

CITY OF LANGDON PLACE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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, 2018, 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, 2018, 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 17 through 18 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 September 18, 2018, 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

Louisville, Kentucky

September 18, 2018

CITY OF LANGDON PLACE
STATEMENT OF NET POSITION
JUNE 30, 2018

Primary Government
Governmental Activities

ASSETS

Cash and cash equivalents	\$	471,133
Certificates of deposit		150,000
Property tax receivable		12,091
Municipal insurance tax receivable		14,782
Police service rebate		1,182
Prepaid insurance		4,943
		474,131
TOTAL ASSETS	\$	654,131

LIABILITIES

Accounts payable	\$	21,466
Payroll taxes withheld		295
		21,761
TOTAL LIABILITIES	\$	21,761

NET POSITION

Restricted for road maintenance	\$	315,029
Unrestricted		317,341
		632,370
TOTAL NET POSITION	\$	632,370

CITY OF LANGDON PLACE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	<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	\$ 225,339	\$ -	\$ (225,339)
Public safety	19,200	5,542	(13,658)
Streets and roads	52,209	18,881	(33,328)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 296,748</u>	<u>\$ 24,423</u>	<u>\$ (272,325)</u>
<u>GENERAL REVENUES</u>			
Taxes:			
Property taxes, net of discount			\$ 181,185
Insurance tax			86,345
Franchise tax			5,347
Penalties and interest			214
Interest income			2,539
Other income			99
TOTAL GENERAL REVENUES			<u>\$ 275,729</u>
CHANGES IN NET POSITION			\$ 3,404
NET POSITION, Beginning of year			<u>628,966</u>
NET POSITION, End of year			<u>\$ 632,370</u>

CITY OF LANGDON PLACE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 156,104	\$ 315,029	\$ 471,133
Certificates of deposit	150,000	-	150,000
Taxes and intergovernmental receivables	15,964	-	15,964
Prepaid insurance	4,943	-	4,943
	<u>\$ 327,011</u>	<u>\$ 315,029</u>	<u>\$ 642,040</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 21,466	\$ -	\$ 21,466
Payroll taxes withheld	295	-	295
	<u>\$ 21,761</u>	<u>\$ -</u>	<u>\$ 21,761</u>
 <u>FUND BALANCES</u>			
Restricted for Road Maintenance	\$ -	\$ 315,029	\$ 315,029
Assigned	4,943	-	4,943
Unassigned	300,307	-	300,307
	<u>\$ 305,250</u>	<u>\$ 315,029</u>	<u>\$ 620,279</u>
	<u>\$ 327,011</u>	<u>\$ 315,029</u>	<u>\$ 642,040</u>

CITY OF LANGDON PLACE
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 620,279

Amounts reported for governmental activities in the statement
of net assets are different because of the following:

Property tax receivable and franchise fee receivable 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.

12,091

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 632,370

CITY OF LANGDON PLACE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>			
Property taxes, net of discounts	\$ 175,519	\$ -	\$ 175,519
Kentucky municipal aid	-	18,881	18,881
Insurance premium taxes	86,345	-	86,345
Public safety HB413	5,542	-	5,542
Franchise fees	5,347	-	5,347
Interest income	1,700	839	2,539
Penalties and interest on taxes	214	-	214
Miscellaneous	99	-	99
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	\$ 274,766	\$ 19,720	\$ 294,486
<u>EXPENDITURES</u>			
General government	\$ 225,289	\$ 50	\$ 225,339
Public safety	19,200	-	19,200
Streets and roads	21,800	30,409	52,209
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 266,289	\$ 30,459	\$ 296,748
NET CHANGE IN FUND BALANCES	\$ 8,477	\$ (10,739)	\$ (2,262)
FUND BALANCES - Beginning of year	<hr/> 296,773	<hr/> 325,768	<hr/> 622,541
FUND BALANCES - End of year	<hr/> <hr/> \$ 305,250	<hr/> <hr/> \$ 315,029	<hr/> <hr/> \$ 620,279

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, 2018

Net change in fund balances - total governmental funds	\$	(2,262)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of change in accounts receivable for the current year.

5,666

Net change in net position as reflected on Statement of Activities	\$	<u><u>3,404</u></u>
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CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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, 2018. 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, 2018

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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS (Continued)

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, 2018

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.

ACCOUNTS RECEIVABLE

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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNTS PAYABLE

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

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. 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.
- b. 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 - Amounts that are designated by the City for specific purposes but do not meet the criteria until a budget ordinance is passed or there is a majority vote approval by City Council.
- e. Unassigned - All amounts not included in other spendable classification.

