

CITY OF LA GRANGE
La Grange, Kentucky

FINANCIAL STATEMENTS
June 30, 2018

CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis.....	3-10
Government Wide Financial Statements	
Statement of Net Position.....	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	14
Statement of Net Position – Proprietary Funds.....	15
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	16
Statement of Cash Flows – Proprietary Funds.....	17
Notes to Financial Statements	18-44
Required Supplementary Information:	
Budget Information	45-48
Proportionate Share of the Net Pension Liability - Nonhazardous.....	49
Proportionate Share of the Net Pension Liability - Hazardous.....	50
Schedule of Pension Contributions - Nonhazardous.....	51
Schedule of Pension Contributions - Hazardous.....	52
Proportionate Share of the Net OPEB Liability - Nonhazardous.....	53
Proportionate Share of the Net OPEB Liability - Hazardous.....	54
Schedule of OPEB Contributions - Nonhazardous.....	55
Schedule of OPEB Contributions - Hazardous.....	56
Other Information:	
Budgetary Comparison – Other Governmental Funds	57-58
Combining Balance Sheet – Nonmajor Governmental Funds.....	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	60
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 <i>Government Auditing Standards</i>	61-62
Schedule of Findings and Responses.....	63-64



INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of La Grange, Kentucky
La Grange, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Grange, 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 La Grange, 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 auditor's 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Grange, Kentucky, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter – Implementation of New GASB Accounting Standard

As discussed in Note 15 to the financial statements, effective July 1, 2017, the City adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB schedules on pages 3–10, 45–48 and 49–56 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Grange, Kentucky's basic financial statements. The budgetary comparison – other governmental funds and the combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison - other governmental funds and the combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison – other governmental funds and the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2018, on our consideration of the City of La Grange, 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 La Grange, 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 La Grange, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
December 26, 2018

**City of La Grange, Kentucky
Management's Discussion and Analysis**

Our discussion and analysis of the City of La Grange's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read in conjunction with the auditors' report beginning on page 1 and the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's net position increased in both the governmental activities and the business-type activities. The net position of the governmental activities increased by \$2,124,089, or 27%, and the net position of the business-type activities increased by \$547,813, or 3%.
- In the City's governmental activities, revenues increased \$212,490, or 3 percent, and expenses increased by \$575,845 or 13 percent. In the business-type activities, revenues decreased by \$1,391,313, which is a decrease of 25 percent, and expenses increased by \$56,459 or 1 percent.

OVERVIEW OF THIS ANNUAL REPORT

This annual report consists of the management's discussion and analysis report, the independent auditors' report, the basic financial statements of the City, and the independent auditors' report on compliance. The financial statements also include notes that explain in more detail some of the information in the financial statements.

The City's financial statements present two kinds of statements, each with a different snapshot of the City's finances. The focus is both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual funds of the City, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the City's accountability.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the City's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net position of the City and the changes in them. One can think of the City's net position—the difference between assets and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health or position is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, changes in property tax rates or valuation, infrastructure asset condition, and new or changed government legislation.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities—Most of the City's basic services are reported here, including general government administration, police, streets, sanitation, public bus and parks. Property taxes, licenses and permits, and grants finance most of these activities.

Business-type activities—The City collects fees from customers to cover the costs of the services, which includes water and sewer and the Eagle Creek golf course.

FUND FINANCIAL STATEMENTS

The City has two kinds of funds:

Governmental Fund—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

Proprietary Fund—Services for which the City charges customers a fee are generally reported in proprietary funds.

NET POSITION

Our analysis begins with a summary of the City's Statement of Net Position, which is presented on Table A-1 followed by an explanation of the results. Changes in net position are presented in Table A-2, which is also followed by an explanation of the results.

Table A-1

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Current and Other Assets	\$ 6,733,372	\$ 7,357,957	\$ 3,143,004	\$ 3,070,382	\$ 9,876,376	\$ 10,428,339
Noncurrent and Capital Assets	6,301,941	3,976,163	22,063,976	22,298,265	28,365,917	26,274,428
OLDA Investment	8,552,735	8,530,964	-	-	8,552,735	8,530,964
Total Assets	<u>21,588,048</u>	<u>19,865,084</u>	<u>25,206,980</u>	<u>25,368,647</u>	<u>46,795,028</u>	<u>45,233,731</u>
Deferred Outflows	1,977,488	877,624	412,855	252,595	2,390,343	1,130,219
Total Assets and Deferred Outflows	<u>\$ 23,565,536</u>	<u>\$ 20,742,708</u>	<u>\$ 25,619,835</u>	<u>\$ 25,621,242</u>	<u>\$ 49,185,371</u>	<u>\$ 46,363,950</u>
Current Liabilities	\$ 1,493,239	\$ 1,357,613	\$ 914,282	\$ 1,123,285	\$ 2,407,521	\$ 2,480,898
Long-Term Debt Outstanding	6,044,585	7,132,085	5,347,341	5,983,740	11,391,926	13,115,825
Other non-current liabilities	-	78,252	40,277	33,508	40,277	111,760
Net Pension Liability	4,374,804	3,319,072	1,114,177	974,055	5,488,981	4,293,127
Net OPEB Liability	1,581,713	1,030,801	382,669	300,154	1,964,382	1,330,955
Total Liabilities	<u>13,494,341</u>	<u>12,917,823</u>	<u>7,798,746</u>	<u>8,414,742</u>	<u>19,328,705</u>	<u>20,001,610</u>
Deferred Inflows	145,387	23,166	71,378	4,602	216,765	27,768
Net Position:						
Net investment in capital assets	2,681,834	2,843,933	15,760,126	15,307,482	18,441,960	18,151,415
Restricted	3,648,500	648,568	307,749	368,561	3,956,249	1,017,129
Unrestricted	3,595,474	4,309,218	1,681,836	1,525,855	5,277,310	5,835,073
Total Net Position	<u>\$ 9,925,808</u>	<u>\$ 7,801,719</u>	<u>\$ 17,749,711</u>	<u>\$ 17,201,898</u>	<u>\$ 27,675,519</u>	<u>\$ 25,003,617</u>

Net position of the City's governmental activities increased by 27 percent, from \$7,801,719 in 2017 to \$9,925,808 in 2018. The net position of the business-type activities increased from \$17,201,898 in 2017 to \$17,749,711 in 2018, which is a 3 percent increase. The net position from one activity generally cannot be used to make up for any deficits in the other activities.

Net position in both the governmental and business-type activities for 2018 include the effects of the implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The implementation resulted in a decrease in net position for governmental activities of \$936,788 and a decrease of net position for business-type activities of \$275,831. See Note 15 of the financial statements for additional details of the implementation.

NET POSITION, continued

Table A-2
Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Revenues						
<u>Program Revenues</u>						
Charges for Service	\$ 494,392	\$ 379,622	\$ 3,969,240	\$ 3,954,766	\$ 4,463,632	\$ 4,334,388
Operating Grants & Contributions	188,915	420,077	-	-	188,915	420,077
Capital Grants & Contributions	153,806	10,090	203,996	1,606,954	357,802	1,617,044
<u>General Revenue</u>						
Taxes	1,590,611	1,515,710	-	-	1,590,611	1,515,710
License fees	4,983,778	4,780,349	-	-	4,983,778	4,780,349
Investment Earnings	6,606	2,979	4,915	7,744	11,521	10,723
Rents	-	-	-	-	-	-
Community Center	6,625	6,570	-	-	6,625	6,570
Donations	-	4,080	-	-	-	4,080
Change in OLDA Investment	21,771	15,633	-	-	21,771	15,633
Miscellaneous	28,758	127,662	-	-	28,758	127,662
Total Revenue	7,475,262	7,262,772	4,178,151	5,569,464	11,653,413	12,832,236
Program Expenses						
General Government	779,324	694,731	-	-	779,324	694,731
Public Safety - Police	1,696,062	1,408,624	-	-	1,696,062	1,408,624
Public Works	1,128,052	1,019,231	-	-	1,128,052	1,019,231
Parks and Recreation	199,626	210,966	-	-	199,626	210,966
Sanitation	348,262	346,630	-	-	348,262	346,630
Storm Water	1,004	-	-	-	1,004	-
Community Development	119,726	105,550	-	-	119,726	105,550
Public Properties	17,581	64,273	-	-	17,581	64,273
Bus	172,637	154,207	-	-	172,637	154,207
ABC	459,949	318,344	-	-	459,949	318,344
Interest on Debt	221,046	244,868	-	-	221,046	244,868
Golf Course	-	-	584,371	603,182	584,371	603,182
Sewer and Water	-	-	3,276,653	3,201,383	3,276,653	3,201,383
Total Program Expenses	5,143,269	4,567,424	3,861,024	3,804,565	9,004,293	8,371,989
Change in Net Position Before Transfers	2,331,993	2,695,348	317,127	1,764,899	2,649,120	4,460,247
Transfers	(230,686)	(123,031)	230,686	123,031	-	-
Gain (loss) on sale of assets	22,782	154,050	-	-	22,782	154,050
Change in Net Position	\$ 2,124,089	\$ 2,726,367	\$ 547,813	\$ 1,887,930	\$ 2,671,902	\$ 4,614,297

The City's total revenue decreased from \$12,832,236 in 2017 to \$11,653,413 in 2018 or 9 percent. On the following page is a more in-depth description of the revenues and expenses of the governmental and business-type activities.

GOVERNMENTAL ACTIVITIES

Next, the City analyzes the governmental funds and the changes in those activities, which is presented in Table A-3.

Table A-3

Condensed Governmental Funds - Revenues & Expenditures

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Variance</u>
Taxes	\$ 1,590,611	\$ 1,515,710	\$ 74,901
Licenses and permits	4,983,778	4,780,349	203,429
Intergovernmental	342,721	359,247	(16,526)
Charges for Services	494,392	379,622	114,770
Other Revenues	41,989	212,211	(170,222)
Total Revenues	<u>7,453,491</u>	<u>7,247,139</u>	<u>206,352</u>
General Administration	673,122	617,550	55,572
Police Protection	1,349,682	1,324,154	25,528
Public Works	754,649	721,663	32,986
Sanitation	348,262	346,630	1,632
Park and Recreation	177,688	187,663	(9,975)
Storm water	1,004	-	1,004
Community Development	119,726	105,550	14,176
Public Properties	14,509	59,207	(44,698)
ABC	315,621	266,849	48,772
Bus	147,766	142,393	5,373
Capital Outlay	209,728	340,819	(131,091)
Debt Service	1,284,380	1,279,450	4,930
Total Expenditures	<u>\$ 5,396,137</u>	<u>\$ 5,391,928</u>	<u>\$ 4,209</u>

Revenues for the City's governmental funds increased by 3 percent, and total expenditures remained consistent with the prior year. The City's major source of revenue in the governmental funds is taxes, licenses and permits, which makes up 88.2 percent of total revenues, these revenue sources increased by \$278,330 in 2018.

BUSINESS-TYPE ACTIVITIES

Looking at the business-type activities, revenues (FY 2018) for the City decreased by \$1,391,313 or 25 percent, while total expenses increased 1 percent. The excess of revenues over expenses increased net position by \$547,813.

BUDGET HIGHLIGHTS

The budget contains proposed expenditures and expected revenues. A comparison of the final budget to actual amounts is presented in the tables below (Tables A-4 & A-5).

Table A-4

Condensed Governmental Funds - Revenues

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes	\$ 1,462,000	\$ 1,590,611	\$ 128,611
Licenses and permits	3,595,478	4,653,814	1,058,336
Intergovernmental	103,640	109,419	5,779
Charges for Services	553,053	484,566	(68,487)
Other Revenues	120,000	40,995	(79,005)
Foundations and Parks Fund	-	182	182
ABC Fund	389,077	330,247	(58,830)
Bus Fund	141,979	78,578	(63,401)
Municipal Aid Fund	370,200	165,079	(205,121)
Total Revenues	<u>\$ 6,735,427</u>	<u>\$ 7,453,491</u>	<u>\$ 718,064</u>

Table A-5

Condensed Governmental Funds - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Administration	\$ 677,782	\$ 673,122	\$ (4,660)
Police Protection	1,528,236	1,349,682	(178,554)
Public Works	966,670	737,210	(229,460)
Sanitation	346,000	348,262	2,262
Park and Recreation	180,000	177,688	(2,312)
Storm Water	173,053	1,004	(172,049)
Community Development	299,469	119,726	(179,743)
Public Properties	-	14,509	14,509
Capital Outlay	367,900	209,728	(158,172)
Debt Service	1,565,543	1,284,380	(281,163)
ABC Fund	358,577	315,621	(42,956)
Bus Fund	141,979	147,766	5,787
Foundations and Parks Fund	-	-	-
Municipal Aid Fund	60,000	17,439	(42,561)
Total Expenditures	<u>\$ 6,665,209</u>	<u>\$ 5,396,137</u>	<u>\$ (1,269,072)</u>

The City budgeted for a total of \$6,735,427 in revenues for 2018 but ended up having revenues of \$7,453,491 which put the City 11 percent over the revenue budget. A total of \$6,665,209 was budgeted for expenses, but expenditures totaled \$5,396,137 for the fiscal year 2018. The City was under budget on expenses by \$1,269,072 or 19 percent as detailed above.

