

**CITY OF LA GRANGE**  
**La Grange, Kentucky**

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**FINANCIAL STATEMENTS**  
**June 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

Mayor and City Council  
City of 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, 2019, 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, 2019, 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.

## **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, 44–46 and 47–54 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 February 21, 2020, 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  
February 21, 2020

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

Our discussion and analysis of the City of La Grange's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. 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 \$3,812,017, or 38.41%, and the net position of the business-type activities increased by \$471,028, or 2.65%.
- In the City's governmental activities, revenues increased \$2,385,030 or 32%, and expenses increased by \$627,929 or 12 percent. The majority of the revenue increase is the result of \$2,095,413 of roads accepted into the City's system in the current year that is reported as capital contributions. In the business-type activities, revenues increased by \$102,974, which is a increase of 2%, and expenses increased by \$226,150 or 6%.

### **OVERVIEW OF THIS ANNUAL REPORT**

This annual report consists of the management's discussion and analysis, 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.

	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Current and Other Assets	\$ 7,318,283	\$ 6,733,372	\$ 3,886,937	\$ 3,143,004	\$ 11,205,220	\$ 9,876,376
Noncurrent and Capital Assets	8,326,371	6,301,941	22,043,971	22,063,976	30,370,342	28,365,917
OLDA Investment	8,582,936	8,552,735	-	-	8,582,936	8,552,735
Total Assets	<u>24,227,590</u>	<u>21,588,048</u>	<u>25,930,908</u>	<u>25,206,980</u>	<u>50,158,498</u>	<u>46,795,028</u>
Deferred Outflows of Resources	1,703,372	1,977,488	396,381	412,855	2,099,753	2,390,343
Total Assets and Deferred Outflows	<u>\$ 25,930,962</u>	<u>\$ 23,565,536</u>	<u>\$ 26,327,289</u>	<u>\$ 25,619,835</u>	<u>\$ 52,258,251</u>	<u>\$ 49,185,371</u>
Current Liabilities	\$ 1,629,747	\$ 1,493,239	\$ 1,267,784	\$ 914,282	\$ 2,897,531	\$ 2,407,521
Long-Term Debt Outstanding	3,929,168	6,044,585	5,117,504	5,347,341	9,046,672	11,391,926
Other non-current liabilities	67,113	-	42,409	40,277	109,522	40,277
Net Pension Liability	4,791,167	4,374,804	1,212,945	1,114,177	6,004,112	5,488,981
Net OPEB Liability	1,407,767	1,581,713	353,605	382,669	1,761,372	1,964,382
Total Liabilities	<u>11,824,962</u>	<u>13,494,341</u>	<u>7,994,247</u>	<u>7,798,746</u>	<u>19,819,209</u>	<u>19,328,705</u>
Deferred Inflows of Resources	368,175	145,387	112,303	71,378	480,478	216,765
Net Position:						
Net investment in capital assets	4,984,138	2,681,834	15,967,862	15,760,126	20,952,000	18,441,960
Restricted	3,284,566	3,648,500	263,742	307,749	3,548,308	3,956,249
Unrestricted	5,469,121	3,595,474	1,989,135	1,681,836	7,458,256	5,277,310
Total Net Position	<u>\$ 13,737,825</u>	<u>\$ 9,925,808</u>	<u>\$ 18,220,739</u>	<u>\$ 17,749,711</u>	<u>\$ 31,958,564</u>	<u>\$ 27,675,519</u>

Net position of the City's governmental activities increased by 38 percent, from \$9,925,808 in 2018 to \$13,737,825 in 2019. The net position of the business-type activities increased from \$17,749,711 in 2018 to \$18,220,739 in 2019, 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, continued

Table A-2

### Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
Revenues	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
<u>Program Revenues</u>						
Charges for Service	\$ 505,250	\$ 494,392	\$ 4,072,609	\$ 3,969,240	\$ 4,577,859	\$ 4,463,632
Operating Grants & Contributions	168,019	188,915	-	-	168,019	188,915
Capital Grants & Contributions	2,258,425	153,806	192,134	203,996	2,450,559	357,802
<u>General Revenue</u>						
Taxes	1,642,981	1,590,611	-	-	1,642,981	1,590,611
License fees	5,104,417	4,983,778	-	-	5,104,417	4,983,778
Investment Earnings	39,682	6,606	16,382	4,915	56,064	11,521
Rents	-	-	-	-	-	-
Community Center Donations	10,400	6,625	-	-	10,400	6,625
Change in OLDA Investment	30,198	21,771	-	-	30,198	21,771
Miscellaneous	100,920	28,758	-	-	100,920	28,758
Total Revenue	9,860,292	7,475,262	4,281,125	4,178,151	14,141,417	11,653,413
<u>Program Expenses</u>						
General Government	848,502	779,324	-	-	848,502	779,324
Public Safety - Police	1,867,525	1,696,062	-	-	1,867,525	1,696,062
Public Works	1,235,773	1,128,052	-	-	1,235,773	1,128,052
Parks and Recreation	217,558	199,626	-	-	217,558	199,626
Sanitation	357,650	348,262	-	-	357,650	348,262
Storm Water	33,486	1,004	-	-	33,486	1,004
Community Development	306,831	119,726	-	-	306,831	119,726
Public Properties	-	17,581	-	-	-	17,581
Bus	144,930	172,637	-	-	144,930	172,637
ABC	571,326	459,949	-	-	571,326	459,949
Interest on Debt	187,617	221,046	-	-	187,617	221,046
Golf Course	-	-	555,792	584,371	555,792	584,371
Utility Commission	-	-	3,531,382	3,276,653	3,531,382	3,276,653
Total Program Expenses	5,771,198	5,143,269	4,087,174	3,861,024	9,858,372	9,004,293
Change in Net Position Before Transfers	4,089,094	2,331,993	193,951	317,127	4,283,045	2,649,120
Transfers	(277,077)	(230,686)	277,077	230,686	-	-
Gain (loss) on sale of assets	-	22,782	-	-	-	22,782
Change in Net Position	<u>\$ 3,812,017</u>	<u>\$ 2,124,089</u>	<u>\$ 471,028</u>	<u>\$ 547,813</u>	<u>\$ 4,283,045</u>	<u>\$ 2,671,902</u>

The City's total revenue increased from \$11,653,413 in 2018 to \$14,141,417 in 2019 or 21 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 2019</u>	<u>FY 2018</u>	<u>Variance</u>
Taxes	\$ 1,642,981	\$ 1,590,611	\$ 52,370
Licenses and permits	5,104,417	4,983,778	120,639
Intergovernmental	331,031	342,721	(11,690)
Charges for Services	505,250	494,392	10,858
Other Revenues	<u>151,002</u>	<u>41,989</u>	<u>109,013</u>
Total Revenues	<u>7,734,681</u>	<u>7,453,491</u>	<u>281,190</u>
General Government	733,720	673,122	60,598
Public Safety-Police	1,440,721	1,349,682	91,039
Public Works	817,291	754,649	62,642
Sanitation	357,650	348,262	9,388
Park and Recreation	195,620	177,688	17,932
Storm Water	33,486	1,004	32,482
Community Development	306,831	119,726	187,105
Public Properties	-	14,509	(14,509)
ABC	395,590	315,621	79,969
Bus	123,670	147,766	(24,096)
Capital Outlay	584,493	209,728	374,765
Debt Service	<u>2,275,117</u>	<u>1,284,380</u>	<u>990,737</u>
Total Expenditures	<u>\$ 7,264,189</u>	<u>\$ 5,396,137</u>	<u>\$ 1,868,052</u>

Revenues for the City's governmental funds increased by 4 percent, and total expenditures increased by 35 percent. The majority of the increase in expenditures was the result of the City electing to pay down an additional \$1 million of debt in the current year. The City's major source of revenue in the governmental funds is taxes, licenses and permits, which makes up 87% of total revenues, these revenue sources increased by \$173,009 in 2019.

## BUSINESS-TYPE ACTIVITIES

Looking at the business-type activities, revenues (FY 2019) for the City increased by \$102,974 or 2%, while total expenses increased 1 percent. The excess of revenues over expenses increased net position by \$471,028.

