

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

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**FINANCIAL STATEMENTS**  
**June 30, 2020**

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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, 2020, 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, 2020, 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 and 44-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021, 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  
March 31, 2021

**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, 2020. Please read in conjunction with the auditors' report beginning on page 1 and the City's financial statements, which begin on page 11.

**FINANCIAL HIGHLIGHTS**

- The City's net position increased in both the governmental activities and the business-type activities. The net position of the governmental activities increased by \$2,472,610, or 18.00%, and the net position of the business-type activities increased by \$514,888, or 2.83%.
- In the City's governmental activities, revenues decreased \$1,447,602 or 15%, and expenses decreased by \$136,459 or 2 percent. The majority of the revenue decrease is the result of \$2,095,413 of roads accepted into the City's system in the prior year that was reported as capital contributions. In the business-type activities, revenues increased by \$391,726, which is a increase of 9%, and expenses increased by \$376,133 or 9%.

**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.

Table A-1

### Condensed Statement of Net Position

|                                    | <u>Governmental<br/>Activities</u> |                      | <u>Business-type<br/>Activities</u> |                      | <u>Total Primary<br/>Government</u> |                      |
|------------------------------------|------------------------------------|----------------------|-------------------------------------|----------------------|-------------------------------------|----------------------|
|                                    | <u>FY 2020</u>                     | <u>FY 2019</u>       | <u>FY 2020</u>                      | <u>FY 2019</u>       | <u>FY 2020</u>                      | <u>FY 2019</u>       |
| Current Assets                     | \$ 8,241,704                       | \$ 7,318,283         | \$ 4,120,858                        | \$ 3,886,937         | \$ 12,362,562                       | \$ 11,205,220        |
| Noncurrent and Capital Assets      | 9,283,187                          | 8,326,371            | 22,703,762                          | 22,043,971           | 31,986,949                          | 30,370,342           |
| OLDA Investment                    | 8,609,430                          | 8,582,936            | -                                   | -                    | 8,609,430                           | 8,582,936            |
| Total Assets                       | <u>26,134,321</u>                  | <u>24,227,590</u>    | <u>26,824,620</u>                   | <u>25,930,908</u>    | <u>52,958,941</u>                   | <u>50,158,498</u>    |
| Deferred Outflows of Resources     | 1,551,412                          | 1,703,372            | 572,032                             | 396,381              | 2,123,444                           | 2,099,753            |
| Total Assets and Deferred Outflows | <u>\$ 27,685,733</u>               | <u>\$ 25,930,962</u> | <u>\$ 27,396,652</u>                | <u>\$ 26,327,289</u> | <u>\$ 55,082,385</u>                | <u>\$ 52,258,251</u> |
| Current Liabilities                | \$ 1,508,294                       | \$ 1,629,747         | \$ 746,913                          | \$ 1,267,784         | \$ 2,255,207                        | \$ 2,897,531         |
| Long-Term Debt Outstanding         | 2,788,751                          | 3,929,168            | 5,820,359                           | 5,117,504            | 8,609,110                           | 9,046,672            |
| Other Non-Current Liabilities      | 74,106                             | 67,113               | 37,507                              | 42,409               | 111,613                             | 109,522              |
| Net Pension Liability              | 5,053,332                          | 4,791,167            | 1,527,858                           | 1,212,945            | 6,581,190                           | 6,004,112            |
| Net OPEB Liability                 | 1,305,893                          | 1,407,767            | 365,286                             | 353,605              | 1,671,179                           | 1,761,372            |
| Total Liabilities                  | <u>10,730,376</u>                  | <u>11,824,962</u>    | <u>8,497,923</u>                    | <u>7,994,247</u>     | <u>19,228,299</u>                   | <u>19,819,209</u>    |
| Deferred Inflows of Resources      | <u>744,922</u>                     | <u>368,175</u>       | <u>163,102</u>                      | <u>112,303</u>       | <u>908,024</u>                      | <u>480,478</u>       |
| Net Position:                      |                                    |                      |                                     |                      |                                     |                      |
| Net investment in                  |                                    |                      |                                     |                      |                                     |                      |
| Capital Assets                     | 5,124,373                          | 4,984,138            | 15,827,991                          | 15,967,862           | 20,952,364                          | 20,952,000           |
| Restricted                         | 4,140,216                          | 3,284,566            | 739,497                             | 263,742              | 4,879,713                           | 3,548,308            |
| Unrestricted                       | 6,945,846                          | 5,469,121            | 2,168,139                           | 1,989,135            | 9,113,985                           | 7,458,256            |
| Total Net Position                 | <u>\$ 16,210,435</u>               | <u>\$ 13,737,825</u> | <u>\$ 18,735,627</u>                | <u>\$ 18,220,739</u> | <u>\$ 34,946,062</u>                | <u>\$ 31,958,564</u> |

Net position of the City's governmental activities increased by 18 percent, from \$13,737,825 in 2019 to \$16,210,435 in 2020. The net position of the business-type activities increased from \$18,220,739 in 2019 to \$18,735,627 in 2020, 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**

|  | <b>Governmental<br/>Activities</b> |                     | <b>Business-Type<br/>Activities</b> |                   | <b>Total Primary<br/>Government</b> |                     |
|--|------------------------------------|---------------------|-------------------------------------|-------------------|-------------------------------------|---------------------|
| <b>Revenues</b>                                    | <b>FY 2020</b>                     | <b>FY 2019</b>      | <b>FY 2020</b>                      | <b>FY 2019</b>    | <b>FY 2020</b>                      | <b>FY 2019</b>      |
| <b>Program Revenues</b>                            |                                    |                     |                                     |                   |                                     |                     |
| Charges for Service                                | \$ 515,739                         | \$ 505,250          | \$ 4,443,774                        | \$ 4,072,609      | \$ 4,959,513                        | \$ 4,577,859        |
| Operating Grants & Contributions                   | 464,454                            | 168,019             | -                                   | -                 | 464,454                             | 168,019             |
| Capital Grants & Contributions                     | 160,160                            | 2,258,425           | 204,967                             | 192,134           | 365,127                             | 2,450,559           |
| <b>General Revenue</b>                             |                                    |                     |                                     |                   |                                     |                     |
| Taxes  | 1,691,617                          | 1,642,981           | -                                   | -                 | 1,691,617                           | 1,642,981           |
| License fees                                       | 5,342,831                          | 5,104,417           | -                                   | -                 | 5,342,831                           | 5,104,417           |
| Investment Earnings                                | 63,662                             | 39,682              | 24,110                              | 16,382            | 87,772                              | 56,064              |
| Rents  | -                                  | -                   | -                                   | -                 | -                                   | -                   |
| Community Center                                   | 4,900                              | 10,400              | -                                   | -                 | 4,900                               | 10,400              |
| Donations  | -                                  | -                   | -                                   | -                 | -                                   | -                   |
| Change in OLDA Investment                          | 26,494                             | 30,198              | -                                   | -                 | 26,494                              | 30,198              |
| Miscellaneous                                      | 142,833                            | 100,920             | -                                   | -                 | 142,833                             | 100,920             |
| <b>Total Revenue</b>                               | <b>8,412,690</b>                   | <b>9,860,292</b>    | <b>4,672,851</b>                    | <b>4,281,125</b>  | <b>13,085,541</b>                   | <b>14,141,417</b>   |
| <b>Program Expenses</b>                            |                                    |                     |                                     |                   |                                     |                     |
| General Government                                 | 865,041                            | 848,502             | -                                   | -                 | 865,041                             | 848,502             |
| Public Safety - Police                             | 1,779,176                          | 1,867,525           | -                                   | -                 | 1,779,176                           | 1,867,525           |
| Public Works                                       | 1,420,010                          | 1,235,773           | -                                   | -                 | 1,420,010                           | 1,235,773           |
| Parks and Recreation                               | 180,236                            | 217,558             | -                                   | -                 | 180,236                             | 217,558             |
| Sanitation   | 414,508                            | 357,650             | -                                   | -                 | 414,508                             | 357,650             |
| Storm Water  | 23,799                             | 33,486              | -                                   | -                 | 23,799                              | 33,486              |
| Community Development                              | 183,721                            | 306,831             | -                                   | -                 | 183,721                             | 306,831             |
| Public Properties                                  | -                                  | -                   | -                                   | -                 | -                                   | -                   |
| Bus  | 134,098                            | 144,930             | -                                   | -                 | 134,098                             | 144,930             |
| ABC  | 492,715                            | 571,326             | -                                   | -                 | 492,715                             | 571,326             |
| Interest on Debt                                   | 141,432                            | 187,617             | -                                   | -                 | 141,432                             | 187,617             |
| Golf Course  | -                                  | -                   | 568,267                             | 555,792           | 568,267                             | 555,792             |
| Utility Commission                                 | -                                  | -                   | 3,895,040                           | 3,531,382         | 3,895,040                           | 3,531,382           |
| <b>Total Program Expenses</b>                      | <b>5,634,736</b>                   | <b>5,771,198</b>    | <b>4,463,307</b>                    | <b>4,087,174</b>  | <b>10,098,043</b>                   | <b>9,858,372</b>    |
| <b>Change in Net Position<br/>Before Transfers</b> | <b>2,777,954</b>                   | <b>4,089,094</b>    | <b>209,544</b>                      | <b>193,951</b>    | <b>2,987,498</b>                    | <b>4,283,045</b>    |
| Transfers  | (305,344)                          | (277,077)           | 305,344                             | 277,077           | -                                   | -                   |
| Gain (loss) on sale of assets                      | -                                  | -                   | -                                   | -                 | -                                   | -                   |
| <b>Change in Net Position</b>                      | <b>\$ 2,472,610</b>                | <b>\$ 3,812,017</b> | <b>\$ 514,888</b>                   | <b>\$ 471,028</b> | <b>\$ 2,987,498</b>                 | <b>\$ 4,283,045</b> |

The City's total revenue decreased from \$14,141,417 in 2019 to \$13,085,541 in 2020 or 8 percent. The decrease from 2019 is related to a decrease in the number of roads accepted into the City's system during 2020. 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 2020</u>      | <u>FY 2019</u>      | <u>Variance</u>       |
|-----------------------|---------------------|---------------------|-----------------------|
| Taxes                 | \$ 1,691,617        | \$ 1,642,981        | \$ 48,636             |
| Licenses and permits  | 5,342,831           | 5,104,417           | 238,414               |
| Intergovernmental     | 624,614             | 331,031             | 293,583               |
| Charges for Services  | 515,739             | 505,250             | 10,489                |
| Other Revenues        | <u>211,395</u>      | <u>151,002</u>      | <u>60,393</u>         |
| Total Revenues        | <u>8,386,196</u>    | <u>7,734,681</u>    | <u>651,515</u>        |
| General Government    | 745,695             | 733,720             | 11,975                |
| Public Safety-Police  | 1,381,021           | 1,440,721           | (59,700)              |
| Public Works          | 820,851             | 817,291             | 3,560                 |
| Sanitation            | 414,508             | 357,650             | 56,858                |
| Park and Recreation   | 158,298             | 195,620             | (37,322)              |
| Storm Water           | 23,799              | 33,486              | (9,687)               |
| Community Development | 183,721             | 306,831             | (123,110)             |
| ABC                   | 341,650             | 395,590             | (53,940)              |
| Bus                   | 109,766             | 123,670             | (13,904)              |
| Capital Outlay        | 700,230             | 584,493             | 115,737               |
| Debt Service          | <u>1,256,849</u>    | <u>2,275,117</u>    | <u>(1,018,268)</u>    |
| Total Expenditures    | <u>\$ 6,136,388</u> | <u>\$ 7,264,189</u> | <u>\$ (1,127,801)</u> |

Revenues for the City's governmental funds increased by 8 percent, and total expenditures decreased by 15 percent. The majority of the decrease in expenditures was the result of the City electing to pay down an additional \$1 million of debt during 2019. The City's major source of revenue in the governmental funds is taxes, licenses and permits, which makes up 84% of total revenues, these revenue sources increased by \$287,050 in 2020.

## 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                      | \$ 1,600,500        | \$ 1,691,617        | \$ 91,117        |
| Licenses and permits       | 5,145,000           | 4,982,640           | (162,360)        |
| Intergovernmental          | 106,640             | 388,936             | 282,296          |
| Charges for Services       | 480,000             | 509,862             | 29,862           |
| Other Revenues             | 70,200              | 202,757             | 132,557          |
| Foundations and Parks Fund | -                   | 3,576               | 3,576            |
| ABC Fund                   | 535,793             | 360,533             | (175,260)        |
| Bus Fund                   | 65,735              | 86,006              | 20,271           |
| Municipal Aid Fund         | 321,000             | 160,269             | (160,731)        |
| Total Revenues             | <u>\$ 8,324,868</u> | <u>\$ 8,386,196</u> | <u>\$ 61,328</u> |

**Table A-5**

**Condensed Governmental Funds - Expenditures**

|                            | <u>Budget</u>       | <u>Actual</u>       | <u>Variance</u>       |
|----------------------------|---------------------|---------------------|-----------------------|
| General Government         | \$ 763,736          | \$ 745,695          | \$ (18,041)           |
| Public Safety-Police       | 1,507,351           | 1,381,021           | (126,330)             |
| Public Works               | 1,268,468           | 806,251             | (462,217)             |
| Sanitation                 | 362,940             | 414,508             | 51,568                |
| Park and Recreation        | 218,750             | 158,298             | (60,452)              |
| Storm Water                | 100,000             | 23,799              | (76,201)              |
| Community Development      | 210,665             | 183,721             | (26,944)              |
| Capital Outlay             | 1,236,971           | 509,745             | (727,226)             |
| Debt Service               | 1,962,230           | 1,256,849           | (705,381)             |
| ABC Fund                   | 535,793             | 406,650             | (129,143)             |
| Bus Fund                   | 132,227             | 109,766             | (22,461)              |
| Foundations and Parks Fund | -                   | -                   | -                     |
| Municipal Aid Fund         | 321,000             | 140,085             | (180,915)             |
| Total Expenditures         | <u>\$ 8,620,131</u> | <u>\$ 6,136,388</u> | <u>\$ (2,483,743)</u> |

The City budgeted for a total of \$8,324,868 in revenues for 2020 but ended up with revenues of \$8,386,196 which put the City 1 percent over the revenue budget. A total of \$8,620,131 was budgeted for expenses, but expenditures totaled \$6,136,388 for the fiscal year 2020. The City was under budget on expenses by \$2,483,743 or 29% as detailed above.

