

CITY OF LAGRANGE
LaGrange, Kentucky

FINANCIAL STATEMENTS
June 30, 2015

CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis.....	3-10
Government Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	14
Statement of Net Position – Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds.....	17
Notes to Financial Statements	18-41
Required Supplementary Information:	
Budget Information	42-45
Proportionate Share of the Net Pension Liability - Nonhazardous.....	46
Proportionate Share of the Net Pension Liability - Hazardous	47
Schedule of Contributions - Nonhazardous	48
Schedule of Contributions - Hazardous.....	49
Other Information:	
Budgetary Comparison Other Governmental Funds	50-51
Combining Balance Sheet – Nonmajor Governmental Funds.....	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	53
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 <i>Government Auditing Standards</i>	54-55
Schedule of Findings and Responses.....	56



INDEPENDENT AUDITORS' REPORT

Mayor and the City Council
City of LaGrange, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LaGrange, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LaGrange, Kentucky, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension schedules on pages 3-10 and 42-49 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2016, on our consideration of the City of LaGrange, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of LaGrange, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
May 23, 2016

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, 2015. Please read in conjunction with the auditors' report beginning on page 1 and the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's net position increased in the governmental activities and decreased in the business-type activities. The net position of the governmental activities increased by \$2,197,612, or 144%, and the net position of the business-type activities decreased by \$56,346, or 1%.
- In the City's governmental activities, revenues decreased approximately \$9,671,678, or 59.8 percent, and expenses decreased by \$10,489,178 or 72 percent. The large drop in revenue and expenses is the result of a bond issue in the PY. In the business-type activities, revenues decreased by \$596,754, which is a decrease of 14.9 percent, and expenses increased by \$69,376 or 1.9 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

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Current and Other Assets	\$ 4,355,593	\$ 3,151,996	\$ 2,319,325	\$ 2,579,228	\$ 6,674,918	\$ 5,731,224
Noncurrent and Capital Assets	3,826,891	3,796,838	21,750,045	22,110,046	25,576,936	25,906,884
OLDA Investment	8,518,188	8,522,574	-	-	8,518,188	8,522,574
Total Assets	<u>16,700,672</u>	<u>15,471,408</u>	<u>24,069,370</u>	<u>24,689,274</u>	<u>40,770,042</u>	<u>40,160,682</u>
Deferred Outflows - pension	202,795	-	57,084	-	259,879	-
Total Assets and Deferred Outflows	<u>\$ 16,903,467</u>	<u>\$ -</u>	<u>\$ 24,126,454</u>	<u>\$ -</u>	<u>41,029,921</u>	<u>-</u>
Current Liabilities	1,259,246	735,202	786,210	761,511	2,045,456	1,496,713
Long-Term Debt Outstanding	9,385,904	10,745,000	7,144,297	7,800,207	16,530,201	18,545,207
Other non-current liabilities	60,772	123,473	87,937	-	148,709	123,473
Net Pension Liability	2,289,907	2,344,907	631,958	651,958	2,921,865	2,996,865
Total Liabilities	<u>12,995,829</u>	<u>13,948,582</u>	<u>8,650,402</u>	<u>9,213,676</u>	<u>21,646,231</u>	<u>23,162,258</u>
Deferred Inflows - Pension	187,200	-	56,800	-	244,000	-
Net Position:						
Net investment in capital assets	2,480,089	2,400,038	13,687,755	13,723,699	16,167,844	16,123,737
Restricted	752,779	738,513	278,319	48,885	1,031,098	787,398
Unrestricted	487,570	(1,615,725)	1,453,178	1,703,014	1,940,748	87,289
Total Net Position	<u>\$ 3,720,438</u>	<u>\$ 1,522,826</u>	<u>\$ 15,419,252</u>	<u>\$ 15,475,598</u>	<u>\$ 19,139,690</u>	<u>\$ 16,998,424</u>

Net position of the City's governmental activities increased by 144 percent, from \$1,522,826 in 2014 to \$3,720,438 in 2015. The net position of the business-type activities decreased from \$15,475,598 in 2014 to \$15,419,252 in 2015, which is a 1 percent decrease. The net position from one activity generally cannot be used to make up for any deficits in the other activities.

NET POSITION, continued

Table A-2

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
Revenues	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
<u>Program Revenues</u>						
Charges for Service	\$ 369,111	\$ 365,216	\$ 3,169,848	\$ 3,861,536	\$ 3,538,959	\$ 4,226,752
Operating Grants & Contributions	344,301	375,030	-	-	344,301	375,030
Capital Grants & Contributions	12,882	61,470	232,868	127,500	245,750	188,970
<u>General Revenue</u>						
Taxes	1,499,121	1,458,338	-	-	1,499,121	1,458,338
License fees	4,188,877	3,505,002	-	-	4,188,877	3,505,002
Investment Earnings	2,270	4,920	4,673	5,312	6,943	10,232
Rents	3,300	5,300	-	-	3,300	5,300
Community Center Donations	3,895	1,885	-	-	3,895	1,885
Change in OLDA Investment	31,629	116,187	-	-	31,629	116,187
	(4,386)	10,239,058	-	-	(4,386)	10,239,058
Miscellaneous	54,330	44,602	-	9,795	54,330	54,397
Total Revenue	6,505,330	16,177,008	3,407,389	4,004,143	9,912,719	20,181,151
<u>Program Expenses</u>						
General Government	664,093	579,456	-	-	664,093	579,456
Public Safety - Police	1,347,255	1,410,514	-	-	1,347,255	1,410,514
Public Works	818,784	799,935	-	-	818,784	799,935
Parks and Recreation	189,414	199,540	-	-	189,414	199,540
Sanitation	337,567	329,889	-	-	337,567	329,889
Community Development	83,659	10,870,786	-	-	83,659	10,870,786
Public Safety - Fire	-	-	-	-	-	-
Public Properties	64,318	49,660	-	-	64,318	49,660
Bus	145,386	151,312	-	-	145,386	151,312
ABC	129,961	123,520	-	-	129,961	123,520
Interest on Debt	293,107	48,110	-	-	293,107	48,110
Golf Course	-	-	590,816	607,401	590,816	607,401
Sewer and Water	-	-	3,055,111	2,969,150	3,055,111	2,969,150
Total Program Expenses	4,073,544	14,562,722	3,645,927	3,576,551	7,719,471	18,139,273
Change in Net Position Before Transfers	2,431,786	1,614,286	(238,538)	427,592	2,193,248	2,041,878
Transfers	(234,174)	-	234,174	-	-	-
Loss on sale of assets	-	(257)	(51,982)	(20,490)	(51,982)	(257)
Change in Net Position	\$ 2,197,612	\$ 1,614,029	\$ (56,346)	\$ 407,102	\$ 2,141,266	\$ 2,021,131

The City's total revenue decreased from \$20,181,151 in 2014 to \$9,912,719 in 2015 or 51 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 2015</u>	<u>FY 2014</u>	<u>Variance</u>
Taxes	\$ 1,499,121	\$ 1,458,338	\$ 40,783
Licenses and permits	4,188,877	3,505,002	683,875
Intergovernmental	357,183	387,990	(30,807)
Charges for Services	369,111	365,216	3,895
Other Revenues	99,913	172,950	(73,037)
Total Revenues	<u>6,514,205</u>	<u>5,889,496</u>	<u>624,709</u>
General Administration	613,822	523,255	90,567
Police Protection	1,365,577	1,371,302	(5,725)
Public Works	618,884	594,369	24,515
Sanitation	337,567	329,889	7,678
Park and Recreation	165,985	177,050	(11,065)
Community Development	83,659	10,870,786	(10,787,127)
Public Properties	65,859	49,660	16,199
ABC	121,628	117,692	3,936
Bus	141,378	136,879	4,499
Capital Outlay	371,214	325,825	45,389
Debt Service	<u>1,229,504</u>	<u>98,110</u>	<u>1,131,394</u>
Total Expenditures	<u>5,115,077</u>	<u>14,594,817</u>	<u>(9,479,740)</u>
Excess Revenues over			
Expenditures before other financing sources	<u>\$ 1,399,128</u>	<u>\$ (8,705,321)</u>	<u>\$ 10,104,449</u>

Revenues for the City's governmental activities increased by 11 percent, and total expenditures decreased by 185% percent. The City's major source of revenue in the governmental activities is taxes, licenses and permits, which makes up 87.31 percent of total revenues, these revenue sources increased by \$724,658 in 2015. The large decrease in expense is the result of the refunding of the OLDA debt.

