282                    | (298)                   |
| Employer portion Medicare           | 370                       | 370                       | 300                      | (70)                    |
| Employer portion Retirement         | 4,982                     | 4,982                     | 4,293                    | (689)                   |
| Health insurance                    | 6,600                     | 6,600                     | 9,844                    | 3,244                   |
| Workers compensation                | 2,100                     | 2,100                     | 2,718                    | 618                     |
| Tools and equipment                 | 2,500                     | 2,500                     | 929                      | (1,571)                 |
| Gas and oil                         | 2,100                     | 2,100                     | 2,368                    | 268                     |
| Truck repairs                       | 2,000                     | 2,000                     | 562                      | (1,438)                 |
| Repairs/maintenance on blue house   | 2,000                     | 2,000                     | 838                      | (1,162)                 |
| Electric/telephone on blue house    | 3,500                     | 3,500                     | 3,026                    | (474)                   |
| Repairs/maintenance 208/210 Main St | <u>3,000</u>              | <u>3,000</u>              | <u>543</u>               | <u>(2,457)</u>          |
| <br>Total public properties         | <br><u>57,437</u>         | <br><u>57,437</u>         | <br><u>49,660</u>        | <br><u>(7,777)</u>      |
| <b>Capital Outlay</b>               |                           |                           |                          |                         |
| General - equipment                 | 3,200                     | 3,200                     | 54,900                   | 51,700                  |
| Police - equipment                  | 13,000                    | 13,000                    | 9,001                    | (3,999)                 |
| Police - construction in progress   | -                         | 300,000                   | 60,536                   | (239,464)               |
| Public works - equipment            | <u>10,000</u>             | <u>10,000</u>             | <u>10,813</u>            | <u>813</u>              |
| <br>Total capital outlay            | <br><u>26,200</u>         | <br><u>326,200</u>        | <br><u>135,250</u>       | <br><u>(190,950)</u>    |
| <br><b>TOTAL EXPENDITURES</b>       | <br><u>\$ 3,763,910</u>   | <br><u>\$ 4,063,910</u>   | <br><u>\$ 14,051,561</u> | <br><u>\$ 9,987,651</u> |

**CITY OF LAGRANGE, KENTUCKY  
SUPPLEMENTARY BUDGETARY COMPARISON  
OTHER GOVERNMENTAL FUNDS  
for the year ended June 30, 2014**