## CAPITAL ASSETS

The City has a total of \$51,222,089 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 \$2,004,594 (4 percent) from last year's total investment of \$49,217,495.

Table A-6

### Capital Assets at Year End Without Depreciation

|                          | Governmental<br>Activities |                     | Business-type<br>Activities |                      | Total Primary<br>Government |                      |
|--------------------------|----------------------------|---------------------|-----------------------------|----------------------|-----------------------------|----------------------|
|                          | FY 2020                    | FY 2019             | FY 2020                     | FY 2019              | FY 2020                     | FY 2019              |
| Land & Improvements      | \$ 855,409                 | \$ 815,409          | \$ -                        | \$ -                 | \$ 855,409                  | \$ 815,409           |
| Construction in progress | 111,000                    | 104,242             | -                           | -                    | 111,000                     | 104,242              |
| Buildings & Improvements | 2,201,501                  | 2,092,668           | -                           | -                    | 2,201,501                   | 2,092,668            |
| Vehicles & Equipment     | 3,257,762                  | 2,945,563           | -                           | -                    | 3,257,762                   | 2,945,563            |
| Infrastructure Assets    | 4,709,564                  | 4,477,124           | -                           | -                    | 4,709,564                   | 4,477,124            |
| Business-Type Assets     | -                          | -                   | 40,086,853                  | 38,782,489           | 40,086,853                  | 38,782,489           |
| Total Capital Assets     | <u>\$11,135,236</u>        | <u>\$10,435,006</u> | <u>\$ 40,086,853</u>        | <u>\$ 38,782,489</u> | <u>\$ 51,222,089</u>        | <u>\$ 49,217,495</u> |

## DEBT

This year the City has \$10,066,270 in total debt, a 8 percent decrease from last year's total of \$10,955,473.

Table A-7

### Debt Outstanding at Year End

|                        | Governmental<br>Activities |                     | Business-type<br>Activities |                     | Total Primary<br>Government |                      |
|------------------------|----------------------------|---------------------|-----------------------------|---------------------|-----------------------------|----------------------|
|                        | FY 2020                    | FY 2019             | FY 2020                     | FY 2019             | FY 2020                     | FY 2019              |
| Capital Leases         | \$ 532,917                 | \$ 597,917          | \$ 2,523,389                | \$ 1,352,211        | \$ 3,056,306                | \$ 1,950,128         |
| Bond Issues            | 3,396,250                  | 4,446,667           | 3,470,000                   | 4,449,156           | 6,866,250                   | 8,895,823            |
| Accrued Absences       | 74,106                     | 67,113              | 69,608                      | 42,409              | 143,714                     | 109,522              |
| Total Debt Outstanding | <u>\$ 4,003,273</u>        | <u>\$ 5,111,697</u> | <u>\$ 6,062,997</u>         | <u>\$ 5,843,776</u> | <u>\$ 10,066,270</u>        | <u>\$ 10,955,473</u> |

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

The City's elected officials consider many factors when setting the fiscal year 2021 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, 2020**

|  | Primary Government         |                             |                      |
|--|----------------------------|-----------------------------|----------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Totals               |
| <b>ASSETS</b>  |                            |                             |                      |
| Current assets   |                            |                             |                      |
| Cash and cash equivalents  | \$ 4,426,510               | \$ 2,647,588                | \$ 7,074,098         |
| Investments  | 2,070,891                  | 843,757                     | 2,914,648            |
| Receivables, net   | 1,711,262                  | 562,227                     | 2,273,489            |
| Inventory of supplies  | -                          | 98,353                      | 98,353               |
| Prepaid expenses   | -                          | 1,974                       | 1,974                |
| Internal balances  | 33,041                     | (33,041)                    | -                    |
| Total current assets   | <u>8,241,704</u>           | <u>4,120,858</u>            | <u>12,362,562</u>    |
| Non-current assets   |                            |                             |                      |
| Restricted cash and cash equivalents   | 3,625,897                  | 739,497                     | 4,365,394            |
| Investment in joint venture, net equity<br>Oldham-LaGrange Development Authority | 8,609,430                  | -                           | 8,609,430            |
| Total non-current assets   | <u>12,235,327</u>          | <u>739,497</u>              | <u>12,974,824</u>    |
| Capital assets   |                            |                             |                      |
| Construction in progress   | 111,000                    | 749,547                     | 860,547              |
| Land and improvements, net   | 855,409                    | 2,351,709                   | 3,207,118            |
| Plant and sewer system, net  | -                          | 18,021,581                  | 18,021,581           |
| Depreciable buildings, property, and equipment, net                              | 1,767,658                  | 841,428                     | 2,609,086            |
| Infrastructure, net  | 2,923,223                  | -                           | 2,923,223            |
| Total capital assets   | <u>5,657,290</u>           | <u>21,964,265</u>           | <u>27,621,555</u>    |
| Total assets   | <u>26,134,321</u>          | <u>26,824,620</u>           | <u>52,958,941</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |                            |                             |                      |
| Deferred outflows - pension  | 1,046,095                  | 394,526                     | 1,440,621            |
| Deferred outflows - OPEB   | 505,317                    | 177,506                     | 682,823              |
| Total deferred outflows of resources   | <u>1,551,412</u>           | <u>572,032</u>              | <u>2,123,444</u>     |
| Total assets and deferred outflows of resources                                  | <u>\$ 27,685,733</u>       | <u>\$ 27,396,652</u>        | <u>\$ 55,082,385</u> |
| <b>LIABILITIES</b>   |                            |                             |                      |
| Current liabilities  |                            |                             |                      |
| Accounts payable   | \$ 261,815                 | \$ 233,134                  | \$ 494,949           |
| Accrued payroll liabilities  | 106,063                    | 48,152                      | 154,215              |
| Accrued interest   | -                          | 8,253                       | 8,253                |
| Compensated absences - current   | -                          | 32,101                      | 32,101               |
| Unearned revenue   | -                          | 40,113                      | 40,113               |
| Customer deposits  | -                          | 69,245                      | 69,245               |
| Current portion of long-term obligations   | 1,140,416                  | 315,915                     | 1,456,331            |
| Total current liabilities  | <u>1,508,294</u>           | <u>746,913</u>              | <u>2,255,207</u>     |
| Non-current liabilities  |                            |                             |                      |
| Non-current portion of long-term obligations                                     | 2,788,751                  | 5,820,359                   | 8,609,110            |
| Compensated absences - non-current   | 74,106                     | 37,507                      | 111,613              |
| Net pension liability  | 5,053,332                  | 1,527,858                   | 6,581,190            |
| Net OPEB liability   | 1,305,893                  | 365,286                     | 1,671,179            |
| Total non-current liabilities  | <u>9,222,082</u>           | <u>7,751,010</u>            | <u>16,973,092</u>    |
| Total liabilities  | <u>10,730,376</u>          | <u>8,497,923</u>            | <u>19,228,299</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                            |                             |                      |
| Deferred inflows - pension   | 299,465                    | 35,387                      | 334,852              |
| Deferred inflows - OPEB  | 445,457                    | 127,715                     | 573,172              |
| Total deferred inflows of resources  | <u>744,922</u>             | <u>163,102</u>              | <u>908,024</u>       |
| <b>NET POSITION</b>  |                            |                             |                      |
| Net investment in capital assets   | 5,124,373                  | 15,827,991                  | 20,952,364           |
| Restricted for:  |                            |                             |                      |
| ABC  | 316,310                    | -                           | 316,310              |
| Customer deposits  | -                          | 69,245                      | 69,245               |
| Debt service   | 3,411,117                  | 167,278                     | 3,578,395            |
| Road improvements  | 198,009                    | -                           | 198,009              |
| Storm water  | 214,780                    | -                           | 214,780              |
| Construction   | -                          | 502,974                     | 502,974              |
| Unrestricted   | 6,945,846                  | 2,168,139                   | 9,113,985            |
| Total net position   | <u>16,210,435</u>          | <u>18,735,627</u>           | <u>34,946,062</u>    |
| Total liabilities, deferred inflows of resources and net position                | <u>\$ 27,685,733</u>       | <u>\$ 27,396,652</u>        | <u>\$ 55,082,385</u> |

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

**CITY OF LA GRANGE, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2020

| Functions/Programs   | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                      |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
|  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-type Activities | Totals               |
| <b>Primary government</b>  |                      |                      |                                    |                                  |   |                          |                      |
| <b>Governmental activities</b>   |                      |                      |                                    |                                  |   |                          |                      |
| General government   | \$ 865,041           | \$ -                 | \$ 300,950                         | \$ -                             | \$ (564,091)                                      | \$ -                     | \$ (564,091)         |
| Public safety-Police   | 1,779,176            | -                    | 87,986                             | -                                | (1,691,190)                                       | -                        | (1,691,190)          |
| Public works   | 1,420,010            | -                    | -                                  | 160,160                          | (1,259,850)                                       | -                        | (1,259,850)          |
| Sanitation   | 414,508              | 409,862              | -                                  | -                                | (4,646)   | -                        | (4,646)              |
| Parks and recreation   | 180,236              | -                    | -                                  | -                                | (180,236)   | -                        | (180,236)            |
| Storm water  | 23,799               | 100,000              | -                                  | -                                | 76,201  | -                        | 76,201               |
| Community development  | 183,721              | -                    | -                                  | -                                | (183,721)   | -                        | (183,721)            |
| ABC  | 492,715              | -                    | -                                  | -                                | (492,715)   | -                        | (492,715)            |
| Bus  | 134,098              | 5,877                | 75,518                             | -                                | (52,703)  | -                        | (52,703)             |
| Interest on long-term debt   | 141,432              | -                    | -                                  | -                                | (141,432)   | -                        | (141,432)            |
| Total governmental activities  | 5,634,736            | 515,739              | 464,454                            | 160,160                          | (4,494,383)                                       | -                        | (4,494,383)          |
| <b>Business-type activities</b>  |                      |                      |                                    |                                  |   |                          |                      |
| Utility Commission   | 3,895,040            | 3,883,241            | -                                  | 186,467                          | -   | 174,668                  | 174,668              |
| Golf Course  | 568,267              | 560,533              | -                                  | 18,500                           | -   | 10,766                   | 10,766               |
| Total business-type activities   | 4,463,307            | 4,443,774            | -                                  | 204,967                          | -   | 185,434                  | 185,434              |
| <b>Total primary government</b>  | <b>\$ 10,098,043</b> | <b>\$ 4,959,513</b>  | <b>\$ 464,454</b>                  | <b>\$ 365,127</b>                | <b>(4,494,383)</b>                                | <b>185,434</b>           | <b>(4,308,949)</b>   |
| <b>General revenues</b>  |                      |                      |                                    |                                  |   |                          |                      |
| Taxes  |                      |                      |                                    |                                  |   |                          |                      |
| Property taxes, levied for general purposes                                  |                      |                      |                                    |                                  | 1,474,042   | -                        | 1,474,042            |
| Bank shares  |                      |                      |                                    |                                  | 84,357  | -                        | 84,357               |
| Motor vehicle tax  |                      |                      |                                    |                                  | 133,218   | -                        | 133,218              |
| License fees   |                      |                      |                                    |                                  |   |                          |                      |
| Franchise fees   |                      |                      |                                    |                                  | 400,734   | -                        | 400,734              |
| Business licenses  |                      |                      |                                    |                                  | 500,827   | -                        | 500,827              |
| Compensation tax   |                      |                      |                                    |                                  | 2,129,830   | -                        | 2,129,830            |
| Insurance premiums   |                      |                      |                                    |                                  | 1,929,367   | -                        | 1,929,367            |
| Other fees and permits   |                      |                      |                                    |                                  | 382,073   | -                        | 382,073              |
| Investment earnings  |                      |                      |                                    |                                  | 63,662  | 24,110                   | 87,772               |
| Community Center   |                      |                      |                                    |                                  | 4,900   | -                        | 4,900                |
| Miscellaneous  |                      |                      |                                    |                                  | 142,833   | -                        | 142,833              |
| Total general revenues   |                      |                      |                                    |                                  | 7,245,843   | 24,110                   | 7,269,953            |
| Increase (decrease) in joint venture - Oldham-LaGrange Development Authority |                      |                      |                                    |                                  |   |                          |                      |
| Development Authority  |                      |                      |                                    |                                  | 26,494  | -                        | 26,494               |
| Transfers in (out)   |                      |                      |                                    |                                  | (305,344)   | 305,344                  | -                    |
| Total general and other revenues   |                      |                      |                                    |                                  | 6,966,993   | 329,454                  | 7,296,447            |
| <b>Change in net position</b>  |                      |                      |                                    |                                  | 2,472,610   | 514,888                  | 2,987,498            |
| Net position, beginning of year  |                      |                      |                                    |                                  | 13,737,825  | 18,220,739               | 31,958,564           |
| <b>NET POSITION, END OF YEAR</b>   |                      |                      |                                    |                                  | <b>\$ 16,210,435</b>                              | <b>\$ 18,735,627</b>     | <b>\$ 34,946,062</b> |

