

**CITY OF LANGDON PLACE**  
**REPORT ON AUDIT**  
**OF FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2009**

CITY OF LANGDON PLACE  
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YEAR ENDED JUNE 30, 2009

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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and  
Members of the City Council  
City of Langdon Place  
Jefferson County, Kentucky

I have audited the accompanying financial statements of the governmental activities and each major fund of the City of Langdon Place, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Langdon Place's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Langdon Place, Kentucky, as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison on pages 8 through 9, is not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The City of Langdon Place has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Thomas R. Clark, CPA*

Thomas R. Clark, PSC  
Certified Public Accountant

October 22, 2009

CITY OF LANGDON PLACE  
 GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS  
 JUNE 30, 2009

	<u>GENERAL FUND</u>	<u>KENTUCKY MUNICIPAL AID ROAD FUND</u>	<u>TOTAL</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF NET ASSETS</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	\$238,354	\$51,795	\$290,149		\$290,149
Certificates of deposit	0	171,679	171,679		171,679
Property tax receivable	<u>16,458</u>	<u>0</u>	<u>16,458</u>		<u>16,458</u>
Total Current Assets	254,812	223,474	478,286		478,286
INVESTMENTS	<u>110,982</u>	<u>42,587</u>	<u>153,569</u>		<u>153,569</u>
Total Assets	<u>\$365,794</u>	<u>\$266,061</u>	<u>\$631,855</u>		<u>631,855</u>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	<u>\$6,890</u>	<u>\$0</u>	<u>\$6,890</u>		<u>\$6,890</u>
Total Current Liabilities	6,890	0	6,890		6,890
<b>FUND BALANCES/NET ASSETS</b>					
Fund Balances, Unreserved	<u>358,904</u>	<u>266,061</u>	<u>624,965</u>	<u>(624,965)</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$365,794</u>	<u>\$266,061</u>	<u>\$631,855</u>		
Net Assets, Unrestricted				<u>624,965</u>	<u>624,965</u>
Total Net Assets				<u>\$624,965</u>	<u>\$624,965</u>

CITY OF LANGDON PLACE  
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	GENERAL FUND	KENTUCKY MUNICIPAL AID ROAD FUND	TOTAL	ADJUSTMENTS	STATEMENT OF ACTIVITIES
<b>REVENUES</b>					
Property taxes net of discount	\$175,465		\$175,465		\$175,465
Kentucky municipal aid		\$17,449	17,449		17,449
<b>OTHER REVENUES</b>					
Interest	5,894	4,690	10,584		10,584
Penalties and interest on taxes	622		622		622
Franchise fees	5,028		5,028		5,028
Insurance premium taxes	33,468		33,468		33,468
Miscellaneous	534		534		534
<b>Total Revenues</b>	<b>221,011</b>	<b>22,139</b>	<b>243,150</b>		<b>243,150</b>
<b>EXPENDITURES/EXPENSES</b>					
Accounting audit services	2,530		2,530		2,530
Security services	17,010		17,010		17,010
Street lights	10,645		10,645		10,645
Garbage collection	54,740		54,740		54,740
Snow removal	14,027		14,027		14,027
Beautification and maintenance	128,795		128,795		128,795
Insurance	4,849		4,849		4,849
Legal services	7,500		7,500		7,500
Legal notices	1,732		1,732		1,732
Mayor and commissioners salary	24,000		24,000		24,000
Office expenses	9,220	2	9,222		9,222
Tax billing	3,091		3,091		3,091
Bookkeeping services	12,000		12,000		12,000
Road and sidewalk maintenance	5,690		5,690		5,690
<b>Total Expenditures/Expenses</b>	<b>295,829</b>	<b>2</b>	<b>295,831</b>		<b>295,831</b>
Excess (Deficiency) of Revenues over Expenditures/Expenses	(74,818)	22,137	(52,681)	52,681	0
Changes in Net Assets				(52,681)	(52,681)
<b>Fund Balances/Net Assets</b>					
Beginning of the year	433,722	243,924	677,646		677,646
End of the year	<u>\$358,904</u>	<u>\$266,061</u>	<u>\$624,965</u>	<u>\$0</u>	<u>\$624,965</u>

CITY OF LANGDON PLACE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION** - The City of Langdon Place follows fund accounting principles as appropriate for local government units. Governmental funds financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City in general considers revenues available if they are collected within 180 days after year end, except for property taxes, which the City considers available when property taxes are assessed. Expenditures are recorded when the related fund liability is incurred.

The City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, insurance premium taxes, franchise taxes, licenses and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.

The Special Revenue Fund is the City's road fund. It accounts for municipal aid road fund monies from the State of Kentucky.

**CASH AND CASH EQUIVALENTS** - For purposes of reporting cash flows, the City considers all cash accounts which are not subject to withdrawal restrictions or penalties, and certificates of deposit with original maturities of 90 days or less to be cash or cash equivalents.

**ACCOUNTS RECEIVABLE** - The management of the City believes that all accounts receivable are fully collectible. Therefore, no allowance for doubtful accounts was recorded.

