

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

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**FINANCIAL STATEMENTS**  
**June 30, 2021**

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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, 2021, 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, 2021, 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 45-57 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The budgetary comparison – other governmental funds, combining nonmajor fund financial statements and the schedule of expenditures of federal awards 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 other information is 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 October 4, 2022, 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  
October 4, 2022

## **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, 2021. Please read in conjunction with the auditors' report beginning on page 1 and the City's financial statements, which begin on page 11.

### **FINANCIAL HIGHLIGHTS**

- The City's net position increased in both the governmental activities and the business-type activities. The net position of the governmental activities increased by \$3,532,736, or 21.79%, and the net position of the business-type activities increased by \$1,080,373, or 5.77%.
- In the City's governmental activities, revenues increased \$866,858 or 10%, and expenses decreased by \$1,255 or .01%. In the business-type activities, revenues increased by \$898,052, which is a increase of 19%, and expenses increased by \$140,554 or 3%.

### **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 internal control and 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 Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>
Current Assets	\$ 9,896,191	\$ 8,241,704	\$ 4,750,054	\$ 4,120,585	\$ 14,646,245	\$ 12,362,289
Noncurrent and Capital Assets	10,719,913	9,283,187	25,106,720	22,703,762	35,826,633	31,986,949
OLDA Investment	8,638,398	8,609,430	-	-	8,638,398	8,609,430
Total Assets	<u>29,254,502</u>	<u>26,134,321</u>	<u>29,856,774</u>	<u>26,824,347</u>	<u>59,111,276</u>	<u>52,958,668</u>
Deferred Outflows of Resources	1,427,722	1,551,412	637,540	572,032	2,065,262	2,123,444
Total Assets and Deferred Outflows	<u>30,682,224</u>	<u>27,685,733</u>	<u>30,494,314</u>	<u>27,396,379</u>	<u>61,176,538</u>	<u>55,082,112</u>
Current Liabilities	1,787,112	1,508,294	1,095,288	746,913	2,882,400	2,255,207
Long-Term Debt Outstanding	1,621,251	2,788,751	7,166,709	5,820,359	8,787,960	8,609,110
Other Non-Current Liabilities	66,035	74,106	60,710	37,507	126,745	111,613
Net Pension Liability	5,149,792	5,053,332	1,722,049	1,527,858	6,871,841	6,581,190
Net OPEB Liability	1,593,379	1,305,893	541,978	365,286	2,135,357	1,671,179
Total Liabilities	<u>10,217,569</u>	<u>10,730,376</u>	<u>10,586,734</u>	<u>8,497,923</u>	<u>20,804,303</u>	<u>19,228,299</u>
Deferred Inflows of Resources	<u>721,484</u>	<u>744,922</u>	<u>91,580</u>	<u>163,102</u>	<u>813,064</u>	<u>908,024</u>
Net Position:						
Net investment in						
Capital Assets	7,429,780	5,124,373	15,576,159	15,827,991	23,005,939	20,952,364
Restricted	3,262,087	4,140,216	1,936,495	739,497	5,198,582	4,879,713
Unrestricted	9,051,304	6,945,846	2,303,346	2,168,139	11,354,650	9,113,985
Total Net Position	<u>\$ 19,743,171</u>	<u>\$ 16,210,435</u>	<u>\$ 19,816,000</u>	<u>\$ 18,735,627</u>	<u>\$ 39,559,171</u>	<u>\$ 34,946,062</u>

Net position of the City's governmental activities increased by 22 percent, from \$16,210,435 in 2020 to \$19,743,171 in 2021. The net position of the business-type activities increased from \$18,735,627 in 2020 to \$19,816,000 in 2021, which is a 6 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 Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
<b>Revenues</b>	<b>FY 2021</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020</b>
<u>Program Revenues</u>						
Charges for Service	\$ 487,362	\$ 515,739	\$ 4,918,417	\$ 4,443,774	\$ 5,405,779	\$ 4,959,513
Operating Grants & Contributions	1,067,958	464,454	-	-	1,067,958	464,454
Capital Grants & Contributions	158,658	160,160	635,793	204,967	794,451	365,127
<u>General Revenue</u>						
Taxes	1,767,374	1,691,617	-	-	1,767,374	1,691,617
License fees	5,585,459	5,342,831	-	-	5,585,459	5,342,831
Investment Earnings	38,736	63,662	16,693	24,110	55,429	87,772
Rents	-	-	-	-	-	-
Community Center Donations	1,520	4,900	-	-	1,520	4,900
Change in OLDA Investment	28,968	26,494	-	-	28,968	26,494
Miscellaneous	143,513	142,833	-	-	143,513	142,833
Total Revenue	9,279,548	8,412,690	5,570,903	4,672,851	14,850,451	13,085,541
<b>Program Expenses</b>						
General Government	950,467	865,041	-	-	950,467	865,041
Public Safety - Police	1,691,643	1,779,176	-	-	1,691,643	1,779,176
Public Works	1,465,625	1,420,010	-	-	1,465,625	1,420,010
Parks and Recreation	125,841	180,236	-	-	125,841	180,236
Sanitation	445,451	414,508	-	-	445,451	414,508
Stormwater	44,082	23,799	-	-	44,082	23,799
Community Development	277,083	183,721	-	-	277,083	183,721
Public Properties	-	-	-	-	-	-
Bus	152,755	134,098	-	-	152,755	134,098
ABC	365,958	492,715	-	-	365,958	492,715
Interest on Debt	114,576	141,432	-	-	114,576	141,432
Golf Course	-	-	634,715	568,267	634,715	568,267
Utility Commission	-	-	3,969,146	3,895,040	3,969,146	3,895,040
Total Program Expenses	5,633,481	5,634,736	4,603,861	4,463,307	10,237,342	10,098,043
Change in Net Position Before Transfers	3,646,067	2,777,954	967,042	209,544	4,613,109	2,987,498
Transfers	(113,331)	(305,344)	113,331	305,344	-	-
Gain (loss) on sale of assets	-	-	-	-	-	-
Change in Net Position	<u>\$ 3,532,736</u>	<u>\$ 2,472,610</u>	<u>\$ 1,080,373</u>	<u>\$ 514,888</u>	<u>\$ 4,613,109</u>	<u>\$ 2,987,498</u>

The City's total revenue increased from \$13,085,541 in 2020 to \$14,850,451 in 2021 or 14 percent. The majority of the increase is related to federal grants received in 2021 related to COVID-19. 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 2021</u>	<u>FY 2020</u>	<u>Variance</u>
Taxes	\$ 1,767,374	\$ 1,691,617	\$ 75,757
Licenses and permits	5,585,459	5,342,831	242,628
Intergovernmental	1,226,616	624,614	602,002
Charges for Services	487,362	515,739	(28,377)
Other Revenues	183,769	211,395	(27,626)
Total Revenues	<u>9,250,580</u>	<u>8,386,196</u>	<u>864,384</u>
General Government	811,985	745,695	66,290
Public Safety-Police	1,425,241	1,381,021	44,220
Public Works	871,189	820,851	50,338
Sanitation	445,451	414,508	30,943
Park and Recreation	86,930	158,298	(71,368)
Stormwater	44,082	23,799	20,283
Community Development	277,083	183,721	93,362
ABC	297,732	341,650	(43,918)
Foundation and Parks	22,350	-	22,350
Bus	129,629	109,766	19,863
Capital Outlay	2,777,374	700,230	2,077,144
Debt Service	1,254,993	1,256,849	(1,856)
Total Expenditures	<u>\$ 8,444,039</u>	<u>\$ 6,136,388</u>	<u>\$ 2,307,651</u>

Revenues for the City's governmental funds increased by 10% , and total expenditures increased by 38%. The majority of the increase in intergovernmental revenue is related to grant funds received from the Cares act. The majority of the increase in expenditures is the result of two capital projects: La Grange Springs Park and Eden Parkway. The City's major source of revenue in the governmental funds is taxes, licenses and permits, which makes up 80% of total revenues, these revenue sources increased by \$318,385 in 2021.

## 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	\$ 1,670,500	\$ 1,767,374	\$ 96,874
Licenses and permits	4,875,000	5,204,342	329,342
Intergovernmental	106,640	895,902	789,262
Charges for Services	490,000	481,562	(8,438)
Other Revenues	89,000	119,157	30,157
Foundations and Parks Fund	-	64,058	64,058
ABC Fund	402,598	381,573	(21,025)
Bus Fund	65,288	177,856	112,568
Municipal Aid Fund	289,930	158,756	(131,174)
Total Revenues	<u>\$ 7,988,956</u>	<u>\$ 9,250,580</u>	<u>\$ 1,261,624</u>

**Table A-5**

**Condensed Governmental Funds - Expenditures**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 796,904	\$ 811,985	\$ 15,081
Public Safety-Police	1,474,331	1,425,241	(49,090)
Public Works	1,244,313	861,013	(383,300)
Sanitation	362,940	445,451	82,511
Park and Recreation	212,000	86,930	(125,070)
Storm Water	100,000	44,082	(55,918)
Community Development	666,549	277,083	(389,466)
Capital Outlay	3,319,536	2,777,374	(542,162)
Debt Service	1,393,326	1,254,993	(138,333)
ABC Fund	402,598	297,732	(104,866)
Bus Fund	132,288	129,629	(2,659)
Foundations and Parks Fund	-	22,350	22,350
Municipal Aid Fund	53,930	10,176	(43,754)
Total Expenditures	<u>\$ 10,158,715</u>	<u>\$ 8,444,039</u>	<u>\$ (1,714,676)</u>

The City budgeted for a total of \$7,988,956 in revenues for 2021 but ended up with revenues of \$9,250,580 which put the City 16% over the revenue budget. The City did not include the Cares Act grant and an additional one time state road grant in the budget, which accounts for the majority of the amount the City was over the revenue budget. A total of \$10,158,715 was budgeted for expenses, but expenditures totaled \$8,444,039 for the fiscal year 2021. The City was under budget on expenditures for multiple reasons, which include: less work done on the Springs Park and Eden Parkway Projects than anticipated, there was less public works repairs needed than was budgeted for and overall the City was able to spend less than anticipated on various expenditure line items. The City was under budget on expenses by \$1,714,676 or 17% as detailed above.

