

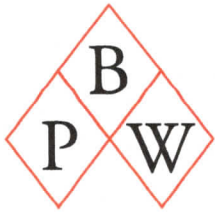
CITY OF LANGDON PLACE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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, 2020, 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, 2020, 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 21 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, 2021, 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, 2021

CITY OF LANGDON PLACE
STATEMENT OF NET POSITION
 JUNE 30, 2020

Primary Government
Governmental Activities

ASSETS

Cash and cash equivalents (\$188,769 restricted)	\$	388,509
Certificates of deposit		150,000
Receivables		26,562
		565,071
Capital Assets, net of accumulated depreciation		198,255
		198,255
 TOTAL ASSETS	 \$	 763,326
		763,326

LIABILITIES

Accounts payable	\$	4,461
Accrued wages		6,900
Payroll taxes withheld		1,419
		12,780
 TOTAL LIABILITIES	 \$	 12,780
		12,780

NET POSITION

Net investment in capital assets	\$	198,255
Restricted for road maintenance		188,213
Unrestricted		364,078
		750,546
 TOTAL NET POSITION	 \$	 750,546
		750,546

CITY OF LANGDON PLACE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	<u>EXPENSES</u>	<u>PROGRAM REVENUES OPERATING GRANTS</u>	<u>NET (EXPENSES) AND REVENUES AND CHANGES IN NET POSITION PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
<u>PRIMARY GOVERNMENT</u>			
<u>GOVERNMENTAL ACTIVITIES:</u>			
General government	\$ 251,052	\$ -	\$ (251,052)
Public safety	15,000	3,911	(11,089)
Streets and public works	0	18,636	18,636
	<u>0</u>	<u>18,636</u>	<u>18,636</u>
 TOTAL GOVERNMENTAL ACTIVITIES	 <u>\$ 266,052</u>	 <u>\$ 22,547</u>	 <u>\$ (243,505)</u>
 <u>GENERAL REVENUES</u>			
Taxes:			
Property taxes, net of discount			\$ 188,506
Insurance premium taxes			91,509
Franchise tax			5,517
Penalties and interest			5,854
Interest income			3,829
			<u>3,829</u>
 TOTAL GENERAL REVENUES			 <u>\$ 295,215</u>
 CHANGES IN NET POSITION			 <u>\$ 51,710</u>
 NET POSITION, Beginning of year			 <u>698,836</u>
 NET POSITION, End of year			 <u>\$ 750,546</u>

CITY OF LANGDON PLACE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 199,740	\$ 188,769	\$ 388,509
Certificates of deposit	150,000	-	150,000
Receivables	26,562	-	26,562
Due from other funds	556	-	556
TOTAL ASSETS	\$ 376,858	\$ 188,769	\$ 565,627
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 4,461	\$ -	\$ 4,461
Accrued wages	6,900	-	6,900
Payroll taxes withheld	1,419	-	1,419
Due to other funds	-	556	556
TOTAL LIABILITIES	\$ 12,780	\$ 556	\$ 13,336
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue	\$ 2,056	\$ -	\$ 2,056
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 2,056	\$ -	\$ 2,056
<u>FUND BALANCES</u>			
Restricted for Road Maintenance	\$ -	\$ 188,213	\$ 188,213
Assigned	-	-	0
Unassigned	362,022	-	362,022
TOTAL FUND BALANCES	\$ 362,022	\$ 188,213	\$ 550,235
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 376,858	\$ 188,769	\$ 565,627

CITY OF LANGDON PLACE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 550,235
Amounts reported for governmental activities in the statement of net position 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.	198,255
Receivables in the statement of net position 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>2,056</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 750,546</u></u>