B. PROPERTY TAX RECEIVABLE

Property taxes are collected and remitted to the City. Taxes are levied annually on January 1. Taxes are due October 31 after which time applicable penalties and interest are assessed. Tax revenue is recognized in the year levied.

Property tax receivable by year consists of the following:

YEAR	
2009	\$11,542
2008	3,231
2007	1,399
2005	286
	<hr/>
	\$16,458
	<hr/> <hr/>

CITY OF LANGDON PLACE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

**C. CUSTODIAL CREDIT RISK OF BANK DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City has cash deposits in various financial institutions, some of which exceeded the federally insured limit of \$250,000.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

- Category 1 - Deposits which are insured or collateralized with securities held by the City or by its agent in the City's name
- Category 2 - Collateralized with securities held by the pledging institutions trust department or agent in the City's name
- Category 3 - Uninsured and uncollateralized

At year end, the City had \$615,397 of bank deposits (certificates of deposit, checking, and savings accounts) of which \$5,617 were Category 3 - uninsured and uncollateralized. The City's management believes that the credit risk related to these deposits is minimal.

**D. USE OF ESTIMATES**

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**F. BUDGETARY AND LEGAL COMPLIANCE**

The City Council is required to adopt an annual budget resolution by July 1 each fiscal year for the General Fund and the Special Revenue Fund. The City Council also approves any revisions that alter the total expenditures of any major object within a fund (the legal level of budgetary control).

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**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***

The Honorable Mayor and  
Members of the City Council  
City of Langdon Place  
Jefferson County, Kentucky

I have audited the financial statements of the governmental activities and each major fund of the City of Langdon Place, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the City of Langdon Place, Kentucky's basic financial statements and have issued my report thereon dated October 22, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Langdon Place's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Langdon Place, Kentucky's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.



Management is responsible for establishing and maintaining internal controls in the financial reporting system and for the fair presentation of the financial position, results of operations, cash flows, and disclosures of the financial position results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles. I noted the absence of appropriate internal controls in the following areas:

- \* The City's internal control system lacks certain controls with respect to separation of duties.
- \* The City does not have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are complete and presented in accordance with generally accepted accounting principles. As such, management requested me to assist in identifying adjustments to the accounting records and to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of this service is not unusual in companies of your size and is a result of management's cost benefit decision to use my accounting expertise rather than to incur internal resource costs.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Langdon Place, Kentucky's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Langdon Place, Kentucky's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, City Council, others within the organization, and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Thomas R. Clark, CPA*

Thomas R. Clark, PSC  
Certified Public Accountant

October 22, 2009

CITY OF LANGDON PLACE  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 YEAR ENDED JUNE 30, 2009

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>REVENUES</b>				
Property taxes net of discount	\$ 184,000	\$ 184,000	\$ 175,465	\$ (8,535)
<b>OTHER REVENUES</b>				
Interest	7,765	7,765	5,894	(1,871)
Penalties and interest on taxes	0	0	622	622
Franchise fees	5,000	5,000	5,028	28
Insurance premium taxes	24,000	24,000	33,468	9,468
Miscellaneous	76	76	534	458
Transfer from surplus	107,913	107,913	0	107,913
<b>Total Revenues</b>	<u>328,754</u>	<u>328,754</u>	<u>221,011</u>	<u>108,083</u>
<b>EXPENSES</b>				
Accounting audit services	2,200	2,200	2,530	(330)
Security services	18,000	18,000	17,010	990
Street lights	11,000	11,000	10,645	355
Garbage collection	55,000	55,000	54,740	260
Snow removal	10,000	10,000	14,027	(4,027)
Beautification and maintenance	154,500	154,500	128,795	25,705
Insurance	7,500	7,500	4,849	2,651
Legal services	7,500	7,500	7,500	0
Legal notices	1,500	1,500	1,732	(232)
Mayor and commissioners salary	24,000	24,000	24,000	0
Office expenses	12,354	12,354	9,220	3,134
Tax billing	3,200	3,200	3,091	109
Bookkeeping services	12,000	12,000	12,000	0
Road and sidewalk maintenance	10,000	10,000	5,690	4,310
<b>Total Expenses</b>	<u>328,754</u>	<u>328,754</u>	<u>295,829</u>	<u>32,925</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>\$0</u>	<u>\$0</u>	<u>(\$74,818)</u>	<u>\$141,008</u>

CITY OF LANGDON PLACE  
 BUDGETARY COMPARISON SCHEDULE - ROAD FUND  
 YEAR ENDED JUNE 30, 2009

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>REVENUES</b>				
Kentucky municipal aid	\$16,000	\$16,000	\$17,449	\$1,449
Interest	4,200	4,200	4,690	490
	<u>20,200</u>	<u>20,200</u>	<u>22,139</u>	<u>1,939</u>
<b>EXPENSES</b>				
Office expense	0	0	2	(2)
Road and sidewalk maintenance	20,200	20,200	0	20,200
	<u>20,200</u>	<u>20,200</u>	<u>2</u>	<u>20,198</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	<u>\$0</u>	<u>\$0</u>	<u>\$22,137</u>	<u>\$22,137</u>