## 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	\$ 1,572,000	\$ 1,642,981	\$ 70,981
Licenses and permits	4,121,000	4,759,953	638,953
Intergovernmental	103,640	100,485	(3,155)
Charges for Services	480,000	496,892	16,892
Other Revenues	75,500	145,611	70,111
Foundations and Parks Fund	-	3,358	3,358
ABC Fund	478,561	344,904	(133,657)
Bus Fund	69,805	77,383	7,578
Municipal Aid Fund	266,000	163,114	(102,886)
Total Revenues	<u>\$ 7,166,506</u>	<u>\$ 7,734,681</u>	<u>\$ 568,175</u>

**Table A-5**

**Condensed Governmental Funds - Expenditures**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 703,850	\$ 733,720	\$ 29,870
Public Safety-Police	1,531,942	1,440,721	(91,221)
Public Works	1,117,473	791,826	(325,647)
Sanitation	348,000	357,650	9,650
Park and Recreation	180,000	195,620	15,620
Storm Water	226,657	33,486	(193,171)
Community Development	371,090	306,831	(64,259)
Capital Outlay	27,200	349,388	322,188
Debt Service	1,907,925	2,275,117	367,192
ABC Fund	478,561	440,698	(37,863)
Bus Fund	134,465	123,670	(10,795)
Foundations and Parks Fund	-	-	-
Municipal Aid Fund	266,000	215,462	(50,538)
Total Expenditures	<u>\$ 7,293,163</u>	<u>\$ 7,264,189</u>	<u>\$ (28,974)</u>

The City budgeted for a total of \$7,166,506 in revenues for 2019 but ended up having revenues of \$7,734,681 which put the City 8 percent over the revenue budget. A total of \$7,293,163 was budgeted for expenses, but expenditures totaled \$7,264,189 for the fiscal year 2019. The City was under budget on expenses by \$28,974 or .003% as detailed above.

## CAPITAL ASSETS

The City has a total of \$49,217,495 invested in a broad range of capital assets, including equipment and vehicles, buildings, land, infrastructure assets, and water and sewer lines. This amount represents an increase of \$3,789,746 (8 percent) from last year's total investment of \$45,427,749.

Table A-6

### Capital Assets at Year End Without Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Land & Improvements	\$ 815,409	\$ 730,201	\$ -	\$ -	\$ 815,409	\$ 730,201
Construction in progress	104,242	10,587	-	-	104,242	10,587
Buildings & Improvements	2,092,668	2,082,668	-	-	2,092,668	2,082,668
Vehicles & Equipment	2,945,563	2,870,762	-	-	2,945,563	2,870,762
Infrastructure Assets	4,477,124	2,060,881	-	-	4,477,124	2,060,881
Business-Type Assets	-	-	38,782,489	37,672,650	38,782,489	37,672,650
Total Capital Assets	<u>\$10,435,006</u>	<u>\$ 7,755,099</u>	<u>\$ 38,782,489</u>	<u>\$ 37,672,650</u>	<u>\$ 49,217,495</u>	<u>\$ 45,427,749</u>

## DEBT

This year the City has \$10,955,473 in total debt, a 17 percent decrease from last year's total of \$13,292,607.

Table A-7

### Debt Outstanding at Year End

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Capital Leases	\$ 597,917	\$ 660,000	\$ 1,352,211	\$ 1,634,406	\$ 1,950,128	\$ 2,294,406
Bond Issues	4,446,667	6,472,084	4,449,156	4,339,695	8,895,823	10,811,779
Accrued Absences	67,113	81,660	42,409	40,277	109,522	121,937
Total Debt Outstanding	<u>\$ 5,111,697</u>	<u>\$ 7,213,744</u>	<u>\$ 5,843,776</u>	<u>\$ 6,014,378</u>	<u>\$ 10,955,473</u>	<u>\$13,228,122</u>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected officials consider many factors when setting the fiscal year 2020 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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 3,795,945	\$ 2,702,638	\$ 6,498,583
Investments	2,017,600	604,514	2,622,114
Receivables, net	1,477,286	510,401	1,987,687
Inventory of supplies	-	93,953	93,953
Prepaid expenses	-	2,883	2,883
Internal balances	27,452	(27,452)	-
Total current assets	7,318,283	3,886,937	11,205,220
Non-current assets			
Restricted cash and cash equivalents	2,744,314	263,742	3,008,056
Long-term accounts receivable	-	11,000	11,000
Investment in joint venture, net equity Oldham-LaGrange Development Authority	8,582,936	-	8,582,936
Total non-current assets	11,327,250	274,742	11,601,992
Capital assets			
Construction in progress	104,242	942,606	1,046,848
Land and improvements, net	815,409	2,417,034	3,232,443
Plant and sewer system, net	-	17,574,957	17,574,957
Depreciable buildings, property, and equipment, net	1,560,123	834,632	2,394,755
Infrastructure, net	3,102,283	-	3,102,283
Total capital assets	5,582,057	21,769,229	27,351,286
Total assets	24,227,590	25,930,908	50,158,498
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension	1,191,617	280,192	1,471,809
Deferred outflows - OPEB	511,755	116,189	627,944
Total deferred outflows of resources	1,703,372	396,381	2,099,753
Total assets and deferred outflows of resources	\$ 25,930,962	\$ 26,327,289	\$ 52,258,251
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 449,413	\$ 367,993	\$ 817,406
Accrued payroll liabilities	64,918	37,397	102,315
Accrued interest	-	9,567	9,567
Unearned revenue	-	39,567	39,567
Customer deposits	-	69,050	69,050
Retainage payable	-	60,347	60,347
Current portion of long-term obligations	1,115,416	683,863	1,799,279
Total current liabilities	1,629,747	1,267,784	2,897,531
Non-current liabilities			
Non-current portion of long-term obligations	3,929,168	5,117,504	9,046,672
Compensated absences - non-current	67,113	42,409	109,522
Net pension liability	4,791,167	1,212,945	6,004,112
Net OPEB liability	1,407,767	353,605	1,761,372
Total non-current liabilities	10,195,215	6,726,463	16,921,678
Total liabilities	11,824,962	7,994,247	19,819,209
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pension	81,292	45,202	126,494
Deferred inflows - OPEB	286,883	67,101	353,984
Total deferred inflows of resources	368,175	112,303	480,478
<b>NET POSITION</b>			
Net investment in capital assets	4,984,138	15,967,862	20,952,000
Restricted for:			
ABC	362,427	-	362,427
Customer deposits	-	69,050	69,050
Debt service	2,505,821	194,692	2,700,513
Road improvements	177,825	-	177,825
Storm water	238,493	-	238,493
Unrestricted	5,469,121	1,989,135	7,458,256
Total net position	13,737,825	18,220,739	31,958,564
Total liabilities, deferred inflows of resources and net position	\$ 25,930,962	\$ 26,327,289	\$ 52,258,251

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, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Primary government</b>							
<b>Governmental activities</b>							
General government	\$ 848,502	\$ -	\$ 26,005	\$ -	\$ (822,497)	\$ -	\$ (822,497)
Public safety-Police	1,867,525	-	74,480	-	(1,793,045)	-	(1,793,045)
Public works	1,235,773	-	-	2,258,425	1,022,652	-	1,022,652
Sanitation	357,650	396,892	-	-	39,242	-	39,242
Parks and recreation	217,558	-	-	-	(217,558)	-	(217,558)
Storm water	33,486	100,000	-	-	66,514	-	66,514
Community development	306,831	-	-	-	(306,831)	-	(306,831)
ABC	571,326	-	-	-	(571,326)	-	(571,326)
Bus	144,930	8,358	67,534	-	(69,038)	-	(69,038)
Interest on long-term debt	187,617	-	-	-	(187,617)	-	(187,617)
Total governmental activities	5,771,198	505,250	168,019	2,258,425	(2,839,504)	-	(2,839,504)
<b>Business-type activities</b>							
Utility Commission	3,531,382	3,618,337	-	158,634	-	245,589	245,589
Golf Course	555,792	454,272	-	33,500	-	(68,020)	(68,020)
Total business-type activities	4,087,174	4,072,609	-	192,134	-	177,569	177,569
<b>Total primary government</b>	<b>\$ 9,858,372</b>	<b>\$ 4,577,859</b>	<b>\$ 168,019</b>	<b>\$ 2,450,559</b>	<b>(2,839,504)</b>	<b>177,569</b>	<b>(2,661,935)</b>
<b>General revenues</b>							
Taxes							
Property taxes, levied for general purposes					1,444,802	-	1,444,802
Bank shares					66,932	-	66,932
Motor vehicle tax					131,247	-	131,247
License fees							
Franchise fees					389,101	-	389,101
Business licenses					493,287	-	493,287
Compensation tax					2,071,051	-	2,071,051
Insurance premiums					1,788,699	-	1,788,699
Other fees and permits					362,279	-	362,279
Investment earnings					39,682	16,382	56,064
Community Center					10,400	-	10,400
Miscellaneous					100,920	-	100,920
Total general revenues					6,898,400	16,382	6,914,782
Increase (decrease) in joint venture - Oldham-LaGrange Development Authority					30,198	-	30,198
Transfers in (out)					(277,077)	277,077	-
Total general and other revenues					6,651,521	293,459	6,944,980
<b>Change in net position</b>					3,812,017	471,028	4,283,045
Net position, beginning of year					9,925,808	17,749,711	27,675,519
<b>NET POSITION, END OF YEAR</b>					<b>\$ 13,737,825</b>	<b>\$ 18,220,739</b>	<b>\$ 31,958,564</b>