|                                | <u>Enacted<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>     | <u>Variance</u>    |
|--------------------------------|---------------------------|---------------------------|-------------------|--------------------|
| <b>MUNICIPAL ROAD AID FUND</b> |                           |                           |                   |                    |
| <b>REVENUES</b>                |                           |                           |                   |                    |
| Fund Payments                  | \$ 120,000                | \$ 120,000                | \$ 189,042        | \$ 69,042          |
| Interest                       | -                         | -                         | 551               | 551                |
| Carryover                      | <u>102,000</u>            | <u>102,000</u>            | <u>-</u>          | <u>(102,000)</u>   |
| <b>TOTAL REVENUE</b>           | <u>\$ 222,000</u>         | <u>\$ 222,000</u>         | <u>\$ 189,593</u> | <u>\$ (32,407)</u> |
| <b>EXPENDITURES</b>            |                           |                           |                   |                    |
| Street repair and maintenance  | <u>\$ 222,000</u>         | <u>\$ 222,000</u>         | <u>\$ 161,434</u> | <u>\$ (60,566)</u> |
| <b>TOTAL EXPENDITURES</b>      | <u>\$ 222,000</u>         | <u>\$ 222,000</u>         | <u>\$ 161,434</u> | <u>\$ (60,566)</u> |
| <b>DEBT SERVICE FUND</b>       |                           |                           |                   |                    |
| <b>REVENUES</b>                |                           |                           |                   |                    |
| Interest                       | \$ -                      | \$ -                      | \$ 5              | \$ 5               |
| Transfers in                   | <u>98,110</u>             | <u>98,110</u>             | <u>92,987</u>     | <u>(5,123)</u>     |
| <b>TOTAL REVENUE</b>           | <u>\$ 98,110</u>          | <u>\$ 98,110</u>          | <u>\$ 92,992</u>  | <u>\$ (5,118)</u>  |
| <b>EXPENDITURES</b>            |                           |                           |                   |                    |
| Debt service                   | <u>\$ 98,110</u>          | <u>\$ 98,110</u>          | <u>\$ 98,110</u>  | <u>\$ -</u>        |
| <b>TOTAL EXPENDITURES</b>      | <u>\$ 98,110</u>          | <u>\$ 98,110</u>          | <u>\$ 98,110</u>  | <u>\$ -</u>        |
| <b>CAPITAL PROJECTS FUND</b>   |                           |                           |                   |                    |
| <b>REVENUES</b>                |                           |                           |                   |                    |
| Interest                       | \$ -                      | \$ -                      | \$ 3              | \$ 3               |
| Transfers in                   | <u>-</u>                  | <u>-</u>                  | <u>-</u>          | <u>-</u>           |
| <b>TOTAL REVENUE</b>           | <u>\$ -</u>               | <u>\$ -</u>               | <u>\$ 3</u>       | <u>\$ 3</u>        |
| <b>EXPENDITURES</b>            |                           |                           |                   |                    |
| Capital outlay                 | \$ -                      | \$ -                      | \$ -              | \$ -               |
| Debt service                   | -                         | -                         | -                 | -                  |
| Transfers out                  | <u>-</u>                  | <u>-</u>                  | <u>-</u>          | <u>-</u>           |
| <b>TOTAL EXPENDITURES</b>      | <u>\$ -</u>               | <u>\$ -</u>               | <u>\$ -</u>       | <u>\$ -</u>        |
| <b>PARKS BOARD FUND</b>        |                           |                           |                   |                    |
| <b>REVENUES</b>                |                           |                           |                   |                    |
| Other revenues                 | \$ -                      | \$ -                      | \$ 56             | \$ 56              |
| Transfers in                   | <u>-</u>                  | <u>-</u>                  | <u>-</u>          | <u>-</u>           |
| <b>TOTAL REVENUE</b>           | <u>\$ -</u>               | <u>\$ -</u>               | <u>\$ 56</u>      | <u>\$ 56</u>       |
| <b>EXPENDITURES</b>            |                           |                           |                   |                    |
| Capital outlay                 | <u>\$ -</u>               | <u>\$ -</u>               | <u>\$ -</u>       | <u>\$ -</u>        |
| <b>TOTAL EXPENDITURES</b>      | <u>\$ -</u>               | <u>\$ -</u>               | <u>\$ -</u>       | <u>\$ -</u>        |

**CITY OF LAGRANGE, KENTUCKY**  
**SUPPLEMENTARY BUDGETARY COMPARISON**  
**OTHER GOVERNMENTAL FUNDS**  
for the year ended June 30, 2014

|                            | <u>Enacted<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>     | <u>Variance</u>     |
|----------------------------|---------------------------|---------------------------|-------------------|---------------------|
| <b>ABC FUND</b>            |                           |                           |                   |                     |
| <b>REVENUES</b>            |                           |                           |                   |                     |
| Licenses and permits       | \$ -                      | \$ -                      | \$ 320,159        | \$ 320,159          |
| <b>TOTAL REVENUE</b>       | <u>\$ -</u>               | <u>\$ -</u>               | <u>\$ 320,159</u> | <u>\$ 320,159</u>   |
| <b>EXPENDITURES</b>        |                           |                           |                   |                     |
| ABC                        | <u>\$ 251,599</u>         | <u>\$ 251,599</u>         | <u>\$ 146,833</u> | <u>\$ (104,766)</u> |
| <b>TOTAL EXPENDITURES</b>  | <u>\$ 251,599</u>         | <u>\$ 251,599</u>         | <u>\$ 146,833</u> | <u>\$ (104,766)</u> |
| <b>BUS FUND</b>            |                           |                           |                   |                     |
| <b>REVENUES</b>            |                           |                           |                   |                     |
| Intergovernmental revenues | <u>\$ 171,670</u>         | <u>\$ 171,670</u>         | <u>\$ 129,252</u> | <u>\$ (42,418)</u>  |
| <b>TOTAL REVENUE</b>       | <u>\$ 171,670</u>         | <u>\$ 171,670</u>         | <u>\$ 129,252</u> | <u>\$ (42,418)</u>  |
| <b>EXPENDITURES</b>        |                           |                           |                   |                     |
| General & Administrative   | \$ 33,140                 | \$ 33,140                 | \$ 30,872         | \$ (2,268)          |
| Salaries and wages         | 103,230                   | 103,230                   | 81,935            | (21,295)            |
| Repairs and maintenance    | 8,300                     | 8,300                     | 6,526             | (1,774)             |
| Fuel                       | <u>19,000</u>             | <u>19,000</u>             | <u>17,546</u>     | <u>(1,454)</u>      |
| <b>TOTAL EXPENDITURES</b>  | <u>\$ 163,670</u>         | <u>\$ 163,670</u>         | <u>\$ 136,879</u> | <u>\$ (26,791)</u>  |



