

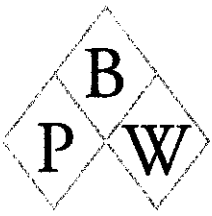
CITY OF LANGDON PLACE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

C O N T E N T S

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We 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, 2019, and the related notes to the financial statements, which collectively comprise the City of Langdon Place, Kentucky'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 and each major fund of the City of Langdon Place, Kentucky, as of June 30, 2019, and the respective changes in financial position 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 budgetary comparison information on pages 19 through 20 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require 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 the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020, on our consideration of the City of Langdon Place, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Langdon Place, Kentucky's 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 Langdon Place, Kentucky's internal control over financial reporting and compliance.

Bechtler, Parker & Watts

Bechtler, Parker & Watts

Louisville, Kentucky

January 15, 2020

CITY OF LANGDON PLACE
STATEMENT OF NET POSITION
JUNE 30, 2019

Primary Government
Governmental Activities

ASSETS

Cash and cash equivalents	\$	473,321
Certificates of deposit		150,000
Receivables		36,985
Prepaid insurance		4,943
		665,249
Capital Assets, net of accumulated depreciation		36,695
		36,695
 TOTAL ASSETS	 \$	 701,944
		701,944

LIABILITIES

Accounts payable	\$	2,844
Payroll taxes withheld		264
		2,844
 TOTAL LIABILITIES	 \$	 3,108
		3,108

NET POSITION

Net invested in capital assets	\$	36,695
Restricted for road maintenance		336,922
Unrestricted		325,219
		698,836
 TOTAL NET POSITION	 \$	 698,836
		698,836

CITY OF LANGDON PLACE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	<u>EXPENSES</u>	<u>PROGRAM REVENUES OPERATING GRANTS</u>		<u>NET (EXPENSES) AND REVENUES AND CHANGES IN NET ASSETS PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
<u>PRIMARY GOVERNMENT</u>				
<u>GOVERNMENTAL ACTIVITIES:</u>				
General government	\$ 221,384	\$ -	\$	(221,384)
Public safety	18,150	4,511		(13,639)
Streets and public works	6,113	19,125		13,012
	<u>6,113</u>	<u>19,125</u>		<u>13,012</u>
 TOTAL GOVERNMENTAL ACTIVITIES	 <u>\$ 245,647</u>	 <u>\$ 23,636</u>	 \$	 <u>(222,011)</u>
 <u>GENERAL REVENUES</u>				
Taxes:				
Property taxes, net of discount			\$	188,973
Insurance tax				88,728
Franchise tax				5,468
Penalties and interest				91
Interest income				5,217
				<u>5,217</u>
 TOTAL GENERAL REVENUES			 \$	 <u>288,477</u>
 CHANGES IN NET POSITION			 \$	 66,466
 NET POSITION, Beginning of year				 <u>632,370</u>
 NET POSITION, End of year			 \$	 <u>698,836</u>

CITY OF LANGDON PLACE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 137,388	\$ 335,933	\$ 473,321
Certificates of deposit	150,000	-	150,000
Taxes and intergovernmental receivables	35,440	1,545	36,985
Prepaid insurance	4,943	-	4,943
Due from other funds	556	-	556
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 328,327</u>	<u>\$ 337,478</u>	<u>\$ 665,805</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 2,844	\$ -	\$ 2,844
Payroll taxes withheld	264	-	264
Due to other funds	-	556	556
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>\$ 3,108</u>	<u>\$ 556</u>	<u>\$ 3,664</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue	\$ 9,475	\$ -	\$ 9,475
	<hr/>	<hr/>	<hr/>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 9,475</u>	<u>\$ -</u>	<u>\$ 9,475</u>
 <u>FUND BALANCES</u>			
Restricted for Road Maintenance	\$ -	\$ 336,922	\$ 336,922
Assigned	4,943	-	4,943
Unassigned	310,801	-	310,801
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>\$ 315,744</u>	<u>\$ 336,922</u>	<u>\$ 652,666</u>
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 328,327</u>	<u>\$ 337,478</u>	<u>\$ 665,805</u>

CITY OF LANGDON PLACE
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	652,666
Amounts reported for governmental activities in the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This is the amount by which capital assets exceeded depreciation.		36,695
Receivables in the statement of net assets are reported using the full accrual basis whereas the balance sheet - governmental funds reflects the modified accrual basis. This amount is the difference between the two methods of accounting.		<u>9,475</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>698,836</u></u>