CITY OF LANGDON PLACE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>			
Property taxes, net of discounts	\$ 195,926	\$ -	\$ 195,926
Municipal road aid	-	18,636	18,636
Insurance premium taxes	91,509	-	91,509
Public safety HB413	3,911	-	3,911
Franchise tax	5,517	-	5,517
Penalties and interest on taxes	5,854	-	5,854
Interest income	2,636	1,193	3,829
	<u>\$ 305,353</u>	<u>\$ 19,829</u>	<u>\$ 325,182</u>
<u>EXPENDITURES</u>			
General government	\$ 244,075	\$ 32	\$ 244,107
Public safety	15,000	-	15,000
Streets and public works	-	-	0
Capital outlay	-	168,506	168,506
	<u>\$ 259,075</u>	<u>\$ 168,538</u>	<u>\$ 427,613</u>
NET CHANGE IN FUND BALANCES	\$ 46,278	\$ (148,709)	\$ (102,431)
FUND BALANCES - Beginning of year	<u>315,744</u>	<u>336,922</u>	<u>652,666</u>
FUND BALANCES - End of year	<u>\$ 362,022</u>	<u>\$ 188,213</u>	<u>\$ 550,235</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, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (102,431)

Amounts reported for governmental activities in the Statement of Activities are different because:

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, while the change in this receivable from the prior year is reflected in the government wide general revenues. (7,419)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the useful lives of the asset.

Capital outlay	\$ 168,506	
Depreciation expense	<u>(6,946)</u>	<u>161,560</u>

NET CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 51,710

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, public safety and general governmental 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 premium taxes, and municipal road aid. Those revenues susceptible to accrual are property taxes, insurance premium 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, 2020. 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

These financial statements display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The City does not have any 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.

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

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, insurance premium taxes, and operating grants). 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 premium 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 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, 2020

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 is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statement of net position and the statement of activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gain, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Basis of Accounting (Continued)

Governmental fund financial statements are presented 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 within sixty days after year end. Under the modified accrual basis of accounting expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

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 premium taxes, and intergovernmental receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, insurance premium taxes, and intergovernmental revenues since they are usually both measurable and available.

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, 2020

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 position. 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.

Infrastructure - Entrance	20 years
Infrastructure	15 - 20 years

ACCOUNTS PAYABLE

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

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.

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EQUITY CLASSIFICATIONS

Government-Wide Statements

The City reports the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources as net position. Net position is divided into three 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.

When an expenditure is incurred for which 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. 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, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REAL PROPERTY TAX REVENUE

The City assesses property taxes in July of each fiscal year (\$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 the failure of a counterparty (e.g. a bank), the City will not be able to recover the full value of its deposits or investments. The City does not have a formal policy to deal with this risk, but the City considers this risk immaterial. 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, 2020

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 \$538,509 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	\$ 150,000
After 1 year through 5 years	0
	\$ 150,000

NOTE 4 - RECEIVABLES

Receivables at June 30, 2020 consisted of the following:

Receivable Type	Statement of Net Position	Balance Sheet - Governmental Funds	
	Governmental Activities	General Fund	Special Revenue Fund
Property tax	\$ 2,673	\$ 2,673	\$ -
Insurance tax premiums	23,336	23,336	-
Municipal road aid	553	-	553
	\$ 26,562	\$ 26,009	\$ 553

Property tax receivable by year consists of the following:

YEAR	
6/30/2020	\$ 1,438
6/30/2019	617
6/30/2018	617
	\$ 2,672

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2020 was as 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	\$ 168,506	\$ -	\$ 206,304
Accumulated depreciation:				
Infrastructure	\$ 1,103	\$ 6,946	\$ -	\$ 8,049
Governmental Activities				
Capital assets, Net	<u>\$ 36,695</u>	<u>\$ 161,560</u>	<u>\$ -</u>	<u>\$ 198,255</u>

Depreciation expense of \$6,946 was allocated to the various functions on the statement of activities as follows:

<u>Governmental Activities</u>	
Streets and public works	<u>\$ 6,946</u>

NOTE 6 - RESTRICTED ASSETS

The City's restricted assets are as follows as of June 30, 2020

Cash	<u>\$ 188,213</u>
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NOTE 7 - RESTRICTED NET POSITION/FUND BALANCE

Restricted net position and restricted fund balance, in the amount of \$188,213 as of June 30, 2020, are to be used for streets and roads.

NOTE 8 - INTERGOVERNMENTAL REVENUE

Under the provisions of state law, the Commonwealth of Kentucky reimbursed the City for public safety operating costs during the year ended June 30, 2020 that are recorded in the General Fund.