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

**CITY OF LA GRANGE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2020

|                                     | <u>General</u>       | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-------------------------------------|----------------------|--|---|
| <b>ASSETS</b>                       |                      |  |   |
| Cash and cash equivalents           | \$ 7,228,423         | \$ 823,984                                 | \$ 8,052,407                            |
| Investments                         | 2,070,891            | -  | 2,070,891                               |
| Receivables, net                    | 1,590,940            | 120,322                                    | 1,711,262                               |
| Due from other funds                | <u>389,442</u>       | <u>-</u>                                   | <u>389,442</u>                          |
| Total assets                        | <u>\$ 11,279,696</u> | <u>\$ 944,306</u>                          | <u>\$ 12,224,002</u>                    |
| <b>LIABILITIES</b>                  |                      |  |   |
| Accounts payable                    | \$ 260,706           | \$ 1,109                                   | \$ 261,815                              |
| Accrued payroll liabilities         | 102,791              | 3,272                                      | 106,063                                 |
| Compensated absences                | 73,355               | 751  | 74,106                                  |
| Due to other funds                  | <u>-</u>             | <u>356,401</u>                             | <u>356,401</u>                          |
| Total liabilities                   | <u>436,852</u>       | <u>361,533</u>                             | <u>798,385</u>                          |
| <b>FUND BALANCE</b>                 |                      |  |   |
| Restricted:                         |                      |  |   |
| ABC                                 | -                    | 316,310                                    | 316,310                                 |
| Debt service                        | 3,411,117            | -  | 3,411,117                               |
| Road improvements                   | -                    | 198,009                                    | 198,009                                 |
| Storm water                         | 214,780              | -  | 214,780                                 |
| Committed                           | -                    | 83,653                                     | 83,653                                  |
| Unassigned                          | <u>7,216,947</u>     | <u>(15,199)</u>                            | <u>7,201,748</u>                        |
| Total fund balances                 | <u>10,842,844</u>    | <u>582,773</u>                             | <u>11,425,617</u>                       |
| Total liabilities and fund balances | <u>\$ 11,279,696</u> | <u>\$ 944,306</u>                          | <u>\$ 12,224,002</u>                    |

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

Fund balances reported above \$ 11,425,617

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 5,657,290

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. 8,609,430

Net deferred inflows/outflows related to the long-term net pension and net OPEB liabilities are not reported in the funds. 806,490

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. (10,288,392)

Net position of governmental activities \$ 16,210,435

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, 2020**

|  | <u>General</u>           | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|--------------------------|--|---|
| <b>REVENUES</b>  |                          |  |   |
| Taxes  | \$ 1,691,617             | \$ -                                       | \$ 1,691,617                            |
| Licenses and permits   | 4,982,640                | 360,191                                    | 5,342,831                               |
| Intergovernmental  | 388,936                  | 235,678                                    | 624,614                                 |
| Charges for services   | 509,862                  | 5,877                                      | 515,739                                 |
| Other revenues   | <u>202,757</u>           | <u>8,638</u>                               | <u>211,395</u>                          |
| <br>Total revenues   | <br><u>7,775,812</u>     | <br><u>610,384</u>                         | <br><u>8,386,196</u>                    |
| <br><b>EXPENDITURES</b>  |                          |  |   |
| Current  |                          |  |   |
| General government   | 745,695                  | -  | 745,695                                 |
| Public safety-Police   | 1,381,021                | -  | 1,381,021                               |
| Public works   | 806,251                  | 14,600                                     | 820,851                                 |
| Sanitation   | 414,508                  | -  | 414,508                                 |
| Parks and recreation   | 158,298                  | -  | 158,298                                 |
| Storm water  | 23,799                   | -  | 23,799                                  |
| Community development  | 183,721                  | -  | 183,721                                 |
| ABC  | -                        | 341,650                                    | 341,650                                 |
| Bus  | -                        | 109,766                                    | 109,766                                 |
| Capital outlay   | 509,745                  | 190,485                                    | 700,230                                 |
| Debt service   | <u>1,256,849</u>         | <u>-</u>                                   | <u>1,256,849</u>                        |
| <br>Total expenditures   | <br><u>5,479,887</u>     | <br><u>656,501</u>                         | <br><u>6,136,388</u>                    |
| <br><b>Excess (deficiency) of revenues over<br/>expenditures</b> | <br><u>2,295,925</u>     | <br><u>(46,117)</u>                        | <br><u>2,249,808</u>                    |
| <br><b>OTHER FINANCING SOURCES (USES)</b>                        |                          |  |   |
| Transfer in (out)  | <u>(371,836)</u>         | <u>66,492</u>                              | <u>(305,344)</u>                        |
| <br>Total other financing sources and uses                       | <br><u>(371,836)</u>     | <br><u>66,492</u>                          | <br><u>(305,344)</u>                    |
| <br><b>Net change in fund balances</b>                           | <br>1,924,089            | <br>20,375                                 | <br>1,944,464                           |
| Fund balances, beginning   | <u>8,918,755</u>         | <u>562,398</u>                             | <u>9,481,153</u>                        |
| <br><b>Fund balances, ending</b>                                 | <br><u>\$ 10,842,844</u> | <br><u>\$ 582,773</u>                      | <br><u>\$ 11,425,617</u>                |
| <br>Reconciliation to government-wide change in net position:    |                          |  |   |
| Net change in fund balances                                      |                          |  | \$ 1,944,464                            |
| Add: capital outlay expenditures capitalized                     |                          |  | 700,230                                 |
| Add: debt service expenditures                                   |                          |  | 1,256,849                               |
| Add: increases in the equity interest of joint ventures          |                          |  | 26,494                                  |
| Less: change in pension liability                                |                          |  | (625,857)                               |
| Less: change in OPEB liability                                   |                          |  | (63,141)                                |
| Less: depreciation on governmental activities assets             |                          |  | (624,997)                               |
| Less: interest expense   |                          |  | <u>(141,432)</u>                        |
| <br>Change in net position - governmental activities             |                          |  | <br><u>\$ 2,472,610</u>                 |

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

**CITY OF LA GRANGE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2020**

|   | Business-type Activities |              |               |
|---|--------------------------|--------------|---------------|
|   | Utility Commission       | Golf Course  | Totals        |
| <b>ASSETS</b>   |                          |              |               |
| Current assets  |                          |              |               |
| Cash and cash equivalents   | \$ 2,508,226             | \$ 139,362   | \$ 2,647,588  |
| Investments   | 843,757                  | -            | 843,757       |
| Receivables, net  | 547,857                  | 14,370       | 562,227       |
| Inventory of supplies   | 90,405                   | 7,948        | 98,353        |
| Prepaid expenses  | -                        | 1,974        | 1,974         |
| Total current assets  | 3,990,245                | 163,654      | 4,153,899     |
| Non-current assets  |                          |              |               |
| Restricted cash and cash equivalents                              | 725,369                  | 14,128       | 739,497       |
| Total non-current assets  | 725,369                  | 14,128       | 739,497       |
| Capital assets  |                          |              |               |
| Construction in progress  | 749,547                  | -            | 749,547       |
| Land  | 149,897                  | 1,614,643    | 1,764,540     |
| Land improvements   | -                        | 2,566,585    | 2,566,585     |
| Plant and sewer system  | 32,665,137               | -            | 32,665,137    |
| Buildings and improvements  | 882,327                  | -            | 882,327       |
| Vehicle and equipment   | 928,080                  | 530,637      | 1,458,717     |
| Less: accumulated depreciation                                    | (15,740,625)             | (2,381,963)  | (18,122,588)  |
| Total capital assets  | 19,634,363               | 2,329,902    | 21,964,265    |
| Total assets  | 24,349,977               | 2,507,684    | 26,857,661    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                             |                          |              |               |
| Deferred outflows - pension                                       | 394,526                  | -            | 394,526       |
| Deferred outflows - OPEB  | 177,506                  | -            | 177,506       |
| Total deferred outflows of resources                              | 572,032                  | -            | 572,032       |
| Total assets and deferred outflows of resources                   | \$ 24,922,009            | \$ 2,507,684 | \$ 27,429,693 |
| <b>LIABILITIES</b>  |                          |              |               |
| Current liabilities   |                          |              |               |
| Accounts payable  | \$ 220,244               | \$ 12,890    | \$ 233,134    |
| Accrued payroll liabilities                                       | 30,652                   | 17,500       | 48,152        |
| Accrued interest payable  | 5,715                    | 2,538        | 8,253         |
| Compensated absences  | 32,101                   | -            | 32,101        |
| Unearned revenue  | -                        | 40,113       | 40,113        |
| Customer deposits   | 69,245                   | -            | 69,245        |
| Due to other funds  | 33,041                   | -            | 33,041        |
| Current portion of long-term obligations                          | 209,665                  | 106,250      | 315,915       |
| Total current liabilities   | 600,663                  | 179,291      | 779,954       |
| Non-current liabilities   |                          |              |               |
| Non-current portion of long-term obligations                      | 4,953,276                | 867,083      | 5,820,359     |
| Compensated absences  | 37,507                   | -            | 37,507        |
| Net pension liability   | 1,527,858                | -            | 1,527,858     |
| Net OPEB liability  | 365,286                  | -            | 365,286       |
| Total non-current liabilities                                     | 6,883,927                | 867,083      | 7,751,010     |
| Total liabilities   | 7,484,590                | 1,046,374    | 8,530,964     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                              |                          |              |               |
| Deferred inflows - pension  | 35,387                   | -            | 35,387        |
| Deferred inflows - OPEB   | 127,715                  | -            | 127,715       |
| Total deferred inflows of resources                               | 163,102                  | -            | 163,102       |
| <b>NET POSITION</b>   |                          |              |               |
| Net investment in capital assets                                  | 14,471,422               | 1,356,569    | 15,827,991    |
| Restricted for:   |                          |              |               |
| Customer deposits   | 69,245                   | -            | 69,245        |
| Debt service  | 153,150                  | 14,128       | 167,278       |
| Construction project  | 502,974                  | -            | 502,974       |
| Unrestricted  | 2,077,526                | 90,613       | 2,168,139     |
| Total net position  | 17,274,317               | 1,461,310    | 18,735,627    |
| Total liabilities, deferred inflows of resources and net position | \$ 24,922,009            | \$ 2,507,684 | \$ 27,429,693 |

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, 2020**

|   | <b>Business-type Activities</b> |                     |                      |
|---|---------------------------------|---------------------|----------------------|
|   | <b>Utility Commission</b>       | <b>Golf Course</b>  | <b>Totals</b>        |
| <b>Operating revenues</b>                                       |                                 |                     |                      |
| Charges for services  | \$ 3,780,644                    | \$ 560,533          | \$ 4,341,177         |
| Other income  | <u>102,597</u>                  | <u>-</u>            | <u>102,597</u>       |
| Total operating revenues  | <u>3,883,241</u>                | <u>560,533</u>      | <u>4,443,774</u>     |
| <b>Operating expenses</b>                                       |                                 |                     |                      |
| General and administrative                                      | 2,153,394                       | 118,677             | 2,272,071            |
| Rent  | -                               | 656                 | 656                  |
| Salaries and wages  | 630,470                         | 143,285             | 773,755              |
| Repairs and maintenance   | -                               | 58,171              | 58,171               |
| Cost of sales   | -                               | 33,067              | 33,067               |
| Other operating expenses  | -                               | 52,393              | 52,393               |
| Depreciation  | <u>975,562</u>                  | <u>133,766</u>      | <u>1,109,328</u>     |
| Total operating expenses  | <u>3,759,426</u>                | <u>540,015</u>      | <u>4,299,441</u>     |
| <b>OPERATING INCOME (LOSS)</b>                                  | <u>123,815</u>                  | <u>20,518</u>       | <u>144,333</u>       |
| <b>Non-operating income (expense)</b>                           |                                 |                     |                      |
| Interest and investment revenue                                 | 23,942                          | 168                 | 24,110               |
| Interest expense  | <u>(135,614)</u>                | <u>(28,252)</u>     | <u>(163,866)</u>     |
| Total non-operating (expense)                                   | <u>(111,672)</u>                | <u>(28,084)</u>     | <u>(139,756)</u>     |
| <b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b> | 12,143                          | (7,566)             | 4,577                |
| Transfers in  | -                               | 305,344             | 305,344              |
| Capital contributions   | <u>186,467</u>                  | <u>18,500</u>       | <u>204,967</u>       |
| <b>CHANGE IN NET POSITION</b>                                   | 198,610                         | 316,278             | 514,888              |
| Net position, beginning of year                                 | <u>17,075,707</u>               | <u>1,145,032</u>    | <u>18,220,739</u>    |
| <b>NET POSITION, END OF YEAR</b>                                | <u>\$ 17,274,317</u>            | <u>\$ 1,461,310</u> | <u>\$ 18,735,627</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, 2020**

