

CITY OF LANGDON PLACE
REPORT ON AUDIT
OF FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

CITY OF LANGDON PLACE
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2010

Pages

Independent Auditor's Report on the Financial Statements

1 - 2

BASIC FINANCIAL STATEMENTS

Governmental Funds Balance Sheet/Statement of Net Assets

3

Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance/Statement of Activities

4

Notes to Financial Statements

5 - 7

REQUIRED SUPPLEMENTARY INFORMATION

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

8 - 9

Budgetary Comparison Schedule - General Fund

10

Budgetary Comparison Schedule - Kentucky Municipal Aid Road Fund

11

THOMAS R. CLARK, PSC
CERTIFIED PUBLIC ACCOUNTANT
1827 BROWNSBORO ROAD
LOUISVILLE, KENTUCKY 40206-2111
Telephone 502/896-8788
Fax 502/893-2011

Thomas R. Clark, CPA
Deborah J. Stumler, CPA

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, 2010, 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, Kentucky's management. My responsibility is to express opinions 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 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 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 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, 2010, 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.

In accordance with Government Auditing Standards, I have also issued my report dated January 10, 2011, on my consideration of the City of Langdon Place, Kentucky's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 10 through 11 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 historic context. I have applied certain limited procedures to the required

INDEPENDENT AUDITOR'S REPORT (Continued)

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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The City of Langdon Place has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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 basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.



Thomas R. Clark, PSC
Louisville, Kentucky

January 10, 2011

CITY OF LANGDON PLACE
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>GENERAL FUND</u>	<u>KENTUCKY MUNICIPAL AID ROAD FUND</u>	<u>TOTAL</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF NET ASSETS</u>
ASSETS					
CURRENT ASSETS					
Cash	\$194,380	\$243,224	\$437,604		\$437,604
Certificates of deposit	112,509	44,060	156,569		156,569
Property tax receivable	15,247	0	15,247		15,247
Prepaid legal fees	7,500	0	7,500		7,500
Prepaid payroll taxes	913	0	913		913
Total Current Assets	<u>\$330,549</u>	<u>\$287,284</u>	<u>\$617,833</u>		<u>\$617,833</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$21,409	\$0	\$21,409		\$21,409
Total Current Liabilities	<u>21,409</u>	<u>0</u>	<u>21,409</u>		<u>21,409</u>
FUND BALANCES/NET ASSETS					
Fund Balances, Reserved for road maintenance		287,284	287,284	(287,284)	0
Fund Balances, Unreserved	309,140		309,140	(309,140)	0
Total Fund Balances	<u>309,140</u>	<u>287,284</u>	<u>596,424</u>	<u>(596,424)</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$330,549</u>	<u>\$287,284</u>	<u>\$617,833</u>		
Net Assets, Restricted for road maintenance				287,284	287,284
Net Assets, Unrestricted				309,140	309,140
Total Net Assets				<u>596,424</u>	<u>596,424</u>
Total Liabilities and Fund Balances				<u>\$0</u>	<u>\$617,833</u>

CITY OF LANGDON PLACE
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	GENERAL FUND	KENTUCKY MUNICIPAL AID ROAD FUND	TOTAL	ADJUSTMENTS	STATEMENT OF ACTIVITIES
REVENUES					
Property taxes net of discount	\$172,258		\$172,258		\$172,258
Kentucky municipal aid		\$18,635	18,635		18,635
OTHER REVENUES					
Interest	3,601	2,590	6,191		6,191
Penalties and interest on taxes	77		77		77
Franchise fees	5,944		5,944		5,944
Insurance premium taxes	43,476		43,476		43,476
Miscellaneous	68		68		68
Total Revenues	225,424	21,225	246,649		246,649
EXPENDITURES/EXPENSES					
Accounting audit services	2,615		2,615		2,615
Security services	18,300		18,300		18,300
Street lights	10,267		10,267		10,267
Garbage collection	54,740		54,740		54,740
Snow removal	31,740		31,740		31,740
Beautification and maintenance	60,668		60,668		60,668
Insurance	5,022		5,022		5,022
Legal services	7,500		7,500		7,500
Legal notices	160		160		160
Mayor and commissioners salary	24,000		24,000		24,000
Office expenses	6,958	2	6,960		6,960
Tax billing	3,115		3,115		3,115
Bookkeeping services	12,000		12,000		12,000
Road and sidewalk maintenance	37,138		37,138		37,138
Bad debt expense	965		965		965
Total Expenditures/Expenses	275,188	2	275,190		275,190
Excess (Deficiency) of Revenues over Expenditures/Expenses	(49,764)	21,223	(28,541)	28,541	0
Changes in Net Assets				(28,541)	(28,541)
Fund Balances/Net Assets					
Beginning of the year	358,904	266,061	624,965		624,965
End of the year	<u>\$309,140</u>	<u>\$287,284</u>	<u>\$596,424</u>	<u>\$0</u>	<u>\$596,424</u>

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Langdon Place, Kentucky (the City) have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

FINANCIAL REPORTING ENTITY

The City is a municipal corporation governed by an elected mayor and a six-member City Council. The City is a 6th Class City as defined by Kentucky statute.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenses or expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Other items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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. This fund is considered a non-major fund.