CAPITAL ASSETS

The City has a total of \$45,427,749 invested in a broad range of capital assets, including police and vehicles, buildings, land, infrastructure assets, and water and sewer lines. This amount represents an increase of \$995,530 (2 percent) from last year's total investment of \$44,432,219.

Table A-6

Capital Assets at Year End Without Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Land & Improvements	\$ 730,201	\$ 730,201	\$ -	\$ -	\$ 730,201	\$ 730,201
Construction in progress	10,587	6,022	-	-	10,587	6,022
Buildings & Improvements	2,082,668	2,137,765	-	-	2,082,668	2,137,765
Vehicles & Equipment	2,870,762	2,845,761	-	-	2,870,762	2,845,761
Infrastructure Assets	2,060,881	1,907,075	-	-	2,060,881	1,907,075
Business-Type Assets	-	-	37,672,650	36,805,395	37,672,650	36,805,395
Total Capital Assets	<u>\$ 7,755,099</u>	<u>\$ 7,626,824</u>	<u>\$ 37,672,650</u>	<u>\$ 36,805,395</u>	<u>\$ 45,427,749</u>	<u>\$ 44,432,219</u>

DEBT

This year the City has \$13,292,607 in total debt, a 11 percent decrease from last year's total of \$14,957,145.

Table A-7

Debt Outstanding at Year End

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Capital Leases	\$ 660,000	\$ 720,000	\$ 1,634,406	\$ 1,906,123	\$ 2,294,406	\$ 2,626,123
Bond Issues	6,472,084	7,475,418	4,339,695	4,683,099	10,811,779	12,158,517
Customer Deposits	-	-	64,485	60,745	64,485	60,745
Accrued Absences	81,660	78,252	40,277	33,508	121,937	111,760
Total Debt Outstanding	<u>\$ 7,213,744</u>	<u>\$ 8,273,670</u>	<u>\$ 6,078,863</u>	<u>\$ 6,683,475</u>	<u>\$ 13,292,607</u>	<u>\$14,957,145</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials consider many factors when setting the fiscal year 2019 budget. Some of the factors are the local economy, expected grant money, and anticipated tax revenue.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of the City, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Stephanie Cooper, City Clerk, at 307 West Jefferson Street, La Grange, KY 40031. The Utility Commission is located at 412 East Jefferson Street, La Grange, KY 40031.

CITY OF LA GRANGE, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 5,388,968	\$ 1,925,399	\$ 7,314,367
Investments	-	598,475	598,475
Receivables, net	1,327,278	502,514	1,829,792
Inventory of supplies	-	131,589	131,589
Prepaid expenses	-	2,153	2,153
Internal balances	17,126	(17,126)	-
Total current assets	<u>6,733,372</u>	<u>3,143,004</u>	<u>9,876,376</u>
Non-current assets			
Restricted cash and cash equivalents	2,960,106	307,749	3,267,855
Long-term accounts receivable	-	22,000	22,000
Investment in joint venture, net equity Oldham-LaGrange Development Authority	8,552,735	-	8,552,735
Total non-current assets	<u>11,512,841</u>	<u>329,749</u>	<u>11,842,590</u>
Capital assets			
Construction in progress	10,587	162,327	172,914
Land and improvements, net	730,201	2,361,776	3,091,977
Plant and sewer system, net	-	18,376,061	18,376,061
Depreciable buildings, property, and equipment, net Infrastructure, net	1,667,958	834,063	2,502,021
	933,089	-	933,089
Total capital assets	<u>3,341,835</u>	<u>21,734,227</u>	<u>25,076,062</u>
Total assets	<u>21,588,048</u>	<u>25,206,980</u>	<u>46,795,028</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	1,361,951	301,711	1,663,662
Deferred outflows - OPEB	615,537	111,144	726,681
Total deferred outflows of resources	<u>1,977,488</u>	<u>412,855</u>	<u>2,390,343</u>
Total assets and deferred outflows of resources	<u>\$ 23,565,536</u>	<u>\$ 25,619,835</u>	<u>\$ 49,185,371</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 261,741	\$ 127,061	\$ 388,802
Accrued payroll liabilities	62,339	42,714	105,053
Accrued interest	-	12,713	12,713
Compensated absences - current	81,660	-	81,660
Unearned revenue	-	40,549	40,549
Customer deposits	-	64,485	64,485
Current portion of long-term obligations	1,087,499	626,760	1,714,259
Total current liabilities	<u>1,493,239</u>	<u>914,282</u>	<u>2,407,521</u>
Non-current liabilities			
Non-current portion of long-term obligations	6,044,585	5,347,341	11,391,926
Compensated absences - non-current	-	40,277	40,277
Net pension liability	4,374,804	1,114,177	5,488,981
Net OPEB liability	1,581,713	382,669	1,964,382
Total non-current liabilities	<u>12,001,102</u>	<u>6,884,464</u>	<u>18,885,566</u>
Total liabilities	<u>13,494,341</u>	<u>7,798,746</u>	<u>21,293,087</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	48,068	51,342	99,410
Deferred inflows - OPEB	97,319	20,036	117,355
Total deferred inflows of resources	<u>145,387</u>	<u>71,378</u>	<u>216,765</u>
NET POSITION			
Net investment in capital assets	2,681,834	15,760,126	18,441,960
Restricted for:			
ABC	458,221	-	458,221
Customer deposits	-	65,292	65,292
Debt service	2,788,522	242,457	3,030,979
Road improvements	230,173	-	230,173
Storm water	171,584	-	171,584
Unrestricted	3,595,474	1,681,836	5,277,310
Total net position	<u>9,925,808</u>	<u>17,749,711</u>	<u>27,675,519</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 23,565,536</u>	<u>\$ 25,619,835</u>	<u>\$ 49,185,371</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF LA GRANGE, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government							
Governmental activities							
General government	\$ 779,324	\$ -	\$ 32,378	\$ -	\$ (746,946)	\$ -	\$ (746,946)
Public safety-Police	1,696,062	-	77,041	-	(1,619,021)	-	(1,619,021)
Public works	1,128,052	-	11,174	153,806	(963,072)	-	(963,072)
Sanitation	348,262	384,566	-	-	36,304	-	36,304
Parks and recreation	199,626	-	-	-	(199,626)	-	(199,626)
Storm water	1,004	100,000	-	-	98,996	-	98,996
Community development	119,726	-	-	-	(119,726)	-	(119,726)
Public properties	17,581	-	-	-	(17,581)	-	(17,581)
ABC	459,949	-	-	-	(459,949)	-	(459,949)
Bus	172,637	9,826	68,322	-	(94,489)	-	(94,489)
Interest on long-term debt	221,046	-	-	-	(221,046)	-	(221,046)
Total governmental activities	<u>5,143,269</u>	<u>494,392</u>	<u>188,915</u>	<u>153,806</u>	<u>(4,306,156)</u>	<u>-</u>	<u>(4,306,156)</u>
Business-type activities							
Utility Commission	3,276,653	3,497,468	-	199,996	-	420,811	420,811
Golf Course	584,371	471,772	-	4,000	-	(108,599)	(108,599)
Total business-type activities	<u>3,861,024</u>	<u>3,969,240</u>	<u>-</u>	<u>203,996</u>	<u>-</u>	<u>312,212</u>	<u>312,212</u>
Total primary government	\$ 9,004,293	\$ 4,463,632	\$ 188,915	\$ 357,802	(4,306,156)	312,212	(3,993,944)
General revenues							
Taxes							
Property taxes, levied for general purposes					1,383,633	-	1,383,633
Bank shares					62,881	-	62,881
Motor vehicle tax					144,097	-	144,097
License fees							
Franchise fees					383,596	-	383,596
Business licenses					453,967	-	453,967
Compensation tax					1,968,486	-	1,968,486
Insurance premiums					1,832,225	-	1,832,225
Other fees and permits					345,504	-	345,504
Investment earnings					6,606	4,915	11,521
Community Center					6,625	-	6,625
Miscellaneous					28,758	-	28,758
Total general revenues					<u>6,616,378</u>	<u>4,915</u>	<u>6,621,293</u>
Increase (decrease) in joint venture - Oldham-LaGrange Development Authority							
					21,771	-	21,771
Transfers in (out)							
					(230,686)	230,686	-
Gain (loss) on disposal of capital assets							
					22,782	-	22,782
Total general and other revenues					<u>6,430,245</u>	<u>235,601</u>	<u>6,665,846</u>
Change in Net Position							
					2,124,089	547,813	2,671,902
Net position, beginning of year, as restated							
					<u>7,801,719</u>	<u>17,201,898</u>	<u>25,003,617</u>
NET POSITION, END OF YEAR							
					<u>\$ 9,925,808</u>	<u>\$ 17,749,711</u>	<u>\$ 27,675,519</u>

The accompanying notes are an integral part of the financial statements.

CITY OF LA GRANGE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,287,951	\$ 1,061,123	\$ 8,349,074
Receivables, net	1,223,166	104,112	1,327,278
Due from other funds	459,379	-	459,379
 Total assets	 \$ 8,970,496	 \$ 1,165,235	 \$ 10,135,731
LIABILITIES			
Accounts payable	\$ 229,908	\$ 31,833	\$ 261,741
Accrued payroll liabilities	58,645	3,694	62,339
Compensated absences	68,973	12,687	81,660
Due to other funds	14,041	428,212	442,253
 Total liabilities	 371,567	 476,426	 847,993
FUND BALANCE			
Restricted:			
ABC	-	458,221	458,221
Debt service	2,788,522	-	2,788,522
Road improvements	-	230,173	230,173
Storm water	171,584	-	171,584
Committed	-	76,719	76,719
Unassigned	5,638,823	(76,304)	5,562,519
 Total fund balances	 8,598,929	 688,809	 9,287,738
 Total liabilities and fund balances	 \$ 8,970,496	 \$ 1,165,235	 \$ 10,135,731

Amounts reported for *governmental activities* in the statement of net position are different because :

Fund balances reported above	\$ 9,287,738
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,341,835
Equity interests in joint ventures are not financial resources and therefore are not reported in the funds. The equity interest is reported as the net equity in the joint venture's net position.	8,552,735
Net deferred inflows/outflows related to the long-term net pension and net OPEB liabilities are not reported in the funds.	1,832,101
Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are not due and payable in the current period and therefore are not reported in the funds.	(13,088,601)
 Net position of governmental activities	 \$ 9,925,808

The accompanying notes are an integral part of the financial statements.

CITY OF LA GRANGE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 1,590,611	\$ -	\$ 1,590,611
Licenses and permits	4,653,814	329,964	4,983,778
Intergovernmental	109,419	233,302	342,721
Charges for services	484,566	9,826	494,392
Other revenues	40,995	994	41,989
Total revenues	6,879,405	574,086	7,453,491
EXPENDITURES			
Current			
General government	673,122	-	673,122
Public safety-Police	1,349,682	-	1,349,682
Public works	737,210	17,439	754,649
Sanitation	348,262	-	348,262
Parks and recreation	177,688	-	177,688
Storm water	1,004	-	1,004
Community development	119,726	-	119,726
Public properties	14,509	-	14,509
ABC	-	315,621	315,621
Bus	-	147,766	147,766
Capital outlay	4,565	205,163	209,728
Debt service	1,284,380	-	1,284,380
Total expenditures	4,710,148	685,989	5,396,137
Excess (deficiency) of revenues over expenditures	2,169,257	(111,903)	2,057,354
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	63,416	-	63,416
Transfer in (out)	(265,795)	35,109	(230,686)
Total other financing sources and uses	(202,379)	35,109	(167,270)
Net change in fund balances	1,966,878	(76,794)	1,890,084
Fund balances, beginning	6,632,051	765,603	7,397,654
Fund balances, ending	\$ 8,598,929	\$ 688,809	\$ 9,287,738
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ 1,890,084
Add: capital outlay expenditures capitalized			209,728
Add: debt service expenditures			1,284,380
Less: proceeds from sale of assets			(63,416)
Add: gain on disposal of capital assets			22,782
Add: increases in the equity interest of joint ventures			21,771
Less: change in pension liability			(502,294)
Less: change in OPEB liability			(126,707)
Less: depreciation on governmental activities assets			(391,193)
Less: interest expense			(221,046)
Change in net position - governmental activities			\$ 2,124,089

The accompanying notes are an integral part of the financial statements.