|   | <b>Business-type Activities</b> |                    |                     |
|---|---------------------------------|--------------------|---------------------|
|   | <b>Utility Commission</b>       | <b>Golf Course</b> | <b>Totals</b>       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                 |                    |                     |
| Receipts from customers   | \$ 3,830,075                    | \$ 573,421         | \$ 4,403,496        |
| Payments to suppliers   | (1,885,647)                     | (221,011)          | (2,106,658)         |
| Payments for employee services and benefits   | (975,354)                       | (167,665)          | (1,143,019)         |
| Receipts (refunds) of customer meter deposits   | 195                             | -                  | 195                 |
| Net cash provided by operating activities   | <u>969,269</u>                  | <u>184,745</u>     | <u>1,154,014</u>    |
| <b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>                               |                                 |                    |                     |
| Payment under interfund agreements  | -                               | 305,344            | 305,344             |
| Net cash provided by non-capital financing activities   | <u>-</u>                        | <u>305,344</u>     | <u>305,344</u>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                   |                                 |                    |                     |
| Capital contributions   | 186,467                         | 18,500             | 204,967             |
| Proceeds from issuance of capital debt  | 1,027,525                       | -                  | 1,027,525           |
| Purchases of capital assets   | (1,056,115)                     | (142,099)          | (1,198,214)         |
| Principal paid on capital debt  | (410,046)                       | (274,167)          | (684,213)           |
| Interest paid on capital debt   | (142,407)                       | (31,178)           | (173,585)           |
| Net cash (used in) capital and related financing activities                                       | <u>(394,576)</u>                | <u>(428,944)</u>   | <u>(823,520)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                 |                    |                     |
| Net change in investments   | (239,243)                       | -                  | (239,243)           |
| Interest and dividends  | 23,942                          | 168                | 24,110              |
| Net cash provided by investing activities   | <u>(215,301)</u>                | <u>168</u>         | <u>(215,133)</u>    |
| Net increase in cash and cash equivalents   | 359,392                         | 61,313             | 420,705             |
| Cash and cash equivalents-beginning of the year   | <u>2,874,203</u>                | <u>92,177</u>      | <u>2,966,380</u>    |
| <b>CASH AND CASH EQUIVALENTS-END OF THE YEAR</b>  | <u>\$ 3,233,595</u>             | <u>\$ 153,490</u>  | <u>\$ 3,387,085</u> |
| <b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b> |                                 |                    |                     |
| Operating income  | \$ 123,815                      | \$ 20,518          | \$ 144,333          |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: |                                 |                    |                     |
| Depreciation  | 975,562                         | 133,766            | 1,109,328           |
| Net change in pension liability   | 190,764                         | -                  | 190,764             |
| Net change in OPEB liability  | 10,978                          | -                  | 10,978              |
| Change in assets and liabilities:   |                                 |                    |                     |
| Receivables, net  | (53,166)                        | 12,341             | (40,825)            |
| Inventory   | (4,746)                         | 346                | (4,400)             |
| Prepaid expenses  | -                               | 909                | 909                 |
| Due to/due from other funds   | -                               | 5,132              | 5,132               |
| Accounts and other payables   | (274,133)                       | 5,964              | (268,169)           |
| Accrued expenses  | -                               | 5,224              | 5,224               |
| Unearned revenue  | -                               | 545                | 545                 |
| Customer deposits payable   | 195                             | -                  | 195                 |
| Net cash provided by operating activities   | <u>\$ 969,269</u>               | <u>\$ 184,745</u>  | <u>\$ 1,154,014</u> |
| Cash and cash equivalents consists of the following:  |                                 |                    |                     |
| Unrestricted cash   | \$ 2,508,226                    | \$ 139,362         | \$ 2,647,588        |
| Restricted cash   | <u>725,369</u>                  | <u>14,128</u>      | <u>739,497</u>      |
|   | <u>\$ 3,233,595</u>             | <u>\$ 153,490</u>  | <u>\$ 3,387,085</u> |
| <b>Supplemental disclosure of cash flow information:</b>  |                                 |                    |                     |
| Noncash capital and related financing activities:   |                                 |                    |                     |
| Accounts payable for capital items, net   | <u>\$ 106,149</u>               | <u>\$ -</u>        | <u>\$ 106,149</u>   |

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

**CITY OF LA GRANGE, KENTUCKY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2020**

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|                    |                                    |
|--------------------|------------------------------------|
|                    | <b>Tourism<br/>Agency<br/>Fund</b> |
| <b>ASSETS</b>      |                                    |
| Cash               | \$ <u>13,032</u>                   |
| Total assets       | \$ <u>13,032</u>                   |
| <b>LIABILITIES</b> |                                    |
| Due to Tourism     | \$ <u>13,032</u>                   |
| Total liabilities  | \$ <u>13,032</u>                   |

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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.

The La Grange Tourist and Convention Commission was created by the City Council and members of the board are appointed by the City. The City's accountability for this entity does not extend beyond making appointments and collecting and remitting the transient room tax on behalf of the La Grange Tourist and Convention Commission. The La Grange Tourist and Convention Commission is excluded from the City's financial statements.

**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<br>Public Properties<br>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<br>of the City of<br>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, 2020**

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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, 2020**

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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.

**Fiduciary Fund** – The fiduciary fund consists of an Agency Fund. The Agency fund is used to collect and remit transient room taxes on behalf of the La Grange Tourist and Convention Commission.

**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, 2020**

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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. Deposits and Investments**

Cash and cash equivalents include cash on hand and demand deposits. Certificates of deposit include all certificates owned by the City reported at fair value. 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.

**F. 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."

**G. 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.

**H. Accounts Receivable**

Governmental fund 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 \$75,678 in the general fund and \$9,927 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, 2020**

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

**I. 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         |

**J. Unearned Revenue**

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

**K. 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.

**L. 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, 2020**

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

**M. 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, 2020, the Bus Fund has a negative fund balance of \$15,199. 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.

**N. 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, 2020**

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

**O. 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.

**P. 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.

**Q. 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.

**R. Management's Review of Subsequent Events**

The City has evaluated and considered the need to recognize or disclose subsequent events through March 31, 2021, 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, 2020, have not been evaluated by the City.

**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, 2020, the book balance of the City's deposits totaled \$14,367,172 and the bank balances totaled \$14,598,075.

The following is a detail of the City's cash and investment deposit coverage at June 30, 2020:

|                                |                      |
|--------------------------------|----------------------|
| FDIC insured                   | \$ 4,709,793         |
| Collateralized                 | 9,459,807            |
| Invested in money market funds | <u>428,475</u>       |
| Total                          | <u>\$ 14,598,075</u> |

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**2. CASH AND INVESTMENTS (CONTINUED)**

Restricted assets consist of the following:

|                             | <b>General Fund</b> | <b>Utility<br/>Commission</b> | <b>Golf Course</b> | <b>Total</b>        |
|-----------------------------|---------------------|-------------------------------|--------------------|---------------------|
| Cash – Debt service reserve | \$ 3,411,117        | \$ 153,150                    | \$ 14,128          | \$ 3,578,395        |
| Cash – Storm Water          | 214,780             | -                             | -                  | 214,780             |
| Cash – Construction         | -                   | 502,974                       | -                  | 502,974             |
| Cash – Customer deposits    | -                   | 69,245                        | -                  | 69,245              |
| <b>Total</b>                | <b>\$ 3,625,897</b> | <b>\$ 725,369</b>             | <b>\$ 14,128</b>   | <b>\$ 4,365,394</b> |

The City's investments at June 30, 2020 consist entirely of certificates of deposit with local banks or brokered certificates of deposit and are stated at fair value:

| <b>Type of Investment</b> | <b>Fair Value</b>   | <b>Cost</b>         | <b>Interest Rate</b> | <b>Maturity Date</b> |
|---------------------------|---------------------|---------------------|----------------------|----------------------|
| BL&D Bank                 | \$ 269,349          | \$ 269,349          | .35%                 | 1/16/2022            |
| BL&D Bank                 | 146,394             | 146,394             | 2.500%               | 11/5/2021            |
| BL&D Bank                 | 131,599             | 131,599             | 2.500%               | 11/5/2021            |
| PNC Bank                  | 67,379              | 67,379              | 0.200%               | 11/5/2021            |
| Citizens Union Bank       | 157,747             | 157,747             | 2.250%               | 4/3/2023             |
| Citizens Union Bank       | 71,289              | 71,289              | 2.250%               | 4/3/2024             |
| Bank Hapoalim B.M         | 241,259             | 241,259             | 2.600%               | 2/25/2021            |
| Equitable Bank            | 241,259             | 241,259             | 2.600%               | 2/25/2021            |
| First Commerce Bank       | 62,016              | 62,016              | 2.600%               | 2/25/2021            |
| KS StateBank              | 241,259             | 241,259             | 2.600%               | 2/25/2021            |
| Mid Penn Bank             | 78,803              | 78,803              | 2.600%               | 2/25/2021            |
| Prosperity Bank           | 241,259             | 241,259             | 2.600%               | 2/25/2021            |
| Reliant Bank              | 241,259             | 241,259             | 2.600%               | 2/25/2021            |
| Signature Bank            | 241,259             | 241,259             | 2.600%               | 2/25/2021            |
| Smart Bank                | 241,259             | 241,259             | 2.600%               | 2/25/2021            |
| Farmers Bank              | 241,259             | 241,259             | 2.600%               | 2/25/2021            |
|                           | <b>\$ 2,914,648</b> | <b>\$ 2,914,648</b> |                      |                      |

**3. ACCOUNTS RECEIVABLE**

|                                   | <b>General<br/>Fund</b> | <b>Nonmajor<br/>Funds</b> | <b>Governmental<br/>Funds Total</b> |
|-----------------------------------|-------------------------|---------------------------|-------------------------------------|
| Governmental activities:          |                         |                           |                                     |
| Taxes                             | \$ 146,966              | \$ -                      | \$ 146,966                          |
| Licenses and fees                 | 1,214,058               | 97,097                    | 1,311,155                           |
| Intergovernmental                 | 270,660                 | 23,225                    | 293,885                             |
| Other                             | 34,934                  | -                         | 34,934                              |
| Gross receivables                 | 1,666,618               | 120,322                   | 1,786,940                           |
| Less: allowance for uncollectible | (75,678)                | -                         | (75,678)                            |
| <b>Net receivables</b>            | <b>\$ 1,590,940</b>     | <b>\$ 120,322</b>         | <b>\$ 1,711,262</b>                 |

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**3. ACCOUNTS RECEIVABLE (CONTINUED)**

|                                   | Utility<br>Commission | Golf Course<br>Fund | Proprietary<br>Funds Total |
|-----------------------------------|-----------------------|---------------------|----------------------------|
| Business-type activities:         |                       |                     |                            |
| Customer accounts                 | \$ 392,307            | \$ 3,370            | \$ 395,677                 |
| Unbilled receivables              | 165,099               | -                   | 165,099                    |
| Other                             | <u>378</u>            | <u>11,000</u>       | <u>11,378</u>              |
| Gross receivables                 | 557,784               | 14,370              | 572,154                    |
| Less: allowance for uncollectible | <u>(9,927)</u>        | <u>-</u>            | <u>(9,927)</u>             |
| Net receivables                   | <u>\$ 547,857</u>     | <u>\$ 14,370</u>    | <u>\$ 562,227</u>          |

**4. CAPITAL ASSETS**

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

|   | Balance<br>July 1, 2019 | Additions         | Deductions         | Balance<br>June 30, 2020 |
|---|-------------------------|-------------------|--------------------|--------------------------|
| <b>Governmental Activities</b>          |                         |                   |                    |                          |
| Capital assets not depreciated:         |                         |                   |                    |                          |
| Construction in progress                | \$ 104,242              | \$ 85,845         | \$ (79,087)        | \$ 111,000               |
| Land                                    | <u>815,409</u>          | <u>40,000</u>     | <u>-</u>           | <u>855,409</u>           |
| Totals                                  | <u>919,651</u>          | <u>125,845</u>    | <u>(79,087)</u>    | <u>966,409</u>           |
| Capital assets that<br>are depreciated: |                         |                   |                    |                          |
| Buildings and improvements              | 2,092,668               | 108,833           | -                  | 2,201,501                |
| Machinery and equipment                 | <u>2,945,563</u>        | <u>312,199</u>    | <u>-</u>           | <u>3,257,762</u>         |
| Totals                                  | <u>5,038,231</u>        | <u>421,032</u>    | <u>-</u>           | <u>5,459,263</u>         |
| Total non-infrastructure assets         | <u>5,957,882</u>        | <u>546,877</u>    | <u>(79,087)</u>    | <u>6,425,672</u>         |
| Infrastructure assets                   | <u>4,477,124</u>        | <u>232,440</u>    | <u>-</u>           | <u>4,709,564</u>         |
| Total capital assets                    | <u>10,435,006</u>       | <u>779,317</u>    | <u>(79,087)</u>    | <u>11,135,236</u>        |
| Less: accumulated depreciation          |                         |                   |                    |                          |
| Buildings and improvements              | 989,335                 | 66,950            | -                  | 1,056,285                |
| Machinery and equipment                 | 2,488,773               | 146,547           | -                  | 2,635,320                |
| Infrastructure                          | <u>1,374,841</u>        | <u>411,500</u>    | <u>-</u>           | <u>1,786,341</u>         |
| Totals                                  | <u>4,852,949</u>        | <u>624,997</u>    | <u>-</u>           | <u>5,477,946</u>         |
| General capital assets, net             | <u>\$ 5,582,057</u>     | <u>\$ 154,320</u> | <u>\$ (79,087)</u> | <u>\$ 5,657,290</u>      |

