

CITY OF LANGDON PLACE
REPORT ON AUDIT
OF FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

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CITY OF LANGDON PLACE
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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, 2007, 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, 2007, 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

December 31, 2007

CITY OF LANGDON PLACE
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2007

| | GENERAL FUND | KENTUCKY MUNICIPAL AID ROAD FUND | TOTAL | ADJUSTMENTS | STATEMENT OF NET ASSETS |
|-------------------------------------|------------------|---|------------------|------------------|-------------------------------|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash | \$321,017 | \$16,118 | \$337,135 | | \$337,135 |
| Certificates of deposit | 0 | 162,610 | 162,610 | | 162,610 |
| Property tax receivable | 6,966 | 0 | 6,966 | | 6,966 |
| Prepaid insurance | 4,345 | 0 | 4,345 | | 4,345 |
| Total Current Assets | 332,328 | 178,728 | 511,056 | | 511,056 |
| INVESTMENTS | 106,630 | 39,458 | 146,088 | | 146,088 |
| Total Assets | <u>\$438,958</u> | <u>\$218,186</u> | <u>\$657,144</u> | | <u>657,144</u> |
| LIABILITIES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | \$9,509 | \$0 | \$9,509 | | \$9,509 |
| Total Current Liabilities | 9,509 | 0 | 9,509 | | 9,509 |
| FUND BALANCES/NET ASSETS | | | | | |
| Fund Balances, Unreserved | 429,449 | 218,186 | 647,635 | (647,635) | 0 |
| Total Liabilities and Fund Balances | <u>\$438,958</u> | <u>\$218,186</u> | <u>\$657,144</u> | | |
| Net Assets, Unrestricted | | | | 647,635 | 647,635 |
| Total Net Assets | | | | <u>\$647,635</u> | <u>\$647,635</u> |

CITY OF LANGDON PLACE
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

| | GENERAL FUND | KENTUCKY MUNICIPAL AID ROAD FUND | TOTAL | ADJUSTMENTS | STATEMENT OF ACTIVITIES |
|--|------------------|---|------------------|-------------|-------------------------------|
| REVENUES | | | | | |
| Property taxes net of discount | \$186,298 | | \$186,298 | | \$186,298 |
| Kentucky municipal aid | | \$15,036 | 15,036 | | 15,036 |
| OTHER REVENUES | | | | | |
| Interest | 6,521 | 6,038 | 12,559 | | 12,559 |
| Penalties and interest on taxes | 1,761 | | 1,761 | | 1,761 |
| Franchise fees | 4,116 | | 4,116 | | 4,116 |
| Insurance premium taxes | 23,095 | | 23,095 | | 23,095 |
| Miscellaneous | 186 | | 186 | | 186 |
| Easement revenue | 53,900 | | 53,900 | | 53,900 |
| Total Revenues | <u>275,877</u> | <u>21,074</u> | <u>296,951</u> | | <u>296,951</u> |
| EXPENDITURES/EXPENSES | | | | | |
| Accounting audit services | 2,230 | | 2,230 | | 2,230 |
| Security services | 13,772 | | 13,772 | | 13,772 |
| Street lights | 8,985 | | 8,985 | | 8,985 |
| Garbage collection | 46,892 | | 46,892 | | 46,892 |
| Snow removal | 7,075 | | 7,075 | | 7,075 |
| Beautification and maintenance | 43,516 | | 43,516 | | 43,516 |
| Insurance | 4,598 | | 4,598 | | 4,598 |
| Legal services | 7,500 | | 7,500 | | 7,500 |
| Legal notices | 1,752 | | 1,752 | | 1,752 |
| Mayor and commissioners salary | 24,000 | | 24,000 | | 24,000 |
| Office expenses | 10,306 | 1 | 10,307 | | 10,307 |
| Tax billing | 3,053 | | 3,053 | | 3,053 |
| Bookkeeping services | 12,000 | | 12,000 | | 12,000 |
| Total Expenditures/Expenses | <u>185,679</u> | <u>1</u> | <u>185,680</u> | | <u>185,680</u> |
| Excess of Revenues over Expenditures/Expenses | 90,198 | 21,073 | 111,271 | (111,271) | 0 |
| Changes in Net Assets | | | | 111,271 | 111,271 |
| Fund Balances/Net Assets | | | | | |
| Beginning of the year | <u>339,251</u> | <u>197,113</u> | <u>536,364</u> | | <u>536,364</u> |
| End of the year | <u>\$429,449</u> | <u>\$218,186</u> | <u>\$647,635</u> | <u>\$0</u> | <u>\$647,635</u> |