CITY OF LANGDON PLACE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>			
Property taxes, net of discounts	\$ 191,589	\$ -	\$ 191,589
Kentucky municipal road aid	-	19,125	19,125
Insurance premium taxes	88,728	-	88,728
Public safety HB413	4,511	-	4,511
Franchise tax	5,468	-	5,468
Interest income	2,447	2,770	5,217
Penalties and interest on taxes	91	-	91
Miscellaneous	-	-	-
TOTAL REVENUES	<u>\$ 292,834</u>	<u>\$ 21,895</u>	<u>\$ 314,729</u>
<u>EXPENDITURES</u>			
General government	\$ 221,382	\$ 2	\$ 221,384
Public safety	18,150	-	18,150
Streets and public works	5,010	-	5,010
Capital outlay	37,798	-	37,798
TOTAL EXPENDITURES	<u>\$ 282,340</u>	<u>\$ 2</u>	<u>\$ 282,342</u>
NET CHANGE IN FUND BALANCES	\$ 10,494	\$ 21,893	\$ 32,387
FUND BALANCES - Beginning of year	<u>305,250</u>	<u>315,029</u>	<u>620,279</u>
FUND BALANCES - End of year	<u>\$ 315,744</u>	<u>\$ 336,922</u>	<u>\$ 652,666</u>

CITY OF LANGDON PLACE
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 -YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds	\$	32,387
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Certain tax revenues will not be collected for several months after the City's fiscal year end and they are not considered "available" resources. These revenues are shown as a deferred inflow in the fund financial statements.</p>		
		(2,616)
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the useful lives of the asset.</p>		
Capital outlay	\$ 37,798	
Depreciation expense	<u>(1,103)</u>	<u>36,695</u>
Net change in net position as reflected on Statement of Activities	\$	<u><u>66,466</u></u>

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 - 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 provides the following services: streets and public works, sanitation, public safety and general administrative services. The City is a Home Rule city as defined by Kentucky statute and is located in Jefferson County, Kentucky. Primary revenue sources are property taxes, insurance taxes, and municipal road aid. Those revenues susceptible to accrual are property taxes, insurance taxes, and municipal road aid.

All significant activities and organizations on which the City exercises oversight responsibility have been included in the City's financial statements, for the year ended, June 30, 2019. The following criteria regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

Financial interdependency - The City is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the City.

Election of the government authority - The locally elected City Council is exclusively responsible for all public decisions and accountable for the decisions it makes.

Ability to significantly influence operations - The City Council has the statutory authority under the provisions of the Revised Statutes to significantly influence operations. This authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

Accountability of fiscal matters - The responsibility and accountability over all funds is vested in the City management.

After consideration of the above criteria, no additional entities are deemed to be component units of the City.

BASIC FINANCIAL STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All activities of the City are classified as governmental activities; the City has no business-type activities.

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities reflect financial information of the City as a whole. They include all funds of the reporting entity except for fiduciary funds.

In the Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The Statement of Activities reports both the gross and net cost of each of the City's functions (general government, public safety, and streets and roads). The functions are also supported by general government revenues (property taxes and insurance taxes). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, public safety, and streets and roads). Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs, by function, are normally covered by general revenue (property taxes, insurance taxes, etc.). The City does not allocate indirect costs.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

FUND FINANCIAL STATEMENTS

The City uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions relating to certain government functions or activities. A fund is a separate entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, and expenditures/expenses. Funds of the City are classified as governmental, which account for all or most of the City's general activities including the collection of legally restricted monies, administrative expense and the acquisition or construction of capital assets.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds, except that the primary operating fund of the City, the general fund, is always considered major. Those criteria for evaluation of all other funds are as follows:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category type; and
- b. Total assets and deferred outflows or resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS (Continued)

The funds of the financial reporting entity are described below:

Governmental Type Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these major governmental funds and fund types:

GENERAL FUND - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

SPECIAL REVENUE FUNDS - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes. The City accounts for state road funds in the special revenue fund and considers it to be a major fund.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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. This method differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds. Expenses are classified by function.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for the activities of the City and for each governmental program. Program revenues include charges paid by the recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when they are measurable and available. Measurable means that the amount can be determined. Available means collectible within the current period or soon

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

enough thereafter to pay liabilities of the current period. Under the modified accrual basis of accounting, expenditures are recorded when a liability is incurred, as under accrual accounting. This approach differs from the manner in which governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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.