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, 2018

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 - PROPERTY TAX RECEIVABLE

Property taxes are collected and remitted to the City. Taxes are levied annually on January 1. Taxes are due December 31 after which time applicable penalties and interest are assessed. Tax revenue is recognized in the year levied. Currently, the City's policy is to try to collect delinquent property taxes for 6 months and then file a tax lien on the delinquent property taxes.

Property tax receivable by year consists of the following:

<u>YEAR</u>		
6/30/2018	\$	6,546
6/30/2017		1,271
6/30/2016		542
6/30/2015		542
Thereafter		3,190
		12,091
	\$	12,091

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 3 - RECEIVABLES

Receivables at June 30, 2018 consisted of the following:

<u>Receivable Type</u>	<u>Statement of</u>	<u>Balance Sheet - Governmental Funds</u>	
	<u>Net Position</u>	<u>General</u>	<u>Special Revenue</u>
	<u>Governmental</u>	<u>Fund</u>	<u>Fund</u>
	<u>Activities</u>		
Property tax	\$ 12,091	\$ -	\$ -
Municipal insurance tax	14,782	14,782	-
Police service rebate	1,182	1,182	-
	<u>\$ 28,055</u>	<u>\$ 15,964</u>	<u>\$ -</u>

NOTE 4 - 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:

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

NOTE 5 - 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.

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 \$621,133 of bank deposits (certificates of deposit, checking, and savings accounts) all of which were Category 1 - insured or collateralized.

CITY OF LANGDON PLACE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 6 - RESTRICTED ASSETS

The City's restricted assets are as follows as of June 30, 2018

	<u>Special Revenue Fun</u> <u>Municipal Aid</u> <u>Road Fund</u>
Cash	\$ 315,029

NOTE 6 - ASSIGNED ASSETS

The City's assigned assets are as follows as of June 30, 2018

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

NOTE 7 - 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 8 - SUBSEQUENT EVENTS

The City has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through September 18, 2018, 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, 2018

	<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	\$ 180,000	\$ 175,519	\$ (4,481)
Insurance premium taxes	69,500	86,345	16,845
Franchise fees	5,300	5,347	47
Intergovernmental revenue:			
Public safety HB413	4,200	5,542	1,342
Interest	1,000	1,700	700
Penalties and interest on taxes	0	214	214
Miscellaneous	0	99	99
TOTAL REVENUES	<u>\$ 260,000</u>	<u>\$ 274,766</u>	<u>\$ 14,766</u>
<u>EXPENDITURES</u>			
General government			
General and Administrative expenditures			
Accounting audit services	\$ 3,500	\$ 3,700	\$ (200)
Street lights	15,500	15,916	(416)
Garbage collection	53,900	58,366	(4,466)
Snow removal	19,400	21,800	(2,400)
Beautification and maintenance	84,646	80,755	3,891
Insurance	7,200	7,406	(206)
Legal services	7,500	7,500	-
Legal notices	1,000	39	961
Mayor and commissioners salary	24,000	24,000	-
Office expenses	9,854	11,711	(1,857)
Tax billing	3,500	3,401	99
Bookkeeping services	12,000	12,000	-
Other expenses	0	495	(495)
TOTAL GENERAL GOVERNMENT	<u>\$ 242,000</u>	<u>\$ 247,089</u>	<u>\$ (5,089)</u>
Public safety			
Security services	<u>18,000</u>	<u>19,200</u>	<u>(1,200)</u>
TOTAL EXPENDITURES	<u>\$ 260,000</u>	<u>\$ 266,289</u>	<u>\$ (6,289)</u>
EXCESS REVENUE			
OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 8,477</u>	<u>\$ 8,477</u>

CITY OF LANGDON PLACE
 BUDGETARY COMPARISON SCHEDULE - ROAD FUND
 YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL & FINAL BUDGET</u>	<u>ACTUAL AMOUNTS</u>	<u>FAVORABLE (UNFAVORABLE) VARIANCE WITH FINAL BUDGET</u>
REVENUES			
Kentucky municipal aid	\$ 22,000	\$ 18,881	\$ (3,119)
Interest	-	839	839
TOTAL REVENUES	<u>\$ 22,000</u>	<u>\$ 19,720</u>	<u>\$ (2,280)</u>
EXPENSES			
Office expense	\$ -	50	(50)
Road and sidewalk maintenance	22,000	30,409	(8,409)
TOTAL EXPENSES	<u>\$ 22,000</u>	<u>\$ 30,459</u>	<u>\$ (8,459)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ (10,739)</u>	<u>\$ (10,739)</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, 2018, 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 September 18, 2018.

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 2018-1 and 2018-2, 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

September 18, 2018

CITY OF LANGDON PLACE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018

Findings:

2018-1 *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.

2018-2 *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.