CITY OF LA GRANGE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-type Activities		
	Water & Sewer	Golf Course	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,906,787	\$ 18,612	\$ 1,925,399
Investments	598,475	-	598,475
Receivables, net	486,059	16,455	502,514
Inventory of supplies	123,211	8,378	131,589
Prepaid expenses	-	2,153	2,153
Due from other funds	-	14,041	14,041
Total current assets	<u>3,114,532</u>	<u>59,639</u>	<u>3,174,171</u>
Non-current assets			
Restricted cash and cash equivalents	215,318	92,431	307,749
Long-term accounts receivable	-	22,000	22,000
Total non-current assets	<u>215,318</u>	<u>114,431</u>	<u>329,749</u>
Capital assets			
Construction in progress	162,327	-	162,327
Land	94,897	1,614,643	1,709,540
Land improvements	-	2,397,325	2,397,325
Plant and sewer system	31,235,544	-	31,235,544
Buildings and improvements	882,327	-	882,327
Vehicle and equipment	870,510	415,077	1,285,587
Less: accumulated depreciation	<u>(13,818,928)</u>	<u>(2,119,495)</u>	<u>(15,938,423)</u>
Total capital assets	<u>19,426,677</u>	<u>2,307,550</u>	<u>21,734,227</u>
Total assets	<u>22,756,527</u>	<u>2,481,620</u>	<u>25,238,147</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	301,711	-	301,711
Deferred outflows - OPEB	<u>111,144</u>	<u>-</u>	<u>111,144</u>
Total deferred outflows of resources	<u>412,855</u>	<u>-</u>	<u>412,855</u>
Total assets and deferred outflows of resources	<u>\$ 23,169,382</u>	<u>\$ 2,481,620</u>	<u>\$ 25,651,002</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 118,178	\$ 8,883	\$ 127,061
Accrued payroll liabilities	31,696	11,018	42,714
Accrued interest payable	4,367	8,346	12,713
Unearned revenue	-	40,549	40,549
Customer deposits	64,485	-	64,485
Due to other funds	31,167	-	31,167
Bonds, notes, and loans payable	<u>396,760</u>	<u>230,000</u>	<u>626,760</u>
Total current liabilities	<u>646,653</u>	<u>298,796</u>	<u>945,449</u>
Non-current liabilities			
Net pension liability	1,114,177	-	1,114,177
Net OPEB liability	382,669	-	382,669
Bonds, notes, and loans payable	4,099,841	1,247,500	5,347,341
Compensated absences	<u>40,277</u>	<u>-</u>	<u>40,277</u>
Total non-current liabilities	<u>5,636,964</u>	<u>1,247,500</u>	<u>6,884,464</u>
Total liabilities	<u>6,283,617</u>	<u>1,546,296</u>	<u>7,829,913</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	51,342	-	51,342
Deferred inflows - OPEB	<u>20,036</u>	<u>-</u>	<u>20,036</u>
Total deferred inflows of resources	<u>71,378</u>	<u>-</u>	<u>71,378</u>
NET POSITION			
Net investment in capital assets	14,930,076	830,050	15,760,126
Restricted for:			
Customer deposits	65,292	-	65,292
Debt service	150,026	92,431	242,457
Unrestricted	<u>1,668,993</u>	<u>12,843</u>	<u>1,681,836</u>
Total net position	<u>16,814,387</u>	<u>935,324</u>	<u>17,749,711</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 23,169,382</u>	<u>\$ 2,481,620</u>	<u>\$ 25,651,002</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF LA GRANGE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2018

	Business-type Activities		
	Water & Sewer	Golf Course	Totals
Operating revenues			
Charges for services	\$ 3,383,246	\$ 471,772	\$ 3,855,018
Other income	114,222	-	114,222
Total operating revenues	<u>3,497,468</u>	<u>471,772</u>	<u>3,969,240</u>
Operating expenses			
General and administrative	1,694,364	122,887	1,817,251
Rent	-	1,000	1,000
Salaries and wages	521,504	136,836	658,340
Repairs and maintenance	-	52,136	52,136
Cost of sales	-	30,123	30,123
Other operating expenses	3,588	52,880	56,468
Depreciation	897,347	132,385	1,029,732
Total operating expenses	<u>3,116,803</u>	<u>528,247</u>	<u>3,645,050</u>
OPERATING INCOME (LOSS)	<u>380,665</u>	<u>(56,475)</u>	<u>324,190</u>
Non-operating income (expense)			
Interest and investment revenue	4,546	369	4,915
Interest expense	(159,850)	(56,124)	(215,974)
Total non-operating (expense)	<u>(155,304)</u>	<u>(55,755)</u>	<u>(211,059)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	225,361	(112,230)	113,131
Transfers in	-	230,686	230,686
Capital contributions	199,996	4,000	203,996
CHANGE IN NET POSITION	425,357	122,456	547,813
Net position, beginning of year, as restated	<u>16,389,030</u>	<u>812,868</u>	<u>17,201,898</u>
NET POSITION, END OF YEAR	<u>\$ 16,814,387</u>	<u>\$ 935,324</u>	<u>\$ 17,749,711</u>

The accompanying notes are an integral part of the financial statements.

CITY OF LA GRANGE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2018

	Business-type Activities		
	Water & Sewer	Golf Course	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 3,489,893	\$ 476,140	\$ 3,966,033
Payments to suppliers	(1,374,793)	(248,999)	(1,623,792)
Payments for employee services and benefits	(826,665)	(164,399)	(991,064)
Receipts (refunds) of customer meter deposits	3,740	-	3,740
Net cash provided by operating activities	<u>1,292,175</u>	<u>62,742</u>	<u>1,354,917</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES			
Payment under interfund agreements	-	230,686	230,686
Net cash provided by non-capital financing activities	<u>-</u>	<u>230,686</u>	<u>230,686</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	199,996	4,000	203,996
Purchases of capital assets	(813,370)	(8,508)	(821,878)
Principal paid on capital debt	(384,634)	(222,083)	(606,717)
Interest paid on capital debt	(168,710)	(58,610)	(227,320)
Net cash (used in) capital and related financing activities	<u>(1,166,718)</u>	<u>(285,201)</u>	<u>(1,451,919)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net change in investments	(2,431)	-	(2,431)
Interest and dividends	4,546	369	4,915
Net cash provided by investing activities	<u>2,115</u>	<u>369</u>	<u>2,484</u>
Net increase in cash and cash equivalents	127,572	8,596	136,168
Cash and cash equivalents-beginning of the year	<u>1,994,533</u>	<u>102,447</u>	<u>2,096,980</u>
CASH AND CASH EQUIVALENTS-END OF THE YEAR	<u>\$ 2,122,105</u>	<u>\$ 111,043</u>	<u>\$ 2,233,148</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 380,665	\$ (56,475)	\$ 324,190
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	897,347	132,385	1,029,732
Net change in pension liability	113,423	-	113,423
Net change in OPEB liability	15,730	-	15,730
Change in assets and liabilities:			
Receivables, net	(7,575)	5,545	(2,030)
Inventory	152,301	349	152,650
Prepaid expenses	-	(2,153)	(2,153)
Due to/due from other funds	-	(11,001)	(11,001)
Accounts and other payables	(263,456)	(3,107)	(266,563)
Accrued expenses	-	(1,624)	(1,624)
Unearned revenue	-	(1,177)	(1,177)
Customer deposits payable	3,740	-	3,740
Net cash provided by operating activities	<u>\$ 1,292,175</u>	<u>\$ 62,742</u>	<u>\$ 1,354,917</u>
Cash and cash equivalents consists of the following:			
Unrestricted cash	\$ 1,906,787	\$ 18,612	\$ 1,925,399
Restricted cash	<u>215,318</u>	<u>92,431</u>	<u>307,749</u>
	<u>\$ 2,122,105</u>	<u>\$ 111,043</u>	<u>\$ 2,233,148</u>
Supplemental disclosure of cash flow information:			
Noncash capital and related financing activities:			
Accounts payable for capital items, net	\$ 45,376	\$ -	\$ 45,376

The accompanying notes are an integral part of the financial statements.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of La Grange, Kentucky (the City) operates under the City Council form of government and provides the following services as authorized by its charter: public safety, public works, public transportation, recreation and community development. The accounting policies of the City conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The financial statements of the City include the funds, account groups and entities over which the Mayor and Council exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the City's ability to significantly influence operation, select the governing body, and participate in fiscal management and the scope of public service. The Council has oversight responsibility for various boards and foundations included in the accompanying financial statements. The La Grange Public Properties Corporation and Utility Commission of the City of La Grange, Kentucky are blended component units that are subject to the City's oversight responsibility. Separately issued financial statements of the Utility Commission can be obtained by request at 412 East Jefferson Street, La Grange, KY, 40031 or by calling (502) 222-9325. The City is involved in a joint venture with Oldham County, Kentucky, in the Oldham-LaGrange Development Authority. See footnote 12.

B. Blended Component Units

Blended component units are separate entities that meet the component unit criteria described above and whose governing body is the same as or designated by the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type.

Component units that are blended into the reporting activity types of the City's report are presented below:

Component Unit	Brief Description/Inclusion Criteria	Reporting
City of La Grange Public Properties Corporation	The Corporation is legally separate from the City, but it is reported as if it were part of the City, the primary government, because its sole purpose is to finance the acquisition of City real estate and buildings.	Governmental Fund
Utility Commission of the City of La Grange, Kentucky	The Commission is operated by a five member board of commissioners which includes four City of La Grange, Kentucky, residents appointed by the Mayor and approved by the City Council. The fifth member of the board of commissioners is a member of the City Council appointed by and from the membership of the City Council. The Commission is an agency that the City Council created to supervise, control and maintain the waterworks and sewer system for the City.	Proprietary Fund Enterprise Fund

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City.

Fund Financial Statements

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds, each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses.

Governmental funds are those through which most governmental functions are financed. The governmental fund measurement focus is the determination of financial position and budgetary control over revenues and expenditures. Proprietary fund types are used to account for operations that are financed and operated in a manner similar to business enterprises - where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

The following funds are used by the City of La Grange:

Governmental Funds

General Fund – The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund. Most of the essential governmental services such as police, community services and general administration are reported in this fund.

Foundations and Parks Fund – Accounts for the activities of the City of La Grange Foundation, Inc., which was created as a non-profit corporation to receive donations for projects for the betterment of the City of La Grange and Oldham County.

Municipal Road Aid Fund – Special revenue fund that accounts for the money received from the Commonwealth of Kentucky under the gasoline tax distribution program. Amounts received are reserved for road maintenance.

ABC Fund – Accounts for the receipts and expenditures related to the regulation of sales of alcoholic beverages in the City.

Bus Fund – Accounts for the receipts and expenditures related to the operation of the City buses.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (continued)

Proprietary Funds

Proprietary funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in cash flows.

Enterprise funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounts are maintained on the accrual basis of accounting. The City's enterprise operations include the following:

Utility Commission of the City of La Grange, Kentucky – Accounts for activities in providing water and sewer services to the residents of the City, the operations of which are financed by user charges.

Eagle Creek Golf Course – Accounts for activities in providing golfing facilities to the public and the management of the retail pro-shop.

D. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. Their focus is on individual funds rather than reporting funds by type. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A period of sixty (60) days is used for property tax revenues. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting and Measurement Focus (continued)

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Operating revenues include charges for service and other income, operating expenses include direct costs and depreciation. All other revenues or expenses are treated as non-operating.

Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

E. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents consist of cash on hand, cash on deposit with banks, and certificates of deposit with an original maturity of less than three months (including amounts held in restricted asset accounts).

F. Investments

Investments are reported at fair value. Investments of the City consist of certificates of deposits with an original maturity of three months or greater.

G. Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Supplies Inventory

Inventories in the proprietary funds consist of expendable supplies that are stated on a first-in, first-out method. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Inventories of the special revenue funds are recorded as expenditures when purchased rather than when consumed.

I. Accounts Receivable

Governmental activities accounts receivable consists of property taxes, compensation taxes, occupational license fees, insurance premium taxes, franchise fees, ABC fees, bus fees, service revenues and grant funds which are disbursed on an expenditure-reimbursement plan.

Business-type activities extend credit to substantially all of their customers.

Accounts receivable are stated at face amount, less an allowance for doubtful accounts of \$61,623 in the general fund and \$4,078 in the proprietary funds, which approximates fair market value.

The City maintains allowances for doubtful accounts based on evaluation by management and percentages applied to the various aging periods of accounts receivable. Specific accounts deemed uncollectible are charged to the allowance upon evaluation by management. Evaluation factors include familiarity with the customer, credit history and the age of the unpaid bill. Property taxes not collected within sixty (60) days of year end are fully reserved.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Transfers of capital assets between funds are recorded at the net book value of the transferred asset at the time of transfer.

All reported capital assets are depreciated with the exception of land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Years
Utility plant and distribution system	20-50
Buildings and improvements	10-40
Land improvements	10-40
Infrastructure	10-25
Machinery and equipment	3-15

K. Unearned Revenue

Unearned revenue represents grant revenues received but unearned. Revenues are recognized when eligible expenditures are incurred.

L. Compensated Absences

Accrued vacation pay vests as of January 1 and must be used by December 31 of each year. Unused vacation pay is payable upon termination of employment. The liability for these compensated absences is recorded as a current liability.

Utility commission employees who have 15 years of continuous service or who were hired before October 15, 1988 accrue sick leave. Unused sick leave is payable upon termination of employment. The liability for these compensated absences is recorded as a non-current liability.

M. Long-Term Debt and Bond Issuance Costs

In the government-wide and proprietary financial statements, outstanding debt is reported as current and long-term liabilities. In accordance with GASB 65, bond issuance costs are expensed in the period incurred.

In the fund financial statements, governmental fund types recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Balances

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable. The City further breaks down both nonspendable and spendable components into the following components:

Nonspendable – amounts that must be maintained intact legally or contractually.

Restricted – amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

Assigned – for all governmental funds, other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the general fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts.

Unassigned – for the general fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are nonspendable, restricted, committed or assigned.

For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City Council.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

As of June 30, 2018, the Bus Fund has a negative fund balance of \$76,304. Going forward, the City intends to increase appropriations from the General Fund to the Bus Fund to eliminate the negative fund balance and to keep the City's buses operational.

O. Budgeting

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 for all funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts presented in the financial statements are as adopted by ordinance of the City.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Other Accounting Policies

Interfund transactions are reflected as transfers. Transfers occur for various reasons related to the day to day operations of the funds and are reported as receivables and payables as appropriate and are subject to elimination upon consolidation and are referred to as either "due to/from other fund" in the fund financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

R. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

S. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through December 26, 2018, which represents the date these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2018, have not been evaluated by the City.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

2. CASH AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk beyond that specified in KRS 66.480. As of June 30, 2018, the book balance of the City's deposits totaled \$11,180,697 and the bank balances totaled \$11,276,815.

The following is a detail of the City's cash deposit coverage at June 30, 2018:

FDIC insured	\$ 2,122,927
Collateralized	5,572,532
Invested in money market funds	415,744
CD's rated in highest category	531,354
Uncollateralized	<u>2,634,258</u>
Total	<u>\$ 11,276,815</u>

Restricted assets consist of the following:

	General Fund	Utility Commission	Golf Course	Total
Cash – Debt service reserve	\$ 2,788,522	\$ 150,026	\$ 92,431	\$ 3,030,979
Cash – Storm Water	171,584	-	-	171,584
Cash – Customer deposits	<u>-</u>	<u>65,292</u>	<u>-</u>	<u>65,292</u>
Total	<u>\$ 2,960,106</u>	<u>\$ 215,318</u>	<u>\$ 92,431</u>	<u>\$ 3,267,855</u>

The City's investments at June 30, 2018 are as follows:

Type of Investment	Fair Value	Cost	Interest Rate	Maturity Date
BL&D Bank:				
Certificate of deposit	\$ 264,976	\$ 264,976	0.400%	1/16/2019
Certificate of deposit	140,284	140,284	0.300%	11/5/2019
Certificate of deposit	126,094	126,094	0.300%	11/5/2019
PNC Bank:				
Certificate of deposit	<u>67,121</u>	<u>67,121</u>	0.200%	10/4/2019
	<u>\$ 598,475</u>	<u>\$ 598,475</u>		

3. ACCOUNTS RECEIVABLE

	General Fund	Nonmajor Fund	Governmental Funds Total
Governmental activities:			
Taxes	\$ 95,253	\$ -	\$ 95,253
Licenses and fees	1,150,949	82,125	1,233,074
Intergovernmental	6,035	21,987	28,022
Other	<u>32,552</u>	<u>-</u>	<u>32,552</u>
Gross receivables	1,284,789	104,112	1,388,901
Less: allowance for uncollectible	<u>(61,623)</u>	<u>-</u>	<u>(61,623)</u>
Net receivables	<u>\$ 1,223,166</u>	<u>\$ 104,112</u>	<u>\$ 1,327,278</u>

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

3. ACCOUNTS RECEIVABLE (CONTINUED)

	Water & Sewer Fund	Golf Course Fund	Proprietary Funds Total
Business-type activities:			
Customer accounts	\$ 343,588	\$ 5,455	\$ 349,043
Unbilled receivables	146,347	-	146,347
Other	<u>202</u>	<u>33,000</u>	<u>33,202</u>
Gross receivables	490,137	38,455	528,592
Less: allowance for uncollectible	<u>(4,078)</u>	<u>-</u>	<u>(4,078)</u>
Net receivables	<u>\$ 486,059</u>	<u>\$ 38,455</u>	<u>\$ 524,514</u>

4. CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital assets not depreciated:				
Construction in progress	\$ 6,022	\$ 4,565	\$ -	\$ 10,587
Land	<u>730,201</u>	<u>-</u>	<u>-</u>	<u>730,201</u>
Totals	<u>736,223</u>	<u>4,565</u>	<u>-</u>	<u>740,788</u>
Capital assets that are depreciated:				
Buildings and improvements	2,137,765	-	(55,097)	2,082,668
Machinery and equipment	<u>2,845,761</u>	<u>51,357</u>	<u>(26,356)</u>	<u>2,870,762</u>
Totals	<u>4,983,526</u>	<u>51,357</u>	<u>(81,453)</u>	<u>4,953,430</u>
Total non-infrastructure assets	<u>5,719,749</u>	<u>55,922</u>	<u>(81,453)</u>	<u>5,694,218</u>
Infrastructure assets	<u>1,907,075</u>	<u>153,806</u>	<u>-</u>	<u>2,060,881</u>
Total capital assets	<u>7,626,824</u>	<u>209,728</u>	<u>(81,453)</u>	<u>7,755,099</u>
Less: accumulated depreciation				
Buildings and improvements	874,220	65,683	(14,463)	925,440
Machinery and equipment	2,253,681	132,707	(26,356)	2,360,032
Infrastructure	<u>934,989</u>	<u>192,803</u>	<u>-</u>	<u>1,127,792</u>
Totals	<u>4,062,890</u>	<u>391,193</u>	<u>(40,819)</u>	<u>4,413,264</u>
General capital assets, net	<u>\$ 3,563,934</u>	<u>\$ (181,465)</u>	<u>\$ (40,634)</u>	<u>\$ 3,341,835</u>

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

4. CAPITAL ASSETS (CONTINUED)

	Balance			Balance
	July 1, 2017	Additions	Deductions	June 30, 2018
Business-Type Activities				
Land	\$ 1,709,540	\$ -	\$ -	\$ 1,709,540
Construction in progress	970,052	645,455	(1,453,180)	162,327
Buildings and improvements	3,269,450	10,200	-	3,279,650
Water tank	3,039,105	-	-	3,039,105
Mains, hydrants and new water services	4,214,670	692,336	-	4,907,006
Wastewater treatment plant	10,750,614	-	-	10,750,614
Sewage system lines and pump stations	11,622,547	916,273	-	12,538,820
Transportation equipment	697,382	42,081	-	739,463
General office equipment	<u>532,035</u>	<u>14,090</u>	<u>-</u>	<u>546,125</u>
Totals	36,805,395	2,320,435	(1,453,180)	37,672,650
Less: accumulated depreciation	<u>14,908,691</u>	<u>1,029,732</u>	<u>-</u>	<u>15,938,423</u>
Business-type capital assets, net	<u>\$ 21,896,704</u>	<u>\$ 1,290,703</u>	<u>\$ (1,453,180)</u>	<u>\$ 21,734,227</u>

\$1,163,775 of golf course land is recorded under a capital lease with no accumulated depreciation.

Depreciation expense was charged to the Governmental functions as follows:

General government	\$ 58,796
Police	10,178
Public works	245,155
Parks and recreation	21,938
Bus	9,943
ABC	<u>45,183</u>
Total depreciation expense	<u>\$ 391,193</u>

5. LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Capital Lease Obligation – Kentucky Bond Corporation

On March 22, 2006, the City entered into a lease agreement in the amount of \$1,250,000 with the Kentucky Area Development Districts Financing Trusts for the financing and leasing of a community center and City Hall. The lease was scheduled to run for a term of 22 years with payments to be made semiannually. The lease carried a stated interest rate of 4.6% with bank fees of \$500 annually. In December 2015, the City entered into a lease agreement in the amount of \$795,000 with the Kentucky Bond Corporation to pay in full the lease agreement with the Kentucky Area Development Districts Financing Trusts. The new lease agreement decreased debt service payments by \$266,368 and has a net economic gain of \$222,921. Repayment of the lease is scheduled to be paid over a period of twelve years. The new lease agreement has a net interest cost of 2.89% over the repayment term.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

5. LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (CONTINUED)

Capital Lease Obligation – Kentucky Bond Corporation (continued)

The minimum obligations of the above lease at June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Bank Fee	Total
2019	\$ 62,083	\$ 19,800	\$ 2,100	\$ 83,983
2020	65,000	17,938	1,945	84,883
2021	65,000	15,988	1,782	82,770
2022	65,000	14,038	1,620	80,658
2023	67,083	12,088	1,457	80,628
2024-2028	<u>335,834</u>	<u>28,736</u>	<u>4,457</u>	<u>369,027</u>
Total	<u>\$ 660,000</u>	<u>\$ 108,588</u>	<u>\$ 13,361</u>	<u>\$ 781,949</u>

Kentucky Bond Corporation Financing Program Revenue Bonds 2014 First Series C

On June 30, 2014, the City issued \$10,295,000 of general obligation revenue bonds through a pooled financing transaction with the Kentucky Bond Corporation to refinance obligations previously reported on the financial statements of the Oldham-LaGrange Development Authority. The proceeds were used to refund previously issued 2012 Series A General Obligation Lease Revenue Refunding Bonds and advance refund 2005 Series D General Obligation Revenue Notes. The new issue increased debt service payments by \$71,000 and had a net economic gain of \$660,444. The 2012 Series A General Obligation Lease Revenue Refunding Bonds were redeemed in July 2014. The 2005 Series D General Obligation Revenue Notes were redeemed with funds that had been placed in escrow, on June 1, 2015. Payments on the 2014 First Series C bonds are scheduled to be paid over a period of ten years. The bonds have a net interest cost of 2.44% over the repayment term.