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 City Council 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.

BUDGETARY COMPARISON SCHEDULES

As required by generally accepted governmental accounting principles, this statement has been prepared in the same form as the legally adopted budget; therefore its form varies somewhat from the statement of revenues, expenditures and changes in fund balances.

DEPOSITS AND INVESTMENTS

Cash and cash equivalents include all cash accounts which are not subject to withdrawal restrictions or penalties, and certificates of deposit with original maturities of 90 days or less.

The City invests in certificates of deposit with federally insured financial institutions. The certificates of deposit are recorded at cost which approximates fair value. Interest is received quarterly but is not reinvested into the certificate of deposit, but instead is deposited into the cash account.

RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major balances for the governmental activities include property taxes, insurance taxes, and intergovernmental receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, insurance taxes, and intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions, collectible but not available are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

The management of the City believes that all accounts receivable are fully collectible. Property taxes that are more than 6 months delinquent have a tax lien filed against them, therefore, no allowance for doubtful accounts has been recorded.

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL ASSETS

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental fund statements and capitalized (recorded and accounted for) in the government-wide statement of net assets. Capitalized assets are recorded at historical cost if purchased or constructed. For financial reporting purposes, the City's policy is to only capitalize individual assets with a value of \$1,000 or greater.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet.

Buildings and improvements	10 to 50 years
Infrastructure	15 to 75 years
Machinery and equipment	5 to 15 years

DUE TO AND FROM OTHER FUNDS

Interfund receivables and payables are recorded by all funds in the period in which transactions are executed on the fund financial statements. Interfund receivables and payables within governmental activities are eliminated in the statement of net position.

DEFERRED INFLOW/OUTFLOW OF RESOURCES

Deferred Outflows:

The City reports decreases in net position/fund balances that relate to future periods as deferred outflows of resources in a separate section of its government-wide Statement of Net Position/Fund Financials Balance Sheet - Governmental Funds. No deferred outflows of resources affected either of these financial statements in the current year.

Deferred Inflows:

The City reports increases in net position/fund balances that relate to future periods as deferred inflows of resources in a separate section of its government-wide Statement of Net Position/Fund Financials Balance Sheet - Governmental Funds. The City had no deferred inflows of resources to report in the government-wide Statement of net position; however, such amounts are reported in the Fund Financial Statement. The City only has one type of item which occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes are reported in the Fund Financials Balance Sheet - Governmental Funds as unavailable revenue.

ACCOUNTS PAYABLE

Accounts payable consist of trade payable to vendors who provide goods and services to the City.

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EQUITY CLASSIFICATIONS

Government-Wide Statements

The City reports the difference between assets less liabilities as net position. Net position is divided into two categories defined as follows:

- a. Net Investment in Capital Assets - Consists of the historical cost of capital assets including restricted capital assets, less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted Net Position - Consists of assets that are restricted by the City's creditors (for example through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), by other contributors, or by enabling legislation.
- c. Unrestricted Net Position - Balance of net position not meeting the requirements of the other category.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- a. Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted - Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- c. Committed - Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.
- d. Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates authority.
- e. Unassigned - All amounts not included in other classifications.

Expenditures are considered paid from restricted funds first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first from committed, then assigned, and finally unassigned.

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REAL PROPERTY TAX REVENUE

Property taxes are collected and remitted to the City (\$0.28 per \$100 of assessed value) based upon an assessment date of January 1st. Bills are mailed once they are prepared and are payable by March 16th of the following year. Bills paid by March 15th are allowed a discount of 5%, bills paid after March 15th, but before June 30th are not allowed a discount, nor are they subject to any penalties. Bills paid after June 30th will be declared delinquent. All bills paid after June 30th will bear interest at a rate of 12% per annum, compounded monthly until paid. Additionally, a penalty of 10% of the amount shall be added for non-payment for each month the payment is delinquent. It is the City's policy to file a tax lien for property taxes that are more than 6 months delinquent.

INSURANCE PREMIUM TAXES

The City collects insurance premium taxes on the sale of life, health, auto, property and casualty insurance policies. The City's tax rate assessed on insurance premiums is 5%.