## CAPITAL ASSETS

The City has a total of \$56,266,433 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 \$5,044,344 (10 percent) from last year's total investment of \$51,222,089.

**Table A-6**

### Capital Assets at Year End Without Depreciation

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>
Land & Improvements	\$ 880,128	\$ 855,409	\$ -	\$ -	\$ 880,128	\$ 855,409
Construction in progress	1,954,604	111,000	-	-	1,954,604	111,000
Buildings & Improvements	2,201,501	2,201,501	-	-	2,201,501	2,201,501
Vehicles & Equipment	3,513,280	3,257,762	-	-	3,513,280	3,257,762
Infrastructure Assets	5,449,165	4,709,564	-	-	5,449,165	4,709,564
Business-Type Assets	-	-	42,267,755	40,086,853	42,267,755	40,086,853
Total Capital Assets	<u>\$13,998,678</u>	<u>\$11,135,236</u>	<u>\$ 42,267,755</u>	<u>\$ 40,086,853</u>	<u>\$ 56,266,433</u>	<u>\$ 51,222,089</u>

## DEBT

This year the City has \$10,304,827 in total debt, a 2 percent decrease from last year's total of \$10,066,270.

**Table A-7**

### Debt Outstanding at Year End

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>
Capital Leases and Notes	\$ 467,917	\$ 532,917	\$ 3,995,561	\$ 2,523,389	\$ 4,463,478	\$ 3,056,306
Bond Issues	2,320,833	3,396,250	3,454,481	3,470,000	5,775,314	6,866,250
Accrued Absences	66,035	74,106	60,710	69,608	126,745	143,714
Total Debt Outstanding	<u>\$ 2,854,785</u>	<u>\$ 4,003,273</u>	<u>\$ 7,510,752</u>	<u>\$ 6,062,997</u>	<u>\$ 10,365,537</u>	<u>\$ 10,066,270</u>

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

The City's elected officials consider many factors when setting the fiscal year 2022 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, 2021**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 8,087,500	\$ 3,493,934	\$ 11,581,434
Investments	-	552,604	552,604
Receivables, net	1,776,084	581,561	2,357,645
Inventory of supplies	-	149,411	149,411
Prepaid expenses	-	5,151	5,151
Internal balances	32,607	(32,607)	-
Total current assets	<u>9,896,191</u>	<u>4,750,054</u>	<u>14,646,245</u>
Non-current assets			
Restricted cash and cash equivalents	2,822,216	2,080,519	4,902,735
Investment in joint venture, net equity			
Oldham-LaGrange Development Authority	8,638,398	-	8,638,398
Total non-current assets	<u>11,460,614</u>	<u>2,080,519</u>	<u>13,541,133</u>
Capital assets			
Construction in progress	1,954,604	2,735,069	4,689,673
Land and improvements, net	880,128	2,278,719	3,158,847
Plant and sewer system, net	-	17,158,483	17,158,483
Depreciable buildings, property, and equipment, net	1,814,596	853,930	2,668,526
Infrastructure, net	3,248,369	-	3,248,369
Total capital assets	<u>7,897,697</u>	<u>23,026,201</u>	<u>30,923,898</u>
Total assets	<u>29,254,502</u>	<u>29,856,774</u>	<u>59,111,276</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension	834,799	355,399	1,190,198
Deferred outflows - OPEB	592,923	282,141	875,064
Total deferred outflows of resources	<u>1,427,722</u>	<u>637,540</u>	<u>2,065,262</u>
Total assets and deferred outflows of resources	<u>\$ 30,682,224</u>	<u>\$ 30,494,314</u>	<u>\$ 61,176,538</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 468,015	\$ 379,353	\$ 847,368
Retainage payable	86,068	78,864	164,932
Accrued payroll liabilities	65,530	52,561	118,091
Accrued interest	-	10,207	10,207
Unearned revenue	-	50,545	50,545
Customer deposits	-	69,925	69,925
Deferred revenue	-	170,500	170,500
Current portion of long-term obligations	1,167,499	283,333	1,450,832
Total current liabilities	<u>1,787,112</u>	<u>1,095,288</u>	<u>2,882,400</u>
Non-current liabilities			
Non-current portion of long-term obligations	1,621,251	7,166,709	8,787,960
Compensated absences - non-current	66,035	60,710	126,745
Net pension liability	5,149,792	1,722,049	6,871,841
Net OPEB liability	1,593,379	541,978	2,135,357
Total non-current liabilities	<u>8,430,457</u>	<u>9,491,446</u>	<u>17,921,903</u>
Total liabilities	<u>10,217,569</u>	<u>10,586,734</u>	<u>20,804,303</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pension	378,685	-	378,685
Deferred inflows - OPEB	342,799	91,580	434,379
Total deferred inflows of resources	<u>721,484</u>	<u>91,580</u>	<u>813,064</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,429,780	15,576,159	23,005,939
Restricted for:			
ABC	360,369	-	360,369
Customer deposits	-	69,925	69,925
Debt service	2,527,872	180,114	2,707,986
Road improvements	79,502	-	79,502
Stormwater	294,344	-	294,344
Construction	-	1,686,456	1,686,456
Unrestricted	9,051,304	2,303,346	11,354,650
Total net position	<u>19,743,171</u>	<u>19,816,000</u>	<u>39,559,171</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 30,682,224</u>	<u>\$ 30,494,314</u>	<u>\$ 61,176,538</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, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-type	Totals
Primary government		Services	Grants and Contributions	Grants and Contributions	Activities	Activities	
<b>Governmental activities</b>							
General government	\$ 950,467	\$ -	\$ 804,535	\$ -	\$ (145,932)	\$ -	\$ (145,932)
Public safety-Police	1,691,643	-	91,367	-	(1,600,276)	-	(1,600,276)
Public works	1,465,625	-	-	158,658	(1,306,967)	-	(1,306,967)
Sanitation	445,451	381,429	-	-	(64,022)	-	(64,022)
Parks and recreation	125,841	-	-	-	(125,841)	-	(125,841)
Stormwater	44,082	100,133	-	-	56,051	-	56,051
Community development	277,083	-	-	-	(277,083)	-	(277,083)
ABC	365,958	-	-	-	(365,958)	-	(365,958)
Bus	152,755	5,800	172,056	-	25,101	-	25,101
Interest on long-term debt	114,576	-	-	-	(114,576)	-	(114,576)
Total governmental activities	5,633,481	487,362	1,067,958	158,658	(3,919,503)	-	(3,919,503)
<b>Business-type activities</b>							
Utility Commission	3,969,146	4,170,968	-	620,793	-	822,615	822,615
Golf Course	634,715	747,449	-	15,000	-	127,734	127,734
Total business-type activities	4,603,861	4,918,417	-	635,793	-	950,349	950,349
<b>Total primary government</b>	<b>\$ 10,237,342</b>	<b>\$ 5,405,779</b>	<b>\$ 1,067,958</b>	<b>\$ 794,451</b>	<b>(3,919,503)</b>	<b>950,349</b>	<b>(2,969,154)</b>
<b>General revenues</b>							
Taxes							
Property taxes, levied for general purposes					1,525,660	-	1,525,660
Bank shares					99,622	-	99,622
Motor vehicle tax					142,092	-	142,092
License fees							
Franchise fees					382,256	-	382,256
Business licenses					580,463	-	580,463
Compensation tax					2,238,695	-	2,238,695
Insurance premiums					1,983,518	-	1,983,518
Other fees and permits					400,527	-	400,527
Investment earnings					38,736	16,693	55,429
Community Center					1,520	-	1,520
Miscellaneous					143,513	-	143,513
Total general revenues					7,536,602	16,693	7,553,295
Increase (decrease) in joint venture - Oldham-LaGrange Development Authority					28,968	-	28,968
Transfers in (out)					(113,331)	113,331	-
Total general and other revenues					7,452,239	130,024	7,582,263
<b>Change in net position</b>					3,532,736	1,080,373	4,613,109
Net position, beginning of year					16,210,435	18,735,627	34,946,062
<b>NET POSITION, END OF YEAR</b>					<b>\$ 19,743,171</b>	<b>\$ 19,816,000</b>	<b>\$ 39,559,171</b>

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

**CITY OF LA GRANGE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2021**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,268,191	\$ 641,525	\$ 10,909,716
Receivables, net	1,614,506	161,578	1,776,084
Due from other funds	<u>241,158</u>	<u>-</u>	<u>241,158</u>
Total assets	<u>\$ 12,123,855</u>	<u>\$ 803,103</u>	<u>\$ 12,926,958</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 415,796	\$ 52,219	\$ 468,015
Accrued payroll liabilities	65,530	-	65,530
Compensated absences	65,941	94	66,035
Due to other funds	<u>-</u>	<u>208,551</u>	<u>208,551</u>
Total liabilities	<u>547,267</u>	<u>260,864</u>	<u>808,131</u>
<b>FUND BALANCE</b>			
Restricted:			
ABC	-	360,369	360,369
Debt service	2,527,872	-	2,527,872
Road improvements	-	79,502	79,502
Stormwater	294,344	-	294,344
Committed	-	14,787	14,787
Unassigned	<u>8,754,372</u>	<u>87,581</u>	<u>8,841,953</u>
Total fund balance	<u>11,576,588</u>	<u>542,239</u>	<u>12,118,827</u>
Total liabilities and fund balance	<u>\$ 12,123,855</u>	<u>\$ 803,103</u>	<u>\$ 12,926,958</u>

