

**CITY OF BLUE RIDGE MANOR, KENTUCKY**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**CITY OF BLUE RIDGE MANOR , KENTUCKY**

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**Independent Auditor's Report**

The Honorable Mayor and  
Commissioners of the City of  
Blue Ridge Manor, Kentucky

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Blue Ridge Manor, Kentucky as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City'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.

**Auditor's 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 risk 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 and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Blue Ridge Manor, Kentucky at June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's budgetary comparison information on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017 on our consideration of the City of Blue Ridge Manor, Kentucky's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the 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 Blue Ridge Manor, Kentucky's internal control over financial reporting and compliance.

*McIntyre & Woolridge, PSC*

Louisville, Kentucky  
December 11, 2017

**BASIC FINANCIAL STATEMENTS**

**CITY OF BLUE RIDGE MANOR, KENTUCKY  
STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2017**

**ASSETS**

## Current Assets

Cash and cash equivalents	\$ 56,416
Property taxes receivable	1,116
Insurance premium taxes receivable	17,589
Police grant receivable	1,128
Prepaid expense	5,364
Short term investment	<u>148,713</u>

Total Current Assets 230,326

## Non-current Assets

Cash and cash equivalents, restricted	12,907
Property taxes receivable	3,230
Investments	<u>360,473</u>

Total Non-current Assets 376,610

## Capital Assets

Road improvements	27,380
Sidewalk improvements	24,914
Park improvements	18,745
Entrance improvements	28,120
Signage	71,815
Equipment	1,199
Less accumulated depreciation	<u>(67,171)</u>
Total Capital Assets-Net	<u>105,002</u>

TOTAL ASSETS 711,938

**LIABILITIES**

## Current Liabilities

Accounts payable	<u>10,798</u>
Total Current Liabilities	10,798

**NET POSITION**

Net investment in capital assets	105,002
Restricted for roads	12,907
Unrestricted	<u>583,231</u>

TOTAL NET POSITION \$ 701,140

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

**CITY OF BLUE RIDGE MANOR, KENTUCKY  
STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>EXPENSES</u>	<u>PROGRAM REVENUES OPERATING GRANTS</u>	<u>NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION</u>
Primary Government			
Governmental Activities:			
Administrative	\$ (61,393)	\$ -	(61,393)
Public works/safety	(110,572)	19,816	(90,756)
Parks and recreation	(37,679)		(37,679)
Community affairs	<u>(13,574)</u>	<u>-</u>	<u>(13,574)</u>
Total Governmental Activities	<u>\$ (223,218)</u>	<u>\$ 19,816</u>	(203,402)
General Revenues:			
Taxes:			
Property taxes			152,466
Insurance premium taxes			87,316
Franchise fees			3,673
Investment income			<u>6,006</u>
Total General Revenues			<u>249,461</u>
Change in Net Position			46,059
Net Position, Beginning of Year			<u>655,081</u>
Net Position, End of Year			<u>\$ 701,140</u>

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

**CITY OF BLUE RIDGE MANOR, KENTUCKY  
BALANCE SHEET - GOVERNMENTAL FUNDS AND  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2017**

	GENERAL FUND	ROAD FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash and cash equivalents	\$ 56,416	\$ -	\$ 56,416
Property taxes receivable	-		-
Insurance premium taxes receivable	17,589		17,589
Police grant receivable	1,128		1,128
Prepaid expense	5,364		5,364
Investments	509,186		509,186
Restricted assets:			
Cash and cash equivalents	-	12,907	12,907
<b>TOTAL ASSETS</b>	<b>\$ 589,683</b>	<b>\$ 12,907</b>	<b>\$ 602,590</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 10,798	\$ -	\$ 10,798
<b>Total Liabilities</b>	10,798	-	10,798
<b>FUND BALANCES</b>			
Fund Balances:			
Unassigned	573,521	-	573,521
Restricted	-	12,907	12,907
Nonspendable	5,364	-	5,364
<b>Total Fund Balances</b>	<b>578,885</b>	<b>12,907</b>	<b>591,792</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 589,683</b>	<b>\$ 12,907</b>	<b>\$ 602,590</b>
<b>TOTAL GOVERNMENTAL FUND BALANCES</b>			<b>\$ 591,792</b>
Amounts reported for governmental activities in the statement of net assets are different because:			
Taxes receivable in the statement of net position are reported on using the accrual basis of accounting whereas the balance sheet- governmental funds reflects the modified accrual basis. This is the difference between the two methods.			
			4,346
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
This is the amount by which capital outlays exceeded depreciation.			
			105,002
<b>NET POSITION</b>			<b>\$ 701,140</b>