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 9 - INTERFUND BALANCES

Interest income for the General Fund was deposited in the Road Fund in error. At June 30, 2020, 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 10 - 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. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

NOTE 11 - SUBSEQUENT EVENTS

The City has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through January 15, 2021, which was the date the financial statements were approved by management of the City of Langdon Place.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LANGDON PLACE
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2020

	<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	\$ 189,000	\$ 195,926	\$ 6,926
Insurance premium taxes	80,000	91,509	11,509
Franchise fees	5,350	5,517	167
Intergovernmental revenue:			
Public safety HB413	4,500	3,911	(589)
Interest	1,000	2,636	1,636
Penalties and interest on taxes	0	5,854	5,854
TOTAL REVENUES	\$ 279,850	\$ 305,353	\$ 25,503
<u>EXPENDITURES</u>			
General government			
General and Administrative expenditures			
Accounting audit services	\$ 4,100	\$ 4,620	\$ (520)
Street lights	16,000	16,203	(203)
Garbage collection	54,000	55,104	(1,104)
Snow removal	14,000	0	14,000
Beautification and maintenance	98,559	83,498	15,061
Insurance	7,470	7,412	58
Legal services	7,500	7,500	-
Legal notices	500	0	500
Mayor and commissioners salary	27,600	41,400	(13,800)
Office expenses	12,321	11,003	1,318
Tax billing	3,600	3,535	65
Bookkeeping services	13,800	13,800	-
Infrastructure	0	0	0
TOTAL GENERAL GOVERNMENT	\$ 259,450	\$ 244,075	\$ 15,375
Public safety			
Security services	20,400	15,000	5,400
TOTAL PUBLIC SAFETY	\$ 20,400	\$ 15,000	\$ 5,400
TOTAL EXPENDITURES	\$ 279,850	\$ 259,075	\$ 20,775
EXCESS REVENUE			
OVER EXPENDITURES	\$ -	\$ 46,278	\$ 46,278

CITY OF LANGDON PLACE
 BUDGETARY COMPARISON SCHEDULE - MUNICIPAL AID ROAD FUND
 YEAR ENDED JUNE 30, 2020

	<u>ORIGINAL & FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>FAVORABLE (UNFAVORABLE) VARIANCE WITH FINAL BUDGET</u>
REVENUES			
Kentucky municipal aid	\$ 23,000	\$ 18,636	\$ (4,364)
Interest	1,000	1,193	193
TOTAL REVENUES	<u>\$ 24,000</u>	<u>\$ 19,829</u>	<u>\$ (4,171)</u>
EXPENSES			
Office expense	\$ -	\$ 32	\$ (32)
Road and sidewalk maintenance	199,000	168,506	30,494
TOTAL EXPENSES	<u>\$ 199,000</u>	<u>\$ 168,538</u>	<u>\$ 30,462</u>
 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	 <u>\$ (175,000)</u>	 <u>\$ (148,709)</u>	 <u>\$ 26,291</u>

CITY OF LANGDON PLACE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION ON
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2020

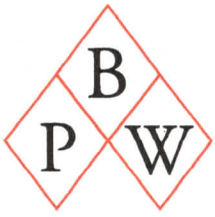
Budgets and the Budgetary Process

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

Stewardship

Expenditures did not exceed budget in any departments:

<u>Department</u>		
General Government	\$	0
Streets and Public Works	\$	0



BECHTLER, PARKER & WATTS
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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, 2020, 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, 2021.

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) as a basis for designing 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 2020-1 and 2020-2, 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 financial statements. 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, 2021

CITY OF LANGDON PLACE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020

Findings:

2020-1 *Condition:* The design of the City's internal control system does not allow for certain controls with respect to separation of duties, so that prevention, detection, and correction of misstatements may not occur on a timely basis.

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: Misstatements may not be detected in a timely manner.

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 continue to provide some of these controls.

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

2020-2 *Condition:* The operation of the City's internal control system, with regard to financial reporting, 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 utilize personnel with the appropriate skills and knowledge to enable it to prepare complete financial statements, including footnote 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 footnotes 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.