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

Fund balance reported above	\$ 12,118,827
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,897,697
Long-term retainage payable is not due and payable in the current period and is not reported in the funds.	(86,068)
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.	8,638,398
Net deferred inflows/outflows related to the long-term net pension and net OPEB liabilities are not reported in the funds.	706,238
Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are not due and payable in the current period and therefore are not reported in the funds.	<u>(9,531,921)</u>

Net position of governmental activities	<u>\$ 19,743,171</u>
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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, 2021**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 1,767,374	\$ -	\$ 1,767,374
Licenses and permits	5,204,342	381,117	5,585,459
Intergovernmental	895,902	330,714	1,226,616
Charges for services	481,562	5,800	487,362
Other revenues	<u>119,157</u>	<u>64,612</u>	<u>183,769</u>
Total revenues	<u>8,468,337</u>	<u>782,243</u>	<u>9,250,580</u>
<b>EXPENDITURES</b>			
Current			
General government	811,985	-	811,985
Public safety-Police	1,425,241	-	1,425,241
Public works	861,013	10,176	871,189
Sanitation	445,451	-	445,451
Parks and recreation	86,930	-	86,930
Stormwater	44,082	-	44,082
Community development	277,083	-	277,083
ABC	-	297,732	297,732
Foundation and parks	-	22,350	22,350
Bus	-	129,629	129,629
Capital outlay	2,347,484	429,890	2,777,374
Debt service	<u>1,254,993</u>	<u>-</u>	<u>1,254,993</u>
Total expenditures	<u>7,554,262</u>	<u>889,777</u>	<u>8,444,039</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>914,075</u>	<u>(107,534)</u>	<u>806,541</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in (out)	<u>(180,331)</u>	<u>67,000</u>	<u>(113,331)</u>
Total other financing sources and uses	<u>(180,331)</u>	<u>67,000</u>	<u>(113,331)</u>
<b>Net change in fund balances</b>	733,744	(40,534)	693,210
Fund balances, beginning	<u>10,842,844</u>	<u>582,773</u>	<u>11,425,617</u>
<b>Fund balances, ending</b>	<u>\$ 11,576,588</u>	<u>\$ 542,239</u>	<u>\$ 12,118,827</u>
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ 693,210
Add: capital outlay expenditures capitalized			2,777,374
Add: debt service expenditures			1,254,993
Add: increases in the equity interest of joint ventures			28,968
Less: change in pension liability			(386,973)
Less: change in OPEB liability			(97,225)
Less: depreciation on governmental activities assets			(623,035)
Less: interest expense			<u>(114,576)</u>
Change in net position - governmental activities			<u>\$ 3,532,736</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, 2021**

<b>ASSETS</b>	<b>Business-type Activities</b>		
	<b>Utility Commission</b>	<b>Golf Course</b>	<b>Totals</b>
Current assets			
Cash and cash equivalents	\$ 3,121,064	\$ 372,870	\$ 3,493,934
Investments	552,604	-	552,604
Receivables, net	574,113	7,448	581,561
Inventory of supplies	138,909	10,502	149,411
Prepaid expenses	-	5,151	5,151
Total current assets	4,386,690	395,971	4,782,661
Non-current assets			
Restricted cash and cash equivalents	2,055,364	25,155	2,080,519
Total non-current assets	2,055,364	25,155	2,080,519
Capital assets			
Construction in progress	2,735,069	-	2,735,069
Land	149,897	1,614,643	1,764,540
Land improvements	-	2,618,691	2,618,691
Plant and sewer system	32,713,449	-	32,713,449
Buildings and improvements	882,327	-	882,327
Vehicle and equipment	993,959	559,720	1,553,679
Less: accumulated depreciation	(16,717,243)	(2,524,311)	(19,241,554)
Total capital assets	20,757,458	2,268,743	23,026,201
Total assets	27,199,512	2,689,869	29,889,381
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension	355,399	-	355,399
Deferred outflows - OPEB	282,141	-	282,141
Total deferred outflows of resources	637,540	-	637,540
Total assets and deferred outflows of resources	\$ 27,837,052	\$ 2,689,869	\$ 30,526,921
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 326,176	\$ 53,177	\$ 379,353
Retainage payable	78,864	-	78,864
Accrued payroll liabilities	38,256	14,305	52,561
Accrued interest payable	7,919	2,288	10,207
Unearned revenue	-	50,545	50,545
Customer deposits	69,925	-	69,925
Due to other funds	32,607	-	32,607
Deferred revenue	170,500	-	170,500
Current portion of long-term obligations	160,000	123,333	283,333
Total current liabilities	884,247	243,648	1,127,895
Non-current liabilities			
Non-current portion of long-term obligations	6,422,959	743,750	7,166,709
Compensated absences	60,710	-	60,710
Net pension liability	1,722,049	-	1,722,049
Net OPEB liability	541,978	-	541,978
Total non-current liabilities	8,747,696	743,750	9,491,446
Total liabilities	9,631,943	987,398	10,619,341
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - OPEB	91,580	-	91,580
Total deferred inflows of resources	91,580	-	91,580
<b>NET POSITION</b>			
Net investment in capital assets	14,174,499	1,401,660	15,576,159
Restricted for:			
Customer deposits	69,925	-	69,925
Debt service	154,959	25,155	180,114
Construction project	1,686,456	-	1,686,456
Unrestricted	2,027,690	275,656	2,303,346
Total net position	18,113,529	1,702,471	19,816,000
Total liabilities, deferred inflows of resources and net position	\$ 27,837,052	\$ 2,689,869	\$ 30,526,921

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, 2021**

	Business-type Activities					
	Utility	Commission	Golf Course	Totals		
Operating revenues						
Charges for services	\$	3,946,473	\$	747,449	\$	4,693,922
Other income		224,495		-		224,495
Total operating revenues		4,170,968		747,449		4,918,417
Operating expenses						
General and administrative		-		144,801		144,801
Water and sewer operations		2,212,107		-		2,212,107
Rent		-		4,739		4,739
Salaries and wages		651,429		154,208		805,637
Repairs and maintenance		-		63,484		63,484
Cost of sales		-		40,393		40,393
Other operating expenses		-		52,915		52,915
Depreciation		976,617		142,348		1,118,965
Total operating expenses		3,840,153		602,888		4,443,041
OPERATING INCOME (LOSS)		330,815		144,561		475,376
Non-operating income (expense)						
Interest and investment revenue		16,597		96		16,693
Interest expense		(128,993)		(31,827)		(160,820)
Total non-operating (expense)		(112,396)		(31,731)		(144,127)
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS		218,419		112,830		331,249
Transfers in		-		113,331		113,331
Capital contributions		620,793		15,000		635,793
CHANGE IN NET POSITION		839,212		241,161		1,080,373
Net position, beginning of year		17,274,317		1,461,310		18,735,627
NET POSITION, END OF YEAR	\$	18,113,529	\$	1,702,471	\$	19,816,000

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, 2021**

	<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	\$ 4,315,212	\$ 764,803	\$ 5,080,015
Payments to suppliers	(1,758,116)	(255,580)	(2,013,696)
Payments for employee services and benefits	(1,010,470)	(173,600)	(1,184,070)
Receipts (refunds) of customer meter deposits	680	-	680
Net cash provided by operating activities	<u>1,547,306</u>	<u>335,623</u>	<u>1,882,929</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Payment under interfund agreements	-	113,331	113,331
Net cash provided by non-capital financing activities	<u>-</u>	<u>113,331</u>	<u>113,331</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	620,793	15,000	635,793
Proceeds from issuance of capital debt	1,638,087	-	1,638,087
Purchases of capital assets	(1,826,246)	(81,188)	(1,907,434)
Principal paid on capital debt	(209,665)	(106,250)	(315,915)
Interest paid on capital debt	(135,192)	(32,077)	(167,269)
Net cash provided by (used in) capital and related financing activities	<u>87,777</u>	<u>(204,515)</u>	<u>(116,738)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net change in investments	291,153	-	291,153
Interest and dividends	16,597	96	16,693
Net cash provided by investing activities	<u>307,750</u>	<u>96</u>	<u>307,846</u>
Net increase in cash and cash equivalents	1,942,833	244,535	2,187,368
Cash and cash equivalents-beginning of the year	<u>3,233,595</u>	<u>153,490</u>	<u>3,387,085</u>
<b>CASH AND CASH EQUIVALENTS-END OF THE YEAR</b>	<u>\$ 5,176,428</u>	<u>\$ 398,025</u>	<u>\$ 5,574,453</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>			
Operating income	\$ 330,815	\$ 144,561	\$ 475,376
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	976,617	142,348	1,118,965
Net change in pension liabilities	197,931	-	197,931
Net change in OPEB liabilities	35,922	-	35,922
Change in assets and liabilities:			
Receivables, net	(26,256)	6,921	(19,335)
Inventory	(48,504)	(2,554)	(51,058)
Prepaid expenses	-	(3,177)	(3,177)
Accounts and other payables	(90,399)	40,287	(50,112)
Accrued expenses	-	(3,193)	(3,193)
Unearned revenue	170,500	10,430	180,930
Customer deposits payable	680	-	680
Net cash provided by operating activities	<u>\$ 1,547,306</u>	<u>\$ 335,623</u>	<u>\$ 1,882,929</u>
Cash and cash equivalents consists of the following:			
Unrestricted cash	\$ 3,121,064	\$ 372,870	\$ 3,493,934
Restricted cash	<u>2,055,364</u>	<u>25,155</u>	<u>2,080,519</u>
	<u>\$ 5,176,428</u>	<u>\$ 398,025</u>	<u>\$ 5,574,453</u>
<b>Supplemental disclosure of cash flow information:</b>			
Noncash capital and related financing activities:			
Accounts payable for capital items, net	<u>\$ 273,467</u>	<u>\$ -</u>	<u>\$ 273,467</u>

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

**CITY OF LA GRANGE, KENTUCKY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**CUSTODIAL FUND**  
**June 30, 2021**

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	<b>Tourism Custodial Fund</b>
<b>ASSETS</b>	
Cash	\$ <u>12,347</u>
Total assets	<u>12,347</u>
<b>LIABILITIES</b>	
Due to Tourism	\$ <u>12,347</u>
Total liabilities	<u>12,347</u>
<b>NET POSITION</b>	
Restricted net position	<u>-</u>
Total net position	\$ <u>-</u>

**CITY OF LA GRANGE, KENTUCKY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**CUSTODIAL FUND**  
**June 30, 2021**

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	<b>Tourism Custodial Fund</b>
<b>ADDITIONS</b>	
Transient room tax collected for Tourism	\$ <u>97,778</u>
Total deposits	<u>97,778</u>
<b>DEDUCTIONS</b>	
Transient room tax disbursed for Tourism	<u>97,778</u>
Total payments	<u>97,778</u>
Total increase (decrease) of fiduciary net position	<u>-</u>
Net position - beginning of year	<u>-</u>
<b>Net position - end of year</b>	<b>\$ <u><u>-</u></u></b>

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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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 the 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 on 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, 2021**

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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 the Tourism Custodial Fund. The Tourism Custodial 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, 2021**

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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 cost. 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 \$90,752 in the general fund and \$10,830 in the proprietary funds.