BUSINESS-TYPE ACTIVITIES

Looking at the business-type activities, revenues (FY 2015) for the City decreased to \$3,407,389 or 14.9 percent, while total expenses increased 1 percent. The excess of expenses over revenues decreased net position by \$56,346.

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	\$ 1,366,300	\$ 1,499,121	\$ 132,821
Licenses and permits	3,042,200	3,830,893	788,693
Intergovernmental	71,000	68,657	(2,343)
Charges for Services	355,000	369,111	14,111
Other Revenues	81,200	99,425	18,225
Foundations and Parks Fund	-	56	56
ABC Fund	229,000	357,984	128,984
Bus Fund	164,497	75,712	(88,785)
Municipal Aid Fund	242,000	213,246	(28,754)
Total Revenues	<u>\$ 5,551,197</u>	<u>\$ 6,514,205</u>	<u>\$ 963,008</u>

Table A-5

Condensed Governmental Activities - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 589,721	\$ 613,822	\$ 24,101
Police Protection	1,507,106	1,365,577	(141,529)
Public Works	728,513	618,884	(109,629)
Sanitation	324,000	337,567	13,567
Park and Recreation	230,000	165,985	(64,015)
Community Development	90,500	83,659	(6,841)
Public Properties	60,274	65,859	5,585
Capital Outlay	27,700	98,381	70,681
Debt Service	1,271,388	1,229,504	(41,884)
ABC Fund	229,000	195,483	(33,517)
Bus Fund	144,270	141,378	(2,892)
Foundations and Parks Fund	-	-	-
Municipal Aid Fund	242,000	198,978	(43,022)
Total Expenditures	<u>\$ 5,444,472</u>	<u>\$ 5,115,077</u>	<u>\$ (329,395)</u>

The City budgeted for a total of \$5,551,197 in revenues for 2015, but ended up having revenues of \$6,514,205 which put the City 17.34 percent over the revenue budget. A total of \$5,444,472 was budgeted for expenses, but expenditures totaled \$5,115,077 for the year 2015. The City was under budget on the expenses by \$329,395 or 6 percent as detailed above.

CAPITAL ASSETS

The City has a total of \$41,168,361 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 \$740,157 (2 percent) from last year's total investment of \$40,428,204.

Table A-6

Capital Assets at Year End Without Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Land & Improvements	\$ 730,201	\$ 730,201	\$ -	\$ -	\$ 730,201	\$ 730,201
Construction in progress	-	60,536	-	-	-	60,536
Buildings & Improvements	2,234,592	2,085,046	-	-	2,234,592	2,085,046
Vehicles & Equipment	2,610,094	2,526,868	-	-	2,610,094	2,526,868
Infrastructure Assets	1,236,432	1,037,454	-	-	1,236,432	1,037,454
Business-Type Assets	-	-	34,357,042	33,988,099	34,357,042	33,988,099
Total Capital Assets	<u>\$ 6,811,319</u>	<u>\$ 6,440,105</u>	<u>\$ 34,357,042</u>	<u>\$ 33,988,099</u>	<u>\$ 41,168,361</u>	<u>\$ 40,428,204</u>

DEBT

This year the City has \$18,251,491 in long-term debt, a 7.6 percent decrease from last year's total of \$19,748,089.

Table A-7

Debt Outstanding at Year End

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Capital Leases	\$ 935,000	\$ 985,000	\$ 2,363,635	\$ 2,604,867	\$ 3,298,635	\$ 3,589,867
Bond Issues	9,464,237	10,350,635	5,339,910	5,653,315	14,804,147	16,003,950
Capital Equipment Leases	-	-	-	-	-	-
Customer Deposits	-	-	55,509	69,978	55,509	69,978
Accrued Absences	60,772	67,838	32,428	16,456	93,200	84,294
Total Debt Outstanding	<u>\$ 10,460,009</u>	<u>\$ 11,403,473</u>	<u>\$ 7,791,482</u>	<u>\$ 8,344,616</u>	<u>\$ 18,251,491</u>	<u>\$ 19,748,089</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials consider many factors when setting the fiscal year 2016 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.

CITY OF LAGRANGE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,130,498	\$ 1,310,209	\$ 4,440,707
Investments	-	590,880	590,880
Receivables (net)	1,198,014	413,184	1,611,198
Internal balances	27,081	(27,081)	-
Inventory of supplies	-	32,133	32,133
Total current assets	<u>4,355,593</u>	<u>2,319,325</u>	<u>6,674,918</u>
Non-current assets			
Restricted cash and cash equivalents	411,802	303,745	715,547
Long-term accounts receivable	-	55,000	55,000
Investment in joint venture (net equity) Oldham-LaGrange Development Authority	<u>8,518,188</u>	<u>-</u>	<u>8,518,188</u>
Total non-current assets	<u>8,929,990</u>	<u>358,745</u>	<u>9,288,735</u>
Capital assets			
Land and improvements, net	730,201	2,650,513	3,380,714
Plant and sewer system, net	-	17,784,410	17,784,410
Depreciable buildings, property, and equipment, net	<u>2,032,755</u>	<u>956,377</u>	<u>2,989,132</u>
Infrastructure, net	<u>652,133</u>	<u>-</u>	<u>652,133</u>
Total capital assets	<u>3,415,089</u>	<u>21,391,300</u>	<u>24,806,389</u>
Total assets	<u>\$ 16,700,672</u>	<u>\$ 24,069,370</u>	<u>\$ 40,770,042</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	<u>202,795</u>	<u>57,084</u>	<u>259,879</u>
Total assets and deferred outflows of resources	<u>\$ 16,903,467</u>	<u>\$ 24,126,454</u>	<u>\$ 41,029,921</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 206,895	\$ 117,551	\$ 324,446
Accrued payroll liabilities	39,018	35,516	74,534
Accrued interest	-	29,218	29,218
Unearned revenue	-	44,677	44,677
Customer deposits	-	55,509	55,509
Current portion of long-term obligations	<u>1,013,333</u>	<u>559,248</u>	<u>1,572,581</u>
Total current liabilities	<u>1,259,246</u>	<u>841,719</u>	<u>2,100,965</u>
Non-current liabilities			
Non-current portion of long-term obligations	9,385,904	7,144,297	16,530,201
Net pension liability	2,289,907	631,958	2,921,865
Accrued leave	<u>60,772</u>	<u>32,428</u>	<u>93,200</u>
Total liabilities	<u>12,995,829</u>	<u>8,650,402</u>	<u>21,646,231</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	<u>187,200</u>	<u>56,800</u>	<u>244,000</u>
NET POSITION			
Net investment in capital assets	2,480,089	13,687,755	16,167,844
Restricted for:			
Road improvements	340,977	-	340,977
Debt service	411,802	218,403	630,205
Unrestricted	<u>487,570</u>	<u>1,513,094</u>	<u>2,000,664</u>
Total net position	<u>3,720,438</u>	<u>15,419,252</u>	<u>19,139,690</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 16,903,467</u>	<u>\$ 24,126,454</u>	<u>\$ 41,029,921</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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government							
Governmental activities							
General government	\$ 664,093	\$ -	\$ 5,669	\$ -	\$ (658,424)	\$ -	\$ (658,424)
Public safety-Police	1,347,255	-	50,106	12,882	(1,284,267)	-	(1,284,267)
Public works	818,784	-	212,814	-	(605,970)	-	(605,970)
Parks and recreation	189,414	-	-	-	(189,414)	-	(189,414)
Sanitation	337,567	369,111	-	-	31,544	-	31,544
Community development	83,659	-	-	-	(83,659)	-	(83,659)
Public properties	64,318	-	-	-	(64,318)	-	(64,318)
Bus	145,386	-	75,712	-	(69,674)	-	(69,674)
ABC	129,961	-	-	-	(129,961)	-	(129,961)
Interest on long-term debt	293,107	-	-	-	(293,107)	-	(293,107)
Total governmental activities	4,073,544	369,111	344,301	12,882	(3,347,250)	-	(3,347,250)
Business-type activities							
Utility Commission	3,055,111	2,680,957	-	217,868	-	(156,286)	(156,286)
Golf Course	590,816	488,891	-	15,000	-	(86,925)	(86,925)
Total business-type activities	3,645,927	3,169,848	-	232,868	-	(243,211)	(243,211)
Total primary government	\$ 7,719,471	\$ 3,538,959	\$ 344,301	\$ 245,750	(3,347,250)	(243,211)	(3,590,461)
General revenues							
Taxes							
Property taxes, levied for general purposes					1,311,200	-	1,311,200
Bank shares					52,435	-	52,435
Motor vehicle tax					135,486	-	135,486
License fees							
Franchise fees					354,138	-	354,138
Business licenses					338,988	-	338,988
Compensation tax					1,625,215	-	1,625,215
Insurance premiums					1,498,662	-	1,498,662
Other fees and permits					371,874	-	371,874
Investment earnings					2,270	4,673	6,943
Rents					3,300	-	3,300
Community Center					3,895	-	3,895
Donations					31,629	-	31,629
Miscellaneous					54,330	-	54,330
Total general revenues					5,783,422	4,673	5,788,095
(Decrease) in joint venture - Oldham-LaGrange Development Authority					(4,386)	-	(4,386)
Transfers in (out)					(234,174)	234,174	-
(Loss) on disposal of capital assets					-	(51,982)	(51,982)
Total general and other revenues					5,544,862	186,865	5,731,727
Change in Net Position					2,197,612	(56,346)	2,141,266
Net position at beginning of year, as restated					1,522,826	15,475,598	16,998,424
NET POSITION - ENDING					\$ 3,720,438	\$ 15,419,252	\$ 19,139,690