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

**CITY OF LA GRANGE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,789,822	\$ 750,437	\$ 6,540,259
Investments	2,017,600	-	2,017,600
Receivables, net	1,318,402	158,884	1,477,286
Due from other funds	<u>357,080</u>	<u>-</u>	<u>357,080</u>
Total assets	<u>\$ 9,482,904</u>	<u>\$ 909,321</u>	<u>\$ 10,392,225</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 436,152	\$ 13,261	\$ 449,413
Accrued payroll liabilities	61,780	3,138	64,918
Compensated absences	66,217	896	67,113
Due to other funds	<u>-</u>	<u>329,628</u>	<u>329,628</u>
Total liabilities	<u>564,149</u>	<u>346,923</u>	<u>911,072</u>
<b>FUND BALANCE</b>			
Restricted:			
ABC	-	362,427	362,427
Debt service	2,505,821	-	2,505,821
Road improvements	-	177,825	177,825
Storm water	238,493	-	238,493
Committed	-	80,077	80,077
Unassigned	<u>6,174,441</u>	<u>(57,931)</u>	<u>6,116,510</u>
Total fund balances	<u>8,918,755</u>	<u>562,398</u>	<u>9,481,153</u>
Total liabilities and fund balances	<u>\$ 9,482,904</u>	<u>\$ 909,321</u>	<u>\$ 10,392,225</u>

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

Fund balances reported above	\$ 9,481,153
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,582,057
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.	8,582,936
Net deferred inflows/outflows related to the long-term net pension and net OPEB liabilities are not reported in the funds.	1,335,197
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.	<u>(11,243,518)</u>

Net position of governmental activities \$ 13,737,825

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, 2019**

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 1,642,981	\$ -	\$ 1,642,981
Licenses and permits	4,759,953	344,464	5,104,417
Intergovernmental	100,485	230,546	331,031
Charges for services	496,892	8,358	505,250
Other revenues	<u>145,611</u>	<u>5,391</u>	<u>151,002</u>
 Total revenues	 <u>7,145,922</u>	 <u>588,759</u>	 <u>7,734,681</u>
 <b>EXPENDITURES</b>			
Current			
General government	733,720	-	733,720
Public safety-Police	1,440,721	-	1,440,721
Public works	791,826	25,465	817,291
Sanitation	357,650	-	357,650
Parks and recreation	195,620	-	195,620
Storm water	33,486	-	33,486
Community development	306,831	-	306,831
ABC	-	395,590	395,590
Bus	-	123,670	123,670
Capital outlay	349,388	235,105	584,493
Debt service	<u>2,275,117</u>	<u>-</u>	<u>2,275,117</u>
 Total expenditures	 <u>6,484,359</u>	 <u>779,830</u>	 <u>7,264,189</u>
 <b>Excess (deficiency) of revenues over expenditures</b>	 <u>661,563</u>	 <u>(191,071)</u>	 <u>470,492</u>
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in (out)	<u>(341,737)</u>	<u>64,660</u>	<u>(277,077)</u>
 Total other financing sources and uses	 <u>(341,737)</u>	 <u>64,660</u>	 <u>(277,077)</u>
 <b>Net change in fund balances</b>	 319,826	 (126,411)	 193,415
Fund balances, beginning	<u>8,598,929</u>	<u>688,809</u>	<u>9,287,738</u>
 <b>Fund balances, ending</b>	 <u>\$ 8,918,755</u>	 <u>\$ 562,398</u>	 <u>\$ 9,481,153</u>

Reconciliation to government-wide change in net position:

Net change in fund balances	\$ 193,415
Add: capital outlay expenditures capitalized	584,493
Add: debt service expenditures	2,275,117
Add: donated streets	2,095,413
Add: increases in the equity interest of joint ventures	30,198
Less: change in pension liability	(619,918)
Less: change in OPEB liability	(119,399)
Less: depreciation on governmental activities assets	(439,685)
Less: interest expense	<u>(187,617)</u>

Change in net position - governmental activities \$ 3,812,017

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



**CITY OF LA GRANGE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2019**

<b>ASSETS</b>	<b>Business-type Activities</b>		
	<b>Utility</b>	<b>Commission</b>	<b>Totals</b>
Current assets			
Cash and cash equivalents	\$ 2,652,393	\$ 50,245	\$ 2,702,638
Investments	604,514	-	604,514
Receivables, net	494,691	15,710	510,401
Inventory of supplies	85,659	8,294	93,953
Prepaid expenses	-	2,883	2,883
Due from other funds	-	5,133	5,133
Total current assets	<u>3,837,257</u>	<u>82,265</u>	<u>3,919,522</u>
Non-current assets			
Restricted cash and cash equivalents	221,810	41,932	263,742
Long-term accounts receivable	-	11,000	11,000
Total non-current assets	<u>221,810</u>	<u>52,932</u>	<u>274,742</u>
Capital assets			
Construction in progress	942,606	-	942,606
Land	149,897	1,614,643	1,764,540
Land improvements	-	2,508,417	2,508,417
Plant and sewer system	31,309,814	-	31,309,814
Buildings and improvements	882,327	-	882,327
Vehicle and equipment	928,080	446,705	1,374,785
Less: accumulated depreciation	(14,765,063)	(2,248,197)	(17,013,260)
Total capital assets	<u>19,447,661</u>	<u>2,321,568</u>	<u>21,769,229</u>
Total assets	<u>23,508,728</u>	<u>2,456,765</u>	<u>25,965,493</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension	280,192	-	280,192
Deferred outflows - OPEB	116,189	-	116,189
Total deferred outflows of resources	<u>396,381</u>	<u>-</u>	<u>396,381</u>
Total assets and deferred outflows of resources	<u>\$ 23,903,109</u>	<u>\$ 2,456,765</u>	<u>\$ 26,359,874</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 361,067	\$ 6,926	\$ 367,993
Accrued payroll liabilities	25,121	12,276	37,397
Accrued interest payable	4,103	5,464	9,567
Unearned revenue	-	39,567	39,567
Customer deposits	69,050	-	69,050
Due to other funds	32,585	-	32,585
Retainage payable	60,347	-	60,347
Current portion of long-term obligations	409,696	274,167	683,863
Total current liabilities	<u>961,969</u>	<u>338,400</u>	<u>1,300,369</u>
Non-current liabilities			
Non-current portion of long-term obligations	4,144,171	973,333	5,117,504
Compensated absences	42,409	-	42,409
Net pension liability	1,212,945	-	1,212,945
Net OPEB liability	353,605	-	353,605
Total non-current liabilities	<u>5,753,130</u>	<u>973,333</u>	<u>6,726,463</u>
Total liabilities	<u>6,715,099</u>	<u>1,311,733</u>	<u>8,026,832</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pension	45,202	-	45,202
Deferred inflows - OPEB	67,101	-	67,101
Total deferred inflows of resources	<u>112,303</u>	<u>-</u>	<u>112,303</u>
<b>NET POSITION</b>			
Net investment in capital assets	14,893,794	1,074,068	15,967,862
Restricted for:			
Customer deposits	69,050	-	69,050
Debt service	152,760	41,932	194,692
Unrestricted	1,960,103	29,032	1,989,135
Total net position	<u>17,075,707</u>	<u>1,145,032</u>	<u>18,220,739</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 23,903,109</u>	<u>\$ 2,456,765</u>	<u>\$ 26,359,874</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, 2019**

	<b>Business-type Activities</b>		
	<b>Utility Commission</b>	<b>Golf Course</b>	<b>Totals</b>
<b>Operating revenues</b>			
Charges for services	\$ 3,508,227	\$ 454,272	\$ 3,962,499
Other income	<u>110,110</u>	<u>-</u>	<u>110,110</u>
Total operating revenues	<u>3,618,337</u>	<u>454,272</u>	<u>4,072,609</u>
<b>Operating expenses</b>			
General and administrative	1,864,118	114,613	1,978,731
Rent	-	1,453	1,453
Salaries and wages	574,818	130,867	705,685
Repairs and maintenance	-	50,808	50,808
Cost of sales	-	28,154	28,154
Other operating expenses	-	55,170	55,170
Depreciation	<u>946,135</u>	<u>128,702</u>	<u>1,074,837</u>
Total operating expenses	<u>3,385,071</u>	<u>509,767</u>	<u>3,894,838</u>
<b>OPERATING INCOME (LOSS)</b>	<u>233,266</u>	<u>(55,495)</u>	<u>177,771</u>
Non-operating income (expense)			
Interest and investment revenue	15,731	651	16,382
Interest expense	<u>(146,311)</u>	<u>(46,025)</u>	<u>(192,336)</u>
Total non-operating (expense)	<u>(130,580)</u>	<u>(45,374)</u>	<u>(175,954)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	102,686	(100,869)	1,817
Transfers in	-	277,077	277,077
Capital contributions	<u>158,634</u>	<u>33,500</u>	<u>192,134</u>
<b>CHANGE IN NET POSITION</b>	261,320	209,708	471,028
Net position, beginning of year	<u>16,814,387</u>	<u>935,324</u>	<u>17,749,711</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 17,075,707</u>	<u>\$ 1,145,032</u>	<u>\$ 18,220,739</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, 2019**