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, 2021**

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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 not yet earned. 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 fund 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 governmental 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, 2021**

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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.

**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.

**O. Change in Accounting Policy**

In February 2017, the GASB issued Statement No. 84, Fiduciary Activities (“GASB 84”). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. GASB 84 is effective for the City beginning with its year ending June 30, 2021. The City applied the amendments of GASB No. 84 retrospectively. The implementation of GASB 84 resulted in the City modifying the Fiduciary Fund Statements to include a Statement of Changes in Fiduciary Net Position.

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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

**P. Other Accounting Policies**

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

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Q. Pensions**

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

**R. Postemployment Benefits Other Than Pensions (OPEB)**

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

**S. New Authoritative Accounting Guidance Pending Adoption**

The Governmental Accounting Standards Board (GASB) issued Statement No. 87 *Leases* which requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB Statement No. 87 *Leases* will be effective for governmental entities with fiscal years beginning after June 15, 2021. At this time, the City has not determined the impact of this update on its financial statements; however the City anticipates recording a significant amount of right-of-use assets and related lease liabilities when this standard is implemented.

**T. Management's Review of Subsequent Events**

The City has evaluated and considered the need to recognize or disclose subsequent events through October 4, 2022, 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, 2021, have not been evaluated by the City.

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**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.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a formal investment policy for interest rate risk.

The City does not have a deposit policy for custodial credit risk beyond that specified in KRS 66.480. As of June 30, 2021, the book balance of the City's deposits totaled \$17,036,773 and the bank balances totaled \$17,701,448.

The following is a detail of the City's cash and investment deposit coverage at June 30, 2021:

FDIC insured	\$ 4,519,950
Collateralized	11,487,383
Uninsured/uncollateralized	1,265,619
Invested in money market funds	<u>428,496</u>
Total	<u>\$ 17,701,448</u>

Restricted assets consist of the following:

	<b>General Fund</b>	<b>Utility Commission</b>	<b>Golf Course</b>	<b>Total</b>
Cash – Debt service reserve	\$ 2,527,872	\$ 154,959	\$ 25,155	\$ 2,707,986
Cash – Storm Water	294,344	-	-	294,344
Cash – Construction	-	1,686,456	-	1,686,456
Cash – Customer deposits	<u>-</u>	<u>69,925</u>	<u>-</u>	<u>69,925</u>
Total	<u>\$ 2,822,216</u>	<u>\$ 1,911,340</u>	<u>\$ 25,155</u>	<u>\$ 4,758,711</u>

The City's investments at June 30, 2021 consist entirely of certificates of deposit with local banks or brokered certificates of deposit and are stated at cost:

<b>Type of Investment</b>	<b>Cost</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
BL&D Bank	\$ 271,722	.45%	1/16/2024
Citizens Union Bank	161,310	2.250%	4/3/2023
Citizens Union Bank	<u>119,572</u>	2.250%	4/7/2024
	<u>\$ 552,604</u>		

**3. ACCOUNTS RECEIVABLE**

	<b>General Fund</b>	<b>Nonmajor Funds</b>	<b>Governmental Funds Total</b>
Governmental activities:			
Taxes	\$ 156,769	\$ -	\$ 156,769
Licenses and fees	1,333,433	97,516	1,430,949
Intergovernmental	10,119	64,062	74,181
Other	<u>204,937</u>	<u>-</u>	<u>204,937</u>
Gross receivables	1,705,258	161,578	1,866,836
Less: allowance for uncollectible	<u>(90,752)</u>	<u>-</u>	<u>(90,752)</u>
Net receivables	<u>\$ 1,614,506</u>	<u>\$ 161,578</u>	<u>\$ 1,776,084</u>

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021

**3. ACCOUNTS RECEIVABLE (CONTINUED)**

	Utility Commission	Golf Course Fund	Proprietary Funds Total
Business-type activities:			
Customer accounts	\$ 412,387	\$ 7,448	\$ 419,835
Unbilled receivables	172,178	-	172,178
Other	<u>378</u>	<u>-</u>	<u>378</u>
Gross receivables	584,943	7,448	592,391
Less: allowance for uncollectible	<u>(10,830)</u>	<u>-</u>	<u>(10,830)</u>
Net receivables	<u>\$ 574,113</u>	<u>\$ 7,448</u>	<u>\$ 581,861</u>

**4. CAPITAL ASSETS**

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
<b>Governmental Activities</b>				
Capital assets not depreciated:				
Construction in progress	\$ 111,000	\$ 1,850,304	\$ (6,700)	\$ 1,954,604
Land	<u>855,409</u>	<u>24,719</u>	<u>-</u>	<u>880,128</u>
Totals	<u>966,409</u>	<u>1,875,023</u>	<u>(6,700)</u>	<u>2,834,732</u>
Capital assets that are depreciated:				
Buildings and improvements	2,201,501	-	-	2,201,501
Machinery and equipment	<u>3,257,762</u>	<u>255,518</u>	<u>-</u>	<u>3,513,280</u>
Totals	<u>5,459,263</u>	<u>255,518</u>	<u>-</u>	<u>5,714,781</u>
Total non-infrastructure assets	<u>6,425,672</u>	<u>2,130,541</u>	<u>(6,700)</u>	<u>8,549,513</u>
Infrastructure assets	<u>4,709,564</u>	<u>739,601</u>	<u>-</u>	<u>5,449,165</u>
Total capital assets	<u>11,135,236</u>	<u>2,870,142</u>	<u>(6,700)</u>	<u>13,998,678</u>
Less: accumulated depreciation				
Buildings and improvements	1,056,285	68,231	-	1,124,516
Machinery and equipment	2,635,320	140,350	-	2,775,670
Infrastructure	<u>1,786,341</u>	<u>414,454</u>	<u>-</u>	<u>2,200,795</u>
Totals	<u>5,477,946</u>	<u>623,035</u>	<u>-</u>	<u>6,100,981</u>
General capital assets, net	<u>\$ 5,657,290</u>	<u>\$ 2,247,107</u>	<u>\$ (6,700)</u>	<u>\$ 7,897,697</u>

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**4. CAPITAL ASSETS (CONTINUED)**

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
<b>Business-Type Activities</b>				
Land	\$ 1,764,540	\$ -	\$ -	\$ 1,764,540
Construction in progress	749,547	1,985,522	-	2,735,069
Buildings and improvements	3,448,911	52,106	-	3,501,017
Water tank	3,039,105	-	-	3,039,105
Mains, hydrants and new water services	5,027,063	48,312	-	5,075,375
Wastewater treatment plant	10,750,614	-	-	10,750,614
Sewage system lines and pump stations	13,848,354	-	-	13,848,354
Transportation equipment	855,024	94,962	-	949,986
General office equipment	<u>603,695</u>	<u>-</u>	<u>-</u>	<u>603,695</u>
Totals	40,086,853	2,180,902	-	42,267,755
Less: accumulated depreciation	<u>18,122,589</u>	<u>1,118,965</u>	<u>-</u>	<u>19,241,554</u>
Business-type capital assets, net	<u>\$ 21,964,264</u>	<u>\$ 1,061,937</u>	<u>\$ -</u>	<u>\$ 23,026,201</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	\$ 61,504
Police	54,616
Public works	468,895
Parks and recreation	16,561
Bus	11,188
ABC	<u>10,271</u>
Total depreciation expense	<u>\$ 623,035</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, 2021

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

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

The minimum obligations of the above lease at June 30, 2021, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Bank Fee</b>	<b>Total</b>
2022	\$ 64,999	\$ 14,038	\$ 1,620	\$ 80,657
2023	67,084	12,088	1,457	80,629
2024	70,000	10,075	1,290	81,365
2025	72,084	7,975	1,115	81,174
2026	75,000	5,813	934	81,747
2027-2028	<u>118,750</u>	<u>4,875</u>	<u>1,119</u>	<u>124,744</u>
Total	<u>\$ 467,917</u>	<u>\$ 54,864</u>	<u>\$ 7,535</u>	<u>\$ 530,316</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, 2021, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Fees</b>	<b>Total</b>
2022	\$ 1,102,500	\$ 62,233	\$ 6,552	\$ 1,171,285
2023	888,750	33,504	3,796	926,050
2024	<u>329,583</u>	<u>9,064</u>	<u>1,261</u>	<u>339,908</u>
Total	<u>\$ 2,320,833</u>	<u>\$ 104,801</u>	<u>\$ 11,609</u>	<u>\$ 2,437,243</u>

The total governmental activity debt is summarized as follows:

Current portion of revenue bonds	\$ 1,102,500
Current portion of capital lease obligation	<u>64,999</u>
Total current portion of long-term obligations	<u>\$ 1,167,499</u>
Long-term portion of revenue bonds	1,218,333
Long-term portion of capital lease obligation	402,918
Compensated absences	66,035
Net pension liability	5,149,792
Net OPEB liability	<u>1,593,379</u>
Long-term portion of long-term obligations	<u>\$ 8,430,457</u>



**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**5. LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (CONTINUED)**

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

	July 1, 2020	Additions	Retirements	June 30, 2021
Capital lease obligations	\$ 532,917	\$ -	\$ 65,000	\$ 467,917
Revenue bonds	3,396,250	-	1,075,417	2,320,833
Compensated absences	74,106	-	8,071	66,035
Net pension liability	5,053,332	96,460	-	5,149,792
Net OPEB liability	<u>1,305,893</u>	<u>287,486</u>	<u>-</u>	<u>1,593,379</u>
Total	<u>\$ 10,362,498</u>	<u>\$ 383,946</u>	<u>\$ 1,148,488</u>	<u>\$ 9,597,956</u>

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

**Business-Type Activities – Utility Commission**

***Direct placement***

**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 were made from the income and revenues of the water and sewer system. PNC Bank held a lien on the system's revenues until such lease and interest payments were paid in full. The lease bore interest at a rate of 3.07% and matured on September 24, 2020. The lease was paid off during fiscal year 2021.