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

CITY OF LAGRANGE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,495,155	\$ 1,047,145	\$ 3,542,300
Receivables, net	1,050,860	147,154	1,198,014
Due from other funds	<u>370,183</u>	<u>-</u>	<u>370,183</u>
Total assets	<u>\$ 3,916,198</u>	<u>\$ 1,194,299</u>	<u>\$ 5,110,497</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 201,249	\$ 5,646	\$ 206,895
Accrued payroll payable	36,716	2,302	39,018
Accrued leave	58,733	2,039	60,772
Due to other funds	<u>3,041</u>	<u>340,061</u>	<u>343,102</u>
Total liabilities	<u>299,739</u>	<u>350,048</u>	<u>649,787</u>
Fund balances			
Restricted			
Road improvements	-	340,977	340,977
Debt service	411,802	-	411,802
Committed			
Capital projects	-	64,433	64,433
Foundations and parks	-	39,130	39,130
ABC	-	396,004	396,004
Bus	-	3,707	3,707
Unassigned			
General fund	<u>3,204,657</u>	<u>-</u>	<u>3,204,657</u>
Total fund balances	<u>3,616,459</u>	<u>844,251</u>	<u>4,460,710</u>
Total liabilities and fund balances	<u>\$ 3,916,198</u>	<u>\$ 1,194,299</u>	<u>\$ 5,110,497</u>

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

Fund balances reported above	\$ 4,460,710
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,415,089
Equity interests in joint ventures are not financial resources and therefore are not reported in the funds. The equity interest is reported as the net equity in the joint venture's net position.	8,518,188
Net deferred inflows/outflows related to the long-term net pension liability are not reported in the funds.	15,595
Long-term liabilities, including bonds payable, unamortized bond premium, and net pension liability are not due and payable in the current period and therefore are not reported in the funds.	<u>(12,689,144)</u>
Net position of governmental activities	<u>\$ 3,720,438</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, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,499,121	\$ -	\$ 1,499,121
Licenses and permits	3,830,893	357,984	4,188,877
Intergovernmental	68,657	288,526	357,183
Charges for services	369,111	-	369,111
Other revenues	<u>99,425</u>	<u>488</u>	<u>99,913</u>
Total revenues	<u>5,867,207</u>	<u>646,998</u>	<u>6,514,205</u>
EXPENDITURES			
Current			
General administration	613,822	-	613,822
Public safety-Police	1,365,577	-	1,365,577
Public works	618,884	-	618,884
Sanitation	337,567	-	337,567
Parks and recreation	165,985	-	165,985
Community development	83,659	-	83,659
Public properties	65,859	-	65,859
ABC	-	121,628	121,628
Bus	-	141,378	141,378
Capital outlay	98,381	272,833	371,214
Debt service	<u>1,229,504</u>	<u>-</u>	<u>1,229,504</u>
Total expenditures	<u>4,579,238</u>	<u>535,839</u>	<u>5,115,077</u>
Excess of Revenues Over Expenditures	<u>1,287,969</u>	<u>111,159</u>	<u>1,399,128</u>
Other financing sources			
Transfer in (out)	<u>(260,174)</u>	<u>26,000</u>	<u>(234,174)</u>
Net change in fund balances	1,027,795	137,159	1,164,954
Fund balances-beginning	<u>2,588,664</u>	<u>707,092</u>	<u>3,295,756</u>
Fund balances-ending	<u>\$ 3,616,459</u>	<u>\$ 844,251</u>	<u>\$ 4,460,710</u>
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ 1,164,954
Add: capital outlay expenditures capitalized			371,214
Add: debt service expenditures			1,229,504
Add: change in pension liability			70,596
Add: bond premium amortization			5,564
Less: depreciation on governmental activities assets			(341,163)
Less: decreases in the equity interest of joint ventures			(4,386)
Less: interest expense			<u>(298,671)</u>
Change in net position - governmental activities			<u>\$ 2,197,612</u>

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

CITY OF LAGRANGE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

ASSETS	Business-type Activities		
	Water & Sewer	Golf Course	Totals
Current assets			
Cash and cash equivalents	\$ 1,173,193	\$ 137,016	\$ 1,310,209
Investments	590,880	-	590,880
Receivables (net)	401,645	11,539	413,184
Inventory	25,643	6,490	32,133
Due from other funds	-	3,040	3,040
Total current assets	2,191,361	158,085	2,349,446
Non-current assets			
Restricted cash and cash equivalents	234,321	69,424	303,745
Long-term accounts receivable	-	55,000	55,000
Total non-current assets	234,321	124,424	358,745
Capital assets			
Land	94,897	1,614,643	1,709,540
Land improvements	-	2,359,458	2,359,458
Plant and sewer system	28,228,034	-	28,228,034
Buildings and improvements	857,893	-	857,893
Vehicle and equipment	804,047	398,069	1,202,116
Less: accumulated depreciation	(11,236,828)	(1,728,913)	(12,965,741)
Total capital assets	18,748,043	2,643,257	21,391,300
Total assets	21,173,725	2,925,766	24,099,491
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	57,084	-	57,084
Total assets and deferred outflows of resources	\$ 21,230,809	\$ 2,925,766	\$ 24,156,575
LIABILITIES			
Current liabilities			
Accounts payable	\$ 98,776	\$ 18,775	\$ 117,551
Accrued payroll liabilities	24,878	10,638	35,516
Accrued interest payable	3,792	25,426	29,218
Unearned revenue	-	44,677	44,677
Customer deposits payable	55,509	-	55,509
Due to other funds	30,121	-	30,121
Capital lease obligations	229,248	15,000	244,248
Bonds, notes, and loans payable	135,000	180,000	315,000
Total current liabilities	577,324	294,516	871,840
Non-current liabilities			
Capital lease obligations	1,054,387	1,065,000	2,119,387
Bonds, notes, and loans payable	4,224,910	800,000	5,024,910
Net pension liability	631,958	-	631,958
Accrued compensated absences	32,428	-	32,428
Total non-current liabilities	5,943,683	1,865,000	7,808,683
Total liabilities	6,521,007	2,159,516	8,680,523
Deferred inflows - pension	56,800	-	56,800
NET POSITION			
Net investment in capital assets	13,104,498	583,257	13,687,755
Restricted for:			
Debt service	148,979	69,424	218,403
Unrestricted	1,399,525	113,569	1,513,094
Total net position	14,653,002	766,250	15,419,252
Total liabilities, deferred inflows of resources and net position	\$ 21,230,809	\$ 2,925,766	\$ 24,156,575

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, 2015

	Business-type Activities		
	Water & Sewer	Golf Course	Totals
Operating revenues			
Charges for services	\$ 2,567,761	\$ 488,891	\$ 3,056,652
Other income	113,196	-	113,196
Total operating revenues	2,680,957	488,891	3,169,848
Operating expenses			
General and administrative	1,553,591	120,277	1,673,868
Rent	-	974	974
Salaries and wages	484,053	128,169	612,222
Repairs and maintenance	-	42,346	42,346
Cost of sales	-	32,092	32,092
Other operating expenses	30	51,435	51,465
Depreciation	840,628	126,664	967,292
Total operating expenses	2,878,302	501,957	3,380,259
OPERATING (LOSS)	(197,345)	(13,066)	(210,411)
Non-operating income (expense)			
Interest and investment revenue	4,436	237	4,673
Interest expense	(176,809)	(88,859)	(265,668)
Loss from disposal of capital assets	(51,982)	-	(51,982)
Total non-operating (expense)	(224,355)	(88,622)	(312,977)
(LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(421,700)	(101,688)	(523,388)
Transfers in	-	234,174	234,174
Capital Contributions	217,868	15,000	232,868
CHANGE IN NET POSITION	(203,832)	147,486	(56,346)
Net position at beginning of year, as restated	14,856,834	618,764	15,475,598
NET POSITION - END OF YEAR	\$ 14,653,002	\$ 766,250	\$ 15,419,252