EXPENDITURES/EXPENSES

In the government-wide financial statements, expenses are classified by function.

In the fund financial statements, governmental funds are classified by character and function. In the fund financial statements, governmental funds report expenditures of financial resources.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principals requires the City's 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 receipts and expenditures during the reporting period. Actual results may differ from those estimates.

NOTE 2 - CUSTODIAL CREDIT RISK OF BANK DEPOSITS

Under Kentucky Revised Statutes, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. The City typically invests surplus cash at local banks in the form of savings accounts, money market accounts, or certificates of deposit.

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, none of which exceeded the federally insured limit of \$250,000.

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 2 - CUSTODIAL CREDIT RISK OF BANK DEPOSITS (Continued)

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 \$632,674 of bank deposits (certificates of deposit, checking, and savings accounts) all of which were Category 1 - insured or collateralized.

NOTE 3 - CERTIFICATES OF DEPOSITS

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

Maturing	General Fund Current Value
Within 1 year	\$ 75,000
After 1 year through 5 years	75,000
	\$ 150,000

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019 consisted of the following:

Receivable Type	Statement of Net Position	Balance Sheet - Governmental Funds	
	Governmental Activities	General Fund	Special Revenue Fund
Property tax	\$ 13,340	\$ 13,340	\$ -
Municipal insurance tax	22,099	22,099	-
Municipal road aid	1,546	-	1,546
	\$ 36,985	\$ 35,439	\$ 1,546

Property tax receivable by year consists of the following:

<u>YEAR</u>	
6/30/2019	\$ 6,570
6/30/2018	1,226
6/30/2017	1,271
6/30/2016	542
Thereafter	3,731
	\$ 13,340

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2019 was a follows:

	<u>Balance 6/30/2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2019</u>
<u>Governmental Activities</u>				
Depreciable assets:				
Infrastructure	\$ -	\$ 37,798	\$ -	\$ 37,798
Accumulated depreciation:				
Infrastructure	\$ -	\$ 1,103	\$ -	\$ 1,103
Governmental Activities				
Capital assets, Net	<u>\$ -</u>	<u>\$ 36,695</u>	<u>\$ -</u>	<u>\$ 36,695</u>

Depreciation expense of \$1,103 was allocated to the various functions on the statement of activities as follows:

<u>Governmental Activities</u>	
Public works	<u>\$ 1,013</u>

NOTE 6 - RESTRICTED ASSETS

The City's restricted assets are as follows as of June 30, 2019

	<u>Special Revenue Fund</u>
Cash	\$ 335,933
Accounts receivable	1,545
	<u>\$ 337,478</u>

NOTE 7 - ASSIGNED ASSETS

The City's assigned assets are as follows as of June 30, 2019

	<u>General Fund</u>
Prepaid insurance	<u>\$ 4,943</u>

NOTE 8 - RESTRICTED NET POSITION/FUND BALANCE

Restricted net position and restricted fund balance, in the amount of \$336,922 as of June 30, 2019, are to be used for streets and roads.

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 9 - INTERGOVERNMENTAL REVENUE

Under the provisions of state law, the Commonwealth of Kentucky reimbursed the City for miscellaneous operating costs during the year ended June 30, 2019 that are recorded in the General Fund.

NOTE 10 - INTERFUND BALANCES

Interest income for the General Fund was deposited in the Road Fund in error. At June 30, 2019, the Road Fund owed the General Fund \$556. This amount is reflected only in the fund financial statements as interfund balances which are eliminated in the government wide financial statements. This amount is expected to be repaid during the next fiscal year.

NOTE 11 - RISK MANAGEMENT

The City is subject to normal insurance risks as other cities of its size. The City carries general liability, workers compensation, and errors and omissions coverage. The City has not had any significant reduction in coverage in the past year.

NOTE 12 - SUBSEQUENT EVENTS

The City has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through January 15, 2020, which was the date the financial statements were approved by management of the City of Langdon Place.