The minimum obligations of the above bonds at June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Fees	Total
2019	\$ 1,025,416	\$ 157,692	\$ 16,930	\$ 1,200,038
2020	1,050,417	137,183	14,367	1,201,967
2021	1,075,417	125,486	11,741	1,212,644
2022	1,102,500	89,733	9,052	1,201,285
2023	1,305,417	61,004	6,296	1,372,717
2024	<u>912,917</u>	<u>25,105</u>	<u>2,720</u>	<u>940,742</u>
Total	<u>\$ 6,472,084</u>	<u>\$ 596,203</u>	<u>\$ 61,106</u>	<u>\$ 7,129,393</u>

The total governmental activity debt is summarized as follows:

Current portion of revenue bonds	\$ 1,025,416
Current portion of capital lease obligation	<u>62,083</u>
Total current portion of long-term obligations	<u>\$ 1,087,499</u>
Long-term portion of revenue bonds	5,446,668
Long-term portion of capital lease obligation	597,917
Net pension liability	4,374,804
Net OPEB liability	<u>1,581,713</u>
Long-term portion of long-term obligations	<u>\$ 12,001,102</u>

**CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

5. LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (CONTINUED)

A summary of changes in governmental long-term debt is as follows:

	July 1, 2017	Additions	Deletions	June 30, 2018
Capital lease obligations	\$ 720,000	\$ -	\$ 60,000	\$ 660,000
Revenue bonds	7,475,418	-	1,003,334	6,472,084
Net pension liability	3,319,072	1,055,732	-	4,374,804
Net OPEB liability	<u>1,030,801</u>	<u>550,912</u>	<u>-</u>	<u>1,581,713</u>
Total	<u>\$ 12,545,291</u>	<u>\$ 1,606,644</u>	<u>\$ 1,063,334</u>	<u>\$ 13,088,601</u>

The beginning balance of long-term debt has been restated to include the net OPEB liability. See Note 15 for the effect of the restatement on net position.

6. LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES

Business-Type Activities – Utility Commission

Capital Lease Obligation – PNC Bank

On September 24, 2010, the Commission entered into a lease agreement in the amount of \$2,284,645 with PNC Bank for the payoff of previous outstanding debt to the Kentucky Infrastructure Authority (KIA), Kentucky League of Cities and Bedford Loan & Deposit Bank. The principal and interest payments are to be made from the income and revenues of the water and sewer system. PNC Bank shall hold a lien on the system's revenues until such lease and interest payments are paid in full. The lease bears interest at a rate of 3.07% with a maturity date of September 24, 2020.

The minimum obligations of the above lease at June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 251,760	\$ 14,415	\$ 266,175
2020	259,696	6,479	266,175
2021	<u>60,450</u>	<u>344</u>	<u>60,794</u>
Total	<u>\$ 571,906</u>	<u>\$ 21,238</u>	<u>\$ 593,144</u>

Bonds Payable to Kentucky Rural Water Finance Corporation

On November 13, 2012, the Commission entered into an agreement with the Kentucky Rural Water Finance Corporation to issue Public Projects Revenue Bonds Series 2012 F for the purpose of providing funds to be used for the expansion of the City's waste water treatment plant. The loan has a rate of interest that varies between 2.3% to 4.3% and is payable in monthly payments to include 1/12 of the outstanding principal and 1/6 of the accrued interest balances to be withdrawn on the 20th day of each month for the following months regularly scheduled payment commencing December 20, 2012 for the January 1, 2013 payment. In addition, the loan terms call for an annual fee in the amount of \$450 to be paid to the trustee beginning February 1, 2013.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

6. LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)

Business-Type Activities – Utility Commission (continued)

The minimum obligations of the above revenue bonds at June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Fees	Total
2019	\$ 145,000	\$ 140,784	\$ 450	\$ 286,234
2020	150,000	136,666	450	287,116
2021	150,000	131,716	450	282,166
2022	160,000	125,051	450	285,501
2023	165,000	119,198	450	284,648
2024-2028	900,000	506,544	2,250	1,408,794
2029-2033	1,085,000	300,033	2,250	1,387,283
2034-2038	<u>1,010,000</u>	<u>78,670</u>	<u>1,800</u>	<u>1,090,470</u>
Total	<u>\$ 3,765,000</u>	<u>\$ 1,538,662</u>	<u>\$ 8,550</u>	<u>\$ 5,312,212</u>

Total debt is summarized as follows:

Current portion of PNC Capital Lease	\$ 251,760
Current portion of Kentucky Rural Water Bonds	<u>145,000</u>
Total current portion of long-term obligations	<u>\$ 396,760</u>
Long-term portion of PNC Capital Lease	\$ 320,146
Long-term portion of Kentucky Rural Water Bonds	3,620,000
Bond premium Kentucky Rural Water Bonds	159,695
Compensated absences	40,277
Net pension liability	1,114,177
Net OPEB liability	<u>382,669</u>
Long-term portion of long-term obligations	<u>\$ 5,636,964</u>

The changes in long-term debt are as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Bonds and leases payable	\$ 4,721,540	\$ -	\$ 384,634	\$ 4,336,906
Bond premium	168,099	-	8,404	159,695
Net pension liability	974,055	140,122	-	1,114,177
Net OPEB liability	300,154	82,515	-	382,669
Compensated absences	<u>33,508</u>	<u>6,769</u>	<u>-</u>	<u>40,277</u>
	<u>\$ 6,197,356</u>	<u>\$ 229,406</u>	<u>\$ 393,038</u>	<u>\$ 6,033,724</u>

The beginning balance of long-term debt has been restated to include the net OPEB liability. See Note 15 for the effect of the restatement on net position.

**CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

6. LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)

Business-Type Activities – Golf Course

Capital Lease Obligation – Kentucky Bond Corporation

During 2017, the City entered into a lease agreement with the Kentucky Bond Corporation to refinance the 2007 capital lease obligation with the Kentucky Area Development District. The 2007 capital lease obligation was used to purchase 80+ acres, which includes the back nine holes of the Eagle Creek Golf Course. The refinancing resulted in debt service savings of \$97,935 and a net economic gain of \$80,357. The principal and interest payments are to be made from the revenues of the golf course. The City is required to pay the extent of the portion of the principal and interest payments that the revenues of the golf course are unable to pay.

The lease is a fixed rate lease and is to run for a term of ten years with payments to be made monthly. The lease carries a stated interest rate of 3% with bank fees totaling \$21,854 by the end of the obligation.

The future minimum obligations of the above capital lease at June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Service Fee	Total
2019	\$ 30,000	\$ 31,875	\$ 3,106	\$ 64,981
2020	59,167	30,975	3,031	93,173
2021	106,250	29,200	2,883	138,333
2022	123,333	26,013	2,618	151,964
2023	143,333	22,313	2,309	167,955
2024-2027	<u>600,417</u>	<u>43,587</u>	<u>4,733</u>	<u>648,737</u>
Total	<u>\$ 1,062,500</u>	<u>\$ 183,963</u>	<u>\$ 18,680</u>	<u>\$ 1,265,143</u>

Bonds Payable – City of La Grange General Obligation Bonds of 2010

The City issued bonds dated March 1, 2010 in the amount of \$1,730,000. These bonds were used to pay off a previous bond issue from 2000. The bonds mature annually from March 1, 2010 to March 1, 2020, in various amounts from \$100,000 to \$210,000. Interest at 2-3.5% per annum is payable September 1 and March 1. Bonds maturing after March 1, 2011 are subject to early redemption provisions.

The bonds are payable from, and secured by, a pledge of gross revenues derived from the operation of the golf course. If the revenues from the golf course are not sufficient to cover the annual debt service, the City has agreed to levy and collect, each year that the bonds are outstanding, a bond tax in an amount sufficient to provide for the full payment of the principal and interest of the bonds.

The minimum obligations of the above bonds at June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 200,000	\$ 16,205	\$ 216,205
2020	<u>215,000</u>	<u>8,505</u>	<u>223,505</u>
Total	<u>\$ 415,000</u>	<u>\$ 24,710</u>	<u>\$ 439,710</u>

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

6. LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)

Business-Type Activities – Golf Course (continued)

The total business-type - golf course activities debt is summarized as follows:

Current portion of capital lease	\$ 30,000
Current portion of bond	<u>200,000</u>
Total current portion of long-term obligations	<u>\$ 230,000</u>
Long-term portion of capital lease	\$ 1,032,500
Long-term portion of bonds	<u>215,000</u>
Total long-term obligations	<u>\$ 1,247,500</u>

A summary of changes in golf course long-term debt is as follows:

	July 1, 2017	Additions	Deletions	June 30, 2018
Capital lease	\$ 1,089,583	\$ -	\$ 27,083	\$ 1,062,500
Bond issue	<u>610,000</u>	<u>-</u>	<u>195,000</u>	<u>415,000</u>
	<u>\$ 1,699,583</u>	<u>\$ -</u>	<u>\$ 222,083</u>	<u>\$ 1,477,500</u>

7. RETIREMENT PLAN

CERS

The City of La Grange is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2018, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2018, participating employers contributed 19.18% of each employee's wages for non-hazardous job classifications and 31.55% of each employee's wages for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

7. RETIREMENT PLAN (CONTINUED)

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2018, the City contributed \$156,170, or 100% of the required contribution for non-hazardous job classifications, and the City contributed \$183,539, or 100% of the required contribution for hazardous job classifications.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ with sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ with sum of service years plus age equal to 87+
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

7. RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net Pension Liability	Non-hazardous	Hazardous
<u>\$ 5,488,981</u>	<u>\$ 2,449,258</u>	<u>\$ 3,039,723</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2017 was as follows:

Non-hazardous	Hazardous
.042%	.136%

The proportionate share measured at June 30, 2017 relative to June 30, 2016 increased by .001% for non-hazardous and increased for hazardous by .003%.

For the year ended June 30, 2018, the City recognized pension expense of \$931,934. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 114,532	\$ 62,173
Changes of assumptions	1,058,310	-
Net difference between projected and actual earnings on Plan investments	56,858	-
Changes in proportion and differences between City contributions and proportionate share of contributions	106,292	37,237
City contributions subsequent to the measurement date	<u>327,670</u>	<u>-</u>
Total	<u>\$ 1,663,662</u>	<u>\$ 99,410</u>

The \$327,670 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2018	\$ 525,503
2019	\$ 553,928
2020	\$ 221,769
2021	\$ (64,618)

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

7. RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback 1 year for females). For disabled members, the RP- 2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Nominal Real Rate of Return
U.S. Equity	26.5%	11.27%
Non-U.S. Equity	26.5%	2.83%
Fixed Income	12.0%	7.69%
Real Return	8.0%	4.00%
Real Estate	5.0%	5.95%
Absolute Return	10.0%	3.96%
Private Equity	10.0%	10.95%
Cash Equivalent	2.0%	3.65%
Total	100%	

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

7. RETIREMENT PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 3,089,032	5.25%	\$ 3,821,901
Current discount rate	6.25%	\$ 2,449,258	6.25%	\$ 3,039,723
1% increase	7.25%	\$ 1,914,075	7.25%	\$ 2,393,758

Payable to the Pension Plan – At June 30, 2018, the City reported a payable of \$6,878 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 7, the City participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 7, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2018, the employer's contribution was 4.70% to the insurance trust for non-hazardous job classifications and 9.35% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

**CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

For the year ended June 30, 2018, the City contributed \$50,691, or 100% of the required contribution for non-hazardous job classifications, and \$77,301, or 100% of the required contribution for hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net		
OPEB Liability	Non-hazardous	Hazardous
<u>\$ 1,964,382</u>	<u>\$ 841,208</u>	<u>\$ 1,123,174</u>

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2017 was .042% for non-hazardous and .136% for hazardous.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

For the year ended June 30, 2018, the City recognized OPEB expense of \$223,244. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ 4,954
Changes of assumptions	597,333	-
Net difference between projected and actual earnings on Plan investments	-	110,225
Changes in proportion and differences between City contributions and proportionate share of contributions	-	2,176
City contributions subsequent to the measurement date	<u>129,348</u>	<u>-</u>
Total	<u>\$ 726,681</u>	<u>\$ 117,355</u>

The \$129,348 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. This includes adjustments of \$10,281 for the nonhazardous implicit subsidy and (\$3,854) for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,

2019	\$	122,528
2020	\$	122,528
2021	\$	122,528
2022	\$	69,063
2023	\$	33,855
2024	\$	9,476

Actuarial Assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous and
Hazardous**

Inflation	2.30%	
Salary increases	3.05%, average, including inflation	
Investment rate of return	6.25%, net of Plan investment expense, including inflation	
Healthcare trend		

Pre – 65: Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Post – 65: Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total OPEB liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017. Subsequent to the actuarial valuation date (June 30, 2016) but prior to the measurement date, and before the required 2019 experience study, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted updated actuarial assumptions, which were used in performing the actuarial valuation as of June 30, 2017.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Nominal Real Rate of Return
U.S Equity	26.5%	9.56%
Non-U.S. Equity	26.5%	2.84%
Fixed Income	12.0%	6.53%
Real Return	8.0%	3.68%
Real Estate	5.0%	8.99%
Absolute Return	10.0%	3.89%
Private Equity	10.0%	9.74%
Cash Equivalent	<u>2.0%</u>	2.69%
Total	100%	

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate – The discount rate used to measure the total net OPEB liability was 5.84% and 5.96% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net OPEB liability	Discount rate	City's proportionate share of net OPEB liability
1% decrease	4.84%	\$ 1,070,385	4.96%	\$ 1,505,207
Current discount rate	5.84%	\$ 841,208	5.96%	\$ 1,123,174
1% increase	6.84%	\$ 650,489	6.96%	\$ 810,608

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Non-hazardous		Hazardous	
	City's proportionate share of net OPEB liability			
1% decrease	\$ 645,247	\$ 795,072	\$ 795,072	\$ 1,123,174
Current trend rate	\$ 841,208	\$ 1,123,174	\$ 1,123,174	\$ 1,529,233
1% increase	\$ 1,095,937	\$ 1,529,233	\$ 1,529,233	

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

Payable to the Pension Plan – At June 30, 2018, the City reported a payable of \$2,233 for the outstanding amount of contributions to the insurance plan required for the year ended June 30, 2018.