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, 2015

	Business-type Activities		
	Water & Sewer	Golf Course	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,686,699	\$ 491,882	\$ 3,178,581
Payments to suppliers	(1,418,795)	(234,975)	(1,653,770)
Payments for employee services and benefits	(629,234)	(132,791)	(762,025)
(Refunds) of customer meter deposits	(14,469)	-	(14,469)
Net cash provided by operating activities	624,201	124,116	748,317
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES			
Payment under interfund agreements	-	234,174	234,174
Net cash provided by non-capital financing activities	-	234,174	234,174
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	217,868	15,000	232,868
Purchases of capital assets	(394,916)	(33,777)	(428,693)
Principal paid on capital debt	(352,960)	(190,000)	(542,960)
Interest paid on capital debt	(186,130)	(88,349)	(274,479)
Net cash (used in) capital and related financing activities	(716,138)	(297,126)	(1,013,264)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net change in investments	2,596	-	2,596
Interest and dividends	4,436	237	4,673
Net cash provided by investing activities	7,032	237	7,269
Net increase (decrease) in cash and cash equivalents	(84,905)	61,401	(23,504)
Cash and cash equivalents-beginning of the year	1,492,419	145,039	1,637,458
CASH AND CASH EQUIVALENTS-END OF THE YEAR	\$ 1,407,514	\$ 206,440	\$ 1,613,954
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ (197,345)	\$ (13,066)	\$ (210,411)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	840,628	126,664	967,292
Change in assets and liabilities:			
Receivables, net	(9,872)	10,561	689
Inventory	2,307	(58)	2,249
Accounts and other payables	7,622	3,559	11,181
Accrued expenses	-	3,516	3,516
Customer deposits payable	1,145	-	1,145
Net pension liability	(20,284)	(7,060)	(27,344)
Net cash provided by operating activities	\$ 624,201	\$ 124,116	\$ 748,317
Cash and cash equivalents consists of the following:			
Unrestricted cash	\$ 1,173,193	\$ 137,016	\$ 1,310,209
Restricted cash	234,321	69,424	303,745
	\$ 1,407,514	\$ 206,440	\$ 1,613,954

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

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, Kentucky, in the Oldham-LaGrange Development Authority. See footnote 12.

B. Blended Component Units

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

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

Component Unit	Brief Description/Inclusion Criteria	Reporting
City of 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 Enterprise Fund

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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.

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, 2015

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, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting and Measurement Focus

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

Government-wide Financial Statements

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

Fund Financial Statements

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

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

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

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Interfund Receivables and Payables

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

H. Supplies Inventory

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

I. Accounts Receivable

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

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

Accounts receivable are stated at face amount, less an allowance for doubtful accounts of \$77,163 in the general fund and \$7,498 in the proprietary funds, which approximates fair market value.

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

J. Capital Assets and Depreciation

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

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

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets and Depreciation (continued)

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

All reported capital assets are depreciated with the exception of land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

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

K. Unearned Revenue

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

L. Compensated Absences

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

M. Long-Term Debt and Bond Issuance Costs

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

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

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Balances

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

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

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

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

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

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

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

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

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

O. Budgeting

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

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

The City under budgeted expenditures in the general government, sanitation, and public properties by \$24,101, \$13,567, and \$5,585 respectively.

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Other Accounting Policies

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

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

Q. Pensions

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

R. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through May 23, 2016 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, 2015, have not been evaluated by the City.

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

2. CASH AND INVESTMENTS

As of June 30, 2015, the City had deposits in the amount of \$1,801,855 that were not covered by FDIC insurance or collateralized. The book balance of the City's deposits totaled \$5,747,134 and the bank balances totaled \$5,807,770.

The following is a detail of the City's cash deposit coverage at June 30, 2015:

FDIC insured	\$ 1,791,825
Collateralized	1,802,288
Invested in money market funds	411,802
Uncollateralized	<u>1,801,855</u>
Total	<u>\$ 5,807,770</u>

Subsequent to year end, the City has coordinated with custodial banks to ensure that sufficient collateral has been pledged to secure the City's deposits.

Restricted assets consist of the following:

	General Fund	Utility Commission	Golf Course	Total
Cash – Debt service reserve	\$ 411,802	\$ 148,979	\$ 69,424	\$ 630,205
Cash – Customer deposits	<u>-</u>	<u>85,342</u>	<u>-</u>	<u>85,342</u>
Total	<u>\$ 411,802</u>	<u>\$ 234,321</u>	<u>\$ 69,424</u>	<u>\$ 715,547</u>

The City's investments at June 30, 2015 are as follows:

Type of Investment	Fair Value	Cost	Interest Rate	Maturity Date
BL&D Bank:				
Certificate of deposit	\$ 261,759	\$ 261,759	0.400%	8/5/2016
Certificate of deposit	138,184	138,184	0.850%	11/5/2016
Certificate of deposit	124,218	124,218	0.850%	11/5/2016
PNC Bank:				
Certificate of deposit	<u>66,719</u>	<u>66,719</u>	0.200%	9/4/2016
	<u>\$ 590,880</u>	<u>\$ 590,880</u>		

3. ACCOUNTS RECEIVABLE

	General Fund	Nonmajor Funds	Governmental Funds Total
Governmental Funds:			
Taxes	\$ 120,901	\$ -	\$ 120,901
Licenses and fees	979,473	94,501	1,073,974
Intergovernmental	4,511	52,653	57,164
Other	<u>23,138</u>	<u>-</u>	<u>23,138</u>
Gross receivables	1,128,023	147,154	1,275,177
Less: allowance for uncollectible	<u>(77,163)</u>	<u>-</u>	<u>(77,163)</u>
Net receivables	<u>\$ 1,050,860</u>	<u>\$ 147,154</u>	<u>\$ 1,198,014</u>
	Water & Sewer Fund	Golf Course Fund	Proprietary Funds Total
Proprietary Funds:			
Customer accounts	\$ 295,030	\$ -	\$ 295,030
Unbilled receivables	114,113	-	114,113
Other	<u>-</u>	<u>66,539</u>	<u>66,539</u>
Gross receivables	409,143	66,539	475,682
Less: allowance for uncollectible	<u>(7,498)</u>	<u>-</u>	<u>(7,498)</u>
Net receivables	<u>\$ 401,645</u>	<u>\$ 66,539</u>	<u>\$ 468,184</u>

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

4. CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 730,201	\$ -	\$ -	\$ 730,201
Construction in progress	<u>60,536</u>	<u>89,010</u>	<u>(149,546)</u>	<u>-</u>
Totals	<u>790,737</u>	<u>89,010</u>	<u>(149,546)</u>	<u>730,201</u>
Capital assets that are depreciated:				
Buildings and improvements	2,085,046	149,546	-	2,234,592
Machinery and equipment	<u>2,526,868</u>	<u>83,226</u>	<u>-</u>	<u>2,610,094</u>
Totals	<u>4,611,914</u>	<u>232,772</u>	<u>-</u>	<u>4,844,686</u>
Total non-infrastructure assets	<u>5,402,651</u>	<u>321,782</u>	<u>(149,546)</u>	<u>5,574,887</u>
Infrastructure assets	<u>1,037,454</u>	<u>198,978</u>	<u>-</u>	<u>1,236,432</u>
Total capital assets	<u>6,440,105</u>	<u>520,760</u>	<u>(149,546)</u>	<u>6,811,319</u>
Less: accumulated depreciation				
Buildings and improvements	799,327	64,471	-	863,798
Machinery and equipment	1,789,330	158,803	-	1,948,133
Infrastructure	<u>466,410</u>	<u>117,889</u>	<u>-</u>	<u>584,299</u>
Totals	<u>3,055,067</u>	<u>341,163</u>	<u>-</u>	<u>3,396,230</u>
General capital assets, net	<u>\$ 3,385,038</u>	<u>\$ 179,597</u>	<u>\$ (149,546)</u>	<u>\$ 3,415,089</u>
Business-Type Activities				
Land	\$ 1,709,540	\$ -	\$ -	\$ 1,709,540
Buildings and improvements	3,192,432	24,919	-	3,217,351
Water tank	2,941,159	157,696	(59,750)	3,039,105
Mains, hydrants and new water services	3,906,249	53,297	-	3,959,546
Wastewater treatment plant	10,532,353	152,444	-	10,684,797
Sewage system lines and pump stations	10,544,588	-	-	10,544,588
Transportation equipment	656,053	35,337	-	691,390
General office equipment	<u>505,725</u>	<u>5,000</u>	<u>-</u>	<u>510,725</u>
Totals	33,988,099	428,693	(59,750)	34,357,042
Less: accumulated depreciation	<u>12,006,217</u>	<u>967,292</u>	<u>(7,767)</u>	<u>12,965,742</u>
Business-type capital assets, net	<u>\$ 21,981,882</u>	<u>\$ (538,599)</u>	<u>\$ (51,983)</u>	<u>\$ 21,391,300</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, 2015