**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.

The minimum obligations of the above revenue bonds at June 30, 2021, are as follows:

Fiscal Year	Principal	Interest	Fees	Total
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	180,000	102,393	450	282,843
2027-2031	1,000,000	388,553	2,250	1,390,803
2032-2036	1,205,000	165,978	2,250	1,373,228
2037-2038	<u>265,000</u>	<u>5,200</u>	<u>450</u>	<u>270,650</u>
Total	<u>\$ 3,320,000</u>	<u>\$ 1,129,497</u>	<u>\$ 7,200</u>	<u>\$ 4,456,697</u>

**CITY OF LA GRANGE, KENTUCKY**  
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**6. LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)**

**Business-Type Activities – Utility Commission (continued)**

On February 1, 2019, the Commission finalized an agreement with the Kentucky Infrastructure Authority (KIA) for a loan in an amount not to exceed \$3,323,700 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, 2021, the Commission had drawn \$3,128,478 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 after fiscal year 2022. The entire balance of the loan has been included in long-term debt.

Total debt is summarized as follows:

Current portion of Kentucky Rural Water Bonds	<u>\$ 160,000</u>
Long-term portion of Kentucky Rural Water Bonds	3,160,000
Long-term portion of Kentucky Infrastructure Authority	3,128,478
Bond premium Kentucky Rural Water Bonds	134,481
Compensated absences	60,710
Net pension liability	1,722,049
Net OPEB liability	<u>541,978</u>
Long-term portion of long-term obligations	<u>\$ 8,747,696</u>

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

	<b>Balance July 1, 2020</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2021</b>
Bonds and leases payable	\$ 5,020,056	\$ 1,638,087	\$ (209,665)	\$ 6,448,478
Bond premium	142,885	-	(8,404)	134,481
Net pension liability	1,527,858	194,191	-	1,722,049
Net OPEB liability	365,286	176,692	-	541,978
Compensated absences	<u>69,608</u>	<u>-</u>	<u>(8,898)</u>	<u>60,710</u>
	<u>\$ 7,125,693</u>	<u>\$ 2,008,970</u>	<u>\$ (226,967)</u>	<u>\$ 8,907,696</u>

**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.

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

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

The future minimum obligations of the above capital lease at June 30, 2021, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Service Fee</b>	<b>Total</b>
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>12,274</u>	<u>1,223</u>	<u>292,664</u>
Total	<u>\$ 867,083</u>	<u>\$ 91,913</u>	<u>\$ 9,659</u>	<u>\$ 968,655</u>

The total golf course debt is summarized as follows:

Current portion of capital lease	<u>\$ 123,333</u>
Long-term portion of capital lease	<u>\$ 743,750</u>

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

<b>July 1, 2020</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2021</b>
<u>\$ 973,333</u>	<u>\$ -</u>	<u>\$ 106,250</u>	<u>\$ 867,083</u>

**7. RETIREMENT PLAN**

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 Public Pensions Authority 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, 2021, 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.

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**7. RETIREMENT PLAN (CONTINUED)**

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, 2021, 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 19.30% 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, 2021, the City contributed \$258,517, or 100% of the required contribution for non-hazardous job classifications, and the City contributed \$187,891, or 100% of the required contribution for hazardous job classifications.

*Benefits* – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 4 years service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ with sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ with sum of service years plus age equal to 87+
	Reduced retirement	Not available

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

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**7. RETIREMENT PLAN (CONTINUED)**

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2021, the City reported a liability for its proportionate share of the net pension liability as follows:

<b>Total Net Pension Liability</b>	<b>Non-hazardous</b>	<b>Hazardous</b>
<u>\$ 6,871,841</u>	<u>\$ 3,577,863</u>	<u>\$ 3,293,978</u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, 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, 2020, was as follows:

<b>Non-hazardous</b>	<b>Hazardous</b>
.047%	.110%

The proportionate share measured at June 30, 2020 relative to June 30, 2019 increased by .002% for non-hazardous and decreased for hazardous by .013%.

For the year ended June 30, 2021, the City recognized pension expense of \$977,544. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 191,379	\$ -
Changes of assumptions	264,635	-
Net difference between projected and actual earnings on Plan investments	163,737	-
Changes in proportion and differences between City contributions and proportionate share of contributions	124,039	378,685
City contributions subsequent to the measurement date	<u>446,408</u>	<u>-</u>
Total	<u>\$ 1,190,198</u>	<u>\$ 378,685</u>

The \$446,408 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, 2022. 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>	
2022	\$ 193,237
2023	\$ 104,819
2024	\$ 23,705
2025	\$ 43,344

**CITY OF LA GRANGE, KENTUCKY**  
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**7. RETIREMENT PLAN (CONTINUED)**

*Actuarial Assumptions* – The total pension liability measured at June 30, 2020, 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, 2019, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

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%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
<b>Total</b>	<b>100.00%</b>	<b>3.96%</b>
<b>Long term inflation assumption</b>		<b><u>2.30%</u></b>
<b>Expected nominal return for portfolio</b>		<b><u>6.25%</u></b>

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**7. RETIREMENT PLAN (CONTINUED)**

*Discount Rate* – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

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

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 4,412,303	5.25%	\$ 4,070,921
Current discount rate	6.25%	\$ 3,577,863	6.25%	\$ 3,293,978
1% increase	7.25%	\$ 2,886,943	7.25%	\$ 2,659,837

*Payable to the Pension Plan* – At June 30, 2021, the City reported a payable of \$73,598 for the outstanding amount of contributions to the pension and OPEB plan required for the year ended June 30, 2021.

**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, 2021, 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.

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

For the year ended June 30, 2021, the City contributed \$63,783, or 100% of the required contribution for non-hazardous job classifications, and \$59,505, or 100% of the required contribution for hazardous job classifications.

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

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

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

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2021, the City reported a liability for its proportionate share of the net OPEB liability as follows:

<b>Total Net</b>		
<b>OPEB Liability</b>	<b>Non-hazardous</b>	<b>Hazardous</b>
<u>\$ 2,135,357</u>	<u>\$ 1,126,069</u>	<u>\$ 1,009,288</u>

The net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 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, 2020 was as follows:

<b>Non-hazardous</b>	<b>Hazardous</b>
.047%	.110%

The proportionate share at June 30, 2020 relative to June 30, 2019 for non-hazardous increased by .002% and hazardous decreased by .013%.



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

For the year ended June 30, 2021, the City recognized OPEB expense of \$261,631. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 222,775	\$ 289,077
Changes of assumptions	360,522	2,121
Net difference between projected and actual earnings on Plan investments	82,230	-
Changes in proportion and differences between City contributions and proportionate share of contributions	53,870	143,181
City contributions subsequent to the measurement date	155,667	-
Total	<u>\$ 875,064</u>	<u>\$ 434,379</u>

The \$155,667 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, 2022. This includes adjustments of \$27,636 for the nonhazardous implicit subsidy and \$4,743 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,**

2022	\$ 78,268
2023	\$ 63,102
2024	\$ 71,085
2025	\$ 75,027
2026	\$ (2,464)

*Actuarial Assumptions* – The total OPEB liability measured at June 30, 2020, 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 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post – 65:	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years

**CITY OF LA GRANGE, KENTUCKY**  
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**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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, 2019, 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, 2019) to the plan's fiscal year ending June 30, 2020.

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
<b>Total</b>	<b>100.00%</b>	<b>3.96%</b>
<b>Long term inflation assumption</b>		<b><u>2.30%</u></b>
<b>Expected nominal return for portfolio</b>		<b>6.25%</b>

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.34% and 5.30% 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 2.45%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index". However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**CITY OF LA GRANGE, KENTUCKY**  
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June 30, 2021

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

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

	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	4.34%	\$ 1,446,676		4.30%	\$ 1,370,082	
Current discount rate	5.34%	\$ 1,126,069		5.30%	\$ 1,009,288	
1% increase	6.34%	\$ 862,754		6.30%	\$ 718,561	

*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	\$ 871,863		\$ 721,267	
Current trend rate	\$ 1,126,069		\$ 1,009,288	
1% increase	\$ 1,434,566		\$ 1,363,385	

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

**9. OPERATING LEASE**

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. The future lease obligations at June 30, 2021, are as follows:

Fiscal Year	
2022	\$ 52,548
2023	52,548
2024	52,548
2025	<u>35,032</u>
Total	<u>\$ 192,676</u>

Operating lease expense for the year ended June 30, 2021, totaled \$52,625.

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**10. PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2021 were levied in September 2020 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.

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.