	Business-type Activities		
	Utility Commission	Golf Course	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 3,609,705	\$ 465,037	\$ 4,074,742
Payments to suppliers	(1,350,433)	(219,274)	(1,569,707)
Payments for employee services and benefits	(940,982)	(154,231)	(1,095,213)
Receipts (refunds) of customer meter deposits	4,565	-	4,565
Net cash provided by operating activities	1,322,855	91,532	1,414,387
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Payment under interfund agreements	-	277,077	277,077
Net cash provided by non-capital financing activities	-	277,077	277,077
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	158,634	33,500	192,134
Proceeds from issuance of capital debt	462,866	-	462,866
Purchases of capital assets	(649,774)	(142,719)	(792,493)
Principal paid on capital debt	(397,195)	(230,000)	(627,195)
Interest paid on capital debt	(154,980)	(48,907)	(203,887)
Net cash (used in) capital and related financing activities	(580,449)	(388,126)	(968,575)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net change in investments	(6,039)	-	(6,039)
Interest and dividends	15,731	651	16,382
Net cash provided by investing activities	9,692	651	10,343
Net increase (decrease) in cash and cash equivalents	752,098	(18,866)	733,232
Cash and cash equivalents-beginning of the year	2,122,105	111,043	2,233,148
<b>CASH AND CASH EQUIVALENTS-END OF THE YEAR</b>	<b>\$ 2,874,203</b>	<b>\$ 92,177</b>	<b>\$ 2,966,380</b>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ 233,266	\$ (55,495)	\$ 177,771
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	946,135	128,702	1,074,837
Net change in pension liability	114,147	-	114,147
Net change in OPEB liability	12,956	-	12,956
Change in assets and liabilities:			
Receivables, net	(8,632)	11,745	3,113
Inventory	37,552	84	37,636
Prepaid expenses	-	(730)	(730)
Due to/due from other funds	-	8,907	8,907
Accounts and other payables	(17,134)	(1,957)	(19,091)
Accrued expenses	-	1,258	1,258
Unearned revenue	-	(982)	(982)
Customer deposits payable	4,565	-	4,565
Net cash provided by operating activities	\$ 1,322,855	\$ 91,532	\$ 1,414,387
Cash and cash equivalents consists of the following:			
Unrestricted cash	\$ 2,652,393	\$ 50,245	\$ 2,702,638
Restricted cash	221,810	41,932	263,742
	<b>\$ 2,874,203</b>	<b>\$ 92,177</b>	<b>\$ 2,966,380</b>
<b>Supplemental disclosure of cash flow information:</b>			
Noncash capital and related financing activities:			
Accounts payable for capital items, net	\$ 317,345	\$ -	\$ 317,345

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

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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**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:

<b>Component Unit</b>	<b>Brief Description/Inclusion Criteria</b>	<b>Reporting</b>
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

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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**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, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Presentation (continued)**

**Proprietary Funds**

Proprietary funds or enterprise 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 the activities of 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 the activities of 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, 2019**

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**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 \$59,896 in the general fund and \$3,580 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, 2019**

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**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:

<b>Description</b>	<b>Years</b>
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 long-term 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 long-term 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, 2019**

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**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, 2019, the Bus Fund has a negative fund balance of \$57,931. 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, 2019**

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**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.

KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

**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 February 21, 2020, 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, 2019, have not been evaluated by the City.

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

**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, 2019, the book balance of the City's deposits totaled \$12,128,753 and the bank balances totaled \$12,479,503.

The following is a detail of the City's cash deposit coverage at June 30, 2019:

FDIC insured	\$ 4,040,657
Collateralized	7,326,001
Invested in money market funds	423,288
Uncollateralized	<u>689,557</u>
Total	<u>\$ 12,479,503</u>

Restricted assets consist of the following:

	General Fund	Utility Commission	Golf Course	Total
Cash – Debt service reserve	\$ 2,505,821	\$ 152,760	\$ 41,932	\$ 2,700,513
Cash – Storm Water	238,493	-	-	238,493
Cash – Customer deposits	<u>-</u>	<u>69,050</u>	<u>-</u>	<u>69,050</u>
Total	<u>\$ 2,744,314</u>	<u>\$ 221,810</u>	<u>\$ 41,932</u>	<u>\$ 3,008,056</u>

The City's investments at June 30, 2019 consist entirely of certificates of deposit with local banks or brokered certificates of deposit and are stated at fair value:

Type of Investment	Fair Value	Cost	Interest Rate	Maturity Date
BL&D Bank	\$ 266,171	\$ 266,171	1.250%	1/16/2021
BL&D Bank	142,817	142,817	2.500%	11/5/2020
BL&D Bank	128,383	128,383	2.500%	11/5/2020
PNC Bank	67,143	67,143	0.200%	11/5/2020
Bank Hapoalim B.M	235,050	235,050	2.600%	2/25/2021
Equitable Bank	235,050	235,050	2.600%	2/25/2021
First Commerce Bank	60,422	60,423	2.600%	2/25/2021
KS StateBank	235,050	235,050	2.600%	2/25/2021
Legacy Texas Bank	235,050	235,050	2.600%	2/25/2021
Mid Penn Bank	76,778	76,778	2.600%	2/25/2021
Reliant Bank	235,050	235,050	2.600%	2/25/2021
Signature Bank	235,050	235,050	2.600%	2/25/2021
Smart Bank	235,050	235,050	2.600%	2/25/2021
Farmers Bank	<u>235,050</u>	<u>235,050</u>	2.600%	2/25/2021
	<u>\$ 2,622,114</u>	<u>\$ 2,622,114</u>		

**3. ACCOUNTS RECEIVABLE**

	General Fund	Nonmajor Funds	Governmental Funds Total
Governmental activities:			
Taxes	\$ 116,487	\$ -	\$ 116,487
Licenses and fees	1,223,427	85,964	1,309,391
Intergovernmental	7,341	72,920	80,261
Other	<u>31,043</u>	<u>-</u>	<u>31,043</u>
Gross receivables	1,378,298	158,884	1,537,182
Less: allowance for uncollectible	<u>(59,896)</u>	<u>-</u>	<u>(59,896)</u>
Net receivables	<u>\$ 1,318,402</u>	<u>\$ 158,884</u>	<u>\$ 1,477,286</u>

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**3. ACCOUNTS RECEIVABLE (CONTINUED)**

	Utility Commission	Golf Course Fund	Proprietary Funds Total
Business-type activities:			
Customer accounts	\$ 337,984	\$ 4,710	\$ 342,694
Unbilled receivables	159,943	-	159,943
Other	<u>344</u>	<u>11,000</u>	<u>11,344</u>
Gross receivables	498,271	15,710	513,981
Less: allowance for uncollectible	<u>(3,580)</u>	<u>-</u>	<u>(3,580)</u>
Net receivables	<u>\$ 494,691</u>	<u>\$ 15,710</u>	<u>\$ 510,401</u>

**4. CAPITAL ASSETS**

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>Governmental Activities</b>				
Capital assets not depreciated:				
Construction in progress	\$ 10,587	\$ 93,655	\$ -	\$ 104,242
Land	<u>730,201</u>	<u>85,208</u>	<u>-</u>	<u>815,409</u>
Totals	<u>740,788</u>	<u>178,863</u>	<u>-</u>	<u>919,651</u>
Capital assets that are depreciated:				
Buildings and improvements	2,082,668	10,000	-	2,092,668
Machinery and equipment	<u>2,870,762</u>	<u>74,801</u>	<u>-</u>	<u>2,945,563</u>
Totals	<u>4,953,430</u>	<u>84,801</u>	<u>-</u>	<u>5,038,231</u>
Total non-infrastructure assets	<u>5,694,218</u>	<u>263,664</u>	<u>-</u>	<u>5,957,882</u>
Infrastructure assets	<u>2,060,881</u>	<u>2,416,243</u>	<u>-</u>	<u>4,477,124</u>
Total capital assets	<u>7,755,099</u>	<u>2,679,907</u>	<u>-</u>	<u>10,435,006</u>
Less: accumulated depreciation				
Buildings and improvements	925,440	63,895	-	989,335
Machinery and equipment	2,360,032	128,741	-	2,488,773
Infrastructure	<u>1,127,792</u>	<u>247,049</u>	<u>-</u>	<u>1,374,841</u>
Totals	<u>4,413,264</u>	<u>439,685</u>	<u>-</u>	<u>4,852,949</u>
General capital assets, net	<u>\$ 3,341,835</u>	<u>\$ 2,240,222</u>	<u>\$ -</u>	<u>\$ 5,582,057</u>

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**4. CAPITAL ASSETS (CONTINUED)**

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>Business-Type Activities</b>				
Land	\$ 1,709,540	\$ 55,000	\$ -	\$ 1,764,540
Construction in progress	162,327	780,279	-	942,606
Buildings and improvements	3,279,650	111,092	-	3,390,742
Water tank	3,039,105	-	-	3,039,105
Mains, hydrants and new water services	4,907,006	74,270	-	4,981,276
Wastewater treatment plant	10,750,614	-	-	10,750,614
Sewage system lines and pump stations	12,538,820	-	-	12,538,820
Transportation equipment	739,463	31,628	-	771,091
General office equipment	546,125	57,570	-	603,695
	<u>37,672,650</u>	<u>1,109,839</u>	<u>-</u>	<u>38,782,489</u>
Less: accumulated depreciation	<u>15,938,423</u>	<u>1,074,837</u>	<u>-</u>	<u>17,013,260</u>
Business-type capital assets, net	<u>\$ 21,734,227</u>	<u>\$ 35,002</u>	<u>\$ -</u>	<u>\$ 21,769,229</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	\$ 58,607
Police	17,658
Public works	292,185
Parks and recreation	21,938
Bus	9,943
ABC	<u>39,354</u>
Total depreciation expense	<u>\$ 439,685</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, 2019**