4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the Governmental functions as follows:

General government	\$ 59,240
Police	24,569
Public Works	96,817
Parks and recreation	23,427
Infrastructure	117,889
Bus	6,007
ABC	<u>13,214</u>

Total depreciation expense	<u>\$ 341,163</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, 2015, are as follows:

Fiscal Year	Principal	Interest	Bank Fee	Total
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	65,000	32,430	500	97,930
2021-2025	370,000	114,310	2,500	486,810
2026-2028	<u>270,000</u>	<u>25,300</u>	<u>1,500</u>	<u>296,800</u>
Total	<u>\$ 935,000</u>	<u>\$ 328,670</u>	<u>\$ 6,500</u>	<u>\$ 1,270,170</u>

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

Kentucky Bond Corporation Financing Program Revenue Bonds 2014 First Series C

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

The minimum obligations of the above bonds at June 30, 2015, are as follows:

Fiscal Year	Principal	Interest	Fees	Total
2016	\$ 958,333	\$ 216,533	\$ 24,285	\$ 1,199,151
2017	980,417	197,367	21,890	1,199,674
2018	1,003,333	177,758	19,439	1,200,530
2019	1,025,417	157,692	16,930	1,200,039
2020	1,050,417	137,183	14,367	1,201,967
2021-2024	<u>4,396,250</u>	<u>301,329</u>	<u>29,808</u>	<u>4,727,387</u>
Total	<u>\$ 9,414,167</u>	<u>\$ 1,187,862</u>	<u>\$ 126,719</u>	<u>\$ 10,728,748</u>

The total governmental activity debt is summarized as follows:

Current portion of revenue bonds	\$ 958,333
Current portion of capital lease obligation	<u>55,000</u>
Total current portion of long-term obligations	<u>\$ 1,013,333</u>
Accrued compensated absences	\$ 60,772
Unamortized bond premium	50,072
Long-term portion of revenue bonds	8,455,833
Long-term portion of capital lease obligation	880,000
Net pension liability	<u>2,289,907</u>
Long-term portion of long-term obligations	<u>\$ 11,736,584</u>

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

	July 1, 2014	Additions	Deletions	June 30, 2015
Capital lease obligations	\$ 985,000	\$ -	\$ 50,000	\$ 935,000
Revenue bonds	10,295,000	-	880,833	9,414,167
Unamortized bond premium	55,635	-	5,565	50,070
Net pension liability	2,344,907	-	55,000	2,289,907
Accrued compensated absences	<u>67,838</u>	<u>86,286</u>	<u>93,352</u>	<u>60,772</u>
Total	<u>\$ 13,748,380</u>	<u>\$ 86,286</u>	<u>\$ 1,084,750</u>	<u>\$ 12,749,916</u>

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015, are as follows:

Fiscal Year	Principal	Interest	Total
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	255,788	6,480	262,268
2021	<u>66,201</u>	<u>344</u>	<u>66,545</u>
Total	<u>\$ 1,283,635</u>	<u>\$ 109,878</u>	<u>\$ 1,393,513</u>

Note Payable to Kentucky Rural Water Finance Corporation

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

The minimum obligations of the above revenue bonds at June 30, 2015, are as follows:

Fiscal Year	Principal	Interest	Fees	Total
2016	\$ 135,000	\$ 152,454	\$ 450	\$ 287,904
2017	135,000	149,349	450	284,799
2018	140,000	145,486	450	285,936
2019	145,000	140,784	450	286,234
2020	150,000	136,666	450	287,116
2021-2025	820,000	599,089	2,250	1,421,339
2026-2030	965,000	430,800	2,250	1,398,050
2031-2035	1,165,000	210,877	2,250	1,378,127
2036-2037	<u>520,000</u>	<u>20,446</u>	<u>900</u>	<u>541,346</u>
Total	<u>\$ 4,175,000</u>	<u>\$ 1,985,951</u>	<u>\$ 9,900</u>	<u>\$ 6,170,851</u>

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

Business-Type Activities – Utility Commission (continued)

The total business-type – utility commission activities long-term debt is summarized as follows:

Current portion of PNC Capital Lease	\$ 229,248
Current portion of Kentucky Rural Water Note	<u>135,000</u>
Total current portion of long-term obligations	<u>\$ 364,248</u>
Long-term portion of PNC Capital Lease	\$ 1,054,387
Long-term portion of Kentucky Rural Water Note	4,040,000
Bond Premium Kentucky Rural Water Note	184,910
Compensated absences	32,428
Net pension liability	<u>631,958</u>
Total long-term portion of long-term obligations	<u>\$ 5,943,683</u>

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

	July 1, 2014	Additions	Deletions	June 30, 2015
Bonds and leases payable	\$ 5,811,595	\$ -	\$ 352,960	\$ 5,458,635
Bond premium	193,315	-	8,405	184,910
Net pension liability	713,348	-	81,390	631,958
Compensated absences	<u>16,456</u>	<u>15,972</u>	<u>-</u>	<u>32,428</u>
Total	<u>\$ 6,734,714</u>	<u>\$ 15,972</u>	<u>\$ 442,755</u>	<u>\$ 6,307,931</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, 2015, are as follows:

Fiscal Year	Principal	Interest	Service Fee	Total
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	49,680	500	70,180
2020	20,000	48,720	500	69,220
2021-2025	640,000	186,000	2,500	828,500
2026-2027	<u>355,000</u>	<u>25,920</u>	<u>1,000</u>	<u>381,920</u>
Total	<u>\$ 1,080,000</u>	<u>\$ 463,680</u>	<u>\$ 6,000</u>	<u>\$ 1,549,680</u>

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015, are as follows:

Fiscal Year	Principal	Interest	Total
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>\$ 980,000</u>	<u>\$ 113,458</u>	<u>\$ 1,093,458</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>180,000</u>
Total current portion of long-term obligations	<u>\$ 195,000</u>
Long-term portion of capital lease	\$ 1,065,000
Long-term portion of bonds	<u>800,000</u>
Total long-term obligations	<u>\$ 1,865,000</u>

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

	July 1, 2014	Additions	Deletions	June 30, 2015
Capital lease	\$ 1,095,000	\$ -	\$ 15,000	\$ 1,080,000
Bond issue	<u>1,155,000</u>	<u>-</u>	<u>175,000</u>	<u>980,000</u>
Total	<u>\$ 2,250,000</u>	<u>\$ -</u>	<u>\$ 190,000</u>	<u>\$ 2,060,000</u>

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

7. RETIREMENT PLAN

CERS

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 publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

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

Contributions – For the year ended June 30, 2015, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2015, participating employers contributed 17.67% of each employee's wages for non-hazardous job classifications and 34.31% of each employee's wages for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

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

For the year ended June 30, 2015, the City contributed \$162,574, or 100% of the required contribution for non-hazardous job classifications, and \$235,970, for the year ended June 30, 2015, or 100% of the required contribution for hazardous job classifications.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2015, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net		
Pension Liability	Non-hazardous	Hazardous
<u>\$ 2,921,865</u>	<u>\$ 1,284,599</u>	<u>\$ 1,637,266</u>

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

7. RETIREMENT PLAN (CONTINUED)

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2014 was as follows:

Non-hazardous	Hazardous
.02%	.14%

The proportionate share at June 30, 2014 was equal to the proportionate share as of June 30, 2013. For the year ended June 30, 2015, the City recognized pension expense of \$169,000. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	244,000
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	259,879	-
Total	<u><u>\$ 259,879</u></u>	<u><u>\$ 244,000</u></u>

The \$259,879 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2016	\$ (61,000)
2017	(61,000)
2018	(61,000)
2019	(61,000)

**CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

7. RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	3.50%
Salary increases	4.50%, average, including inflation
Investment rate of return	7.75%, net of Plan investment expense, including inflation

Hazardous

Inflation	3.50%
Salary increases	4.50%, average, including inflation
Investment rate of return	7.75%, net of Plan investment expense, including inflation

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity Mortality Table for all other members.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005-June 30, 2008.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

7. RETIREMENT PLAN (CONTINUED)

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

Asset Class	Target Allocation	Long-term Nominal Real Rate of Return
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

Non-hazardous			Hazardous		
	Discount rate	City's proportionate share of net pension liability		Discount rate	City's proportionate share of net pension liability
1% decrease	6.75%	\$ 1,690,630		6.75%	\$ 2,141,806
Current discount rate	7.75%	\$ 1,284,599		7.75%	\$ 1,637,266
1% increase	8.75%	\$ 926,124		8.75%	\$ 1,208,873

Payable to the Pension Plan – At June 30, 2015, the City reported a payable of \$7,992 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015. The payable includes both the pension and insurance contribution allocation.