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

9. OPERATING LEASE

In February 2017, the golf course entered into an operating lease with Wells Fargo Financial Leasing, Inc. to lease 58 golf carts. The lease terms call for 24 payments of \$8,729. The payments are made six months at a time from May through October. The future lease obligations at June 30, 2018, are as follows:

Fiscal Year	
2019	\$ 52,374
2020	52,374
2021	<u>34,916</u>
Total	<u>\$ 139,664</u>

Operating lease expense for the year ended June 30, 2018, totaled \$ 52,780.

10. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2018 were levied in September 2017 on the assessed property located in the City as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	Due Date
1. Due date for payment	Upon receipt
2. Discount of 2%	October 15
3. Face value payment period	November 15
4. 10% penalty delinquent date	November 16

These taxes are collected by the City Clerk. Vehicle taxes are collected by the County Clerk of Oldham County and are due and collected in the birth month of the licensee.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the city also carries commercial insurance for all other risks of loss such as worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. INVESTMENT IN JOINT VENTURE – OLDHAM-LAGRANGE DEVELOPMENT AUTHORITY

Oldham-LaGrange Development Authority (OLDA) was formed as a non-profit, non-stock corporation as provided by the Local Industrial Development Authority Act under KRS 154.50. The City of La Grange, Kentucky and the County of Oldham, Kentucky formed the Development Authority under an interlocal Cooperation Agreement. The purpose of the Development Authority is to promote economic development and create jobs within the boundaries of the City and County by financing through the Government Authority the acquisition and development of property.

The City of La Grange issued General Obligation Lease Revenue Notes, 2005 Series A, 2005 Series B, 2005 Series C, and 2005 Series D dated July 1, 2005 for \$10,000,000 for the purchase of land and infrastructure improvements thereto, by way of the Development Authority. The proceeds were turned over to the Oldham-La Grange Development Authority. The Lease Revenue Notes are to be paid with the proceeds from the sale and use of property managed by the Development Authority.

**CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

12. INVESTMENT IN JOINT VENTURE – OLDHAM-LAGRANGE DEVELOPMENT AUTHORITY (CONTINUED)

On December 1, 2008, OLDA, through the City of La Grange, issued \$5,215,000 of general obligation lease revenue refunding bonds. The bonds were issued to (1) purchase an escrow scheduled to mature at such times and in such amounts as are necessary and will be adequate, with investment or reinvestment thereof, to meet the currently scheduled interest requirements of the 2005 Series C bonds and (2) pay or refund in advance of maturity, the remaining principal, accrued interest and premium of the City of La Grange bonds, Series of 2005 A and B, dated August 3, 2005 and (3) pay the bond issuance expenses.

On January 21, 2010, the Oldham-LaGrange Development authority through the City of La Grange, issued \$7,555,000 of general obligation lease revenue refunding bonds. The bonds were issued to (1) purchase an escrow scheduled to mature at such times and in such amounts as are necessary and will be adequate, with investment or reinvestment thereof, to meet the currently scheduled interest requirements of the 2010 series bonds and (2) pay or refund in advance of maturity, the remaining principal, accrued interest and premium of the City of La Grange bonds, Series of 2005 C, dated August 3, 2005 and Series 2008 bonds dated December 1, 2008 and (3) pay the bond issuance expenses.

On May 25, 2012, OLDA, through the City, issued \$8,100,000 of 2012 Series A general obligation lease revenue refunding bonds to replace the City 2010 Series A general obligation lease refunding bonds. The bonds were issued to (1) purchase an escrow scheduled to mature at such times and in such amounts as are necessary and will be adequate, with investment or reinvestment thereof, to meet the currently scheduled interest requirements of the 2012 Series bonds and (2) pay or refund in advance of maturity, the remaining principal, accrued interest, and premium of the City 2010 Series A general obligation lease revenue refunding and (3) pay the bond issuance expenses.

On June 30, 2014, the City issued \$10,925,000 of 2014 First Series C general obligation revenue bonds to redeem both the 2012 Series A general obligation lease revenue refunding bonds and the 2005 Series D general obligation lease revenue notes. The 2012 Series A General Obligation Lease Revenue Refunding Bonds were redeemed in July 2014. The 2005 Series D General Obligation Revenue Notes were redeemed with funds placed in escrow on June 1, 2015. The 2014 First Series C bonds will be reported on the financial statements as a liability of the City and are scheduled to be paid by the City over a period of ten years. See footnote 5 for additional information regarding the 2014 First Series C General Obligation Revenue Bonds.

Oldham-LaGrange Development Authority issues separate financial statements available through its administrative office at 112 South 1st Avenue P.O. Box 366, La Grange, KY 40031 or by telephone at (502) 222-1635. Summarized totals for the Development Authority for the year ended June 30, 2018, are as follows:

Total assets	\$ 16,395,568
Total liabilities	\$ 42,500
Total net position	\$ 16,353,068

The net equity investment in Oldham-LaGrange Development Authority for the City of La Grange at June 30, 2018, is \$8,552,735. The net equity is determined by the following:

	OLDA Audit 6/30/2018	City Allocation	County Allocation
Beginning net equity, July 1, 2017	\$ 16,309,525	\$ 8,530,964	\$ 7,778,561
Operating loss before transfers in	(36,457)	(18,229)	(18,228)
Principal payments transfers in	<u>80,000</u>	<u>40,000</u>	<u>40,000</u>
Ending net equity, June 30, 2018	<u>\$ 16,353,068</u>	<u>\$ 8,552,735</u>	<u>\$ 7,800,333</u>

**CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

13. TRANSFERS

The purpose of transfers is to move resources between the General Fund and other funds, for budgetary purposes, to the funds that will expend them. During fiscal year 2018, the General Fund transferred \$35,109 to the Bus Fund and \$230,686 to the Golf Course.

14. INTERFUND BALANCES

This table shows interfund balances as of June 30, 2018:

	General Fund	Water & Sewer Fund	ABC Fund	Bus Fund	Total Due From
General Fund	\$ -	\$ 31,167	\$ 88,935	\$ 339,277	\$ 459,379
Water & Sewer Fund	-	-	-	-	-
Golf Course	14,041	-	-	-	14,041
MRA Fund	-	-	-	-	-
ABC Fund	-	-	-	-	-
Bus Fund	-	-	-	-	-
Total Due To	<u>\$ 14,041</u>	<u>\$ 31,167</u>	<u>\$ 88,935</u>	<u>\$ 339,277</u>	<u>\$ 473,420</u>

Interfund balances result from goods and services type transactions that have occurred between individual funds that have resulted in amounts owed between funds.

15. RESTATEMENT OF NET POSITION

Implementation of new accounting standards GASB Statement No. 75

During 2018, the City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which addresses financial reporting for state and local government employers whose employees are provided with other postemployment benefits (OPEB) through defined benefit plans that are covered under Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

The guidance contained in Statement 75 changed how governments calculate and report the costs and obligations associated with OPEB. Under the new standards GASB requires that cost-sharing governments report a net OPEB liability, OPEB expense, and OPEB related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan. In addition, GASB requires Statement 75 to be applied retroactively, which has resulted in a restatement of beginning net position as follows:

Governmental Activities	2018
Net position, beginning of year	\$ 8,738,507
Beginning net OPEB liability	<u>(936,788)</u>
Net position, beginning of year, as restated	<u>\$ 7,801,719</u>
 Business-type Activities	
<u>Water & Sewer Fund</u>	
Net position, beginning of year	\$ 16,664,861
Beginning net OPEB liability	<u>(275,831)</u>
Net position, beginning of year, as restated	<u>\$ 16,389,030</u>

CITY OF LA GRANGE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

16. SUBSEQUENT EVENT

Utility Commission - Kentucky Infrastructure Authority Loan

On April 9, 2018, the Utility Commission was pre-approved for a loan with the Kentucky Infrastructure Authority (KIA) for the I-71 interceptor sewer upgrade project for a total not to exceed \$3,121,200, of which KIA is the sole source of the funding. The loan shall bear interest at a rate of 1.75%. As of the date of this report the project had yet to begin and the loan with KIA was not finalized. The project is expected to begin and the loan funds are expected to be received during fiscal year 2019.

SUPPLEMENTARY INFORMATION

CITY OF LA GRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2018

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Taxes				
General property taxes	\$ 1,265,000	\$ 1,265,000	\$ 1,379,197	\$ 114,197
Bank shared tax	60,000	60,000	62,881	2,881
Omitted tangibles	7,000	7,000	4,436	(2,564)
Motor vehicle taxes	<u>130,000</u>	<u>130,000</u>	<u>144,097</u>	<u>14,097</u>
Total municipal taxation	<u>1,462,000</u>	<u>1,462,000</u>	<u>1,590,611</u>	<u>128,611</u>
Licenses, permits and billings				
Business licenses	358,303	359,448	453,967	94,519
Insurance premiums	1,517,000	1,517,000	1,832,225	315,225
ABC license fees	15,000	15,000	15,540	540
Compensation tax	1,349,030	1,349,030	1,968,486	619,456
Franchise fees	<u>355,000</u>	<u>355,000</u>	<u>383,596</u>	<u>28,596</u>
Total licenses, permits and billings	<u>3,594,333</u>	<u>3,595,478</u>	<u>4,653,814</u>	<u>1,058,336</u>
Intergovernmental revenues				
Grants	17,000	17,000	25,152	8,152
Federal overtime	6,000	6,000	4,634	(1,366)
KLEFPF	73,640	73,640	72,407	(1,233)
LGEA	<u>7,000</u>	<u>7,000</u>	<u>7,226</u>	<u>226</u>
Total intergovernmental	<u>103,640</u>	<u>103,640</u>	<u>109,419</u>	<u>5,779</u>
Charges for service				
Sanitation fees	380,000	380,000	384,566	4,566
Storm water fees	<u>173,053</u>	<u>173,053</u>	<u>100,000</u>	<u>(73,053)</u>
Total charges for service	<u>553,053</u>	<u>553,053</u>	<u>484,566</u>	<u>(68,487)</u>
Other revenue				
Interest	2,000	2,000	6,606	4,606
Penalties	10,000	10,000	1,632	(8,368)
Encroachment fees	4,000	4,000	4,500	500
Community center	4,000	4,000	6,625	2,625
Miscellaneous	<u>100,000</u>	<u>100,000</u>	<u>21,632</u>	<u>(78,368)</u>
Total other revenue	<u>120,000</u>	<u>120,000</u>	<u>40,995</u>	<u>(79,005)</u>
TOTAL REVENUE	<u>\$ 5,833,026</u>	<u>\$ 5,834,171</u>	<u>\$ 6,879,405</u>	<u>\$ 1,045,234</u>