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

**Capital Lease Obligation – Kentucky Bond Corporation (continued)**

The minimum obligations of the above lease at June 30, 2019, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Bank Fee</b>	<b>Total</b>
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	70,000	10,075	1,290	81,365
2025-2028	<u>265,834</u>	<u>18,663</u>	<u>3,168</u>	<u>287,665</u>
<b>Total</b>	<b><u>\$ 597,917</u></b>	<b><u>\$ 88,790</u></b>	<b><u>\$ 11,262</u></b>	<b><u>\$ 697,969</u></b>

**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, 2019, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Fees</b>	<b>Total</b>
2020	\$ 1,050,416	\$ 109,684	\$ 11,867	\$ 1,171,967
2021	1,075,418	87,565	9,241	1,172,224
2022	1,102,500	62,233	6,552	1,171,285
2023	888,750	33,504	3,796	926,050
2024	<u>329,583</u>	<u>9,064</u>	<u>1,261</u>	<u>339,908</u>
<b>Total</b>	<b><u>\$ 4,446,667</u></b>	<b><u>\$ 302,050</u></b>	<b><u>\$ 32,717</u></b>	<b><u>\$ 4,781,434</u></b>

The total governmental activity debt is summarized as follows:

Current portion of revenue bonds	\$ 1,050,416
Current portion of capital lease obligation	<u>65,000</u>
<b>Total current portion of long-term obligations</b>	<b><u>\$ 1,115,416</u></b>
Long-term portion of revenue bonds	3,396,251
Long-term portion of capital lease obligation	532,917
Compensated absences	67,113
Net pension liability	4,791,167
Net OPEB liability	<u>1,407,767</u>
<b>Long-term portion of long-term obligations</b>	<b><u>\$ 10,195,215</u></b>

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

	July 1, 2018	Additions	Retirements	June 30, 2019
Capital lease obligations	\$ 660,000	\$ -	\$ 62,083	\$ 597,917
Revenue bonds	6,472,084	-	2,025,417	4,446,667
Compensated absences	81,660	-	14,547	67,113
Net pension liability	4,374,804	416,363	-	4,791,167
Net OPEB liability	<u>1,581,713</u>	<u>-</u>	<u>173,946</u>	<u>1,407,767</u>
Total	<u>\$ 13,170,261</u>	<u>\$ 416,363</u>	<u>\$ 2,275,993</u>	<u>\$ 11,310,631</u>

**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, 2019, are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 259,696	\$ 6,479	\$ 266,175
2021	<u>60,015</u>	<u>344</u>	<u>60,359</u>
Total	<u>\$ 319,711</u>	<u>\$ 6,823</u>	<u>\$ 326,534</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 wastewater treatment plant. The loan bears 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 20<sup>th</sup> 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, 2019**

**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, 2019, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Fees</b>	<b>Total</b>
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	170,000	114,193	450	284,643
2025-2029	930,000	470,449	2,250	1,402,699
2030-2034	1,125,000	255,474	2,250	1,382,724
2035-2038	<u>770,000</u>	<u>45,131</u>	<u>1,350</u>	<u>816,481</u>
<b>Total</b>	<b>\$ 3,620,000</b>	<b>\$ 1,397,878</b>	<b>\$ 8,100</b>	<b>\$ 5,025,978</b>

On February 1, 2019, the Commission finalized an agreement with the Kentucky Infrastructure Authority (KIA) for a loan in an amount not to exceed \$3,121,200 for the I-71 interceptor sewer upgrade project. The loan bears interest at a rate of 1.75%, paid semi-annual. As of June 30, 2019, the Commission had drawn \$462,866 on the loan. Principal payments will commence on either June 1st, or December 1st, within twelve months from completion of the project. It is anticipated that the first principal payment will be due in fiscal year 2021. The entire balance of the loan has been included in long-term debt.

Total debt is summarized as follows:

Current portion of PNC Capital Lease	\$ 259,696
Current portion of Kentucky Rural Water Bonds	<u>150,000</u>
Total current portion of long-term obligations	<u>\$ 409,696</u>
Long-term portion of PNC Capital Lease	\$ 60,015
Long-term portion of Kentucky Rural Water Bonds	3,470,000
Long-term portion of Kentucky Infrastructure Authority	462,866
Bond premium Kentucky Rural Water Note	151,290
Compensated absences	42,409
Net pension liability	1,212,945
Net OPEB liability	<u>353,605</u>
Long-term portion of long-term obligations	<u>\$ 5,753,130</u>

The changes in utility long-term debt are as follows:

	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2019</b>
Bonds and leases payable	\$ 4,336,906	\$ 462,866	\$ 397,195	\$ 4,402,577
Bond premium	159,695	-	8,405	151,290
Net pension liability	1,114,177	98,768	-	1,212,945
Net OPEB liability	382,669	-	29,064	353,605
Compensated absences	<u>40,277</u>	<u>2,132</u>	<u>-</u>	<u>42,409</u>
	<u>\$ 6,033,724</u>	<u>\$ 563,766</u>	<u>\$ 434,664</u>	<u>\$ 6,162,826</u>



**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, 2019, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Service Fee</b>	<b>Total</b>
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	157,083	18,013	1,951	177,047
2025-2027	<u>443,334</u>	<u>25,575</u>	<u>2,781</u>	<u>471,690</u>
<b>Total</b>	<b><u>\$ 1,032,500</u></b>	<b><u>\$ 152,089</u></b>	<b><u>\$ 15,573</u></b>	<b><u>\$ 1,200,162</u></b>

**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, 2019, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	<u>\$ 215,000</u>	<u>\$ 8,505</u>	<u>\$ 223,505</u>
<b>Total</b>	<b><u>\$ 215,000</u></b>	<b><u>\$ 8,505</u></b>	<b><u>\$ 223,505</u></b>

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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

**Business-Type Activities – Golf Course (continued)**

The total golf course debt is summarized as follows:

Current portion of capital lease	\$ 59,167
Current portion of bond	<u>215,000</u>
Total current portion of long-term obligations	<u>\$ 274,167</u>
Long-term portion of capital lease	\$ -
Long-term portion of bonds	<u>973,333</u>
Total long-term obligations	<u>\$ 973,333</u>

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

	July 1, 2018	Additions	Retirements	June 30, 2019
Capital lease	\$ 1,062,500	\$ -	\$ 30,000	\$ 1,032,500
Bond issue	<u>415,000</u>	<u>-</u>	<u>200,000</u>	<u>215,000</u>
	<u>\$ 1,477,500</u>	<u>\$ -</u>	<u>\$ 230,000</u>	<u>\$ 1,247,500</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, 2019, 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, 2019, participating employers contributed 21.48% of each employee's wages for non-hazardous job classifications and 35.34% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trust. The insurance trust is more fully described in Note 8. Plan members contributed 16.22% and 24.87% to the pension trust for non-hazardous and hazardous job classifications, respectively. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings. 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, 2019**

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**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, 2019, the City contributed \$185,005, or 100% of the required contribution for non-hazardous job classifications, and the City contributed \$186,476, 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, 2019**

**7. RETIREMENT PLAN (CONTINUED)**

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2019, the City reported a liability for its proportionate share of the net pension liability as follows:

<b>Total Net Pension Liability</b>	<b>Non-hazardous</b>	<b>Hazardous</b>
<u>\$ 6,004,112</u>	<u>\$ 2,650,196</u>	<u>\$ 3,353,916</u>

The net pension liability was measured as of June 30, 2018, 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, 2018 was as follows:

<b>Non-hazardous</b>	<b>Hazardous</b>
.044%	.139%

The proportionate share measured at June 30, 2018 relative to June 30, 2017 increased by .002% for non-hazardous and increased for hazardous by .003%.