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

8. OPERATING LEASE

On January 7, 2013, the golf course entered into an operating lease with PNC Equipment Finance, LLC to lease 58 golf carts. The lease terms call for 24 payments of \$8,526. The payments are made six months at a time from May through October. The future lease obligations at June 30, 2015, are as follows:

Fiscal Year	
2016	\$ 51,156
2017	<u>34,104</u>
Total	<u>\$ 85,260</u>

Operating lease expense for the year ended June 30, 2015, totaled \$ 51,156.

9. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2015 were levied in September 2014 on the assessed property located in the City as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

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

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

10. 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 2015.

11. 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, 2015

12. 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 were redeemed with funds placed in escrow on June 1, 2015. The 2014 First Series C bonds will be reported on the financial statements as a liability of the City and are scheduled to be paid by the City over a period of ten years. See footnote 5 for additional information regarding the 2014 First Series C General Obligation Revenue Bonds.

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, 2015, are as follows:

Total assets	\$ 16,364,483
Total liabilities	\$ 210,000
Total net position	\$ 16,154,483

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

The net equity investment in Oldham-LaGrange Development Authority for the City of LaGrange at June 30, 2015, is \$8,518,188. The net equity is determined by the following:

	OLDA Audit 6/30/2015	City Allocation	County Allocation
Beginning net equity, July 1, 2014	\$ 14,042,269	\$ 8,522,574	\$ 5,519,695
Operating loss before transfers in	(229,740)	(114,870)	(114,870)
Principal payments transfers in	<u>2,341,954</u>	<u>110,484</u>	<u>2,231,470</u>
Ending net equity, June 30, 2015	<u>\$ 16,154,483</u>	<u>\$ 8,518,188</u>	<u>\$ 7,636,295</u>

13. 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 2015 the General Fund transferred \$26,000 to the Bus Fund and \$234,174 to the Golf Course.

14. INTERFUND BALANCES

This table shows interfund balances as of June 30, 2015:

	General Fund	Water & Sewer Fund	Road Aid Fund	ABC Fund	Bus Fund	Total Due From
General Fund	\$ -	\$ 30,122	\$ 440	\$ 265,388	\$ 74,233	\$ 370,183
Water & Sewer Fund	-	-	-	-	-	-
Golf Course	3,041	-	-	-	-	3,041
MRA Fund	-	-	-	-	-	-
ABC Fund	-	-	-	-	-	-
Bus Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Due To	<u>\$ 3,041</u>	<u>\$ 30,122</u>	<u>\$ 440</u>	<u>\$ 265,388</u>	<u>\$ 74,233</u>	<u>\$ 373,224</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, 2015

15. RESTATEMENT OF NET POSITION

Implementation of new accounting standard GASB Statement No. 68

During 2015 the City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which 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, Financial Reporting for Pension Plans.

The guidance contained in Statement 68 changed how governments calculate and report the costs and obligations associated with pensions. Under the new standards GASB requires 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. In addition, GASB requires Statement 68 to be applied retroactively, which along with restatements of cash, accounts receivable, capital assets, long-term debt, and bond-issue costs has resulted in a restatement of beginning net position as follows:

Governmental Activities

Net position, at beginning of year	\$ 3,885,640
Bond issue costs (OLDA)	(17,907)
Beginning net pension liability	<u>(2,344,907)</u>
Net position, at beginning of year, as restated	<u>\$ 1,522,826</u>

Business-Type Activities

Net position, at beginning of year	\$ 16,073,397
Beginning account receivable (Water & Sewer)	24,444
Beginning capital assets (Water & Sewer)	30,945
Beginning long-term debt (Water & Sewer)	28,667
Deposits payable (Water & Sewer)	15,614
Sinking fund (Water & Sewer)	147,804
Bond premium (Water & Sewer)	(193,315)
Beginning net pension liability (Water & Sewer)	<u>(651,958)</u>
Net position, at beginning of year, as restated	<u>\$ 15,475,598</u>

Bond issue costs - The beginning net position has been restated in accordance with GASB Statement No. 65 for bond issue costs related to the City's joint venture with the Oldham-LaGrange Development Authority (OLDA).

Accounts receivable - The beginning net position has been restated to correct an under accrual of the prior year unbilled receivable.

Capital assets - The beginning net position has been restated to correct prior year errors in accounting for capital assets.

Long-term debt - The beginning net position has been restated to correct an overstatement of long-term debt in the prior year.

CITY OF LAGRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

15. RESTATEMENT OF NET POSITION (CONTINUED)

Deposits payable - The beginning net position has been restated to correct an overstatement of deposits payable in the prior year.

Sinking Fund - The beginning net position has been restated to record the balance in the sinking fund related to the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds Series 2012 F. The balance in the sinking fund was not recorded on the books in the prior year.

Bond Premium - The beginning net position has been restated to record the premium on the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds Series 2012 F. The bond premium was not recorded on the books in the prior year.

16. SUBSEQUENT EVENTS

Kentucky Bond Corporation Financing Program Revenue Bonds Series 2015B

On December 2, 2015 the City issued \$795,000 of general obligation revenue bonds through a pooled financing transaction with the Kentucky Bond Corporation. The proceeds were used to refund the lease agreement entered into on March 22, 2006 with the Kentucky Area Development Districts Financing Trusts. Payments on the Series 2015B revenue bonds are scheduled to be paid over a period of 13 years, with monthly principal and interest payments which began in February 2016. The new debt issue will decrease debt service payments by \$266,368 and has a net economic gain of \$222,921. The bonds have a net interest cost of 2.89% over the repayment term.

LaGrange Utilities Commission

On January 25, 2015, authorized representatives of the Energy and Environment Cabinet identified multiple violations of KRS Chapter 224. As of the date of this report the Commission was currently in the process of having their written plan for Corrective Actions approved. The costs that will be incurred related to the necessary corrective actions are expected to exceed \$3,000,000.

SUPPLEMENTARY INFORMATION

CITY OF LAGRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2015

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
TAXES				
General property taxes	\$ 1,195,000	\$ 1,195,000	\$ 1,300,702	\$ 105,702
Bank shared tax	52,000	52,000	52,435	435
Omitted tangibles	12,000	12,000	10,498	(1,502)
Motor vehicle taxes	107,300	107,300	135,486	28,186
Total municipal taxation	<u>1,366,300</u>	<u>1,366,300</u>	<u>1,499,121</u>	<u>132,821</u>
LICENSES, PERMITS AND BILLINGS				
Business licenses	300,000	300,000	338,988	38,988
Insurance premiums	1,377,000	1,377,000	1,498,662	121,662
ABC license fees	-	-	13,890	13,890
Compensation tax	1,080,000	1,080,000	1,625,215	545,215
Franchise fees	285,200	285,200	354,138	68,938
Total licenses, permits and billings	<u>3,042,200</u>	<u>3,042,200</u>	<u>3,830,893</u>	<u>788,693</u>
INTERGOVERNMENTAL REVENUES				
Grants	17,000	17,000	12,882	(4,118)
KLEFPF	39,000	39,000	34,892	(4,108)
Federal overtime	12,000	12,000	15,214	3,214
LGEAF	3,000	3,000	5,669	2,669
Total intergovernmental	<u>71,000</u>	<u>71,000</u>	<u>68,657</u>	<u>(2,343)</u>
CHARGES FOR SERVICE				
Sanitation fees	<u>355,000</u>	<u>355,000</u>	<u>369,111</u>	<u>14,111</u>
OTHER REVENUE				
Donations	-	-	31,629	31,629
Interest	2,500	2,500	2,270	(230)
Penalties	14,000	14,000	3,001	(10,999)
Encroachment fees	3,200	3,200	3,200	-
Rent	5,500	5,500	3,300	(2,200)
Miscellaneous	56,000	56,000	56,025	25
Total other	<u>81,200</u>	<u>81,200</u>	<u>99,425</u>	<u>18,225</u>
TOTAL REVENUE	<u>\$ 4,915,700</u>	<u>\$ 4,915,700</u>	<u>\$ 5,867,207</u>	<u>\$ 951,507</u>