CITY OF LANGDON PLACE
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2010

BUDGETARY ACCOUNTING

The budget information reflected in the financial statements is the annual budget adopted by the City in accordance with the provisions of Kentucky law. It is presented to the Commission in the form of an ordinance and may be amended by subsequent ordinance or by municipal order. The budget is prepared on a basis consistent with the modified accrual basis of accounting utilized in the government fund financial statements.

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 June 30 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	\$6,578
2008	4,694
2007	2,906
2006	1,069
	<u>\$15,247</u>

C. 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	\$112,509	\$44,060
After 1 year through 5 years	0	0
	<u>\$112,509</u>	<u>\$44,060</u>

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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 \$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 \$594,173 of bank deposits (certificates of deposit, checking, and savings accounts) of which \$231,664 were Category 3 - 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 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 also approves any revisions that alter the total expenditures of any major object within a fund (legal level of budgetary control).

G. SUBSEQUENT EVENTS

The City has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through January 10, 2011, which was the date the financial statements were approved by management of the City of Langdon Place.

THOMAS R. CLARK, PSC
CERTIFIED PUBLIC ACCOUNTANT
1827 BROWNSBORO ROAD
LOUISVILLE, KENTUCKY 40206-2111
Telephone 502/896-8788
Fax 502/893-2011

Thomas R. Clark, CPA
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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, 2010, which collectively comprise the City of Langdon Place, Kentucky's basic financial statements and have issued my report thereon dated January 10, 2011. 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, Kentucky'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 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, I consider the deficiencies described below to be significant deficiencies in internal control over financial reporting. 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.

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

January 10, 2011

CITY OF LANGDON PLACE
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 YEAR ENDED JUNE 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES				
Property taxes net of discount	\$ 175,000	\$ 175,000	\$ 172,258	\$ (2,742)
OTHER REVENUES				
Interest	5,925	5,925	3,601	(2,324)
Penalties and interest on taxes	0	0	77	77
Franchise fees	5,000	5,000	5,944	944
Insurance premium taxes	25,000	25,000	43,476	18,476
Miscellaneous	75	75	68	(7)
Total Revenues	<u>211,000</u>	<u>211,000</u>	<u>225,424</u>	<u>14,424</u>
EXPENSES				
Accounting audit services	2,500	2,500	2,615	(115)
Security services	18,000	18,000	18,300	(300)
Street lights	12,000	12,000	10,267	1,733
Garbage collection	55,000	55,000	54,740	260
Snow removal	16,300	16,300	31,740	(15,440)
Beautification and maintenance	39,000	39,000	60,668	(21,668)
Insurance	7,500	7,500	5,022	2,478
Legal services	7,500	7,500	7,500	0
Legal notices	500	500	160	340
Mayor and commissioners salary	24,000	24,000	24,000	0
Office expenses	10,500	10,500	6,958	3,542
Tax billing	3,200	3,200	3,115	85
Bookkeeping services	12,000	12,000	12,000	0
Road and sidewalk maintenance	3,000	3,000	37,138	(34,138)
Bad debt expense	0	0	965	(965)
Total Expenses	<u>211,000</u>	<u>211,000</u>	<u>275,188</u>	<u>(64,188)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>\$0</u>	<u>\$0</u>	<u>(\$49,764)</u>	<u>(\$49,764)</u>

CITY OF LANGDON PLACE
 BUDGETARY COMPARISON SCHEDULE - ROAD FUND
 YEAR ENDED JUNE 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES				
Kentucky municipal aid	\$16,000	\$16,000	\$18,635	\$2,635
Interest	2,200	2,200	2,590	390
Transfer from surplus	20,000	20,000	0	20,000
	<u>38,200</u>	<u>38,200</u>	<u>21,225</u>	<u>23,025</u>
Total Revenues				
EXPENSES				
Office expense	0	0	2	(2)
Road and sidewalk maintenance	38,200	38,200	0	38,200
	<u>38,200</u>	<u>38,200</u>	<u>2</u>	<u>38,198</u>
Total Expenses				
EXCESS OF REVENUES OVER EXPENDITURES				
	<u>\$0</u>	<u>\$0</u>	<u>\$21,223</u>	<u>\$61,223</u>