For the year ended June 30, 2019, the City recognized pension expense of \$1,091,841. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 353,356	\$ 38,793
Changes of assumptions	616,014	-
Net difference between projected and actual earnings on Plan investments	-	69,608
Changes in proportion and differences between City contributions and proportionate share of contributions	144,664	18,093
City contributions subsequent to the measurement date	<u>357,775</u>	<u>-</u>
Total	<u>\$ 1,471,809</u>	<u>\$ 126,494</u>

The \$357,775 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	
2020	\$ 693,103
2021	\$ 352,547
2022	\$ (28,738)
2023	\$ (29,372)

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**7. RETIREMENT PLAN (CONTINUED)**

*Actuarial Assumptions* – The total pension liability in the June 30, 2018 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 total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>US Equity</b>	<b>17.50%</b>	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
<b>Non US Equity</b>	<b>17.50%</b>	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
<b>Credit Fixed</b>	<b>24.00%</b>	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
<b>Total</b>	<b>100.00%</b>	<b>6.09%</b>

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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 25-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%	\$ 3,336,316	5.25%	\$ 4,202,245
Current discount rate	6.25%	\$ 2,650,196	6.25%	\$ 3,353,916
1% increase	7.25%	\$ 2,075,339	7.25%	\$ 2,652,624

*Payable to the Pension Plan* – At June 30, 2019, the City reported a payable of \$8,810 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

**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, 2019, the employer's contribution was 5.26% to the insurance trust for non-hazardous job classifications and 10.47% 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**  
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**June 30, 2019**

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

For the year ended June 30, 2019, the City contributed \$59,995, or 100% of the required contribution for non-hazardous job classifications, and \$78,505, 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, 2019, the City reported a liability for its proportionate share of the net OPEB liability as follows:

<b>Total Net</b>		
<b>OPEB Liability</b>	<b>Non-hazardous</b>	<b>Hazardous</b>
<u>\$ 1,761,372</u>	<u>\$ 772,583</u>	<u>\$ 988,789</u>

The net OPEB liability was measured as of June 30, 2018, 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, 2018 was .044% for non-hazardous and .139% for hazardous. The proportionate share measured at June 30, 2018 relative to June 30, 2017 increased by .002% for non-hazardous and increased for hazardous by .003%.

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$223,295. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ -	\$ 200,535
Changes of assumptions	457,728	4,490
Net difference between projected and actual earnings on Plan investments	-	147,217
Changes in proportion and differences between City contributions and proportionate share of contributions	28,960	1,742
City contributions subsequent to the measurement date	141,256	-
<b>Total</b>	<b><u>\$ 627,944</u></b>	<b><u>\$ 353,984</u></b>

The \$141,256 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, 2020. This includes adjustments of \$12,463 for the nonhazardous implicit subsidy and (\$3,937) 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,**

2020	\$ 67,927
2021	\$ 67,927
2022	\$ 13,351
2023	\$ (9,362)
2024	\$ (3,216)
2025	\$ (3,923)

*Actuarial Assumptions* – The total OPEB liability in the June 30, 2018 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 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.

Post – 65: Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.



**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, net OPEB liability, and sensitivity information as of June 30, 2018 was based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>US Equity</b>	<b>17.50%</b>	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
<b>Non US Equity</b>	<b>17.50%</b>	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
<b>Credit Fixed</b>	<b>24.00%</b>	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
<b>Total</b>	<b>100.00%</b>	<b>6.09%</b>

*Discount Rate* – The discount rate used to measure the total net OPEB liability was 5.85% and 5.97% 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 25-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 3.62%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2018. 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.

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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

*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:

	<b>Non-hazardous</b>			<b>Hazardous</b>		
	<b>Discount rate</b>	<b>City's proportionate share of net OPEB liability</b>		<b>Discount rate</b>	<b>City's proportionate share of net OPEB liability</b>	
1% decrease	4.85%	\$ 1,003,458		4.97%	\$ 1,374,469	
Current discount rate	5.85%	\$ 772,583		5.97%	\$ 988,789	
1% increase	6.85%	\$ 575,915		6.97%	\$ 680,047	

*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:

	<b>Non-hazardous</b>		<b>Hazardous</b>	
		<b>City's proportionate share of net OPEB liability</b>		<b>City's proportionate share of net OPEB liability</b>
1% decrease		\$ 575,194		\$ 673,415
Current trend rate		\$ 772,583		\$ 988,789
1% increase		\$ 1,005,242		\$ 1,379,399

*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, 2019, the City reported a payable of \$2,860 for the outstanding amount of contributions to the insurance plan required for the year ended June 30, 2019.

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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 1<sup>st</sup> 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, 2019, are as follows:

Total assets	\$ 16,441,720
Total liabilities	\$ 28,249
Total net position	\$ 16,413,471

The net equity investment in Oldham-LaGrange Development Authority for the City of La Grange at June 30, 2019, is \$8,582,936. The net equity is determined by the following:

	<b>OLDA Audit 6/30/2019</b>	<b>City Allocation</b>	<b>County Allocation</b>
Beginning net equity, July 1, 2018	\$ 16,354,106	\$ 8,553,254	\$ 7,800,852
Operating loss before transfers in	(60,635)	(30,318)	(30,317)
Principal payments transfers in	<u>120,000</u>	<u>60,000</u>	<u>60,000</u>
Ending net equity, June 30, 2019	<u>\$ 16,413,471</u>	<u>\$ 8,582,936</u>	<u>\$ 7,830,535</u>

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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**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 2019, the General Fund transferred \$64,660 to the Bus Fund and \$277,077 to the Golf Course.

**14. INTERFUND BALANCES**

This table shows interfund balances as of June 30, 2019:

	<b>General Fund</b>	<b>Utility Commission</b>	<b>ABC Fund</b>	<b>Bus Fund</b>	<b>Total Due To</b>
General Fund	\$ -	\$ 32,585	\$ 83,738	\$ 245,890	\$ 362,213
Golf Course	<u>5,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,133</u>
Total due from	<u>\$ 5,133</u>	<u>\$ 32,585</u>	<u>\$ 83,738</u>	<u>\$ 245,890</u>	<u>\$ 357,080</u>

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

## **SUPPLEMENTARY INFORMATION**

**CITY OF LA GRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2019**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>REVENUES</b>				
<b>Taxes</b>				
General property taxes	\$ 1,353,000	\$ 1,353,000	\$ 1,441,662	\$ 88,662
Bank shared tax	61,000	61,000	66,932	5,932
Omitted tangibles	7,000	7,000	3,140	(3,860)
Motor vehicle taxes	151,000	151,000	131,247	(19,753)
Total municipal taxation	<u>1,572,000</u>	<u>1,572,000</u>	<u>1,642,981</u>	<u>70,981</u>
<b>Licenses, permits and billings</b>				
Business licenses	400,000	400,000	493,287	93,287
Insurance premiums	1,612,000	1,612,000	1,788,699	176,699
ABC license fees	15,000	15,000	17,815	2,815
Compensation tax	1,775,000	1,775,000	2,071,051	296,051
Franchise fees	319,000	319,000	389,101	70,101
Total licenses, permits and billings	<u>4,121,000</u>	<u>4,121,000</u>	<u>4,759,953</u>	<u>638,953</u>
<b>Intergovernmental revenues</b>				
Grants	17,000	17,000	16,514	(486)
Federal overtime	6,000	6,000	-	(6,000)
KLEFPF	73,640	73,640	74,480	840
LGEA	7,000	7,000	9,491	2,491
Total intergovernmental	<u>103,640</u>	<u>103,640</u>	<u>100,485</u>	<u>(3,155)</u>
<b>Charges for service</b>				
Sanitation fees	380,000	380,000	396,892	16,892
Storm water fees	100,000	100,000	100,000	-
Total charges for service	<u>480,000</u>	<u>480,000</u>	<u>496,892</u>	<u>16,892</u>
<b>Other revenue</b>				
Interest	2,500	2,500	39,682	37,182
Penalties	12,000	12,000	3,062	(8,938)
Encroachment fees	5,000	5,000	4,100	(900)
Community center	6,000	6,000	10,400	4,400
State forfeiture	-	-	18,722	18,722
Miscellaneous	50,000	50,000	69,645	19,645
Total other revenue	<u>75,500</u>	<u>75,500</u>	<u>145,611</u>	<u>70,111</u>
<b>TOTAL REVENUE</b>	<u>\$ 6,352,140</u>	<u>\$ 6,352,140</u>	<u>\$ 7,145,922</u>	<u>\$ 793,782</u>