CITY OF LAGRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2015

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES				
General Government				
Salaries	\$ 108,864	\$ 108,864	\$ 107,954	\$ (910)
Overtime	2,000	2,000	649	(1,351)
Employee Insurance	38,640	38,640	24,190	(14,450)
Employer portion FICA	10,623	10,623	9,826	(797)
Employer portion Medicare	2,485	2,485	2,303	(182)
Mayor/Council	60,480	60,480	59,980	(500)
Employer portion retirement	16,031	16,031	16,371	340
Unemployment insurance	5,000	5,000	1,285	(3,715)
Computer maintenance	35,000	35,000	27,355	(7,645)
Tax preparation (PVA)	35,000	35,000	31,800	(3,200)
Ordinance codification	5,000	5,000	-	(5,000)
Workers compensation	5,600	5,600	4,063	(1,537)
Property/liability insurance	49,000	49,000	58,514	9,514
Auditing	22,000	22,000	45,400	23,400
Gas/electric/telephone	103,000	103,000	113,908	10,908
Legal fees	50,000	50,000	48,368	(1,632)
Legal advertisements	10,000	10,000	9,887	(113)
Office supplies	7,000	7,000	8,511	1,511
Repair and maintenance	5,000	5,000	5,527	527
Seminars/education	6,000	6,000	10,583	4,583
Miscellaneous	10,998	10,998	11,175	177
Small equipment purchases	1,000	1,000	4,161	3,161
Board of adjustments and appeals	1,000	1,000	250	(750)
Renaissance fund	-	-	11,762	11,762
Total administration	<u>589,721</u>	<u>589,721</u>	<u>613,822</u>	<u>24,101</u>
Police				
Police salaries	635,835	635,835	587,443	(48,392)
Overtime salaries	20,000	20,000	31,406	11,406
Part-time salaries	64,168	64,168	54,673	(9,495)
KLEFPF	40,300	40,300	39,557	(743)
Employee insurance	153,405	153,405	132,082	(21,323)
Employer portion FICA	43,029	43,029	39,349	(3,680)
Employer portion Medicare	10,063	10,063	9,207	(856)
Employer portion Retirement	252,214	252,214	211,859	(40,355)
Workers compensation	28,865	28,865	26,487	(2,378)
Automobile insurance	33,104	33,104	16,562	(16,542)
Liability insurance	35,715	35,715	21,798	(13,917)
Radio maintenance	6,000	6,000	5,591	(409)
Computer maintenance	16,000	16,000	17,574	1,574
Seminars and education	6,000	6,000	10,809	4,809
Uniform expense	18,000	18,000	15,005	(2,995)
Miscellaneous	21,158	21,158	44,614	23,456
Crime prevention	4,000	4,000	5,369	1,369
Criminal investigations	4,000	4,000	4,576	576
Small equipment purchases	4,000	4,000	8,726	4,726
Gas and oil	50,000	50,000	37,349	(12,651)
Equipment repairs	32,000	32,000	17,813	(14,187)
Drug enforcement funds	1,500	1,500	-	(1,500)
Dry cleaning	3,000	3,000	1,025	(1,975)
Telephone/cellular/pagers	12,500	12,500	14,453	1,953
Oldham County dispatch	12,250	12,250	12,250	-
Total police department	<u>1,507,106</u>	<u>1,507,106</u>	<u>1,365,577</u>	<u>(141,529)</u>

CITY OF LAGRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2015

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Works				
Salaries	\$ 305,924	\$ 305,924	\$ 300,092	\$ (5,832)
Overtime salaries	6,000	6,000	8,526	2,526
Employee insurance	147,950	147,950	104,572	(43,378)
Employer portion FICA	23,000	23,000	16,434	(6,566)
Employer portion Medicare	5,382	5,382	3,843	(1,539)
Employer portion Retirement	64,501	64,501	54,145	(10,356)
Workers Compensation	31,428	31,428	21,684	(9,744)
Vehicle insurance	27,500	27,500	18,754	(8,746)
Utilities	11,000	11,000	14,390	3,390
Seminars/Education	1,000	1,000	2,076	1,076
Uniforms	3,000	3,000	2,947	(53)
Small equipment purchases	2,000	2,000	7,702	5,702
Gas and oil	18,000	18,000	15,387	(2,613)
Equipment/vehicle repairs	15,000	15,000	15,965	965
Computer maintenance	500	500	103	(397)
Crushed rock	1,000	1,000	869	(131)
Signs and posts	4,000	4,000	7,694	3,694
Sidewalks	2,500	2,500	146	(2,354)
Drainage	3,000	3,000	523	(2,477)
Paving material	2,000	2,000	72	(1,928)
Street paint	2,000	2,000	1,208	(792)
Snow removal	2,500	2,500	361	(2,139)
Grounds maintenance	10,000	10,000	4,661	(5,339)
Building maintenance	6,000	6,000	5,371	(629)
Equipment rental	2,000	2,000	-	(2,000)
Tires and batteries	2,500	2,500	2,730	230
Miscellaneous	3,328	3,328	2,850	(478)
CDL license	1,000	1,000	822	(178)
Contract help	21,000	21,000	641	(20,359)
Safety	2,000	2,000	3,836	1,836
Street lighting	1,500	1,500	480	(1,020)
Total public works	<u>728,513</u>	<u>728,513</u>	<u>618,884</u>	<u>(109,629)</u>
Sanitation	<u>324,000</u>	<u>324,000</u>	<u>337,567</u>	<u>13,567</u>
Parks and Recreation	<u>230,000</u>	<u>230,000</u>	<u>165,985</u>	<u>(64,015)</u>
Community Development				
Main street	5,000	5,000	5,861	861
Discover downtown LaGrange	30,000	30,000	30,000	-
Economic development, OLDA	45,500	45,500	31,675	(13,825)
Historic preservation	3,500	3,500	9,481	5,981
Tree replacement	1,500	1,500	1,450	(50)
Elementary school - library	2,000	2,000	2,000	-
Festivals - Christmas, OC Day	3,000	3,000	3,192	192
Total special appropriations	<u>90,500</u>	<u>90,500</u>	<u>83,659</u>	<u>(6,841)</u>

CITY OF LAGRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2015

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Properties				
Salaries	\$ 25,176	\$ 25,176	\$ 30,991	\$ 5,815
Overtime	1,500	1,500	-	(1,500)
Employer portion FICA	1,580	1,580	1,671	91
Employer portion Medicare	370	370	391	21
Employer portion Retirement	4,982	4,982	5,635	653
Health insurance	7,000	7,000	10,423	3,423
Workers compensation	4,166	4,166	-	(4,166)
Tools and equipment	2,500	2,500	1,989	(511)
Gas and oil	3,000	3,000	6,638	3,638
Truck repairs	2,000	2,000	2,329	329
Repairs/maintenance on blue house	2,000	2,000	1,599	(401)
Electric/telephone on blue house	3,500	3,500	3,436	(64)
Repairs/maintenance 208/210 Main St	2,500	2,500	757	(1,743)
	<u>60,274</u>	<u>60,274</u>	<u>65,859</u>	<u>5,585</u>
Total public properties				
Capital Outlay				
General - equipment	4,700	4,700	-	(4,700)
Police - equipment	13,000	13,000	9,371	(3,629)
Police - construction in progress	-	-	89,010	89,010
Public works - equipment	10,000	10,000	-	(10,000)
	<u>27,700</u>	<u>27,700</u>	<u>98,381</u>	<u>70,681</u>
Total capital outlay				
Debt Service	<u>1,271,388</u>	<u>1,271,388</u>	<u>1,229,504</u>	<u>(41,884)</u>
TOTAL EXPENDITURES	<u>\$ 4,829,202</u>	<u>\$ 4,829,202</u>	<u>\$ 4,579,238</u>	<u>\$ (249,964)</u>