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**4. CAPITAL ASSETS (CONTINUED)**

|  | Balance<br>July 1, 2019 | Additions           | Deductions            | Balance<br>June 30, 2020 |
|--|-------------------------|---------------------|-----------------------|--------------------------|
| <b>Business-Type Activities</b>        |                         |                     |                       |                          |
| Land                                   | \$ 1,764,540            | \$ -                | \$ -                  | \$ 1,764,540             |
| Construction in progress               | 942,606                 | 1,116,475           | (1,309,534)           | 749,547                  |
| Buildings and improvements             | 3,390,742               | 58,169              | -                     | 3,448,911                |
| Water tank                             | 3,039,105               | -                   | -                     | 3,039,105                |
| Mains, hydrants and new water services | 4,981,276               | 45,787              | -                     | 5,027,063                |
| Wastewater treatment plant             | 10,750,614              | -                   | -                     | 10,750,614               |
| Sewage system lines and pump stations  | 12,538,820              | 1,309,534           | -                     | 13,848,354               |
| Transportation equipment               | 771,091                 | 83,933              | -                     | 855,024                  |
| General office equipment               | <u>603,695</u>          | <u>-</u>            | <u>-</u>              | <u>603,695</u>           |
| Totals                                 | 38,782,489              | 2,613,898           | (1,309,534)           | 40,086,853               |
| Less: accumulated depreciation         | <u>17,013,260</u>       | <u>1,109,328</u>    | <u>-</u>              | <u>18,122,588</u>        |
| Business-type capital assets, net      | <u>\$ 21,769,229</u>    | <u>\$ 1,504,570</u> | <u>\$ (1,309,534)</u> | <u>\$ 21,964,265</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         | \$ 59,251         |
| Police                     | 38,922            |
| Public works               | 462,976           |
| Parks and recreation       | 21,938            |
| Bus                        | 9,943             |
| ABC                        | <u>31,967</u>     |
| Total depreciation expense | <u>\$ 624,997</u> |

**5. LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES**

***Direct Placements***

**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, 2020**

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

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

The minimum obligations of the above lease at June 30, 2020, are as follows:

| <b>Fiscal Year</b> | <b>Principal</b>  | <b>Interest</b>  | <b>Bank Fee</b> | <b>Total</b>      |
|--------------------|-------------------|------------------|-----------------|-------------------|
| 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               | 72,084            | 7,975            | 1,115           | 81,174            |
| 2026-2028          | <u>193,750</u>    | <u>10,686</u>    | <u>2,053</u>    | <u>206,489</u>    |
| Total              | <u>\$ 532,917</u> | <u>\$ 70,850</u> | <u>\$ 9,317</u> | <u>\$ 613,084</u> |

**Kentucky Bond Corporation Financing Program Revenue Bonds 2014 First Series C**

On June 30, 2014, the City issued \$10,295,000 of general obligation revenue bonds through a pooled financing transaction with the Kentucky Bond Corporation to refinance obligations previously reported in 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, 2020, are as follows:

| <b>Fiscal Year</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Fees</b>      | <b>Total</b>        |
|--------------------|---------------------|-------------------|------------------|---------------------|
| 2021               | \$ 1,075,416        | \$ 87,565         | \$ 9,241         | \$ 1,172,222        |
| 2022               | 1,102,500           | 62,233            | 6,552            | 1,171,285           |
| 2023               | 888,750             | 33,504            | 3,796            | 926,050             |
| 2024               | <u>329,584</u>      | <u>9,064</u>      | <u>1,261</u>     | <u>339,909</u>      |
| Total              | <u>\$ 3,396,250</u> | <u>\$ 192,366</u> | <u>\$ 20,850</u> | <u>\$ 3,609,466</u> |

The total governmental activity debt is summarized as follows:

|  |                     |
|--|---------------------|
| Current portion of revenue bonds               | \$ 1,075,416        |
| Current portion of capital lease obligation    | <u>65,000</u>       |
| Total current portion of long-term obligations | <u>\$ 1,140,416</u> |
| Long-term portion of revenue bonds             | 2,320,834           |
| Long-term portion of capital lease obligation  | 467,917             |
| Compensated absences                           | 74,106              |
| Net pension liability                          | 5,053,332           |
| Net OPEB liability                             | <u>1,305,893</u>    |
| Long-term portion of long-term obligations     | <u>\$ 9,222,082</u> |

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

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

|                           | July 1, 2019         | Additions         | Retirements         | June 30, 2020        |
|---------------------------|----------------------|-------------------|---------------------|----------------------|
| Capital lease obligations | \$ 597,917           | \$ -              | \$ 65,000           | \$ 532,917           |
| Revenue bonds             | 4,446,667            | -                 | 1,050,417           | 3,396,250            |
| Compensated absences      | 67,113               | 6,993             | -                   | 74,106               |
| Net pension liability     | 4,791,167            | 262,165           | -                   | 5,053,332            |
| Net OPEB liability        | <u>1,407,767</u>     | <u>-</u>          | <u>101,874</u>      | <u>1,305,893</u>     |
| Total                     | <u>\$ 11,310,631</u> | <u>\$ 269,158</u> | <u>\$ 1,217,291</u> | <u>\$ 10,362,498</u> |

**6. LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES**

**Business-Type Activities – Utility Commission**

***Direct Borrowing***

**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, 2020, are as follows:

| Fiscal Year | Principal        | Interest      | Total            |
|-------------|------------------|---------------|------------------|
| 2021        | \$ 59,665        | \$ 344        | \$ 60,009        |
| Total       | <u>\$ 59,665</u> | <u>\$ 344</u> | <u>\$ 60,009</u> |

***Direct placement***

**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, 2020**

**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, 2020, are as follows:

| <b>Fiscal Year</b> | <b>Principal</b>           | <b>Interest</b>            | <b>Fees</b>            | <b>Total</b>               |
|--------------------|----------------------------|----------------------------|------------------------|----------------------------|
| 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               | 175,000                    | 108,931                    | 450                    | 284,381                    |
| 2026-2030          | 965,000                    | 430,800                    | 2,250                  | 1,398,050                  |
| 2031-2035          | 1,165,000                  | 210,877                    | 2,250                  | 1,378,127                  |
| 2036-2038          | <u>520,000</u>             | <u>20,446</u>              | <u>900</u>             | <u>541,346</u>             |
| <b>Total</b>       | <b><u>\$ 3,470,000</u></b> | <b><u>\$ 1,261,212</u></b> | <b><u>\$ 7,650</u></b> | <b><u>\$ 4,738,862</u></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, 2020, the Commission had drawn \$1,490,391 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 compensated absences                | \$ 32,101                  |
| Current portion of PNC Capital Lease                   | 59,665                     |
| Current portion of Kentucky Rural Water Bonds          | <u>150,000</u>             |
| <b>Total current portion of long-term obligations</b>  | <b><u>\$ 241,766</u></b>   |
| Long-term portion of PNC Capital Lease                 | \$ -                       |
| Long-term portion of Kentucky Rural Water Bonds        | 3,320,000                  |
| Long-term portion of Kentucky Infrastructure Authority | 1,490,391                  |
| Bond premium Kentucky Rural Water Note                 | 142,885                    |
| Compensated absences                                   | 37,507                     |
| Net pension liability                                  | 1,527,858                  |
| Net OPEB liability                                     | <u>365,286</u>             |
| <b>Long-term portion of long-term obligations</b>      | <b><u>\$ 6,883,927</u></b> |

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

|                          | <b>Balance<br/>July 1, 2019</b> | <b>Additions</b>           | <b>Retirements</b>       | <b>Balance<br/>June 30, 2020</b> |
|--------------------------|---------------------------------|----------------------------|--------------------------|----------------------------------|
| Bonds and leases payable | \$ 4,402,577                    | \$ 1,027,525               | \$ 410,046               | \$ 5,020,056                     |
| Bond premium             | 151,290                         | -                          | 8,405                    | 142,885                          |
| Net pension liability    | 1,212,945                       | 314,913                    | -                        | 1,527,858                        |
| Net OPEB liability       | 353,605                         | 11,681                     | -                        | 365,286                          |
| Compensated absences     | <u>42,409</u>                   | <u>27,199</u>              | <u>-</u>                 | <u>69,608</u>                    |
|                          | <b><u>\$ 6,162,826</u></b>      | <b><u>\$ 1,381,318</u></b> | <b><u>\$ 418,451</u></b> | <b><u>\$ 7,125,693</u></b>       |

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

**Business-Type Activities – Golf Course**

***Direct Placement***

**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, 2020, are as follows:

| <b>Fiscal Year</b> | <b>Principal</b>         | <b>Interest</b>          | <b>Service Fee</b>      | <b>Total</b>               |
|--------------------|--------------------------|--------------------------|-------------------------|----------------------------|
| 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               | 164,167                  | 13,300                   | 1,558                   | 179,025                    |
| 2026-2027          | <u>279,167</u>           | <u>12,275</u>            | <u>1,223</u>            | <u>292,665</u>             |
| <b>Total</b>       | <b><u>\$ 973,333</u></b> | <b><u>\$ 121,114</u></b> | <b><u>\$ 12,542</u></b> | <b><u>\$ 1,106,989</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 matured 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 was payable September 1 and March 1. Bonds maturing after March 1, 2011 were subject to early redemption provisions. The bonds were paid in full during fiscal year 2020.

The total golf course debt is summarized as follows:

|  |                   |
|--|-------------------|
| Current portion of capital lease               | <u>\$ 106,250</u> |
| Total current portion of long-term obligations | <u>\$ 106,250</u> |
| Long-term portion of capital lease             | <u>\$ 867,083</u> |
| Total long-term obligations                    | <u>\$ 867,083</u> |

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

|               | <b>July 1, 2019</b> | <b>Additions</b> | <b>Retirements</b> | <b>June 30, 2020</b> |
|---------------|---------------------|------------------|--------------------|----------------------|
| Capital lease | \$ 1,032,500        | \$ -             | \$ 59,167          | \$ 973,333           |
| Bond issue    | <u>215,000</u>      | <u>-</u>         | <u>215,000</u>     | <u>-</u>             |
|               | <u>\$ 1,247,500</u> | <u>\$ -</u>      | <u>\$ 274,167</u>  | <u>\$ 973,333</u>    |

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**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, 2020, 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, are 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, 2020, participating employers contributed 24.06% of each employee's wages for non-hazardous job classifications and 39.58% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 8. Plan members contributed 19.33% to the pension trust for non-hazardous job classifications and 30.06% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are 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, 2020, the City contributed \$230,352, or 100% of the required contribution for non-hazardous job classifications, and the City contributed \$191,873, 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.

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**7. RETIREMENT PLAN (CONTINUED)**

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.

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* — At June 30, 2020, the City reported a liability for its proportionate share of the net pension liability as follows:

| <b>Total Net</b>         |                      |                     |
|--------------------------|----------------------|---------------------|
| <b>Pension Liability</b> | <b>Non-hazardous</b> | <b>Hazardous</b>    |
| <u>\$ 6,581,190</u>      | <u>\$ 3,182,242</u>  | <u>\$ 3,398,948</u> |

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward using generally accepted actuarial procedures. 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, 2019, was as follows:

| <b>Non-hazardous</b> | <b>Hazardous</b> |
|----------------------|------------------|
| .045%                | .123%            |

The proportionate share measured at June 30, 2019 relative to June 30, 2018 increased by .001% for non-hazardous and decreased for hazardous by .016%.

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**7. RETIREMENT PLAN (CONTINUED)**

For the year ended June 30, 2020, the City recognized pension expense of \$1,240,478. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual results   | \$ 225,665                                    | \$ 13,446                                    |
| Changes of assumptions  | 652,012                                       | -  |
| Net difference between projected and actual earnings on Plan investments                                  | -   | 99,403                                       |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 140,719                                       | 222,003                                      |
| City contributions subsequent to the measurement date   | <u>422,225</u>                                | <u>-</u>                                     |
| Total   | <u>\$ 1,440,621</u>                           | <u>\$ 334,852</u>                            |

The \$422,225 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, 2021. 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> |            |
|-----------------------------|------------|
| 2021                        | \$ 498,967 |
| 2022                        | \$ 136,091 |
| 2023                        | \$ 41,783  |
| 2024                        | \$ 6,703   |

*Actuarial Assumptions* – The total pension liability reported at June 30, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous**

|                           |  |
|---------------------------|--|
| Inflation                 | 2.30%  |
| Salary increases          | 3.30% to 10.30%, varies by service, including inflation    |
| Investment rate of return | 6.25%, net of Plan investment expense, including inflation |

**Hazardous**

|                           |  |
|---------------------------|--|
| Inflation                 | 2.30%  |
| Salary increases          | 3.55 to 19.05%, varies by service, including inflation     |
| Investment rate of return | 6.25%, net of Plan investment expense, including inflation |

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2018, actuarial 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, 2018) to the plan's fiscal year ending June 30, 2019.

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**7. RETIREMENT PLAN (CONTINUED)**

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>Growth</b>                  | <b>62.50%</b>            |   |
| US Equity                      | 18.75%                   | 4.30%   |
| Non-US Equity                  | 18.75%                   | 4.80%   |
| Private Equity                 | 10.00%                   | 6.65%   |
| Special credit/high yield      | 15.00%                   | 2.60%   |
| <b>Liquidity</b>               | <b>14.50%</b>            |   |
| Core Bonds                     | 13.50%                   | 1.35%   |
| Cash                           | 1.00%                    | 0.20%   |
| <b>Diversifying Strategies</b> | <b>23.00%</b>            |   |
| Real Estate                    | 5.00%                    | 4.85%   |
| Opportunistic                  | 3.00%                    | 2.97%   |
| Real Return                    | 15.00%                   | 4.10%   |
| <b>Total</b>                   | <b>100.00%</b>           | <b>6.25%</b>                                  |

*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 24-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:

|                       | <b>Non-hazardous</b> |  | <b>Hazardous</b> |  |
|-----------------------|----------------------|--|------------------|--|
|                       |                      | <b>City's proportionate share of net pension liability</b> |                  | <b>City's proportionate share of net pension liability</b> |
| 1% decrease           | 5.25%                | \$ 3,980,082   | 5.25%            | \$ 4,249,449   |
| Current discount rate | 6.25%                | \$ 3,182,242   | 6.25%            | \$ 3,398,948   |
| 1% increase           | 7.25%                | \$ 2,517,250   | 7.25%            | \$ 2,701,662   |

*Payable to the Pension Plan* – At June 30, 2020, the City reported a payable of \$52,226 for the outstanding amount of contributions to the pension and OPEB plan required for the year ended June 30, 2020.