**CITY OF LA GRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2019**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Salaries	\$ 118,206	\$ 118,206	\$ 148,549	\$ (30,343)
Overtime	2,000	2,000	-	2,000
Part-time salaries	15,600	15,600	6,693	8,907
Employee Insurance	56,229	56,229	65,284	(9,055)
Employer portion FICA	13,473	13,473	14,638	(1,165)
Employer portion medicare	3,151	3,151	3,423	(272)
Mayor/Council	81,500	81,500	81,740	(240)
Employer portion retirement	25,391	25,391	32,704	(7,313)
Unemployment insurance	4,000	4,000	29,451	(25,451)
Computer maintenance	36,000	36,000	37,884	(1,884)
Tax preparation (PVA)	37,000	37,000	38,891	(1,891)
Ordinance codification	5,000	5,000	1,887	3,113
Workers compensation	4,800	4,800	12,870	(8,070)
Property/liability insurance	61,000	61,000	57,316	3,684
Auditing	27,000	27,000	23,400	3,600
Gas/electric/telephone	114,000	114,000	112,745	1,255
Legal fees	50,000	50,000	24,670	25,330
Legal advertisements	10,000	10,000	8,535	1,465
Office supplies	8,000	8,000	7,178	822
Repair and maintenance	10,000	10,000	7,836	2,164
Seminars/education	9,000	9,000	8,608	392
Miscellaneous	10,500	10,500	8,454	2,046
Small equipment purchases	1,000	1,000	264	736
Board of adjustments and appeals	1,000	1,000	700	300
Total general government	<u>703,850</u>	<u>703,850</u>	<u>733,720</u>	<u>(29,870)</u>
<b>Public Safety-Police</b>				
Police salaries	652,691	652,691	675,483	(22,792)
Overtime salaries	26,250	26,250	15,340	10,910
Part-time salaries	33,348	33,348	11,913	21,435
KLEFPF	64,000	64,000	56,668	7,332
Federal overtime	6,000	6,000	-	6,000
Employee insurance	183,512	183,512	156,046	27,466
Employer portion FICA	47,602	47,602	45,317	2,285
Employer portion medicare	11,220	11,220	10,047	1,173
Employer portion retirement	232,263	232,263	217,559	14,704
Workers compensation	29,623	29,623	32,155	(2,532)
Automobile insurance	28,600	28,600	12,066	16,534
Liability insurance	34,671	34,671	14,633	20,038
Radio maintenance	1,500	1,500	1,125	375
Computer maintenance	15,000	15,000	16,368	(1,368)
Seminars and education	8,000	8,000	3,143	4,857
Uniform expense	20,000	20,000	14,181	5,819
Miscellaneous	22,000	22,000	37,772	(15,772)
Crime prevention	4,000	4,000	2,600	1,400
Criminal investigations	2,000	2,000	3,405	(1,405)
Firing range expenses	1,000	1,000	-	1,000
Small equipment purchases	4,000	4,000	3,465	535
Gas and oil	35,000	35,000	41,177	(6,177)
Equipment repairs	30,000	30,000	31,234	(1,234)
Drug enforcement funds	1,000	1,000	1,983	(983)
Dry cleaning	1,500	1,500	695	805
Telephone/cellular/pagers	20,000	20,000	23,057	(3,057)
K-9	1,000	1,000	1,039	(39)
One call	3,912	3,912	-	3,912
Oldham County dispatch	12,250	12,250	12,250	-
Total public safety-police	<u>1,531,942</u>	<u>1,531,942</u>	<u>1,440,721</u>	<u>91,221</u>

**CITY OF LA GRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2019**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Public Works</b>				
Salaries	\$ 391,547	\$ 391,547	331,425	\$ 60,122
Overtime salaries	15,000	15,000	13,256	1,744
Part-time salaries	16,000	16,000	21,159	(5,159)
Employee insurance	197,800	197,800	117,105	80,695
Employer portion FICA	25,205	25,205	22,143	3,062
Employer portion medicare	5,895	5,895	5,179	716
Employer portion retirement	87,326	87,326	73,523	13,803
Workers compensation	30,000	30,000	28,075	1,925
Vehicle insurance	29,000	29,000	9,814	19,186
Utilities	13,700	13,700	14,539	(839)
Seminars/Education	3,000	3,000	2,034	966
Uniforms	3,000	3,000	3,114	(114)
Small equipment purchases	4,500	4,500	2,357	2,143
Gas and oil	21,000	21,000	22,848	(1,848)
Equipment/vehicle repairs	22,000	22,000	25,468	(3,468)
Computer maintenance	500	500	119	381
Crushed rock	1,000	1,000	888	112
Signs and posts	6,000	6,000	4,554	1,446
Sidewalks	70,000	70,000	47,787	22,213
Paving material	70,500	70,500	12,010	58,490
Street paint	2,000	2,000	87	1,913
Snow removal	3,000	3,000	625	2,375
Grounds maintenance	10,000	10,000	8,873	1,127
Building maintenance	50,000	50,000	-	50,000
Equipment rental	2,000	2,000	249	1,751
Tires and batteries	8,000	8,000	8,387	(387)
Electric/telephone welcome center	3,500	3,500	2,492	1,008
Repairs welcome center	4,000	4,000	237	3,763
Miscellaneous	2,500	2,500	1,780	720
CDL license	1,000	1,000	510	490
Contract help	14,000	14,000	8,114	5,886
Safety	2,000	2,000	2,899	(899)
Street lighting	2,500	2,500	176	2,324
Total public works	<u>1,117,473</u>	<u>1,117,473</u>	<u>791,826</u>	<u>325,647</u>
<b>Sanitation</b>	<u>348,000</u>	<u>348,000</u>	<u>357,650</u>	<u>(9,650)</u>
<b>Parks and Recreation</b>	<u>180,000</u>	<u>180,000</u>	<u>195,620</u>	<u>(15,620)</u>
<b>Storm Water</b>	<u>226,657</u>	<u>226,657</u>	<u>33,486</u>	<u>193,171</u>
<b>Community Development</b>				
Main street	5,000	5,000	4,138	862
La Grange crossroads district	35,000	35,000	35,645	(645)
Economic development, OLDA	80,000	80,000	80,000	-
Historic preservation	3,500	3,500	287	3,213
Tree replacement	1,500	1,500	1,713	(213)
La Grange elementary	2,000	2,000	-	2,000
Festivals - Christmas, OC Day	3,000	3,000	2,127	873
GIS	3,000	3,000	1,400	1,600
Mayor's discretionary fund	1,590	1,590	1,559	31
Building maintenance	10,000	10,000	10,250	(250)
Signage and lighting	20,000	20,000	2,239	17,761
Miscellaneous	201,500	201,500	162,473	39,027
Buxton Company	5,000	5,000	5,000	-
Total community development	<u>371,090</u>	<u>371,090</u>	<u>306,831</u>	<u>64,259</u>
<b>Capital Outlay</b>				
Police	27,200	27,200	11,241	15,959
Public works	-	-	338,147	(338,147)
Total capital outlay	<u>27,200</u>	<u>27,200</u>	<u>349,388</u>	<u>(322,188)</u>
<b>Debt Service</b>	<u>1,907,925</u>	<u>1,907,925</u>	<u>2,275,117</u>	<u>(367,192)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 6,414,137</u>	<u>\$ 6,414,137</u>	<u>\$ 6,484,359</u>	<u>\$ (70,222)</u>



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

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
City's proportion of the net pension liability	0.040%	0.040%	0.039%	0.041%	0.042%	0.044%
City's proportionate share of the net pension liability (asset)	\$ 1,386,844	\$ 1,284,599	\$ 1,695,033	\$ 2,003,003	\$ 2,449,258	\$ 2,650,196
City's covered employee payroll	\$ 887,128	\$ 927,729	\$ 920,089	\$ 970,461	\$ 1,018,799	\$ 1,078,524
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	156.33%	138.47%	184.22%	206.40%	240.41%	245.72%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

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 Six Fiscal Years**

	2014	2015	2016	2017	2018	2019
City's proportion of the net pension liability	0.140%	0.140%	0.134%	0.133%	0.136%	0.139%
City's proportionate share of the net pension liability (asset)	\$ 1,671,411	\$ 1,637,266	\$ 2,064,038	\$ 2,290,124	\$ 3,039,723	\$ 3,353,916
City's covered employee payroll	\$ 666,630	\$ 690,007	\$ 687,758	\$ 726,269	\$ 745,833	\$ 772,520
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	250.73%	237.28%	300.11%	315.33%	407.56%	434.15%
Plan fiduciary net position as a percentage of the total pension liability	57.74%	63.46%	57.52%	53.95%	49.78%	49.26%

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

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 Seven Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 107,875	\$ 124,691	\$ 117,307	\$ 120,531	\$ 142,123	\$ 156,170	\$ 185,005
Contributions relative to contractually required employer contribution	<u>107,875</u>	<u>124,691</u>	<u>117,307</u>	<u>120,531</u>	<u>142,123</u>	<u>156,170</u>	<u>185,005</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 887,128	\$ 927,729	\$ 920,089	\$ 970,461	\$ 1,018,799	\$ 1,078,524	\$ 1,140,600
Employer contributions as a percentage of covered-employee payroll	12.16%	13.44%	12.75%	12.42%	13.95%	14.48%	16.22%

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

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 Seven Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 133,993	\$ 150,215	\$ 142,572	\$ 147,142	\$ 173,373	\$ 183,539	\$ 186,476
Contributions relative to contractually required employer contribution	<u>133,993</u>	<u>150,215</u>	<u>142,572</u>	<u>147,142</u>	<u>173,373</u>	<u>183,539</u>	<u>186,476</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 666,630	\$ 690,007	\$ 687,758	\$ 726,269	\$ 745,833	\$ 772,520	\$ 694,695
Employer contributions as a percentage of covered-employee payroll	20.10%	21.77%	20.73%	20.26%	23.25%	23.76%	26.84%

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

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 Three Fiscal Years**

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	2017	2018	2019
City's proportion of the net OPEB liability	0.041%	0.042%	0.044%
City's proportionate share of the net OPEB liability (asset)	\$ 659,818	\$ 841,208	\$ 772,583
City's covered employee payroll	\$ 970,461	\$ 1,018,799	\$ 1,078,524
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	67.99%	82.57%	71.63%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