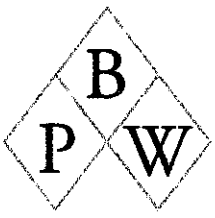
CITY OF LANGDON PLACE
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 YEAR ENDED JUNE 30, 2019

	<u>ORIGINAL & FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>FAVORABLE (UNFAVORABLE) VARIANCE WITH FINAL BUDGET</u>
<u>REVENUES</u>			
Taxes:			
Property taxes, net of discount	\$ 187,800	\$ 191,589	\$ 3,789
Insurance premium taxes	71,500	88,728	17,228
Franchise fees	5,350	5,468	118
Intergovernmental revenue:			
Public safety HB413	4,500	4,511	11
Interest	1,000	2,447	1,447
Penalties and interest on taxes	0	91	91
Miscellaneous	0	0	0
TOTAL REVENUES	\$ 270,150	\$ 292,834	\$ 22,684
<u>EXPENDITURES</u>			
General government			
General and Administrative expenditures			
Accounting audit services	\$ 3,850	\$ 4,300	\$ (450)
Street lights	16,000	15,303	697
Garbage collection	53,877	51,314	2,563
Snow removal	16,400	5,010	11,390
Beautification and maintenance	77,160	82,040	(4,880)
Insurance	7,412	7,413	(1)
Legal services	7,500	7,500	-
Legal notices	300	457	(157)
Mayor and commissioners salary	27,600	25,800	1,800
Office expenses	13,251	9,933	3,318
Tax billing	3,500	3,522	(22)
Bookkeeping services	13,800	13,800	-
Infrastructure	30,000	37,798	(7,798)
TOTAL GENERAL GOVERNMENT	\$ 270,650	\$ 264,190	\$ 6,460
Public safety			
Security services	18,000	18,150	(150)
TOTAL PUBLIC SAFETY	\$ 18,000	\$ 18,150	\$ (150)
TOTAL EXPENDITURES	\$ 288,650	\$ 282,340	\$ 6,310
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ (18,500)	\$ 10,494	\$ 28,994

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LANGDON PLACE
 BUDGETARY COMPARISON SCHEDULE - ROAD FUND
 YEAR ENDED JUNE 30, 2019

	<u>ORIGINAL & FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>FAVORABLE (UNFAVORABLE VARIANCE WITH FINAL BUDGET</u>
REVENUES			
Kentucky municipal aid	\$ 22,500	\$ 19,125	\$ (3,375)
Interest	-	2,770	2,770
TOTAL REVENUES	<u>\$ 22,500</u>	<u>\$ 21,895</u>	<u>\$ (605)</u>
EXPENSES			
Office expense	\$ -	\$ 2	\$ (2)
Road and sidewalk maintenance	60,000	0	60,000
TOTAL EXPENSES	<u>\$ 60,000</u>	<u>\$ 2</u>	<u>\$ 59,998</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ (37,500)</u>	<u>\$ 21,893</u>	<u>\$ 59,393</u>



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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

The Honorable Mayor and
Members of the City Council
City of Langdon Place, 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 and each major fund of the City of Langdon Place, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Langdon Place, Kentucky's basic financial statements, and have issued our report thereon dated January 15, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Langdon Place, 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 Langdon Place, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Langdon Place, Kentucky's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-1 and 2019-2, that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Langdon Place, Kentucky's Response to Findings

The City of Langdon Place, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Langdon Place, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bechtler, Parker & Watts

Louisville, Kentucky

January 15, 2020

CITY OF LANGDON PLACE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019

Findings:

2019-1 *Condition:* The City's internal control system lacks certain controls with respect to separation of duties.

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Cause: The City has a limited number of personnel. Presently there is a single person that handles the bookkeeping duties.

Effect: Transactions could be handled incorrectly.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Management's Response: The City agrees with this finding and currently uses the governing board to provide alternative controls.

2019-2 *Condition:* The City's internal control system lacks certain controls that enable it to prepare complete financial statements, including footnote disclosures, in compliance with generally accepted accounting principles.

Criteria: Generally accepted accounting principles require that an entity have internal controls in place that enable it to prepare complete financial statements, including note disclosures.

Cause: The City lacks personnel with the expertise to prepare its financial statements, including footnote disclosures, in conformity with generally accepted accounting principles.

Effect: Management engaged the auditor to prepare draft financial statements, including 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 drafted by the auditor, for compliance with generally accepted accounting principles

Management's Response: The City has determined that it does not have the resources to hire someone with adequate knowledge to prepare the financial statements, nor does it have the resources to contract with an outside accountant to prepare them.