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



**CITY OF BLUE RIDGE MANOR, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>GENERAL FUND</u>	<u>ROAD FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>			
Property taxes, interest and penalties	\$ 148,120	\$ -	\$ 148,120
Insurance premium taxes	87,316		87,316
State municipal aid		15,411	15,411
Police grants	4,405		4,405
Interest income	5,986	20	6,006
Franchise fees	3,673	-	3,673
Total Revenues	<u>249,500</u>	<u>15,431</u>	<u>264,931</u>
<b>EXPENDITURES</b>			
Administrative	62,316		62,316
Public works/safety	105,583	24,915	130,498
Parks & recreation	33,305		33,305
Community affairs	13,574	-	13,574
Total Expenditures	<u>214,778</u>	<u>24,915</u>	<u>239,693</u>
CHANGE IN FUND BALANCES	34,722	(9,484)	25,238
FUND BALANCE AT BEGINNING OF YEAR	<u>544,163</u>	<u>22,391</u>	<u>566,554</u>
FUND BALANCE AT END OF YEAR	<u>\$ 578,885</u>	<u>\$ 12,907</u>	<u>\$ 591,792</u>

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

**CITY OF BLUE RIDGE MANOR, KENTUCKY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Net change in fund balances - total governmental funds	\$ 25,238
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense:	
This is the amount by which capital outlays exceeded depreciation in the current period	16,475
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
This is the amount of the difference in the change in accounts receivable from the two methods of accounting	<u>4,346</u>
Change in net position as reflected on the Statement of Activities	<u>\$ 46,059</u>

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

**CITY OF BLUE RIDGE MANOR, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Blue Ridge Manor, Kentucky have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

**Financial Reporting Entity**

The City operates under a Mayor-Commissioner form of government and provides sanitation, public works/safety and general administrative services to its taxpayers. The City is classified as a home rule class city, as defined by Kentucky statute. The City's basic financial statements include the accounts of all City operations.

**Fund Financial Statements**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, receipts and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The City has presented the following major governmental funds:

- **General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Road Fund** - The Road Fund is used to account for all expenses incurred in connection with the city streets, street signs and entrances to the City. Kentucky Municipal Aid monies are accounted for in the Road Fund. These funds are restricted to road construction, repairs and maintenance.

The City considers all of its funds to be major funds.

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes

**CITY OF BLUE RIDGE MANOR, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Currently the City does not engage in any business-type activities.

The statement of activities presents direct expenses, which are clearly identifiable with a specific function or segment. Taxes and other revenue items are reported as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized and accrued as soon as they are both measurable and available to finance operations during the year and those not susceptible to accrual are recorded when cash is received. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, insurance premium taxes, grants and interest are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal year. All other revenue items are considered recorded as revenue when the funds have been received.

**Budgetary Accounting**

The budget information reflected in the budgetary comparison schedule is the annual budget adopted by the City in accordance with the provisions of Kentucky law. It is presented to the Commission in the form of an ordinance and may be amended by subsequent ordinance or by municipal order.

As required by generally accepted governmental accounting principles, the budgetary comparison schedule has been prepared in the same general form as the legally adopted budget and is presented using the modified accrual basis of accounting. Its format varies somewhat from the Statement of Revenues, Expenditures and Changes in Fund Balances on page 6.

**CITY OF BLUE RIDGE MANOR, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Component Units**

There are no governmental component units incorporated in the basic government-wide financial statements. A component unit is a legally separate entity that is included in the primary government's financial reporting entity using the criteria of the Government Accounting Standards Board.

**Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits. For purposes of these financial statements, the City considers as cash equivalents all highly liquid investments with a maturity of three months or less when purchased and are readily convertible to cash.

Generally, the City's investing activities are managed under the custody of the City Treasurer. Investing is performed in accordance with investment policies complying with state statutes and the City Charter. City funds may be invested in: (1) obligations of the United States and its agencies and instrumentalities, (2) obligations of any corporation of the United States government, (3) certificates of deposits in institutions insured by the Federal Deposit Insurance Corporation, and (4) bonds or certificates of indebtedness of the Commonwealth of Kentucky.

The City maintains its deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC).

**Insurance Premium Taxes**

The City's tax rate assessed on non-health insurance premiums is 5%.

**Prepaid Expenses**

Prepaid expenses represent payments to vendors that benefit future reporting periods.

**Capital Assets**

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental fund statements and capitalized (recorded and accounted for) in the government-wide statement of net position at cost.

**CITY OF BLUE RIDGE MANOR, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

Effective for the year ended June 30, 2004, the City implemented GASB Statement Number 34 (See Note 7). One of the requirements of GASB 34 is to capitalize and depreciate infrastructure expenditures and other capital assets. The City elected to implement this standard prospectively, as it related to the capitalization of infrastructure and land expenditures. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost.

Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The City capitalizes assets with a value over \$1,000.

The estimated useful life of various classes of capital assets are as follows:

Road improvements	5 to 15 years
Park improvements	12 years
Entrance improvements	10 years
Signage	10 years
Equipment	3 to 7 years

**Impairment of Capital Assets**

In accordance with GASB Statement No. 42 “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries” the City’s management evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital assets has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event of change in circumstance is outside the normal life cycle of the capital asset. No impairment losses were identified or recognized for the year ended June 30, 2017.

**Net Position**

Net position is the difference between assets and liabilities. Net position is restricted when constraints are placed on net position use either externally imposed by creditors, grantors or contributors or regulations of governments, or imposed by law.

The City’s policy is to use restricted assets according to budgeted amounts.

**CITY OF BLUE RIDGE MANOR, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Fund Balances**

The Government Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes for governmental fund financial statements.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Commission,
4. *Assigned* fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, governmental funds are classified by character and function. In the fund financial statements governmental funds report expenditures of financial resources.

The City's policy for spending restricted resources is to allocate disbursements to restricted funds to the extent such disbursements were budgeted to be paid from restricted funds.

**Fair Value of Financial Investments**

The carrying amount of cash and cash equivalents, investments, receivables, and payables approximates their fair market values as of June 30, 2017.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires City's management to make estimates and assumptions that affect the

**CITY OF BLUE RIDGE MANOR, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents

Cash and cash equivalents are recorded at cost (which equals market value) and consists of the following at June 30, 2017:

	General Fund	Road Fund	Total
Checking account	\$ 130	\$3,230	\$3,360
Savings account with interest at .01% per annum	56,286		56,286
Money market account with interest at .10% per annum	-	9,677	9,677
Total	<u>\$56,416</u>	<u>\$12,907</u>	<u>\$69,323</u>

**NOTE 3-SHORT TERM INVESTMENT**

Short term investment is recorded at cost (which equals market value) and consists of the following at June 30, 2017:

	General Fund
Certificate of deposit with BB&T interest at .10% per annum, maturing on August 5, 2017	<u>\$ 148,713</u>

**NOTE 4- INVESTMENTS**

Investments are recorded at cost (which equals market) and consists of the following at June 30, 2017:

Certificate of deposit with Republic Bank, interest at 2.00% per annum, maturing August 5, 2020	\$ 181,763
Certificate of deposit with Stock Yards Bank, interest at 1.10% per annum, maturing August 5, 2020	<u>178,710</u>
Total	<u>\$ 360,473</u>



**CITY OF BLUE RIDGE MANOR, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 4- INVESTMENTS(CONTINUED)**

All cash and cash equivalents, short term investment and investments all are insured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2017.