**CITY OF LAGRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Two Fiscal Years**

	2014	2015
City's proportion of the net pension liability	0.02%	0.02%
City's proportionate share of the net pension liability (asset)	\$ 1,386,844	\$ 1,284,599
City's covered employee payroll	\$ 927,729	\$ 920,089
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	149.49%	139.62%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

**CITY OF LAGRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS
Last Two Fiscal Years**

	2014	2015
City's proportion of the net pension liability	0.14%	0.14%
City's proportionate share of the net pension liability (asset)	\$ 1,671,411	\$ 1,637,266
City's covered employee payroll	\$ 690,007	\$ 687,758
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	242.23%	238.06%
Plan fiduciary net position as a percentage of the total pension liability	57.74%	63.46%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

**CITY OF LAGRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS - NONHAZARDOUS
Last Three Fiscal Years**

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

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

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

**CITY OF LAGRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS - HAZARDOUS
Last Three Fiscal Years**

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

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

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

**CITY OF LAGRANGE, KENTUCKY
SUPPLEMENTARY BUDGETARY COMPARISON
OTHER GOVERNMENTAL FUNDS
for the year ended June 30, 2015**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
MUNICIPAL ROAD AID FUND				
REVENUES				
Fund Payments	\$ 120,000	\$ 120,000	\$ 212,814	\$ 92,814
Interest	-	-	428	428
Carryover	<u>122,000</u>	<u>122,000</u>	<u>-</u>	<u>(122,000)</u>
TOTAL REVENUE	<u>\$ 242,000</u>	<u>\$ 242,000</u>	<u>\$ 213,242</u>	<u>\$ (28,758)</u>
EXPENDITURES				
Street repair and maintenance	<u>\$ 242,000</u>	<u>\$ 242,000</u>	<u>\$ 198,978</u>	<u>\$ (43,022)</u>
TOTAL EXPENDITURES	<u>\$ 242,000</u>	<u>\$ 242,000</u>	<u>\$ 198,978</u>	<u>\$ (43,022)</u>
CAPITAL PROJECTS FUND				
REVENUES				
Interest	\$ -	\$ -	\$ 4	\$ 4
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 4</u>
EXPENDITURES				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PARKS BOARD FUND				
REVENUES				
Other revenues	\$ -	\$ -	\$ 56	\$ 56
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ 56</u>
EXPENDITURES				
Capital outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF LAGRANGE, KENTUCKY
SUPPLEMENTARY BUDGETARY COMPARISON
OTHER GOVERNMENTAL FUNDS
for the year ended June 30, 2015**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
ABC FUND				
REVENUES				
Licenses and permits	\$ 229,000	\$ 229,000	\$ 357,984	\$ 128,984
TOTAL REVENUE	<u>\$ 229,000</u>	<u>\$ 229,000</u>	<u>\$ 357,984</u>	<u>\$ 128,984</u>
EXPENDITURES				
ABC	\$ 155,000	\$ 155,000	\$ 121,628	\$ (33,372)
Capital outlay	74,000	74,000	73,855	(145)
TOTAL EXPENDITURES	<u>\$ 229,000</u>	<u>\$ 229,000</u>	<u>\$ 195,483</u>	<u>\$ (33,517)</u>
BUS FUND				
REVENUES				
Intergovernmental revenues	\$ 164,497	\$ 164,497	\$ 75,712	\$ (88,785)
TOTAL REVENUE	<u>\$ 164,497</u>	<u>\$ 164,497</u>	<u>\$ 75,712</u>	<u>\$ (88,785)</u>
EXPENDITURES				
General & Administrative	\$ 28,411	\$ 28,411	28,908	\$ 497
Salaries and wages	80,459	80,459	82,788	2,329
Repairs and maintenance	13,400	13,400	11,915	(1,485)
Fuel	22,000	22,000	17,767	(4,233)
TOTAL EXPENDITURES	<u>\$ 144,270</u>	<u>\$ 144,270</u>	<u>\$ 141,378</u>	<u>\$ (2,892)</u>

**CITY OF LAGRANGE, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015**

	Municipal Road Aid Fund	Capital Projects Fund	Foundations and Parks Fund	ABC Fund	Bus Fund	Total
ASSETS						
Assets						
Cash	\$ 329,625	\$ 64,433	\$ 39,130	\$ 566,891	\$ 47,066	\$ 1,047,145
Accounts receivable	15,943	-	-	94,501	36,710	147,154
Due from other fund	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 345,568</u>	<u>\$ 64,433</u>	<u>\$ 39,130</u>	<u>\$ 661,392</u>	<u>\$ 83,776</u>	<u>\$ 1,194,299</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	\$ 4,151	\$ -	\$ -	\$ -	\$ 1,495	\$ 5,646
Accrued payroll payable	-	-	-	-	2,302	2,302
Accrued leave	-	-	-	-	2,039	2,039
Due to other fund	440	-	-	265,388	74,233	340,061
	<u>440</u>	<u>-</u>	<u>-</u>	<u>265,388</u>	<u>74,233</u>	<u>340,061</u>
Total liabilities	4,591	-	-	265,388	80,069	350,048
Fund balance	<u>340,977</u>	<u>64,433</u>	<u>39,130</u>	<u>396,004</u>	<u>3,707</u>	<u>844,251</u>
Total liabilities and fund balance	<u>\$ 345,568</u>	<u>\$ 64,433</u>	<u>\$ 39,130</u>	<u>\$ 661,392</u>	<u>\$ 83,776</u>	<u>\$ 1,194,299</u>

CITY OF LAGRANGE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2015

	Municipal Road Aid Fund	Capital Projects Fund	Foundations and Parks Fund	ABC Fund	Bus Fund	Total
REVENUES						
Licenses and permits	\$ -	\$ -	\$ -	\$ 357,984	\$ -	\$ 357,984
Intergovernmental revenues	212,814	-	-	-	75,712	288,526
Other revenues	<u>428</u>	<u>4</u>	<u>56</u>	<u>-</u>	<u>-</u>	<u>488</u>
Total revenues	<u>213,242</u>	<u>4</u>	<u>56</u>	<u>357,984</u>	<u>75,712</u>	<u>646,998</u>
EXPENDITURES						
ABC	-	-	-	121,628	-	121,628
Bus	-	-	-	-	141,378	141,378
Capital outlay	<u>198,978</u>	<u>-</u>	<u>-</u>	<u>73,855</u>	<u>-</u>	<u>272,833</u>
Total expenditures	<u>198,978</u>	<u>-</u>	<u>-</u>	<u>195,483</u>	<u>141,378</u>	<u>535,839</u>
Excess revenues over (under) expenditures before other sources (uses)	<u>14,264</u>	<u>4</u>	<u>56</u>	<u>162,501</u>	<u>(65,666)</u>	<u>111,159</u>
Other financing sources						
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,000</u>	<u>26,000</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,000</u>	<u>26,000</u>
Excess revenues and other sources over (under) expenditures	14,264	4	56	162,501	(39,666)	137,159
Fund balances, July 1, 2014	<u>326,713</u>	<u>64,429</u>	<u>39,074</u>	<u>233,503</u>	<u>43,373</u>	<u>707,092</u>
FUND BALANCES - JUNE 30, 2015	<u>\$ 340,977</u>	<u>\$ 64,433</u>	<u>\$ 39,130</u>	<u>\$ 396,004</u>	<u>\$ 3,707</u>	<u>\$ 844,251</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mayor and City Council
City of 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, 2015, 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 23, 2016.

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 a deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency (2015-001) described in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency (2015-002) described in the accompany schedule of findings and responses to be a significant deficiency.

CITY OF LAGRANGE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015

2015-001

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.

2015-002

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.

2015-003

Criteria: Per Kentucky Revised Statutes the City is required to have all deposits in excess of FDIC coverage collateralized.

Cause: City personnel did not inquire or verify with each bank that the City held deposits, that as of June 30, 2015 the City's deposits were either covered by FDIC coverage or collateralized.

Effect: As of June 30, 2015, the City had deposits in excess of \$1.8 million that were not covered by either FDIC coverage or collateralized.

Recommendation: We recommend the City periodically evaluate their current balances and require the banks for which the City has deposits, to provide adequate collateral to secure the deposits that are in excess of FDIC coverage.

Management's Response: Going forward the City will check on a quarterly basis whether all of the City's deposits are either covered by FDIC coverage or collateralized.