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

*Plan Description* – As more fully described in Note 7, the City of La Grange 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, 2020, the employer's contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, are 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.

For the year ended June 30, 2020, the City contributed \$56,813, or 100% of the required contribution for non-hazardous job classifications, and \$60,766, 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<br>Insurance eligibility<br>Benefit | Before July 1, 2003<br>10 years of service credit required<br>Set percentage of single coverage health insurance<br>based on service credit accrued at retirement       |
| Tier 1 | Participation date<br>Insurance eligibility<br>Benefit | Before September 1, 2008 but after July 1, 2003<br>10 years of service credit required<br>Set dollar amount based on service credit accrued,<br>increased annually      |
| Tier 2 | Participation date<br>Insurance eligibility<br>Benefit | After September 1, 2008 and before December 31, 2013<br>15 years of service credit required<br>Set dollar amount based on service credit accrued,<br>increased annually |
| Tier 3 | Participation date<br>Insurance eligibility<br>Benefit | After December 31, 2013<br>15 years of service credit required<br>Set dollar amount based on service credit accrued,<br>increased annually                              |

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, 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> |
| \$ 1,671,179          | \$ 760,983           | \$ 910,196       |

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

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

The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward using generally accepted actuarial procedures. 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, 2019 was as follows:

| Non-hazardous | Hazardous |
|---------------|-----------|
| .045%         | .123%     |

The proportionate share at June 30, 2019 relative to June 30, 2018 for non-hazardous increased by .001% and hazardous decreased by .016%.

For the year ended June 30, 2020, the City recognized OPEB expense of \$211,833. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual results   | \$ -                                 | \$ 398,933                          |
| Changes of assumptions  | 500,240                              | 3,229                               |
| Net difference between projected and actual earnings on Plan investments                                  | -                                    | 86,132                              |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 48,013                               | 84,878                              |
| City contributions subsequent to the measurement date   | 134,570                              | -                                   |
| Total   | <u>\$ 682,823</u>                    | <u>\$ 573,172</u>                   |

The \$134,570 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, 2021. This includes adjustments of \$16,339 for the nonhazardous implicit subsidy and \$652 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, |             |
|----------------------|-------------|
| 2021                 | \$ 39,209   |
| 2022                 | \$ (8,840)  |
| 2023                 | \$ (27,704) |
| 2024                 | \$ (16,552) |
| 2025                 | \$ (9,563)  |
| 2026                 | \$ (1,469)  |

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

*Actuarial Assumptions* – The total OPEB liability reported at June 30, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous and  
Hazardous**

|                           |  |
|---------------------------|--|
| Inflation                 | 2.30%  |
| Salary increases          | 3.30 to 10.30%, varies by service, 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.

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2018, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019.

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<br/>Allocation</b> | <b>Long-Term<br/>Expected<br/>Real Rate of Return</b> |
|--------------------------------|------------------------------|---|
| <b>Growth</b>                  | <b>62.50%</b>                |   |
| US Equity                      | 18.75%                       | 4.30%   |
| Non-US Equity                  | 18.75%                       | 4.80%   |
| Private Equity                 | 10.00%                       | 6.65%   |
| Special credit/high yield      | 15.00%                       | 2.60%   |
| <b>Liquidity</b>               | <b>14.50%</b>                |   |
| Core Bonds                     | 13.50%                       | 1.35%   |
| Cash                           | 1.00%                        | 0.20%   |
| <b>Diversifying Strategies</b> | <b>23.00%</b>                |   |
| Real Estate                    | 5.00%                        | 4.85%   |
| Opportunistic                  | 3.00%                        | 2.97%   |
| Real Return                    | 15.00%                       | 4.10%   |
| <b>Total</b>                   | <b>100.00%</b>               | <b>6.25%</b>  |

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

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

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.68% and 5.69% 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 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

|                       | Non-hazardous |  | Hazardous     |  |
|-----------------------|---------------|--|---------------|--|
|                       | Discount rate | City's proportionate share of net OPEB liability | Discount rate | City's proportionate share of net OPEB liability |
| 1% decrease           | 4.68%         | \$ 1,019,405                                     | 4.69%         | \$ 1,269,909                                     |
| Current discount rate | 5.68%         | \$ 760,983                                       | 5.69%         | \$ 910,196                                       |
| 1% increase           | 6.68%         | \$ 548,061                                       | 6.69%         | \$ 618,216                                       |

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

|                    | Non-hazardous |  | Hazardous |  |
|--------------------|---------------|--|-----------|--|
|                    |               | City's proportionate share of net OPEB liability |           | City's proportionate share of net OPEB liability |
| 1% decrease        |               | \$ 565,948                                       |           | \$ 633,329                                       |
| Current trend rate |               | \$ 760,983                                       |           | \$ 910,196                                       |
| 1% increase        |               | \$ 997,488                                       |           | \$ 1,247,962                                     |

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

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**9. OPERATING LEASE**

In February 2017, the golf course entered into an operating lease with Wells Fargo Financial Leasing, Inc. to lease 58 golf carts. The lease terms call for 24 payments of \$8,729. The payments are made six months at a time from May through October. In November 2020, the golf course entered into an operating lease with Dever E-Z-GO to lease 58 golf carts. The lease term calls for 24 payments of \$8,758 from May through October and begins at the expiration of the Wells Fargo Financial lease. The future lease obligations at June 30, 2020, are as follows:

| Fiscal Year |                   |
|-------------|-------------------|
| 2021        | \$ 52,432         |
| 2022        | 52,548            |
| 2023        | 52,548            |
| 2024        | 52,548            |
| 2025        | <u>35,032</u>     |
| Total       | <u>\$ 245,108</u> |

Operating lease expense for the year ended June 30, 2020, totaled \$52,374.

**10. PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2020 were levied in September 2019 on the assessed property located in the City as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

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

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

**11. RISK MANAGEMENT**

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

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

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

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

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020, are as follows:

|                    |               |
|--------------------|---------------|
| Total assets       | \$ 16,486,457 |
| Total liabilities  | \$ 19,998     |
| Total net position | \$ 16,466,459 |

The net equity investment in Oldham-LaGrange Development Authority for the City of La Grange at June 30, 2020, is \$8,609,430. The net equity is determined by the following:

|                                    | OLDA Audit<br>6/30/2020 | City<br>Allocation  | County<br>Allocation |
|------------------------------------|-------------------------|---------------------|----------------------|
| Beginning net equity, July 1, 2019 | \$ 16,413,471           | \$ 8,582,936        | \$ 7,830,535         |
| Operating loss before transfers in | (67,012)                | (33,506)            | (33,506)             |
| Principal payments transfers in    | <u>120,000</u>          | <u>60,000</u>       | <u>60,000</u>        |
| Ending net equity, June 30, 2020   | <u>\$ 16,466,459</u>    | <u>\$ 8,609,430</u> | <u>\$ 7,857,029</u>  |

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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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 2020, the General Fund transferred \$64,492 to the Bus Fund and \$305,344 to the Golf Course.

**14. INTERFUND BALANCES**

This table shows interfund balances as of June 30, 2020:

|                | <b>General<br/>Fund</b> | <b>Utility<br/>Commission</b> | <b>ABC<br/>Fund</b> | <b>Bus<br/>Fund</b> | <b>Total<br/>Due To</b> |
|----------------|-------------------------|-------------------------------|---------------------|---------------------|-------------------------|
| General Fund   | \$ <u>      -      </u> | \$ <u>33,041</u>              | \$ <u>83,471</u>    | \$ <u>272,930</u>   | \$ <u>389,442</u>       |
| Total due from | \$ <u>      -      </u> | \$ <u>33,041</u>              | \$ <u>83,471</u>    | \$ <u>272,930</u>   | \$ <u>389,442</u>       |

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

**15. COVID-19 PANDEMIC**

In early 2020, various restrictions were placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The City is evaluating the impact of COVID-19 and related responses on the operations and finances of the City. Restrictions placed on the local businesses could negatively impact the City's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

## **SUPPLEMENTARY INFORMATION**

**CITY OF LA GRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2020**

|                                       | <u>Enacted<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>       | <u>Favorable<br/>(Unfavorable)</u> |
|---------------------------------------|---------------------------|---------------------------|---------------------|------------------------------------|
| <b>REVENUES</b>                       |                           |                           |                     |                                    |
| <b>Taxes</b>                          |                           |                           |                     |                                    |
| General property taxes                | \$ 1,393,000              | \$ 1,393,000              | \$ 1,465,716        | \$ 72,716                          |
| Bank shared tax                       | 65,000                    | 65,000                    | 84,357              | 19,357                             |
| Omitted tangibles                     | 2,500                     | 2,500                     | 8,326               | 5,826                              |
| Motor vehicle taxes                   | <u>140,000</u>            | <u>140,000</u>            | <u>133,218</u>      | <u>(6,782)</u>                     |
| Total municipal taxation              | <u>1,600,500</u>          | <u>1,600,500</u>          | <u>1,691,617</u>    | <u>91,117</u>                      |
| <b>Licenses, permits and billings</b> |                           |                           |                     |                                    |
| Business licenses                     | 453,000                   | 453,000                   | 500,827             | 47,827                             |
| Insurance premiums                    | 1,877,000                 | 1,877,000                 | 1,929,367           | 52,367                             |
| ABC license fees                      | 15,000                    | 15,000                    | 21,882              | 6,882                              |
| Compensation tax                      | 2,375,000                 | 2,375,000                 | 2,129,830           | (245,170)                          |
| Franchise fees                        | <u>425,000</u>            | <u>425,000</u>            | <u>400,734</u>      | <u>(24,266)</u>                    |
| Total licenses, permits and billings  | <u>5,145,000</u>          | <u>5,145,000</u>          | <u>4,982,640</u>    | <u>(162,360)</u>                   |
| <b>Intergovernmental revenues</b>     |                           |                           |                     |                                    |
| Grants                                | 14,000                    | 14,000                    | 292,028             | 278,028                            |
| Federal overtime                      | 9,000                     | 9,000                     | 9,115               | 115                                |
| KLEFPF                                | 73,640                    | 73,640                    | 78,871              | 5,231                              |
| LGEA                                  | <u>10,000</u>             | <u>10,000</u>             | <u>8,922</u>        | <u>(1,078)</u>                     |
| Total intergovernmental               | <u>106,640</u>            | <u>106,640</u>            | <u>388,936</u>      | <u>282,296</u>                     |
| <b>Charges for service</b>            |                           |                           |                     |                                    |
| Sanitation fees                       | 380,000                   | 380,000                   | 409,862             | 29,862                             |
| Storm water fees                      | <u>100,000</u>            | <u>100,000</u>            | <u>100,000</u>      | <u>-</u>                           |
| Total charges for service             | <u>480,000</u>            | <u>480,000</u>            | <u>509,862</u>      | <u>29,862</u>                      |
| <b>Other revenue</b>                  |                           |                           |                     |                                    |
| Interest                              | 2,500                     | 2,500                     | 63,662              | 61,162                             |
| Penalties                             | 12,000                    | 12,000                    | 915                 | (11,085)                           |
| Encroachment fees                     | 4,500                     | 4,500                     | 3,500               | (1,000)                            |
| Community center                      | 6,200                     | 6,200                     | 4,900               | (1,300)                            |
| State forfeiture                      | -                         | -                         | 23                  | 23                                 |
| Miscellaneous                         | <u>45,000</u>             | <u>45,000</u>             | <u>129,757</u>      | <u>84,757</u>                      |
| Total other revenue                   | <u>70,200</u>             | <u>70,200</u>             | <u>202,757</u>      | <u>132,557</u>                     |
| <b>TOTAL REVENUE</b>                  | <u>\$ 7,402,340</u>       | <u>\$ 7,402,340</u>       | <u>\$ 7,775,812</u> | <u>\$ 373,472</u>                  |