**NOTE 4- CAPITAL ASSETS AND DEPRECIATION**

Capital assets activity for the year ended June 30, 2017, consisting of the following:

	Balance 6-30-16	Additions	Disposals	Balance 6-30-17
Road improvements	\$ 20,250	\$ 7,130	\$ -	\$ 27,380
Sidewalk improvements		24,914		24,914
Park improvements	18,745		-	18,745
Entrance improvements	28,120		-	28,120
Signage	71,815	-	-	71,815
Equipment	-	1,199	-	1,199
Sub-total	138,930	33,243	-	172,173
Accumulated depreciation	50,403	16,768	-	67,171
Total capital assets, net	<u>\$ 88,527</u>	<u>\$ 16,475</u>	<u>\$ -</u>	<u>\$ 105,002</u>

The cost and related accumulated depreciation for each asset category at June 30, 2017 is as follows:

	Cost	Accumulated Depreciation	Net
Road improvements	\$ 27,380	\$ 11,701	\$ 15,679
Sidewalk improvements	24,914	830	24,084
Park improvements	18,745	7,420	11,325
Entrance improvements	28,120	14,086	14,034
Signage	71,815	32,858	38,957
Equipment	1,199	276	923
Total	<u>\$ 172,173</u>	<u>\$ 67,171</u>	<u>\$ 105,002</u>

Depreciation for the year ended June 30, 2017 was charged to function in the statement of activities as follows:

Administrative	\$ 276
Public works/safety	12,118
Parks and recreation	4,374
Total	<u>\$ 16,768</u>

**CITY OF BLUE RIDGE MANOR, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 5- PROPERTY TAXES**

For the year ended June 30, 2017, the City adopted a tax rate of \$.20 per \$100 of assessed valuation of real and personal property (assessed at January 1, 2016). The total assessed value of the property for the year ended June 30, 2017 amounted to \$86,880,000 which resulted in gross taxes of \$173,760. Property tax bills paid by September 15, 2016 are subject to a 15% discount. Gross tax was due by October 15, 2016. If taxes are paid after October 15, 2016 penalties and interest are charged on the unpaid balance. Property tax revenue is recorded net of discounts approximating \$24,600.

During the year ended June 30, 2017, the city assessed a tax rate that generated gross taxes which increased more than 4% over prior year gross taxes; this 4% limit is imposed by the State. The over assessed taxes totaled \$5,363.

**NOTE 6 – RISK MANAGEMENT**

The City is subject to normal insurance risks as other cities of its size. The City carries general liability, business auto, public officials and bond insurance coverage. The City has not had any significant reduction in coverage in the past year.

**NOTE 7 – GASB STATEMENT NO. 34**

Beginning in 2004, the City implemented GASB Statement No. 34 “Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments.” GASB Statement No. 34 established new financial reporting requirements for all state and local governments and consists of the following:

Management’s Discussion and Analysis

Basic financial statements:

Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; Fund financial statements, consisting of a series of statements that focus on a Government’s major governmental funds and proprietary funds; notes to the financial statements

As noted in the independent auditor’s report, City management elected not to implement the reporting of Management’s Discussion and Analysis, which is required by GASB Statement No. 34.

**CITY OF BLUE RIDGE MANOR, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 8 – OPERATING LEASE**

The City leases office and storage space under an operating lease agreement requiring monthly payments of \$550 through September 30, 2018.

The following is a schedule of future minimum rental payments required under the above non-cancelable operating lease as of June 30, 2017:

Year ending June 30:	
2018	\$ 6,600
2019	<u>1,650</u>
 Total	 <u>\$ 8,250</u>

**NOTE 9– CONTRACTUAL COMMITMENTS**

The City has the following contractual commitments at June 30, 2017 and for the subsequent period through the audit report date:

-An agreement dated July 1, 2017 with a sanitation contractor to provide garbage, recycling and yard waste services for the period July 1, 2017 through June 30, 2019 at \$5,599 per month.

-An agreement with its landscaping contractor for mowing, landscaping, and litter abatement services for the 2016/2017 season to be billed at hourly and unit prices. The City utilized the same contractor for the year ended June 30, 2017 and paid \$21,900 for those services.

-An agreement with Louisville Metro Police Department for police protection at a cost of \$50 per hour. For the year ended June 30, 2017, the City paid \$13,700 for these services.