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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

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, 2021, are as follows:

Total assets	\$ 16,530,724
Total liabilities	\$ 6,330
Total net position	\$ 16,524,394

The net equity investment in Oldham-LaGrange Development Authority for the City of La Grange at June 30, 2021, is \$8,638,398. The net equity is determined by the following:

	<b>OLDA Audit 6/30/2021</b>	<b>City Allocation</b>	<b>County Allocation</b>
Beginning net equity, July 1, 2020	\$ 16,466,459	\$ 8,609,430	\$ 7,857,029
Operating loss before transfers in	(62,065)	(31,032)	(31,033)
Principal payments transfers in	<u>120,000</u>	<u>60,000</u>	<u>60,000</u>
Ending net equity, June 30, 2021	<u>\$ 16,524,394</u>	<u>\$ 8,638,398</u>	<u>\$ 7,885,996</u>

**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 2021, the General Fund transferred \$67,000 to the Bus Fund and \$113,331 to the Golf Course.

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**14. INTERFUND BALANCES**

This table shows interfund balances as of June 30, 2021:

	<b>General Fund</b>	<b>Utility Commission</b>	<b>ABC Fund</b>	<b>Bus Fund</b>	<b>Total Due To</b>
General Fund	\$ <u>          -</u>	\$ <u>32,607</u>	\$ <u>101,022</u>	\$ <u>107,529</u>	\$ <u>241,158</u>
Total due from	\$ <u>          -</u>	\$ <u>32,607</u>	\$ <u>101,022</u>	\$ <u>107,529</u>	\$ <u>241,158</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**

Since early 2020, various restrictions have been 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.

**16. SUBSEQUENT BOND ISSUANCE**

On August 25, 2021, the City issued \$2,500,000 of General Obligation Bonds, Series 2021. The bonds were issued to fund construction of the La Grange Springs Park project. The bonds bear interest at a rate 1.00% - 2.00% and are scheduled to be repaid over a period of 20 years.

## **SUPPLEMENTARY INFORMATION**

**CITY OF LA GRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2021**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>REVENUES</b>				
<b>Taxes</b>				
General property taxes	\$ 1,453,000	\$ 1,453,000	\$ 1,520,749	\$ 67,749
Bank shares tax	80,000	80,000	99,622	19,622
Omitted tangibles	2,500	2,500	4,911	2,411
Motor vehicle taxes	<u>135,000</u>	<u>135,000</u>	<u>142,092</u>	<u>7,092</u>
Total municipal taxation	<u>1,670,500</u>	<u>1,670,500</u>	<u>1,767,374</u>	<u>96,874</u>
<b>Licenses, permits and billings</b>				
Business licenses	490,000	490,000	580,463	90,463
Insurance premiums	1,877,000	1,877,000	1,983,518	106,518
ABC license fees	18,000	18,000	19,410	1,410
Compensation tax	2,100,000	2,100,000	2,238,695	138,695
Franchise fees	<u>390,000</u>	<u>390,000</u>	<u>382,256</u>	<u>(7,744)</u>
Total licenses, permits and billings	<u>4,875,000</u>	<u>4,875,000</u>	<u>5,204,342</u>	<u>329,342</u>
<b>Intergovernmental revenues</b>				
Grants	14,000	14,000	795,100	781,100
Federal overtime	9,000	9,000	10,088	1,088
KLEFPF	73,640	73,640	81,279	7,639
LGEA	<u>10,000</u>	<u>10,000</u>	<u>9,435</u>	<u>(565)</u>
Total intergovernmental	<u>106,640</u>	<u>106,640</u>	<u>895,902</u>	<u>789,262</u>
<b>Charges for service</b>				
Sanitation fees	390,000	390,000	381,429	(8,571)
Stormwater fees	<u>100,000</u>	<u>100,000</u>	<u>100,133</u>	<u>133</u>
Total charges for service	<u>490,000</u>	<u>490,000</u>	<u>481,562</u>	<u>(8,438)</u>
<b>Other revenue</b>				
Interest	5,000	5,000	38,736	33,736
Penalties	6,500	6,500	842	(5,658)
Encroachment fees	4,500	4,500	7,300	2,800
Community center	5,000	5,000	1,520	(3,480)
Miscellaneous	<u>68,000</u>	<u>68,000</u>	<u>70,759</u>	<u>2,759</u>
Total other revenue	<u>89,000</u>	<u>89,000</u>	<u>119,157</u>	<u>30,157</u>
<b>TOTAL REVENUE</b>	<u>\$ 7,231,140</u>	<u>\$ 7,231,140</u>	<u>\$ 8,468,337</u>	<u>\$ 1,237,197</u>



**CITY OF LA GRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2021**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Salaries	\$ 159,474	\$ 159,474	\$ 162,390	\$ (2,916)
Employee insurance	56,229	56,229	52,470	3,759
Employer portion FICA	16,397	16,397	14,760	1,637
Employer portion medicare	3,835	3,835	3,452	383
Mayor/Council	103,001	103,001	102,507	494
Employer portion retirement	38,369	38,369	43,001	(4,632)
Unemployment insurance	4,000	4,000	-	4,000
Computer maintenance	40,000	40,000	43,964	(3,964)
Tax preparation (PVA)	38,900	38,900	41,615	(2,715)
Ordinance codification	5,000	5,000	3,741	1,259
Workers compensation	13,255	13,255	7,114	6,141
Property/liability insurance	61,000	61,000	57,180	3,820
Auditing	23,400	23,400	23,400	-
Gas/electric/telephone	114,000	114,000	124,142	(10,142)
Legal fees	45,000	45,000	62,657	(17,657)
Legal advertisements	10,000	10,000	4,249	5,751
Office supplies	10,000	10,000	8,623	1,377
Repair and maintenance	10,000	10,000	10,203	(203)
Seminars/education	12,000	12,000	3,769	8,231
Miscellaneous	31,044	31,044	41,654	(10,610)
Small equipment purchases	1,000	1,000	294	706
Board of adjustments and appeals	1,000	1,000	800	200
Total general government	<u>796,904</u>	<u>796,904</u>	<u>811,985</u>	<u>(15,081)</u>
<b>Public Safety-Police</b>				
Police salaries	676,335	676,335	710,778	(34,443)
Overtime salaries	20,000	20,000	9,143	10,857
Part-time salaries	17,441	17,441	9,312	8,129
KLEFPF	64,000	64,000	59,411	4,589
Federal overtime	9,000	9,000	7,223	1,777
Employee insurance	182,431	182,431	103,892	78,539
Employer portion FICA	44,254	44,254	49,145	(4,891)
Employer portion medicare	10,350	10,350	11,107	(757)
Employer portion retirement	191,423	191,423	217,130	(25,707)
Workers compensation	21,921	21,921	21,921	-
Automobile insurance	21,124	21,124	21,040	84
Liability insurance	25,660	25,660	18,327	7,333
Radio maintenance	1,110	1,110	286	824
Computer maintenance	13,320	13,320	19,677	(6,357)
Seminars and education	12,500	12,500	4,441	8,059
Uniform expense	14,800	14,800	11,657	3,143
Miscellaneous	33,000	33,000	71,638	(38,638)
Crime prevention	4,000	4,000	3,887	113
Criminal investigations	5,000	5,000	3,788	1,212
Firing range expenses	1,000	1,000	886	114
Small equipment purchases	4,000	4,000	157	3,843
Gas and oil	36,000	36,000	27,953	8,047
Equipment repairs	25,000	25,000	20,553	4,447
Drug enforcement funds	1,000	1,000	73	927
Dry cleaning	1,500	1,500	-	1,500
Telephone/cellular/pagers	21,000	21,000	17,034	3,966
K-9	1,000	1,000	870	130
One call	3,912	3,912	3,912	-
Oldham County dispatch	12,250	12,250	-	12,250
Total public safety-police	<u>1,474,331</u>	<u>1,474,331</u>	<u>1,425,241</u>	<u>49,090</u>

**CITY OF LA GRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2021**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Public Works</b>				
Salaries	\$ 402,043	\$ 402,043	\$ 394,232	\$ 7,811
Overtime salaries	15,000	15,000	9,358	5,642
Part-time salaries	29,367	29,367	4,106	25,261
Employee insurance	174,047	174,047	72,459	101,588
Employer portion FICA	27,677	27,677	23,666	4,011
Employer portion medicare	6,473	6,473	5,535	938
Employer portion retirement	107,406	107,406	91,289	16,117
Workers compensation	30,000	30,000	24,303	5,697
Vehicle insurance	29,000	29,000	15,371	13,629
Utilities	18,000	18,000	13,213	4,787
Seminars/education	5,000	5,000	410	4,590
Uniforms	3,000	3,000	3,374	(374)
Small equipment purchases	4,500	4,500	5,439	(939)
Gas and oil	28,800	28,800	19,314	9,486
Equipment/vehicle repairs	72,000	72,000	33,307	38,693
Computer maintenance	500	500	389	111
Crushed rock	1,000	1,000	-	1,000
Signs and posts	6,000	6,000	4,735	1,265
Sidewalks	40,000	40,000	25,773	14,227
Paving material	180,000	180,000	30,950	149,050
Street paint	2,000	2,000	478	1,522
Snow removal	3,000	3,000	2,605	395
Grounds maintenance	10,000	10,000	1,963	8,037
Building maintenance	10,000	10,000	5,458	4,542
Equipment rental	2,000	2,000	2,973	(973)
Tires and batteries	8,000	8,000	4,774	3,226
Electric/telephone welcome center	3,500	3,500	3,734	(234)
Repairs welcome center	4,000	4,000	219	3,781
Miscellaneous	2,500	2,500	49,200	(46,700)
CDL license	1,000	1,000	746	254
Contract help	14,000	14,000	10,148	3,852
Safety	2,000	2,000	1,140	860
Street lighting	2,500	2,500	352	2,148
Total public works	<u>1,244,313</u>	<u>1,244,313</u>	<u>861,013</u>	<u>383,300</u>
<b>Sanitation</b>	<u>362,940</u>	<u>362,940</u>	<u>445,451</u>	<u>(82,511)</u>
<b>Parks and Recreation</b>	<u>212,000</u>	<u>212,000</u>	<u>86,930</u>	<u>125,070</u>
<b>Storm Water</b>	<u>100,000</u>	<u>100,000</u>	<u>44,082</u>	<u>55,918</u>
<b>Community Development</b>				
Main street	5,000	5,000	4,351	649
La Grange crossroads district	45,000	45,000	45,926	(926)
Economic development, OLDA	80,000	80,000	80,000	-
Historic preservation	8,000	8,000	1,573	6,427
Tree replacement	2,000	2,000	2,002	(2)
Festivals - Christmas, OC Day	5,000	5,000	2,211	2,789
GIS	3,000	3,000	1,400	1,600
Mayor's discretionary fund	2,500	2,500	1,832	668
Building maintenance	15,000	15,000	14,725	275
Signage and lighting	20,000	20,000	3,621	16,379
Miscellaneous	<u>481,049</u>	<u>481,049</u>	<u>119,442</u>	<u>361,607</u>
Total community development	<u>666,549</u>	<u>666,549</u>	<u>277,083</u>	<u>389,466</u>
<b>Capital Outlay</b>	<u>3,295,536</u>	<u>3,295,536</u>	<u>2,347,484</u>	<u>948,052</u>
<b>Debt Service</b>	<u>1,393,326</u>	<u>1,393,326</u>	<u>1,254,993</u>	<u>138,333</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 9,545,899</u>	<u>\$ 9,545,899</u>	<u>\$ 7,554,262</u>	<u>\$ 1,991,637</u>