**CITY OF LA GRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2020**

|                                  | <u>Enacted<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|----------------------------------|---------------------------|---------------------------|------------------|---|
| <b>EXPENDITURES</b>              |                           |                           |                  |   |
| <b>General Government</b>        |                           |                           |                  |   |
| Salaries                         | \$ 154,149                | \$ 154,149                | \$ 167,668       | \$ (13,519)                                     |
| Overtime                         | 2,000                     | 2,000                     | -                | 2,000   |
| Part-time salaries               | 2,000                     | 2,000                     | -                | 2,000   |
| Employee Insurance               | 56,229                    | 56,229                    | 49,562           | 6,667   |
| Employer portion FICA            | 15,943                    | 15,943                    | 15,307           | 636   |
| Employer portion medicare        | 3,729                     | 3,729                     | 3,580            | 149   |
| Mayor/Council                    | 103,000                   | 103,000                   | 103,000          | -   |
| Employer portion retirement      | 37,088                    | 37,088                    | 26,853           | 10,235  |
| Unemployment insurance           | 4,000                     | 4,000                     | -                | 4,000   |
| Computer maintenance             | 40,000                    | 40,000                    | 40,733           | (733)   |
| Tax preparation (PVA)            | 38,900                    | 38,900                    | 40,368           | (1,468)   |
| Ordinance codification           | 5,000                     | 5,000                     | 428              | 4,572   |
| Workers compensation             | 13,255                    | 13,255                    | 11,999           | 1,256   |
| Property/liability insurance     | 61,000                    | 61,000                    | 48,889           | 12,111  |
| Auditing                         | 23,400                    | 23,400                    | 23,400           | -   |
| Gas/electric/telephone           | 114,000                   | 114,000                   | 130,461          | (16,461)  |
| Legal fees                       | 15,000                    | 15,000                    | 33,198           | (18,198)  |
| Legal advertisements             | 10,000                    | 10,000                    | 6,722            | 3,278   |
| Office supplies                  | 10,000                    | 10,000                    | 7,751            | 2,249   |
| Repair and maintenance           | 10,000                    | 10,000                    | 3,718            | 6,282   |
| Seminars/education               | 12,000                    | 12,000                    | 5,359            | 6,641   |
| Miscellaneous                    | 31,043                    | 31,043                    | 26,117           | 4,926   |
| Small equipment purchases        | 1,000                     | 1,000                     | 232              | 768   |
| Board of adjustments and appeals | 1,000                     | 1,000                     | 350              | 650   |
| Total general government         | <u>763,736</u>            | <u>763,736</u>            | <u>745,695</u>   | <u>18,041</u>                                   |
| <b>Public Safety-Police</b>      |                           |                           |                  |   |
| Police salaries                  | 710,955                   | 710,955                   | 679,846          | 31,109  |
| Overtime salaries                | 19,425                    | 19,425                    | 21,490           | (2,065)   |
| Part-time salaries               | 17,105                    | 17,105                    | 8,652            | 8,453   |
| KLEFPF                           | 64,000                    | 64,000                    | 61,994           | 2,006   |
| Federal overtime                 | 9,000                     | 9,000                     | 1,052            | 7,948   |
| Employee Insurance               | 182,431                   | 182,431                   | 116,218          | 66,213  |
| Employer portion FICA            | 43,545                    | 43,545                    | 43,864           | (319)   |
| Employer portion medicare        | 10,184                    | 10,184                    | 9,662            | 522   |
| Employer portion retirement      | 207,159                   | 207,159                   | 218,364          | (11,205)  |
| Workers compensation             | 21,921                    | 21,921                    | 32,640           | (10,719)  |
| Automobile insurance             | 21,124                    | 21,124                    | 25,146           | (4,022)   |
| Liability insurance              | 25,660                    | 25,660                    | 25,485           | 175   |
| Radio maintenance                | 1,110                     | 1,110                     | 357              | 753   |
| Computer maintenance             | 13,320                    | 13,320                    | 16,395           | (3,075)   |
| Seminars and education           | 5,920                     | 5,920                     | 4,866            | 1,054   |
| Uniform expense                  | 14,800                    | 14,800                    | 10,301           | 4,499   |
| Miscellaneous                    | 27,550                    | 27,550                    | 29,692           | (2,142)   |
| Crime prevention                 | 4,000                     | 4,000                     | 3,045            | 955   |
| Criminal investigations          | 1,480                     | 1,480                     | 1,458            | 22  |
| Firing range expenses            | 1,000                     | 1,000                     | 347              | 653   |
| Small equipment purchases        | 4,000                     | 4,000                     | 3,869            | 131   |
| Gas and oil                      | 36,000                    | 36,000                    | 31,655           | 4,345   |
| Equipment repairs                | 25,000                    | 25,000                    | (410)            | 25,410  |
| Drug enforcement funds           | 1,000                     | 1,000                     | 1,000            | -   |
| Dry cleaning                     | 1,500                     | 1,500                     | 1,853            | (353)   |
| Telephone/cellular/pagers        | 21,000                    | 21,000                    | 20,345           | 655   |
| K-9                              | 1,000                     | 1,000                     | 923              | 77  |
| One call                         | 3,912                     | 3,912                     | -                | 3,912   |
| Oldham County dispatch           | 12,250                    | 12,250                    | 10,912           | 1,338   |
| Total public safety-police       | <u>1,507,351</u>          | <u>1,507,351</u>          | <u>1,381,021</u> | <u>126,330</u>                                  |

**CITY OF LA GRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2020**

|                                    | <u>Enacted<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>       | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|------------------------------------|---------------------------|---------------------------|---------------------|---|
| <b>Public Works</b>                |                           |                           |                     |   |
| Salaries                           | \$ 387,892                | \$ 387,892                | \$ 342,995          | \$ 44,897                                       |
| Overtime salaries                  | 15,000                    | 15,000                    | 5,957               | 9,043   |
| Part-time salaries                 | 27,918                    | 27,918                    | 28,051              | (133)   |
| Employee insurance                 | 174,047                   | 174,047                   | 113,313             | 60,734  |
| Employer portion FICA              | 22,702                    | 22,702                    | 22,872              | (170)   |
| Employer portion medicare          | 5,309                     | 5,309                     | 5,349               | (40)  |
| Employer portion retirement        | 88,100                    | 88,100                    | 76,949              | 11,151  |
| Workers compensation               | 30,000                    | 30,000                    | 25,664              | 4,336   |
| Vehicle insurance                  | 29,000                    | 29,000                    | 16,180              | 12,820  |
| Utilities                          | 18,000                    | 18,000                    | 13,747              | 4,253   |
| Seminars/Education                 | 3,000                     | 3,000                     | 2,713               | 287   |
| Uniforms                           | 3,000                     | 3,000                     | 2,604               | 396   |
| Small equipment purchases          | 4,500                     | 4,500                     | 3,945               | 555   |
| Gas and oil                        | 21,000                    | 21,000                    | 28,806              | (7,806)   |
| Equipment/vehicle repairs          | 167,000                   | 167,000                   | 29,037              | 137,963   |
| Computer maintenance               | 500                       | 500                       | 525                 | (25)  |
| Crushed rock                       | 1,000                     | 1,000                     | 1,019               | (19)  |
| Signs and posts                    | 6,000                     | 6,000                     | 4,969               | 1,031   |
| Sidewalks                          | 60,000                    | 60,000                    | 30,871              | 29,129  |
| Paving material                    | 100,000                   | 100,000                   | 12,053              | 87,947  |
| Street paint                       | 2,000                     | 2,000                     | 1,711               | 289   |
| Snow removal                       | 3,000                     | 3,000                     | 182                 | 2,818   |
| Grounds maintenance                | 10,000                    | 10,000                    | 5,206               | 4,794   |
| Building maintenance               | 50,000                    | 50,000                    | 1,979               | 48,021  |
| Equipment rental                   | 2,000                     | 2,000                     | 1,990               | 10  |
| Tires and batteries                | 8,000                     | 8,000                     | 4,700               | 3,300   |
| Electric/telephone welcome center  | 3,500                     | 3,500                     | 2,894               | 606   |
| Repairs welcome center             | 4,000                     | 4,000                     | 815                 | 3,185   |
| Miscellaneous                      | 2,500                     | 2,500                     | 2,173               | 327   |
| CDL license                        | 1,000                     | 1,000                     | 306                 | 694   |
| Contract help                      | 14,000                    | 14,000                    | 14,000              | -   |
| Safety                             | 2,000                     | 2,000                     | 2,638               | (638)   |
| Street lighting                    | 2,500                     | 2,500                     | 38                  | 2,462   |
| <b>Total public works</b>          | <u>1,268,468</u>          | <u>1,268,468</u>          | <u>806,251</u>      | <u>462,217</u>                                  |
| <b>Sanitation</b>                  | <u>362,940</u>            | <u>362,940</u>            | <u>414,508</u>      | <u>(51,568)</u>                                 |
| <b>Parks and Recreation</b>        | <u>218,750</u>            | <u>218,750</u>            | <u>158,298</u>      | <u>60,452</u>                                   |
| <b>Storm Water</b>                 | <u>100,000</u>            | <u>100,000</u>            | <u>23,799</u>       | <u>76,201</u>                                   |
| <b>Community Development</b>       |                           |                           |                     |   |
| Main street                        | 5,000                     | 5,000                     | 5,018               | (18)  |
| La Grange crossroads district      | 45,000                    | 45,000                    | 45,622              | (622)   |
| Economic development, OLDA         | 80,000                    | 80,000                    | 80,000              | -   |
| Historic preservation              | 5,000                     | 5,000                     | 250                 | 4,750   |
| Tree replacement                   | 2,000                     | 2,000                     | 2,000               | -   |
| La Grange elementary               | -                         | -                         | -                   | -   |
| Festivals - Christmas, OC Day      | 5,000                     | 5,000                     | 5,645               | (645)   |
| GIS                                | 3,000                     | 3,000                     | 1,400               | 1,600   |
| Mayor's discretionary fund         | 2,500                     | 2,500                     | 1,815               | 685   |
| Building maintenance               | 15,000                    | 15,000                    | 7,288               | 7,712   |
| Signage and lighting               | 20,000                    | 20,000                    | 12,631              | 7,369   |
| Miscellaneous                      | 28,165                    | 28,165                    | 22,052              | 6,113   |
| <b>Total community development</b> | <u>210,665</u>            | <u>210,665</u>            | <u>183,721</u>      | <u>26,944</u>                                   |
| <b>Capital Outlay</b>              | <u>1,236,971</u>          | <u>1,236,971</u>          | <u>509,745</u>      | <u>727,226</u>                                  |
| <b>Total capital outlay</b>        | <u>1,236,971</u>          | <u>1,236,971</u>          | <u>509,745</u>      | <u>727,226</u>                                  |
| <b>Debt Service</b>                | <u>1,962,230</u>          | <u>1,962,230</u>          | <u>1,256,849</u>    | <u>705,381</u>                                  |
| <b>TOTAL EXPENDITURES</b>          | <u>\$ 7,631,111</u>       | <u>\$ 7,631,111</u>       | <u>\$ 5,479,887</u> | <u>\$ 2,151,224</u>                             |

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

| <b>Reporting Fiscal Year<br/>(Measurement Date)</b>   | <b>2014<br/>(2013)</b> | <b>2015<br/>(2014)</b> | <b>2016<br/>(2015)</b> | <b>2017<br/>(2016)</b> | <b>2018<br/>(2017)</b> | <b>2019<br/>(2018)</b> | <b>2020<br/>(2019)</b> |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| City's proportion of the net pension liability  | 0.040%                 | 0.040%                 | 0.039%                 | 0.041%                 | 0.042%                 | 0.044%                 | 0.045%                 |
| 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           | \$ 3,182,242           |
| City's covered employee payroll   | \$ 887,128             | \$ 927,729             | \$ 920,089             | \$ 970,461             | \$ 1,018,799           | \$ 1,078,524           | \$ 1,140,500           |
| 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%                | 279.02%                |
| Plan fiduciary net position as a percentage of the total pension liability                        | 61.22%                 | 66.80%                 | 59.97%                 | 55.50%                 | 53.32%                 | 53.54%                 | 50.45%                 |

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 Seven Fiscal Years**

| <b>Reporting Fiscal Year<br/>(Measurement Date)</b>   | <b>2014<br/>(2013)</b> | <b>2015<br/>(2014)</b> | <b>2016<br/>(2015)</b> | <b>2017<br/>(2016)</b> | <b>2018<br/>(2017)</b> | <b>2019<br/>(2018)</b> | <b>2020<br/>(2019)</b> |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| City's proportion of the net pension liability  | 0.140%                 | 0.140%                 | 0.134%                 | 0.133%                 | 0.136%                 | 0.139%                 | 0.123%                 |
| 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           | \$ 3,398,948           |
| City's covered employee payroll   | \$ 666,630             | \$ 690,007             | \$ 687,758             | \$ 726,269             | \$ 745,833             | \$ 772,520             | \$ 694,695             |
| 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%                | 489.27%                |
| Plan fiduciary net position as a percentage of the total pension liability                        | 57.74%                 | 63.46%                 | 57.52%                 | 53.95%                 | 49.78%                 | 49.26%                 | 46.63%                 |

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

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

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|  | 2013           | 2014           | 2015           | 2016           | 2017           | 2018           | 2019           | 2020           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required employer contribution                           | \$ 107,875     | \$ 124,691     | \$ 117,307     | \$ 120,531     | \$ 142,123     | \$ 156,170     | \$ 185,005     | \$ 230,352     |
| 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> | <u>230,352</u> |
| Contribution deficiency (excess)                                       | <u>\$ -</u>    | <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   | \$ 1,193,536   |
| Employer contributions as a percentage of covered-employee payroll     | 12.16%         | 13.44%         | 12.75%         | 12.42%         | 13.95%         | 14.48%         | 16.22%         | 19.30%         |

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

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

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|  | 2013           | 2014           | 2015           | 2016           | 2017           | 2018           | 2019           | 2020           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required employer contribution                           | \$ 133,993     | \$ 150,215     | \$ 142,572     | \$ 147,142     | \$ 173,373     | \$ 183,539     | \$ 186,476     | \$ 191,873     |
| 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> | <u>191,873</u> |
| Contribution deficiency (excess)                                       | <u>\$ -</u>    | <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     | \$ 638,299     |
| Employer contributions as a percentage of covered-employee payroll     | 20.10%         | 21.77%         | 20.73%         | 20.26%         | 23.25%         | 23.76%         | 26.84%         | 30.06%         |