**CITY OF LAGRANGE, KENTUCKY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2014**

|                                     | <b>Municipal<br/>Road Aid<br/>Fund</b> | <b>Debt<br/>Service<br/>Fund</b> | <b>Capital<br/>Projects<br/>Fund</b> | <b>Foundations<br/>and Parks<br/>Fund</b> | <b>ABC<br/>Fund</b> | <b>Bus<br/>Fund</b> | <b>Total</b>      |
|-------------------------------------|--|----------------------------------|--------------------------------------|---|---------------------|---------------------|-------------------|
| <b>ASSETS</b>                       |  |                                  |                                      |   |                     |                     |                   |
| Assets                              |  |                                  |                                      |   |                     |                     |                   |
| Cash                                | \$ 311,650                             | \$ -                             | \$ 64,429                            | \$ 39,074                                 | \$ 217,887          | \$ 91,046           | \$ 724,086        |
| Accounts receivable                 | 15,503                                 | -                                | -                                    | -   | 85,521              | 20,026              | 121,050           |
| Due from other fund                 | -                                      | -                                | -                                    | -   | -                   | -                   | -                 |
|                                     | <u>-</u>                               | <u>-</u>                         | <u>-</u>                             | <u>-</u>                                  | <u>-</u>            | <u>-</u>            | <u>-</u>          |
| Total assets                        | <u>\$ 327,153</u>                      | <u>\$ -</u>                      | <u>\$ 64,429</u>                     | <u>\$ 39,074</u>                          | <u>\$ 303,408</u>   | <u>\$ 111,072</u>   | <u>\$ 845,136</u> |
| <b>LIABILITIES AND FUND BALANCE</b> |  |                                  |                                      |   |                     |                     |                   |
| Liabilities                         |  |                                  |                                      |   |                     |                     |                   |
| Accounts payable                    | \$ -                                   | \$ -                             | \$ -                                 | \$ -                                      | \$ -                | \$ -                | \$ -              |
| Due to other fund                   | 440                                    | -                                | -                                    | -   | 69,905              | 67,699              | 138,044           |
|                                     | <u>440</u>                             | <u>-</u>                         | <u>-</u>                             | <u>-</u>                                  | <u>69,905</u>       | <u>67,699</u>       | <u>138,044</u>    |
| Total liabilities                   | 440                                    | -                                | -                                    | -   | 69,905              | 67,699              | 138,044           |
| Fund balance                        | <u>326,713</u>                         | <u>-</u>                         | <u>64,429</u>                        | <u>39,074</u>                             | <u>233,503</u>      | <u>43,373</u>       | <u>707,092</u>    |
| Total liabilities and fund balance  | <u>\$ 327,153</u>                      | <u>\$ -</u>                      | <u>\$ 64,429</u>                     | <u>\$ 39,074</u>                          | <u>\$ 303,408</u>   | <u>\$ 111,072</u>   | <u>\$ 845,136</u> |