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

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2014 (2013)</b>	<b>2015 (2014)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>
City's proportion of the net pension liability	0.040%	0.040%	0.039%	0.041%	0.042%	0.044%	0.045%	0.047%
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	\$ 3,577,863
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
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%	299.77%
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%	47.81%

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 Eight Fiscal Years**

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2014 (2013)</b>	<b>2015 (2014)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>
City's proportion of the net pension liability	0.140%	0.140%	0.134%	0.133%	0.136%	0.139%	0.123%	0.110%
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	\$ 3,293,978
City's covered employee payroll	\$ 666,630	\$ 690,007	\$ 687,758	\$ 726,269	\$ 745,833	\$ 772,520	\$ 694,695	\$ 638,299
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%	516.06%
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%	44.11%

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

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

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	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Contractually required employer contribution	\$ 107,875	\$ 124,691	\$ 117,307	\$ 120,531	\$ 142,123	\$ 156,170	\$ 185,005	\$ 230,352	\$ 258,517
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>	<u>258,517</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 1,339,984
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%	19.29%

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

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

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	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Contractually required employer contribution	\$ 133,993	\$ 150,215	\$ 142,572	\$ 147,142	\$ 173,373	\$ 183,539	\$ 186,476	\$ 191,873	\$ 187,891
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>	<u>187,891</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 661,358
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%	28.41%

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 Five Fiscal Years**

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>
City's proportion of the net OPEB liability	0.041%	0.042%	0.044%	0.045%	0.047%
City's proportionate share of the net OPEB liability (asset)	\$ 659,818	\$ 841,208	\$ 772,583	\$ 760,983	\$ 1,126,069
City's covered employee payroll	\$ 970,461	\$ 1,018,799	\$ 1,078,524	\$ 1,140,500	\$ 1,193,536
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%	94.35%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%

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 Five Fiscal Years**

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>
City's proportion of the net OPEB liability	0.133%	0.136%	0.139%	0.123%	0.110%
City's proportionate share of the net OPEB liability (asset)	\$ 671,137	\$ 1,123,174	\$ 988,789	\$ 910,196	\$ 1,009,288
City's covered employee payroll	\$ 726,269	\$ 745,833	\$ 772,520	\$ 694,695	\$ 638,299
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%	158.12%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%	64.44%	58.84%

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



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

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	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Contractually required employer contribution	\$ 59,237	\$ 46,736	\$ 45,267	\$ 45,030	\$ 48,189	\$ 50,691	\$ 59,995	\$ 56,813	\$ 63,783
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>	<u>63,783</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 1,339,984
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%	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 Nine Fiscal Years**

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	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Contractually required employer contribution	\$ 116,660	\$ 96,118	\$ 93,398	\$ 92,163	\$ 74,668	\$ 77,301	\$ 78,505	\$ 60,766	\$ 59,505
Contributions relative to contractually required employer contribution	<u>116,660</u>	<u>96,118</u>	<u>93,398</u>	<u>92,163</u>	<u>74,668</u>	<u>77,301</u>	<u>78,505</u>	<u>60,766</u>	<u>59,505</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 661,358
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%	9.00%

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

**CITY OF LA GRANGE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2021**

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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, 2020 – Pension and OPEB – Hazardous and Nonhazardous**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

**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, 2021**

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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, 2021

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>MUNICIPAL ROAD AID FUND</b>				
<b>REVENUES</b>				
Intergovernmental revenues	\$ 132,000	\$ 132,000	\$ 158,658	\$ 26,658
Interest	-	-	98	98
Carryover	<u>157,930</u>	<u>157,930</u>	<u>-</u>	<u>(157,930)</u>
<b>TOTAL REVENUES</b>	<u>\$ 289,930</u>	<u>\$ 289,930</u>	<u>\$ 158,756</u>	<u>\$ (131,174)</u>
<b>EXPENDITURES</b>				
Public works	\$ 53,930	\$ 53,930	\$ 10,176	\$ 43,754
Capital outlay	<u>236,000</u>	<u>236,000</u>	<u>267,087</u>	<u>(31,087)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 289,930</u>	<u>\$ 289,930</u>	<u>\$ 277,263</u>	<u>\$ 12,667</u>
<b>FOUNDATIONS AND PARKS FUND</b>				
<b>REVENUES</b>				
Other revenues	\$ -	\$ -	\$ 64,058	\$ 64,058
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,058</u>	<u>\$ 64,058</u>
<b>EXPENDITURES</b>				
Foundation and parks	\$ -	\$ -	\$ 22,350	\$ (22,350)
Capital outlay	<u>-</u>	<u>-</u>	<u>110,574</u>	<u>(110,574)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,924</u>	<u>\$ (132,924)</u>

**CITY OF LA GRANGE, KENTUCKY**  
**SUPPLEMENTARY BUDGETARY COMPARISON**  
**OTHER GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2021**

	<b>Enacted Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>ABC FUND</b>				
<b>REVENUES</b>				
Licenses and permits	\$ 344,000	\$ 344,000	\$ 381,117	\$ 37,117
Other revenues	-	-	456	456
Carryover	58,598	58,598	-	(58,598)
<b>TOTAL REVENUES</b>	<b>\$ 402,598</b>	<b>\$ 402,598</b>	<b>\$ 381,573</b>	<b>\$ (21,025)</b>
<b>EXPENDITURES</b>				
ABC	\$ 358,098	\$ 358,098	\$ 297,732	\$ 60,366
Capital outlay	44,500	44,500	39,782	4,718
<b>TOTAL EXPENDITURES</b>	<b>\$ 402,598</b>	<b>\$ 402,598</b>	<b>\$ 337,514</b>	<b>\$ 65,084</b>
<b>BUS FUND</b>				
<b>REVENUES</b>				
Intergovernmental revenues	\$ 55,688	\$ 55,688	\$ 172,056	\$ 116,368
Charges for service	9,600	9,600	5,800	(3,800)
<b>TOTAL REVENUES</b>	<b>\$ 65,288</b>	<b>\$ 65,288</b>	<b>\$ 177,856</b>	<b>\$ 112,568</b>
<b>EXPENDITURES</b>				
General and administrative	\$ 13,046	\$ 13,046	\$ 5,986	\$ 7,060
Salaries and wages	97,242	97,242	99,320	(2,078)
Repairs and maintainence	6,500	6,500	15,990	(9,490)
Fuel	15,500	15,500	8,333	7,167
Capital outlay	-	-	12,447	(12,447)
<b>TOTAL EXPENDITURES</b>	<b>\$ 132,288</b>	<b>\$ 132,288</b>	<b>\$ 142,076</b>	<b>\$ (9,788)</b>

**CITY OF LA GRANGE, KENTUCKY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2021**

	<b>Municipal Road Aid Fund</b>	<b>Foundations and Parks Fund</b>	<b>ABC Fund</b>	<b>Bus Fund</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 115,434	\$ 14,787	\$ 363,875	\$ 147,429	\$ 641,525
Accounts receivable	<u>15,105</u>	<u>-</u>	<u>97,516</u>	<u>48,957</u>	<u>161,578</u>
Total assets	<u>\$ 130,539</u>	<u>\$ 14,787</u>	<u>\$ 461,391</u>	<u>\$ 196,386</u>	<u>\$ 803,103</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 51,037	\$ -	\$ -	\$ 1,182	\$ 52,219
Accrued leave	-	-	-	94	94
Due to other fund	<u>-</u>	<u>-</u>	<u>101,022</u>	<u>107,529</u>	<u>208,551</u>
Total liabilities	<u>51,037</u>	<u>-</u>	<u>101,022</u>	<u>108,805</u>	<u>260,864</u>
<b>FUND BALANCE</b>					
Restricted	79,502	-	360,369	-	439,871
Committed	-	14,787	-	-	14,787
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,581</u>	<u>87,581</u>
Total fund balance	<u>79,502</u>	<u>14,787</u>	<u>360,369</u>	<u>87,581</u>	<u>542,239</u>
Total liabilities and fund balance	<u>\$ 130,539</u>	<u>\$ 14,787</u>	<u>\$ 461,391</u>	<u>\$ 196,386</u>	<u>\$ 803,103</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, 2021**