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 Three Fiscal Years**

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	2017	2018	2019
City's proportion of the net OPEB liability	0.133%	0.136%	0.139%
City's proportionate share of the net OPEB liability (asset)	\$ 671,137	\$ 1,123,174	\$ 988,789
City's covered employee payroll	\$ 726,269	\$ 745,833	\$ 772,520
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	92.41%	150.59%	128.00%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

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 OF OPEB CONTRIBUTIONS - NONHAZARDOUS  
Last Seven Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 59,237	\$ 46,736	\$ 45,267	\$ 45,030	\$ 48,189	\$ 50,691	\$ 59,995
Contributions relative to contractually required employer contribution	<u>59,237</u>	<u>46,736</u>	<u>45,267</u>	<u>45,030</u>	<u>48,189</u>	<u>50,691</u>	<u>59,995</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 887,128	\$ 927,729	\$ 920,089	\$ 970,461	\$ 1,018,799	\$ 1,078,524	\$ 1,140,500
Employer contributions as a percentage of covered-employee payroll	6.68%	5.04%	4.92%	4.64%	4.73%	4.70%	5.26%

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

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 Seven Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 116,660	\$ 96,118	\$ 93,398	\$ 92,163	\$ 74,668	\$ 77,301	\$ 78,505
Contributions relative to contractually required employer contribution	<u>116,660</u>	<u>96,118</u>	<u>93,398</u>	<u>92,163</u>	<u>74,668</u>	<u>77,301</u>	<u>78,505</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 666,630	\$ 690,007	\$ 687,758	\$ 726,269	\$ 745,833	\$ 772,520	\$ 694,695
Employer contributions as a percentage of covered-employee payroll	17.50%	13.93%	13.58%	12.69%	10.01%	10.01%	11.30%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

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, 2019

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>MUNICIPAL ROAD AID FUND</b>				
<b>REVENUES</b>				
Intergovernmental revenues	\$ 156,000	\$ 156,000	\$ 163,012	\$ 7,012
Interest	-	-	102	102
Carryover	<u>110,000</u>	<u>110,000</u>	<u>-</u>	<u>(110,000)</u>
<b>TOTAL REVENUES</b>	<u>\$ 266,000</u>	<u>\$ 266,000</u>	<u>\$ 163,114</u>	<u>\$ (102,886)</u>
<b>EXPENDITURES</b>				
Public works	\$ 50,000	\$ 50,000	\$ 25,465	\$ 24,535
Capital outlay	<u>216,000</u>	<u>216,000</u>	<u>189,997</u>	<u>26,003</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 266,000</u>	<u>\$ 266,000</u>	<u>\$ 215,462</u>	<u>\$ 50,538</u>
<b>PARKS BOARD FUND</b>				
<b>REVENUES</b>				
Other revenues	\$ -	\$ -	\$ 3,358	\$ 3,358
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,358</u>	<u>\$ 3,358</u>
<b>EXPENDITURES</b>				
Parks and recreation	\$ -	\$ -	\$ -	\$ -
<b>TOTAL EXPENDITURES</b>	<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, 2019**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>ABC FUND</b>				
<b>REVENUES</b>				
Licenses and permits	\$ 478,561	\$ 478,561	\$ 344,464	\$ (134,097)
Other revenues	<u>-</u>	<u>-</u>	<u>440</u>	<u>440</u>
<b>TOTAL REVENUES</b>	<u>\$ 478,561</u>	<u>\$ 478,561</u>	<u>\$ 344,904</u>	<u>\$ (133,657)</u>
<b>EXPENDITURES</b>				
ABC	\$ 449,561	\$ 449,561	\$ 395,590	\$ 53,971
Capital outlay	<u>29,000</u>	<u>29,000</u>	<u>45,108</u>	<u>(16,108)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 478,561</u>	<u>\$ 478,561</u>	<u>\$ 440,698</u>	<u>\$ 37,863</u>
<b>BUS FUND</b>				
<b>REVENUES</b>				
Intergovernmental revenues	\$ 56,235	\$ 56,235	\$ 67,534	\$ 11,299
Charges for service	9,600	9,600	8,358	(1,242)
Miscellaneous	<u>3,970</u>	<u>3,970</u>	<u>1,491</u>	<u>(2,479)</u>
<b>TOTAL REVENUES</b>	<u>\$ 69,805</u>	<u>\$ 69,805</u>	<u>\$ 77,383</u>	<u>\$ 7,578</u>
<b>EXPENDITURES</b>				
General and administrative	\$ 12,381	\$ 12,381	\$ 14,446	\$ (2,065)
Salaries and wages	97,984	97,984	89,797	8,187
Repairs and maintainence	7,600	7,600	6,266	1,334
Fuel	<u>16,500</u>	<u>16,500</u>	<u>13,161</u>	<u>3,339</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 134,465</u>	<u>\$ 134,465</u>	<u>\$ 123,670</u>	<u>\$ 10,795</u>

**CITY OF LA GRANGE, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2019**

	<b>Municipal Road Aid Fund</b>	<b>Foundations and Parks Fund</b>	<b>ABC Fund</b>	<b>Bus Fund</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 163,101	\$ 80,077	\$ 360,201	\$ 147,058	\$ 750,437
Accounts receivable	<u>26,724</u>	<u>-</u>	<u>85,964</u>	<u>46,196</u>	<u>158,884</u>
Total assets	<u>\$ 189,825</u>	<u>\$ 80,077</u>	<u>\$ 446,165</u>	<u>\$ 193,254</u>	<u>\$ 909,321</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 12,000	\$ -	\$ -	\$ 1,261	\$ 13,261
Accrued payroll payable	-	-	-	3,138	3,138
Accrued leave	-	-	-	896	896
Due to other fund	<u>-</u>	<u>-</u>	<u>83,738</u>	<u>245,890</u>	<u>329,628</u>
Total liabilities	12,000	-	83,738	251,185	346,923
<b>FUND BALANCE</b>					
Restricted	177,825	-	362,427	-	540,252
Committed	-	80,077	-	-	80,077
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,931)</u>	<u>(57,931)</u>
Total fund balance	<u>177,825</u>	<u>80,077</u>	<u>362,427</u>	<u>(57,931)</u>	<u>562,398</u>
Total liabilities and fund balance	<u>\$ 189,825</u>	<u>\$ 80,077</u>	<u>\$ 446,165</u>	<u>\$ 193,254</u>	<u>\$ 909,321</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, 2019**

	<b>Municipal Road Aid Fund</b>	<b>Foundations and Parks Fund</b>	<b>ABC Fund</b>	<b>Bus Fund</b>	<b>Total</b>
<b>REVENUES</b>					
Licenses and permits	\$ -	\$ -	\$ 344,464	\$ -	\$ 344,464
Intergovernmental revenues	163,012	-	-	67,534	230,546
Charges for service	-	-	-	8,358	8,358
Other revenues	<u>102</u>	<u>3,358</u>	<u>440</u>	<u>1,491</u>	<u>5,391</u>
Total revenues	<u>163,114</u>	<u>3,358</u>	<u>344,904</u>	<u>77,383</u>	<u>588,759</u>
<b>EXPENDITURES</b>					
Public works	25,465	-	-	-	25,465
ABC	-	-	395,590	-	395,590
Bus	-	-	-	123,670	123,670
Capital outlay	<u>189,997</u>	<u>-</u>	<u>45,108</u>	<u>-</u>	<u>235,105</u>
Total expenditures	<u>215,462</u>	<u>-</u>	<u>440,698</u>	<u>123,670</u>	<u>779,830</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(52,348)</u>	<u>3,358</u>	<u>(95,794)</u>	<u>(46,287)</u>	<u>(191,071)</u>
<b>Other financing sources</b>					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,660</u>	<u>64,660</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,660</u>	<u>64,660</u>
<b>Net change in fund balances</b>	<u>(52,348)</u>	<u>3,358</u>	<u>(95,794)</u>	<u>18,373</u>	<u>(126,411)</u>
Fund balances, beginning	<u>230,173</u>	<u>76,719</u>	<u>458,221</u>	<u>(76,304)</u>	<u>688,809</u>
<b>Fund balances, ending</b>	<u>\$ 177,825</u>	<u>\$ 80,077</u>	<u>\$ 362,427</u>	<u>\$ (57,931)</u>	<u>\$ 562,398</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

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, 2019, 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 February 21, 2020.

**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 a certain deficiency in internal control that we consider to be a material weakness and a certain deficiency that we consider to be a significant deficiency.

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 (2019-001) 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 deficiency (2019-002) described in the accompany schedule of findings and responses to be a significant deficiency.

### **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The City of La Grange, Kentucky's Responses 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  
February 21, 2020

**CITY OF LA GRANGE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2019**

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**2019-001 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 accurately 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:* The City is in the process of implementing new internal controls to ensure the year-end close is done accurately and to ensure the City's accounting records are in compliance with generally accepting accounting principles.

**2019-002 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:* The City Clerk and finance staff will be attending training and will work with the auditors to obtain the required expertise necessary to review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.