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 Four Fiscal Years**

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| <b>Reporting Fiscal Year<br/>(Measurement Date)</b>  | <b>2017<br/>(2016)</b> | <b>2018<br/>(2017)</b> | <b>2019<br/>(2018)</b> | <b>2020<br/>(2019)</b> |
|--|------------------------|------------------------|------------------------|------------------------|
| City's proportion of the net OPEB liability  | 0.041%                 | 0.042%                 | 0.044%                 | 0.045%                 |
| City's proportionate share of the net OPEB liability (asset)                                   | \$ 659,818             | \$ 841,208             | \$ 772,583             | \$ 760,983             |
| City's covered employee payroll  | \$ 970,461             | \$ 1,018,799           | \$ 1,078,524           | \$ 1,140,500           |
| City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll | 67.99%                 | 82.57%                 | 71.63%                 | 66.72%                 |
| Plan fiduciary net position as a percentage of the total OPEB liability                        | unavailable            | 52.39%                 | 57.62%                 | 60.44%                 |

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 Four Fiscal Years**

---

| <b>Reporting Fiscal Year<br/>(Measurement Date)</b>  | <b>2017<br/>(2016)</b> | <b>2018<br/>(2017)</b> | <b>2019<br/>(2018)</b> | <b>2020<br/>(2019)</b> |
|--|------------------------|------------------------|------------------------|------------------------|
| City's proportion of the net OPEB liability  | 0.133%                 | 0.136%                 | 0.139%                 | 0.123%                 |
| City's proportionate share of the net OPEB liability (asset)                                   | \$ 671,137             | \$ 1,123,174           | \$ 988,789             | \$ 910,196             |
| City's covered employee payroll  | \$ 726,269             | \$ 745,833             | \$ 772,520             | \$ 694,695             |
| City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll | 92.41%                 | 150.59%                | 128.00%                | 131.02%                |
| Plan fiduciary net position as a percentage of the total OPEB liability                        | unavailable            | 58.99%                 | 64.24%                 | 64.44%                 |

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

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

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|  | 2013          | 2014          | 2015          | 2016          | 2017          | 2018          | 2019          | 2020          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required employer contribution                           | \$ 59,237     | \$ 46,736     | \$ 45,267     | \$ 45,030     | \$ 48,189     | \$ 50,691     | \$ 59,995     | \$ 56,813     |
| 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> | <u>56,813</u> |
| Contribution deficiency (excess)                                       | <u>\$ -</u>   | <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  | \$ 1,193,536  |
| Employer contributions as a percentage of covered-employee payroll     | 6.68%         | 5.04%         | 4.92%         | 4.64%         | 4.73%         | 4.70%         | 5.26%         | 4.76%         |

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

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

---

|  | 2013           | 2014          | 2015          | 2016          | 2017          | 2018          | 2019          | 2020          |
|--|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required employer contribution                           | \$ 116,660     | \$ 96,118     | \$ 93,398     | \$ 92,163     | \$ 74,668     | \$ 77,301     | \$ 78,505     | \$ 60,766     |
| 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> | <u>60,766</u> |
| Contribution deficiency (excess)                                       | <u>\$ -</u>    | <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    | \$ 638,299    |
| Employer contributions as a percentage of covered-employee payroll     | 17.50%         | 13.93%        | 13.58%        | 12.69%        | 10.01%        | 10.01%        | 11.30%        | 9.52%         |

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

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2020**

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**1. GENERAL INFORMATION**

**Contributions**

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

**Payroll**

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

**2. CHANGES OF ASSUMPTIONS**

**June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average.

**June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

**June 30, 2017 – Pension – Hazardous and Nonhazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

**June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2020**

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**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**June 30, 2015 – Pension – Hazardous and Nonhazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- 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 assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

**June 30, 2014 – Pension – Hazardous and Nonhazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

**June 30, 2013 – Pension – Hazardous and Nonhazardous**

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

CITY OF LA GRANGE, KENTUCKY  
SUPPLEMENTARY BUDGETARY COMPARISON  
OTHER GOVERNMENTAL FUNDS  
for the year ended June 30, 2020

|                                | <u>Enacted<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>     | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--------------------------------|---------------------------|---------------------------|-------------------|---|
| <b>MUNICIPAL ROAD AID FUND</b> |                           |                           |                   |   |
| <b>REVENUES</b>                |                           |                           |                   |   |
| Intergovernmental revenues     | \$ 156,000                | \$ 156,000                | \$ 160,160        | \$ 4,160  |
| Interest                       | -                         | -                         | 109               | 109   |
| Carryover                      | <u>165,000</u>            | <u>165,000</u>            | <u>-</u>          | <u>(165,000)</u>                                |
| <b>TOTAL REVENUES</b>          | <u>\$ 321,000</u>         | <u>\$ 321,000</u>         | <u>\$ 160,269</u> | <u>\$ (160,731)</u>                             |
| <b>EXPENDITURES</b>            |                           |                           |                   |   |
| Public works                   | \$ 50,000                 | \$ 50,000                 | \$ 14,600         | \$ 35,400                                       |
| Capital outlay                 | <u>271,000</u>            | <u>271,000</u>            | <u>125,485</u>    | <u>145,515</u>                                  |
| <b>TOTAL EXPENDITURES</b>      | <u>\$ 321,000</u>         | <u>\$ 321,000</u>         | <u>\$ 140,085</u> | <u>\$ 180,915</u>                               |
| <b>PARKS BOARD FUND</b>        |                           |                           |                   |   |
| <b>REVENUES</b>                |                           |                           |                   |   |
| Other revenues                 | \$ -                      | \$ -                      | \$ 3,576          | \$ 3,576  |
| <b>TOTAL REVENUES</b>          | <u>\$ -</u>               | <u>\$ -</u>               | <u>\$ 3,576</u>   | <u>\$ 3,576</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, 2020**

|                            | <u>Enacted<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>     | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|----------------------------|---------------------------|---------------------------|-------------------|---|
| <b>ABC FUND</b>            |                           |                           |                   |   |
| <b>REVENUES</b>            |                           |                           |                   |   |
| Licenses and permits       | \$ 344,000                | \$ 344,000                | \$ 360,191        | \$ 16,191                                       |
| Other revenues             | -                         | -                         | 342               | 342   |
| Carryover                  | 191,793                   | 191,793                   | -                 | (191,793)                                       |
| <b>TOTAL REVENUES</b>      | <u>\$ 535,793</u>         | <u>\$ 535,793</u>         | <u>\$ 360,533</u> | <u>\$ (175,260)</u>                             |
| <b>EXPENDITURES</b>        |                           |                           |                   |   |
| ABC                        | \$ 460,793                | \$ 460,793                | \$ 341,650        | \$ 119,143                                      |
| Capital outlay             | 75,000                    | 75,000                    | 65,000            | 10,000  |
| <b>TOTAL EXPENDITURES</b>  | <u>\$ 535,793</u>         | <u>\$ 535,793</u>         | <u>\$ 406,650</u> | <u>\$ 129,143</u>                               |
| <b>BUS FUND</b>            |                           |                           |                   |   |
| <b>REVENUES</b>            |                           |                           |                   |   |
| Intergovernmental revenues | \$ 56,235                 | \$ 56,235                 | \$ 75,518         | \$ 19,283                                       |
| Charges for service        | 9,500                     | 9,500                     | 5,877             | (3,623)   |
| Miscellaneous              | -                         | -                         | 4,611             | 4,611   |
| <b>TOTAL REVENUES</b>      | <u>\$ 65,735</u>          | <u>\$ 65,735</u>          | <u>\$ 86,006</u>  | <u>\$ 20,271</u>                                |
| <b>EXPENDITURES</b>        |                           |                           |                   |   |
| General and administrative | \$ 4,600                  | \$ 4,600                  | \$ 3,063          | \$ 1,537  |
| Salaries and wages         | 105,627                   | 105,627                   | 93,729            | 11,898  |
| Repairs and maintenance    | 6,500                     | 6,500                     | 4,693             | 1,807   |
| Fuel                       | 15,500                    | 15,500                    | 8,281             | 7,219   |
| <b>TOTAL EXPENDITURES</b>  | <u>\$ 132,227</u>         | <u>\$ 132,227</u>         | <u>\$ 109,766</u> | <u>\$ 22,461</u>                                |

**CITY OF LA GRANGE, KENTUCKY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2020**

|                                    | <b>Municipal<br/>Road Aid<br/>Fund</b> | <b>Foundations<br/>and Parks<br/>Fund</b> | <b>ABC<br/>Fund</b> | <b>Bus<br/>Fund</b> | <b>Total</b>      |
|------------------------------------|--|---|---------------------|---------------------|-------------------|
| <b>ASSETS</b>                      |  |   |                     |                     |                   |
| Cash and cash equivalents          | \$ 185,379                             | \$ 83,653                                 | \$ 302,684          | \$ 252,268          | \$ 823,984        |
| Accounts receivable                | <u>12,630</u>                          | <u>-</u>                                  | <u>97,097</u>       | <u>10,595</u>       | <u>120,322</u>    |
| Total assets                       | <u>\$ 198,009</u>                      | <u>\$ 83,653</u>                          | <u>\$ 399,781</u>   | <u>\$ 262,863</u>   | <u>\$ 944,306</u> |
| <b>LIABILITIES</b>                 |  |   |                     |                     |                   |
| Accounts payable                   | \$ -                                   | \$ -                                      | \$ -                | \$ 1,109            | \$ 1,109          |
| Accrued payroll payable            | -                                      | -   | -                   | 3,272               | 3,272             |
| Accrued leave                      | -                                      | -   | -                   | 751                 | 751               |
| Due to other fund                  | <u>-</u>                               | <u>-</u>                                  | <u>83,471</u>       | <u>272,930</u>      | <u>356,401</u>    |
| Total liabilities                  | <u>-</u>                               | <u>-</u>                                  | <u>83,471</u>       | <u>278,062</u>      | <u>361,533</u>    |
| <b>FUND BALANCE</b>                |  |   |                     |                     |                   |
| Restricted                         | 198,009                                | -   | 316,310             | -                   | 514,319           |
| Committed                          | -                                      | 83,653                                    | -                   | -                   | 83,653            |
| Unassigned                         | <u>-</u>                               | <u>-</u>                                  | <u>-</u>            | <u>(15,199)</u>     | <u>(15,199)</u>   |
| Total fund balance                 | <u>198,009</u>                         | <u>83,653</u>                             | <u>316,310</u>      | <u>(15,199)</u>     | <u>582,773</u>    |
| Total liabilities and fund balance | <u>\$ 198,009</u>                      | <u>\$ 83,653</u>                          | <u>\$ 399,781</u>   | <u>\$ 262,863</u>   | <u>\$ 944,306</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, 2020

|  | <b>Municipal<br/>Road Aid<br/>Fund</b> | <b>Foundations<br/>and Parks<br/>Fund</b> | <b>ABC<br/>Fund</b> | <b>Bus<br/>Fund</b> | <b>Total</b>      |
|--|--|---|---------------------|---------------------|-------------------|
| <b>REVENUES</b>  |  |   |                     |                     |                   |
| Licenses and permits   | \$ -                                   | \$ -                                      | \$ 360,191          | \$ -                | \$ 360,191        |
| Intergovernmental revenues                                   | 160,160                                | -   | -                   | 75,518              | 235,678           |
| Charges for service  | -                                      | -   | -                   | 5,877               | 5,877             |
| Other revenues   | 109                                    | 3,576                                     | 342                 | 4,611               | 8,638             |
|  | <u>160,269</u>                         | <u>3,576</u>                              | <u>360,533</u>      | <u>86,006</u>       | <u>610,384</u>    |
| Total revenues   |  |   |                     |                     |                   |
| <b>EXPENDITURES</b>  |  |   |                     |                     |                   |
| Public works   | 14,600                                 | -   | -                   | -                   | 14,600            |
| ABC  | -                                      | -   | 341,650             | -                   | 341,650           |
| Bus  | -                                      | -   | -                   | 109,766             | 109,766           |
| Capital outlay   | 125,485                                | -   | 65,000              | -                   | 190,485           |
|  | <u>140,085</u>                         | <u>-</u>                                  | <u>406,650</u>      | <u>109,766</u>      | <u>656,501</u>    |
| Total expenditures   |  |   |                     |                     |                   |
| <b>Excess (deficiency) of revenues over<br/>expenditures</b> | <u>20,184</u>                          | <u>3,576</u>                              | <u>(46,117)</u>     | <u>(23,760)</u>     | <u>(46,117)</u>   |
| <b>Other financing sources</b>                               |  |   |                     |                     |                   |
| Transfers in   | -                                      | -   | -                   | 66,492              | 66,492            |
|  | <u>-</u>                               | <u>-</u>                                  | <u>-</u>            | <u>66,492</u>       | <u>66,492</u>     |
| Total other financing sources                                |  |   |                     |                     |                   |
| <b>Net change in fund balances</b>                           | 20,184                                 | 3,576                                     | (46,117)            | 42,732              | 20,375            |
| Fund balances, beginning                                     | <u>177,825</u>                         | <u>80,077</u>                             | <u>362,427</u>      | <u>(57,931)</u>     | <u>562,398</u>    |
| <b>Fund balances, ending</b>                                 | <u>\$ 198,009</u>                      | <u>\$ 83,653</u>                          | <u>\$ 316,310</u>   | <u>\$ (15,199)</u>  | <u>\$ 582,773</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, 2020, 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 March 31, 2021.

**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 (2020-001) 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 (2020-002) 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  
March 31, 2021

**CITY OF LA GRANGE, KENTUCKY  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2020**

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**2020-001 *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 accepted accounting principles.

**2020-002 *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.