	<b>Municipal Road Aid Fund</b>	<b>Foundations and Parks Fund</b>	<b>ABC Fund</b>	<b>Bus Fund</b>	<b>Total</b>
<b>REVENUES</b>					
Licenses and permits	\$ -	\$ -	\$ 381,117	\$ -	\$ 381,117
Intergovernmental revenues	158,658	-	-	172,056	330,714
Charges for service	-	-	-	5,800	5,800
Other revenues	<u>98</u>	<u>64,058</u>	<u>456</u>	<u>-</u>	<u>64,612</u>
Total revenues	<u>158,756</u>	<u>64,058</u>	<u>381,573</u>	<u>177,856</u>	<u>782,243</u>
<b>EXPENDITURES</b>					
Public works	10,176	-	-	-	10,176
Foundation and parks	-	22,350	-	-	22,350
ABC	-	-	297,732	-	297,732
Bus	-	-	-	129,629	129,629
Capital outlay	<u>267,087</u>	<u>110,574</u>	<u>39,782</u>	<u>12,447</u>	<u>429,890</u>
Total expenditures	<u>277,263</u>	<u>132,924</u>	<u>337,514</u>	<u>142,076</u>	<u>889,777</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(118,507)</u>	<u>(68,866)</u>	<u>44,059</u>	<u>35,780</u>	<u>(107,534)</u>
<b>Other financing sources</b>					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,000</u>	<u>67,000</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,000</u>	<u>67,000</u>
<b>Net change in fund balances</b>	<u>(118,507)</u>	<u>(68,866)</u>	<u>44,059</u>	<u>102,780</u>	<u>(40,534)</u>
Fund balances, beginning	<u>198,009</u>	<u>83,653</u>	<u>316,310</u>	<u>(15,199)</u>	<u>582,773</u>
<b>Fund balances, ending</b>	<u>\$ 79,502</u>	<u>\$ 14,787</u>	<u>\$ 360,369</u>	<u>\$ 87,581</u>	<u>\$ 542,239</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, 2021, 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 October 4, 2022.

**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 questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 deficiencies (2021-001, 2021-003 and 2021-004) described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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 (2021-002) described in the accompany schedule of findings and questioned costs 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items (2021-004, 2021-005 and 2021-006).

### **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 questioned costs. 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  
October 4, 2022



Members American Institute of Certified Public Accountants  
and Kentucky Society of Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of La Grange, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of La Grange, Kentucky's major federal programs for the year ended June 30, 2021. City of La Grange, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of La Grange, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of La Grange, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of La Grange, Kentucky's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of La Grange, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control over Compliance

Management of the City of La Grange, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of La Grange, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of La Grange, Kentucky's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-005 that we consider to be a material weakness.

The City of La Grange, Kentucky's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of La Grange, Kentucky's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion in it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
October 4, 2022

**CITY OF LA GRANGE, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**for the year ended June 30, 2021**

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GRANTOR/PROGRAM TITLE	Federal AL Number	Pass/Through Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
U.S. Department of the Treasury Passed through the Kentucky Department for Local Government COVID-19 - Coronavirus Relief Fund for States	21.019	N/A	7/1/20- 6/30/21	\$ -	\$ 585,492
<b>Total U.S. Department of the Treasury</b>				<u>-</u>	<u>585,492</u>
U.S. Department of Transportation Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	N/A	7/1/20-6/30/21	-	152,056
<b>Total U.S. Department of Transportation</b>				<u>-</u>	<u>152,056</u>
U.S. Environmental Protection Agency Passed through the Kentucky Infrastructure Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	N/A	7/1/20-6/30/21	-	314,224
<b>Total U.S. Environmental Protection Agency</b>				<u>-</u>	<u>314,224</u>
<b>Total federal awards expended</b>				<u>\$ -</u>	<u>\$ 1,051,772</u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of La Grange, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

**Note 2 - Indirect Cost Rates**

The City did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

**CITY OF LA GRANGE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**for the year ended June 30, 2021**

**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified   X   Yes        No

Significant deficiencies identified that are not  
considered to be material weaknesses   X   Yes        No

Non-compliance material to financial statements noted   X   Yes        No

Federal Awards:

Internal control over major programs:

Material weaknesses identified   X   Yes        No

Significant deficiencies identified that are not  
considered to be material weaknesses        Yes   X   No

Type of auditor's report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR 200.516(a)?

  X   Yes   X   No

**Major Program:**

**AL Numbers**

**Name of Federal Program or Cluster**

21.019

COVID-19 – Coronavirus Relief Fund

Dollar threshold used to distinguish between type A  
and type B programs:

\$ 750,000

Auditee qualified as a low-risk auditee?

       Yes   X   No

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS**

**2021-001 *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.

**CITY OF LA GRANGE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**for the year ended June 30, 2021**

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**II. FINDINGS RELATED TO FINANCIAL STATEMENTS (CONTINUED)**

**2021-001, continued**

*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:* Have someone on staff that has expertise in accounting to help/assist with year-end closing. In the past, books were reconciled and at end of year reports were given to CPA for the year-end adjustments.

**2021-002 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:* Have someone on staff that has expertise in accounting to help/assist with year-end closing. In the past, books were reconciled and at end of year reports were given to CPA for the year-end adjustments. Obtain more training on the new accounting software.

**2021-003 The City should have internal controls in place to ensure bank accounts are reconciled timely.**

*Criteria:* The City should reconcile all monthly bank statements to the accounting system shortly after the end of each month.

*Condition:* During the course of the audit it was noted after the City switched accounting software, the City failed to reconcile its bank accounts monthly.

*Cause:* The City decided to switch accounting software during fiscal year 2021. City personnel were either not adequately trained or did not have sufficient knowledge on the bank reconciliation process to ensure all of the bank accounts were reconciled monthly after the transition to a new accounting software.

**CITY OF LA GRANGE, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
for the year ended June 30, 2021**

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**II. FINDINGS RELATED TO FINANCIAL STATEMENTS (CONTINUED)**

**2021-003, continued**

*Effect:* The City did not reconcile all of the fiscal year 2021 bank accounts until June 2022. The audit was delayed because of the issues City personnel had with reconciling the bank accounts and numerous adjustments were required to correct accounting errors.

*Recommendation:* We recommend the City establish internal controls to ensure the City's bank accounts are reconciled to the accounting system monthly. If City personnel encounter issues with reconciling a specific bank account to the accounting system, the City should consider hiring a consultant with sufficient expertise to help complete the reconciliation.

*Management's Response:* Staff was not trained correctly. John Milleck with Frey Software did the training but also did the work to correct errors. Thought we were doing the work correctly, but we were not.

**2021-004 The City should have internal controls in place to ensure the Mayor and the City Council are provided with accurate up to date financial data monthly.**

*Criteria:* The City should provide sufficient financial accounting and reporting oversight in accordance with (KRS) 91A.030.

*Condition:* During fiscal year 2021, monthly financial reports provided to the Mayor and City Council contained significant errors.

*Cause:* The City switched accounting software during fiscal year 2021. This resulted in numerous accounting errors that were not identified and corrected until after the end of the fiscal year.

*Effect:* The Mayor and the City Council were not able to provide adequate oversight due to lack of appropriate financial information.

*Recommendation:* We recommend the Mayor and the City Council receive up to date monthly budgetary comparison reports to assist in making appropriate financial decisions and to assist in evaluating the overall financial position of the City.

*Management's Response:* When staff was trained, we understood that transactions had to be posted in the month it happened which in April 2021 there were postings for July 2020 but found out it was incorrect which resulted in numerous reversals.

**2021-005 The City should timely file all required financial reports with the state and the U.S. Office of Management and Budget (OMB).**

*Criteria:* The state requires the City file annually required financial reports including the Uniform Financial Information Report. When the City expends \$750,000 or more of federal grants in a year, the City is required to undertake an OMB single audit.

*Condition:* Deficiencies in the City's internal controls prevented the timely completion and submission of the Uniform Financial Information Report, the annual financial statement audit and the OMB single audit.

*Cause:* The City switched accounting software during fiscal year 2021. This resulted in numerous accounting errors that delayed completion of the audit and submission of the Uniform Financial Information Report and the OMB single audit.

*Effect:* The City did not file timely the 2021 Uniform Financial Information Report and the City did not timely complete both its annual financial statement audit and OMB single audit.



**CITY OF LA GRANGE, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
for the year ended June 30, 2021**

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**II. FINDINGS RELATED TO FINANCIAL STATEMENTS (CONTINUED)**

**2021-005, continued**

*Recommendation:* We recommend the City implement the changes from the above itemized findings to allow timely completion of accurate financial reports. This will allow the City to be in compliance with the laws and regulations that govern them.

*Management's Response:* Staff did not realize there needed to be a single audit for the City of La Grange. With the combination of expenditures of federal funds for the La Grange Utilities and the City of La Grange the amount expended was over \$750,000, which made a single audit a requirement.

**2021-006 *City personnel should ensure all deposits are fully insured or collateralized in accordance with KRS 66.480.***

*Criteria:* The state requires the City insure or collateralize all deposits.

*Condition:* City personnel did not follow up with the local banks for which the City held deposits to ensure adequate insurance or collateral coverage.

*Cause:* City personnel have not been routinely following up with local banks for which the City holds deposits to ensure adequate insurance or collateral coverage.

*Effect:* As of June 30, 2021, the City had in excess of \$1.2 million in deposits that were uninsured and uncollateralized. As of June 30, 2021, the City was not in compliance with KRS 66.480.

*Recommendation:* We recommend City personnel check on the status of insurance and collateral coverage for the City's deposits periodically during each fiscal year. This will allow the City to be in compliance with KRS 66.480 in the future.

*Management's Response:* City clerk receives monthly financial statements on collateral and must make sure funds are either fully insured or adequately collateralized.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**2021-005 *The City should timely file all required financial reports with the state and the U.S. Office of Management and Budget (OMB).***

**IV. PRIOR AUDIT FINDINGS**

**2020-001 *The City should have internal controls in place that enable it to accurately record all transactions including year-end accrual transactions (Repeat).***

**2020-002 *The City should have internal controls in place that enable it to prepare complete financial statements (Repeat).***