**CITY OF LAGRANGE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
for the year ended June 30, 2014

|   | <b>Municipal<br/>Road Aid<br/>Fund</b> | <b>Debt<br/>Service<br/>Fund</b> | <b>Capital<br/>Projects<br/>Fund</b> | <b>Foundations<br/>and Parks<br/>Fund</b> | <b>ABC<br/>Fund</b> | <b>Bus<br/>Fund</b> | <b>Total</b>      |
|---|--|----------------------------------|--------------------------------------|---|---------------------|---------------------|-------------------|
| <b>REVENUES</b>   |  |                                  |                                      |   |                     |                     |                   |
| Intergovernmental revenues  | \$ 189,042                             | \$ -                             | \$ -                                 | \$ -                                      | \$ -                | \$ 129,252          | \$ 318,294        |
| Licenses and permits  | -                                      | -                                | -                                    | -   | 320,159             | -                   | 320,159           |
| Other revenues  | <u>551</u>                             | <u>5</u>                         | <u>3</u>                             | <u>56</u>                                 | <u>-</u>            | <u>-</u>            | <u>615</u>        |
| Total revenues  | <u>189,593</u>                         | <u>5</u>                         | <u>3</u>                             | <u>56</u>                                 | <u>320,159</u>      | <u>129,252</u>      | <u>639,068</u>    |
| <b>EXPENDITURES</b>   |  |                                  |                                      |   |                     |                     |                   |
| ABC   | -                                      | -                                | -                                    | -   | 117,692             | -                   | 117,692           |
| Bus   | -                                      | -                                | -                                    | -   | -                   | 136,879             | 136,879           |
| Capital outlay  | 161,434                                | -                                | -                                    | -   | 29,141              | -                   | 190,575           |
| Debt service  | <u>-</u>                               | <u>98,110</u>                    | <u>-</u>                             | <u>-</u>                                  | <u>-</u>            | <u>-</u>            | <u>98,110</u>     |
| Total expenditures  | <u>161,434</u>                         | <u>98,110</u>                    | <u>-</u>                             | <u>-</u>                                  | <u>146,833</u>      | <u>136,879</u>      | <u>543,256</u>    |
| Excess revenues over<br>(under) expenditures before<br>other sources (uses) | <u>28,159</u>                          | <u>(98,105)</u>                  | <u>3</u>                             | <u>56</u>                                 | <u>173,326</u>      | <u>(7,627)</u>      | <u>95,812</u>     |
| <b>Other financing sources</b>  |  |                                  |                                      |   |                     |                     |                   |
| Transfers in (out)  | <u>-</u>                               | <u>92,987</u>                    | <u>-</u>                             | <u>-</u>                                  | <u>-</u>            | <u>26,000</u>       | <u>118,987</u>    |
| Total other financing sources   | <u>-</u>                               | <u>92,987</u>                    | <u>-</u>                             | <u>-</u>                                  | <u>-</u>            | <u>26,000</u>       | <u>118,987</u>    |
| <b>Excess revenues and other<br/>sources over (under)<br/>expenditures</b>  | 28,159                                 | (5,118)                          | 3                                    | 56  | 173,326             | 18,373              | 214,799           |
| Fund balances, July 1, 2013   | <u>298,554</u>                         | <u>5,118</u>                     | <u>64,426</u>                        | <u>39,018</u>                             | <u>60,177</u>       | <u>25,000</u>       | <u>492,293</u>    |
| <b>FUND BALANCES - JUNE 30, 2014</b>  | <u>\$ 326,713</u>                      | <u>\$ -</u>                      | <u>\$ 64,429</u>                     | <u>\$ 39,074</u>                          | <u>\$ 233,503</u>   | <u>\$ 43,373</u>    | <u>\$ 707,092</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**

To the Mayor and City Council  
City of LaGrange, 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 LaGrange, Kentucky, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of LaGrange, Kentucky's basic financial statements and have issued our report thereon dated May 8, 2015. Our opinion on the financial statements and this report, insofar as they relate to the Utility Commission of the City of LaGrange are based solely on the report of other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of LaGrange, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of LaGrange, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of LaGrange, 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 deficiency in internal control that we consider to be a material weakness and we identified certain deficiencies that we consider to be significant deficiencies.

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 (2014-001) 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 deficiencies (2014-002 and 2014-003) described in the accompany schedule of findings and responses to be significant deficiencies.

**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  
(CONTINUED)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of LaGrange, 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 LaGrange, Kentucky's Response to Findings**

The City of LaGrange, Kentucky's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of LaGrange, 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.

*Ray, Foley, Hensley and Company*

Ray, Foley, Hensley and Company, PLLC  
May 8, 2015



**CITY OF LAGRANGE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2014**

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**2014-001 (Entity-wide)**

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.

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.

**2014-002 (Entity-wide)**

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.

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.

**2014-003 (Utility Commission)**

Criteria: Significant accounts in the general ledger should be reconciled.

Cause: A proper reconciliation was not performed.

Effect: The general ledger was adjusted to the proper balances upon completion of the annual audit.

Recommendation: The general ledger should be reconciled on a monthly basis to the checking account transactions.

Management's Response: We concur with this recommendation.