CITY OF LA GRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2018

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES				
General Administration				
Salaries	\$ 118,003	\$ 119,147	\$ 130,034	\$ (10,887)
Overtime	2,000	2,000	421	1,579
Part-time salaries	15,000	15,000	32,795	(17,795)
Employee Insurance	48,895	48,895	42,841	6,054
Employer portion FICA	12,770	12,770	13,819	(1,049)
Employer portion medicare	2,990	2,990	3,232	(242)
Mayor/Council	60,480	60,480	60,480	-
Employer portion retirement	25,000	25,000	25,395	(395)
Unemployment insurance	4,000	4,000	7,803	(3,803)
Computer maintenance	36,000	36,000	33,503	2,497
Tax preparation (PVA)	37,000	37,000	37,349	(349)
Ordinance codification	5,000	5,000	591	4,409
Workers compensation	3,200	3,200	4,800	(1,600)
Property/liability insurance	55,800	55,800	62,762	(6,962)
Auditing	27,000	27,000	23,400	3,600
Gas/electric/telephone	114,000	114,000	115,642	(1,642)
Legal fees	50,000	50,000	19,833	30,167
Legal advertisements	10,000	10,000	6,596	3,404
Office supplies	8,000	8,000	7,696	304
Repair and maintenance	10,000	10,000	9,484	516
Seminars/education	9,000	9,000	11,665	(2,665)
Miscellaneous	10,500	10,500	18,881	(8,381)
Small equipment purchases	1,000	1,000	3,800	(2,800)
Board of adjustments and appeals	1,000	1,000	300	700
Total general administration	<u>666,638</u>	<u>667,782</u>	<u>673,122</u>	<u>(5,340)</u>
Police				
Police salaries	663,443	663,443	611,315	52,128
Overtime salaries	20,000	20,000	15,371	4,629
Part-time salaries	33,672	33,672	32,193	1,479
KLEFPF	73,640	73,640	57,533	16,107
Federal overtime	6,000	6,000	-	6,000
Employee insurance	165,959	165,959	119,787	46,172
Employer portion FICA	45,005	45,005	43,012	1,993
Employer portion medicare	10,608	10,608	10,059	549
Employer portion retirement	222,732	222,732	218,825	3,907
Workers compensation	29,244	29,244	23,153	6,091
Automobile insurance	31,383	31,383	12,352	19,031
Liability insurance	35,388	35,388	18,571	16,817
Radio maintenance	1,500	1,500	438	1,062
Computer maintenance	18,000	18,000	19,458	(1,458)
Seminars and education	10,000	10,000	3,734	6,266
Uniform expense	22,000	22,000	19,147	2,853
Miscellaneous	22,000	22,000	27,126	(5,126)
Crime prevention	4,000	4,000	3,066	934
Criminal investigations	3,000	3,000	2,985	15
Firing range expenses	1,000	1,000	1,137	(137)
Small equipment purchases	4,000	4,000	11,325	(7,325)
Gas and oil	40,000	40,000	40,630	(630)
Equipment repairs	25,000	25,000	20,128	4,872
Drug enforcement funds	1,500	1,500	2,100	(600)
Dry cleaning	2,000	2,000	3,958	(1,958)
Telephone/cellular/pagers	20,000	20,000	20,328	(328)
K-9	1,000	1,000	1,039	(39)
One call	3,912	3,912	3,912	-
Oldham County dispatch	12,250	12,250	7,000	5,250
Total police department	<u>1,528,236</u>	<u>1,528,236</u>	<u>1,349,682</u>	<u>178,554</u>

CITY OF LA GRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2018

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public Works				
Salaries	\$ 383,493	\$ 383,493	349,544	\$ 33,949
Overtime salaries	15,000	15,000	11,501	3,499
Part-time salaries	16,000	16,000	4,031	11,969
Employee insurance	172,000	172,000	122,830	49,170
Employer portion FICA	24,608	24,608	21,765	2,843
Employer portion medicare	6,486	6,486	5,090	1,396
Employer portion retirement	76,120	76,120	68,702	7,418
Workers compensation	30,000	30,000	16,609	13,391
Vehicle insurance	29,000	29,000	9,705	19,295
Utilities	13,700	13,700	16,752	(3,052)
Seminars/Education	3,000	3,000	4,328	(1,328)
Uniforms	3,000	3,000	2,949	51
Small equipment purchases	4,500	4,500	2,963	1,537
Gas and oil	21,000	21,000	18,812	2,188
Equipment/vehicle repairs	22,000	22,000	25,940	(3,940)
Computer maintenance	500	500	60	440
Crushed rock	1,000	1,000	904	96
Signs and posts	6,000	6,000	4,510	1,490
Sidewalks	21,263	21,263	11,871	9,392
Drainage	3,000	3,000	-	3,000
Paving material	10,500	10,500	2,661	7,839
Street paint	2,000	2,000	169	1,831
Snow removal	3,000	3,000	2,592	408
Grounds maintenance	10,000	10,000	11,096	(1,096)
Building maintenance	50,000	50,000	5,990	44,010
Equipment rental	2,000	2,000	228	1,772
Tires and batteries	8,000	8,000	2,027	5,973
Repairs blue house	2,000	2,000	143	1,857
Electric/telephone welcome center	3,500	3,500	2,130	1,370
Repairs welcome center	2,000	2,000	26	1,974
Miscellaneous	2,500	2,500	2,261	239
CDL license	1,000	1,000	858	142
Contract help	14,000	14,000	5,619	8,381
Safety	2,000	2,000	2,275	(275)
Street lighting	2,500	2,500	269	2,231
Total public works	<u>966,670</u>	<u>966,670</u>	<u>737,210</u>	<u>229,460</u>
Sanitation	<u>346,000</u>	<u>346,000</u>	<u>348,262</u>	<u>(2,262)</u>
Parks and Recreation	<u>180,000</u>	<u>180,000</u>	<u>177,688</u>	<u>2,312</u>
Storm Water	<u>173,053</u>	<u>173,053</u>	<u>1,004</u>	<u>172,049</u>
Community Development				
Main street	5,000	5,000	5,885	(885)
La Grange crossroads district	30,000	30,000	30,000	-
Economic development, OLDA	192,000	192,000	60,000	132,000
Historic preservation	3,500	3,500	6,521	(3,021)
Tree replacement	1,500	1,500	520	980
La Grange elementary	2,000	2,000	2,005	(5)
Festivals - Christmas, OC Day	3,000	3,000	1,411	1,589
Commerce parkway study	35,000	35,000	-	35,000
Closing alleys	11,500	11,500	-	11,500
GIS	3,000	3,000	1,400	1,600
Mayor's discretionary fund	2,969	2,969	1,694	1,275
Fishing derby fund	-	-	290	(290)
Buxton Company	10,000	10,000	10,000	-
Total community development	<u>299,469</u>	<u>299,469</u>	<u>119,726</u>	<u>179,743</u>

Note 1: Public properties expenditures were budgeted with public works expenditures for the fiscal year.

CITY OF LA GRANGE, KENTUCKY
 REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
 GENERAL FUND
 for the year ended June 30, 2018

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public Properties				
Salaries	\$ -	\$ -	\$ 8,663	\$ (8,663)
Employer portion FICA	-	-	528	(528)
Employer portion Medicare	-	-	124	(124)
Employer portion retirement	-	-	1,645	(1,645)
Health insurance	-	-	1,742	(1,742)
Workers compensation	-	-	1,212	(1,212)
Tools and equipment	-	-	3	(3)
Gas and oil	-	-	221	(221)
Electric/telephone on blue house	-	-	371	(371)
	<u>-</u>	<u>-</u>	<u>14,509</u>	<u>(14,509)</u>
Total public properties	<u>-</u>	<u>-</u>	<u>14,509</u>	<u>(14,509)</u>
Capital Outlay				
General	4,700	4,700	-	4,700
Police	12,500	12,500	-	12,500
Public works	10,000	10,000	4,565	5,435
	<u>27,200</u>	<u>27,200</u>	<u>4,565</u>	<u>22,635</u>
Total capital outlay	<u>27,200</u>	<u>27,200</u>	<u>4,565</u>	<u>22,635</u>
Debt Service	<u>1,565,543</u>	<u>1,565,543</u>	<u>1,284,380</u>	<u>281,163</u>
TOTAL EXPENDITURES	<u>\$ 5,752,809</u>	<u>\$ 5,753,953</u>	<u>\$ 4,710,148</u>	<u>\$ 1,043,805</u>

Note 1: Public properties expenditures were budgeted with public works expenditures for the fiscal year.

**CITY OF LA GRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Five Fiscal Years**

	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.042%	0.041%	0.039%	0.040%	0.040%
City's proportionate share of the net pension liability (asset)	\$ 2,449,258	\$ 2,003,003	\$ 1,695,033	\$ 1,284,599	\$ 1,386,844
City's covered employee payroll	\$ 1,018,799	\$ 970,461	\$ 920,089	\$ 927,729	\$ 887,128
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	240.41%	206.40%	184.22%	138.47%	156.33%
Plan fiduciary net position as a percentage of the total pension liability	53.32%	55.50%	59.97%	66.80%	61.22%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the City's corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF LA GRANGE, KENTUCKY
 REQUIRED SUPPLEMENTARY SCHEDULE
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS
 Last Five Fiscal Years**

	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.136%	0.133%	0.134%	0.140%	0.140%
City's proportionate share of the net pension liability (asset)	\$ 3,039,723	\$ 2,290,124	\$ 2,064,038	\$ 1,637,266	\$ 1,671,411
City's covered employee payroll	\$ 745,833	\$ 726,269	\$ 687,758	\$ 690,007	\$ 666,630
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	407.56%	315.33%	300.11%	237.28%	250.73%
Plan fiduciary net position as a percentage of the total pension liability	49.78%	53.95%	57.52%	63.46%	57.74%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the City's corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF LA GRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - NONHAZARDOUS
Last Six Fiscal Years**

	2018	2017	2016	2015	2014	2013
Contractually required employer contribution	\$ 156,170	\$ 142,123	\$ 120,531	\$ 117,307	\$ 124,691	\$ 107,875
Contributions relative to contractually required employer contribution	<u>156,170</u>	<u>142,123</u>	<u>120,531</u>	<u>117,307</u>	<u>124,691</u>	<u>107,875</u>
Contribution deficiency (excess)	<u>\$ -</u>					
City's covered employee payroll	\$ 1,078,524	\$ 1,018,799	\$ 970,461	\$ 920,089	\$ 927,729	\$ 887,128
Employer contributions as a percentage of covered-employee payroll	14.48%	13.95%	12.42%	12.75%	13.44%	12.16%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net pension liability.

The above schedule will present 10 years of historical data, once available.

**CITY OF LA GRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - HAZARDOUS
Last Six Fiscal Years**

	2018	2017	2016	2015	2014	2013
Contractually required employer contribution	\$ 183,539	\$ 173,373	\$ 147,142	\$ 142,572	\$ 150,215	\$ 133,993
Contributions relative to contractually required employer contribution	<u>183,539</u>	<u>173,373</u>	<u>147,142</u>	<u>142,572</u>	<u>150,215</u>	<u>133,993</u>
Contribution deficiency (excess)	<u>\$ -</u>					
City's covered employee payroll	\$ 772,520	\$ 745,833	\$ 726,269	\$ 687,758	\$ 690,007	\$ 666,630
Employer contributions as a percentage of covered-employee payroll	23.76%	23.25%	20.26%	20.73%	21.77%	20.10%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

The above schedule will present 10 years of historical data, once available.

**CITY OF LA GRANGE, KENTUCKY
 REQUIRED SUPPLEMENTARY SCHEDULE
 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
 Last Two Fiscal Years**

	2018	2017
City's proportion of the net OPEB liability	0.042%	0.041%
City's proportionate share of the net OPEB liability (asset)	\$ 841,208	\$ 659,818
City's covered employee payroll	\$ 1,018,799	\$ 970,461
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	82.57%	67.99%
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%	unavailable

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF LA GRANGE, KENTUCKY
 REQUIRED SUPPLEMENTARY SCHEDULE
 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS
 Last Two Fiscal Years**

	2018	2017
City's proportion of the net OPEB liability	0.136%	0.133%
City's proportionate share of the net OPEB liability (asset)	\$ 1,123,174	\$ 671,137
City's covered employee payroll	\$ 745,833	\$ 726,269
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	150.59%	92.41%
Plan fiduciary net position as a percentage of the total OPEB liability	58.99%	unavailable

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the City's corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF LA GRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - NONHAZARDOUS
Last Six Fiscal Years**

	2018	2017	2016	2015	2014	2013
Contractually required employer contribution	\$ 50,691	\$ 48,189	\$ 45,030	\$ 45,267	\$ 46,736	\$ 59,237
Contributions relative to contractually required employer contribution	<u>50,691</u>	<u>48,189</u>	<u>45,030</u>	<u>45,267</u>	<u>46,736</u>	<u>59,237</u>
Contribution deficiency (excess)	<u>\$ -</u>					
City's covered employee payroll	\$ 1,078,524	\$ 1,018,799	\$ 970,461	\$ 920,089	\$ 927,729	\$ 887,128
Employer contributions as a percentage of covered-employee payroll	4.70%	4.73%	4.64%	4.92%	5.04%	6.68%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net OPEB liability.