CITY OF LANGDON PLACE
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2007

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. INVESTMENTS

The City's investments are in certificates of deposit with federally insured banks. The maturities of these certificates of deposit are as follows:

| <u>Maturing</u> | <u>General Fund Market Value</u> | <u>Kentucky Municipal Aid Road Fund Market Value</u> |
|------------------------------|--------------------------------------|--|
| Within 1 year | \$0 | \$162,610 |
| After 1 year through 5 years | 106,630 | 39,458 |
| | <u>\$106,630</u> | <u>\$202,068</u> |

CITY OF LANGDON PLACE
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2007

C. 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 | |
|------|-------------|
| 2007 | \$6,847 |
| 2006 | (84) |
| 2005 | 286 |
| 2004 | (684) |
| 2003 | 601 |
| | <hr/> |
| | \$6,966 |
| | <hr/> <hr/> |

D. 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 \$100,000. At year end, the City had \$645,833 of bank deposits (certificates of deposit, checking, and savings accounts) of which \$343,223 were uninsured and uncollateralized. The City's management believes that the credit risk related to these deposits is minimal.

E. 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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Thomas R. Clark

Deborah J. Stumler

**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, 2007, which collectively comprise the City of Langdon Place, Kentucky's basic financial statements and have issued my report thereon dated December 31, 2007. 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.

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.

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

December 31, 2007

CITY OF LANGDON PLACE
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 YEAR ENDED JUNE 30, 2007

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL AMOUNTS | VARIANCE WITH FINAL BUDGET |
|---|--------------------|-----------------|-------------------|-------------------------------|
| REVENUES | | | | |
| Property taxes net of discount | \$170,000 | \$170,000 | \$186,298 | \$16,298 |
| OTHER REVENUES | | | | |
| Interest | 3,000 | 3,000 | 6,521 | 3,521 |
| Penalties and interest on taxes | 300 | 300 | 1,761 | 1,461 |
| Franchise fees | 7,000 | 7,000 | 4,116 | (2,884) |
| Insurance premium taxes | 19,000 | 19,000 | 23,095 | 4,095 |
| Miscellaneous | 0 | 0 | 186 | 186 |
| Easement revenue | 0 | 0 | 53,900 | 53,900 |
| Total Revenues | <u>199,300</u> | <u>199,300</u> | <u>275,877</u> | <u>76,577</u> |
| EXPENSES | | | | |
| Accounting audit services | 2,100 | 2,100 | 2,230 | (130) |
| Security services | 18,000 | 18,000 | 13,772 | 4,228 |
| Street lights | 10,500 | 10,500 | 8,985 | 1,515 |
| Garbage collection | 48,000 | 48,000 | 46,892 | 1,108 |
| Snow removal | 10,000 | 10,000 | 7,075 | 2,925 |
| Beautification and maintenance | 40,000 | 40,000 | 43,516 | (3,516) |
| Insurance | 5,000 | 5,000 | 4,598 | 402 |
| Legal services | 7,500 | 7,500 | 7,500 | 0 |
| Legal notices | 2,000 | 2,000 | 1,752 | 248 |
| Mayor and commissioners salary | 24,000 | 24,000 | 24,000 | 0 |
| Office expenses | 13,000 | 13,000 | 10,306 | 2,694 |
| Tax billing | 3,000 | 3,000 | 3,053 | (53) |
| Bookkeeping services | 12,000 | 12,000 | 12,000 | 0 |
| Road maintenance | 4,200 | 4,200 | 0 | 4,200 |
| Total Expenses | <u>199,300</u> | <u>199,300</u> | <u>185,679</u> | <u>13,621</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>\$0</u> | <u>\$0</u> | <u>\$90,198</u> | <u>\$90,198</u> |

CITY OF LANGDON PLACE
 BUDGETARY COMPARISON SCHEDULE - ROAD FUND
 YEAR ENDED JUNE 30, 2007

| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL AMOUNTS</u> | <u>VARIANCE WITH FINAL BUDGET</u> |
|---|----------------------------|-------------------------|---------------------------|---------------------------------------|
| REVENUES | | | | |
| Kentucky municipal aid | \$15,500 | \$15,500 | \$15,036 | (\$464) |
| Interest | 2,000 | 2,000 | 6,038 | 4,038 |
| Total Revenues | <u>17,500</u> | <u>17,500</u> | <u>21,074</u> | <u>3,574</u> |
| EXPENSES | | | | |
| Office expense | 0 | 0 | 1 | 1 |
| Road maintenance | 0 | 0 | 0 | 0 |
| Total Expenses | <u>0</u> | <u>0</u> | <u>1</u> | <u>1</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>\$17,500</u> | <u>\$17,500</u> | <u>\$21,073</u> | <u>\$3,573</u> |