The above schedule will present 10 years of historical data, once available.

**CITY OF LA GRANGE, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - HAZARDOUS
Last Six Fiscal Years**

	2018	2017	2016	2015	2014	2013
Contractually required employer contribution	\$ 77,301	\$ 74,668	\$ 92,163	\$ 93,398	\$ 96,118	\$ 116,660
Contributions relative to contractually required employer contribution	<u>77,301</u>	<u>74,668</u>	<u>92,163</u>	<u>93,398</u>	<u>96,118</u>	<u>116,660</u>
Contribution deficiency (excess)	<u>\$ -</u>					
City's covered employee payroll	\$ 772,520	\$ 745,833	\$ 726,269	\$ 687,758	\$ 690,007	\$ 666,630
Employer contributions as a percentage of covered-employee payroll	10.01%	10.01%	12.69%	13.58%	13.93%	17.50%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net OPEB liability.

The above schedule will present 10 years of historical data, once available.

CITY OF LA GRANGE, KENTUCKY
 SUPPLEMENTARY BUDGETARY COMPARISON
 OTHER GOVERNMENTAL FUNDS
 for the year ended June 30, 2018

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
MUNICIPAL ROAD AID FUND				
REVENUES				
Intergovernmental revenues	\$ 156,000	\$ 156,000	\$ 164,980	\$ 8,980
Interest	-	-	99	99
Carryover	<u>214,200</u>	<u>214,200</u>	<u>-</u>	<u>(214,200)</u>
TOTAL REVENUES	<u>\$ 370,200</u>	<u>\$ 370,200</u>	<u>\$ 165,079</u>	<u>\$ (205,121)</u>
EXPENDITURES				
Public works	\$ 60,000	\$ 60,000	\$ 17,439	\$ 42,561
Capital outlay	<u>310,200</u>	<u>310,200</u>	<u>153,806</u>	<u>156,394</u>
TOTAL EXPENDITURES	<u>\$ 370,200</u>	<u>\$ 370,200</u>	<u>\$ 171,245</u>	<u>\$ 198,955</u>
PARKS BOARD FUND				
REVENUES				
Other revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182</u>	<u>\$ 182</u>
TOTAL REVENUES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182</u>	<u>\$ 182</u>
EXPENDITURES				
Parks and recreation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF LA GRANGE, KENTUCKY
 SUPPLEMENTARY BUDGETARY COMPARISON
 OTHER GOVERNMENTAL FUNDS
 for the year ended June 30, 2018**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
ABC FUND				
REVENUES				
Licenses and permits	\$ 389,077	\$ 389,077	\$ 329,964	\$ (59,113)
Other revenues	-	-	283	283
TOTAL REVENUES	<u>\$ 389,077</u>	<u>\$ 389,077</u>	<u>\$ 330,247</u>	<u>\$ (58,830)</u>
EXPENDITURES				
ABC	\$ 358,577	\$ 358,577	\$ 315,621	\$ 42,956
Capital outlay	30,500	30,500	51,357	(20,857)
TOTAL EXPENDITURES	<u>\$ 389,077</u>	<u>\$ 389,077</u>	<u>\$ 366,978</u>	<u>\$ 22,099</u>
BUS FUND				
REVENUES				
Intergovernmental revenues	\$ 132,579	\$ 132,579	\$ 68,322	\$ (64,257)
Charges for service	9,400	9,400	9,826	426
Miscellaneous	-	-	430	430
TOTAL REVENUES	<u>\$ 141,979</u>	<u>\$ 141,979</u>	<u>\$ 78,578</u>	<u>\$ (63,401)</u>
EXPENDITURES				
General and administrative	\$ 14,918	\$ 14,918	\$ 11,962	\$ 2,956
Salaries and wages	105,261	105,261	111,923	(6,662)
Repairs and maintainence	6,800	6,800	9,992	(3,192)
Fuel	15,000	15,000	13,889	1,111
TOTAL EXPENDITURES	<u>\$ 141,979</u>	<u>\$ 141,979</u>	<u>\$ 147,766</u>	<u>\$ (5,787)</u>

CITY OF LA GRANGE, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Municipal Road Aid Fund	Foundations and Parks Fund	ABC Fund	Bus Fund	Total
ASSETS					
Cash and cash equivalents	\$ 217,685	\$ 76,719	\$ 490,710	\$ 276,009	\$ 1,061,123
Accounts receivable	<u>15,506</u>	<u>-</u>	<u>82,125</u>	<u>6,481</u>	<u>104,112</u>
Total assets	<u>\$ 233,191</u>	<u>\$ 76,719</u>	<u>\$ 572,835</u>	<u>\$ 282,490</u>	<u>\$ 1,165,235</u>
LIABILITIES					
Accounts payable	\$ 3,018	\$ -	\$ 25,679	\$ 3,136	\$ 31,833
Accrued payroll payable	-	-	-	3,694	3,694
Accrued leave	-	-	-	12,687	12,687
Due to other fund	<u>-</u>	<u>-</u>	<u>88,935</u>	<u>339,277</u>	<u>428,212</u>
Total liabilities	3,018	-	114,614	358,794	476,426
FUND BALANCE					
Restricted	230,173	-	458,221	-	688,394
Committed	-	76,719	-	-	76,719
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,304)</u>	<u>(76,304)</u>
Total fund balance	<u>230,173</u>	<u>76,719</u>	<u>458,221</u>	<u>(76,304)</u>	<u>688,809</u>
Total liabilities and fund balance	<u>\$ 233,191</u>	<u>\$ 76,719</u>	<u>\$ 572,835</u>	<u>\$ 282,490</u>	<u>\$ 1,165,235</u>

CITY OF LA GRANGE, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 for the year ended June 30, 2018

	Municipal Road Aid Fund	Foundations and Parks Fund	ABC Fund	Bus Fund	Total
REVENUES					
Licenses and permits	\$ -	\$ -	\$ 329,964	\$ -	\$ 329,964
Intergovernmental revenues	164,980	-	-	68,322	233,302
Charges for service	-	-	-	9,826	9,826
Other revenues	<u>99</u>	<u>182</u>	<u>283</u>	<u>430</u>	<u>994</u>
 Total revenues	 <u>165,079</u>	 <u>182</u>	 <u>330,247</u>	 <u>78,578</u>	 <u>574,086</u>
EXPENDITURES					
Public works	17,439	-	-	-	17,439
ABC	-	-	315,621	-	315,621
Bus	-	-	-	147,766	147,766
Capital outlay	<u>153,806</u>	<u>-</u>	<u>51,357</u>	<u>-</u>	<u>205,163</u>
 Total expenditures	 <u>171,245</u>	 <u>-</u>	 <u>366,978</u>	 <u>147,766</u>	 <u>685,989</u>
 Excess (deficiency) of revenues over expenditures	 <u>(6,166)</u>	 <u>182</u>	 <u>(36,731)</u>	 <u>(69,188)</u>	 <u>(111,903)</u>
Other financing sources					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,109</u>	<u>35,109</u>
 Total other financing sources	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>35,109</u>	 <u>35,109</u>
 Net change in fund balances	 <u>(6,166)</u>	 <u>182</u>	 <u>(36,731)</u>	 <u>(34,079)</u>	 <u>(76,794)</u>
Fund balances, beginning	<u>236,339</u>	<u>76,537</u>	<u>494,952</u>	<u>(42,225)</u>	<u>765,603</u>
 Fund balances, ending	 <u>\$ 230,173</u>	 <u>\$ 76,719</u>	 <u>\$ 458,221</u>	 <u>\$ (76,304)</u>	 <u>\$ 688,809</u>



**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**

Mayor and City Council
City of La Grange, Kentucky
La Grange, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Grange, 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 La Grange, Kentucky's basic financial statements and have issued our report thereon dated December 26, 2018.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency (2018-001) described in the accompanying schedule of findings and responses to be a material weakness.

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. We consider the deficiencies (2018-002 and 2018-003) described in the accompanying schedule of findings and responses to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of La Grange, 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses (2018-004).

The City of La Grange, Kentucky's Response to Findings

The City of La Grange, Kentucky's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of La Grange, Kentucky's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

RFH

RFH, PLLC
Lexington, Kentucky
December 26, 2018

CITY OF LA GRANGE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

2018-001 The City should have internal controls in place that enable it to accurately record all transactions including year-end accrual transactions (recurring).

Criteria: The City is required to have internal controls in place that enable it to apply generally accepted accounting principles to its transactions. Specifically, this includes interfund transactions, payments-on-behalf of the City, accounting for property taxes and year-end accrual transactions.

Condition: Management was unable to prepare all year-end accruals and audit adjustments were needed for non-routine transactions.

Cause: The City executes basic and routine transactions throughout the year, however, the City does not apply generally accepted accounting principles to certain non-routine transactions recorded during the year and in making its year-end accruals.

Effect: Management relied on the auditor's year-end adjustments to bring the City's accounting records into compliance with generally accepted accounting principles. Management reviewed, approved and accepted responsibility for the adjusting journal entries prior to the issuance of the financial statements.

Recommendation: We recommend management review the costs and benefits involved to retain a consultant with the required expertise to advise the City during the year concerning non-routine transactions and to assist the City with its year-end close so that the City's accounting records will be in compliance with generally accepted accounting principles.

Management's Response: This is an ongoing finding. Management has determined that it is more cost effective to continue to rely on the auditor's adjustments to bring the City's accounting records into compliance with generally accepted accounting principles.

2018-002 The City should have internal controls in place that enable it to prepare complete financial statements (recurring).

Criteria: The City is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

Condition: Management was unable to prepare draft financial statements, including the related notes to the financial statements.

Cause: The City lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, does not have the internal control procedures required to draft the financial statements in conformity with generally accepted accounting principles.

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

Management's Response: This is an ongoing finding. Management has determined that it is more cost effective to continue to engage the auditor to draft the financial statements and related notes.

CITY OF LA GRANGE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

2018-003 *The City should have internal controls in place that enable it to reconcile bank account balances to the accounting system.*

Criteria: The City should have internal controls in place to ensure bank accounts are reconciled timely to the accounting system.

Condition: Management did not reconcile all bank account balances to the accounting system.

Cause: Accounts payable transactions were recorded against the general operating bank account, causing differences between the accounting system and the bank reconciliation.

Effect: Management relied on the auditor's adjustments to reconcile the general operating account. Management reviewed, approved and accepted responsibility for the adjusting journal entries prior to the issuance of the financial statements.

Recommendation: We recommend that the City establish internal controls to ensure all of the City's bank accounts are reconciled to the accounting system monthly.

Management's Response: The City Clerk will ensure all bank accounts are reconciled to the accounting system monthly.

2018-004 *The City should have all deposits fully insured by deposit insurance or collateralized in accordance with 12 U.S.C. sec. 1823.*

Criteria: KRS 91A.060 states that the amount of funds on deposit in an official depository shall be fully insured by deposit insurance or collateralized in accordance with 12 U.S.C. sec. 1823, to the extent uninsured, by any obligations, including surety bonds permitted by KRS 41.240(4).

Condition: As of June 30, 2018, the City had uncollateralized deposits totaling \$2,634,258.

Cause: The City failed to ensure all of its uninsured deposits were appropriately collateralized in accordance with KRS 91A.060.

Effect: The City's deposits were exposed to custodial credit risk due to deposits being uncollateralized and uninsured.

Recommendation: We recommend that the City contact all depositories to ensure that deposits in excess of deposit insurance are collateralized.

Management's Response: The City Clerk will ensure that all deposits in excess of deposit insurance are collateralized. As of January 2019, all deposits in excess of deposit insurance were fully collateralized.