-The City also has other agreements with contractors including snow removal.

**NOTE 10- CONTINGENCIES**

The City was served with a complaint by Louisville Jefferson County Metro Waste Management District regarding sanitation services. However this complaint does not include a request for monetary damages and therefore no financial loss should occur as a result of the litigation.

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 11, 2017, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF BLUE RIDGE MANOR, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL AND ROAD FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>				
Property taxes	\$ 129,800	\$ 154,100	\$ 148,120	\$ (5,980)
Insurance taxes	53,000	53,000	87,316	34,316
Transfer payments	9,500	9,500	8,078	(1,422)
Road revenue sharing	14,500	14,500	15,411	911
Interest income	10,000	10,000	6,006	(3,994)
Transfer from reserves	<u>28,000</u>	<u>28,000</u>	-	<u>(28,000)</u>
Total Revenues	<u>\$ 244,800</u>	<u>\$ 269,100</u>	<u>\$ 264,931</u>	<u>\$ (4,169)</u>
<b>EXPENDITURES</b>				
Administration	\$ 57,100	\$ 63,000	\$ 62,316	\$ 684
Public works/ safety	146,800	129,400	130,498	(1,098)
Parks & recreation	27,400	35,000	33,305	1,695
Community affairs	<u>13,500</u>	<u>14,800</u>	<u>13,574</u>	<u>1,226</u>
Total Expenditures	<u>244,800</u>	<u>242,200</u>	<u>239,693</u>	<u>2,507</u>
<b>REVENUES OVER(UNDER) EXPENDITURES</b>	<u>\$ -</u>	<u>\$ 26,900</u>	<u>\$ 25,238</u>	<u>\$ (1,662)</u>

**Note:**

Transfer payments reflected in the budgetary comparison schedule consist of Franchise fees and police grants as reflected on the statement of revenues, expenditures, and changes in fund balances.

**McIntyre & Wooldridge, PSC**  
**Certified Public Accountants**

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502/493-9373 or 493-9374 (fax)

The Honorable Mayor and  
Commissioner of the City  
Of Blue Ridge Manor, Kentucky

**INDEPENDENT AUDITOR'S 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***

We have audited the financial statements of the governmental activities and major funds as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the City of Blue Ridge Manor (the City) basic financial statements and have issued our report thereon dated December 11, 2017. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be, significant deficiencies, or material weaknesses. Given these limitations,

during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control which is described in the accompanying schedule of findings, that we consider to be a significant deficiency.

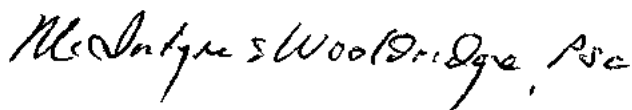
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings.

The City of Blue Ridge Manor, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Louisville, Kentucky  
December 11, 2017

**SCHEDULE OF SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL****FINDING 2017-1**

We noted there were several accounting transactions that were misclassified, one of which had a significant impact on the net income of the City. We proposed related audit adjustments to City management which approved the adjustments for posting to the accounting records.

**RECOMMENDATION-FINDING 2017-1**

We recommend that City management exercise more care in accounting for revenue and expenditure transactions. We recommend the City consider the following to help it monitor its revenue receipts:

- Utilize a separate revenue account for police grants to ensure all the quarterly paid grants are received and accounted for
- Obtain an insurance premium tax report from the department of insurance and attempt to reconcile to the revenues booked by the City.

**MANAGEMENT RESPONSE- FINDING 2017-1**

We agree with the finding and plan on implementing the auditor's recommendations.

**COMPLIANCE WITH LAWS AND REGULATIONS****FINDING 2017-2**

For the fiscal year ended June 30, 2017, the City levied a tax rate that generated gross property taxes which increased more than 4% over the revenue produced by the compensating tax rate, as defined in KRS 132.010, without complying with the public hearing requirements as stipulated by KRS 132.027. The estimated over-assessed taxes amounted to \$5,400. This was a similar finding noted in the prior audit.

**RECOMMENDATION – FINDING 2017-2**

We recommend the City comply with the aforementioned KRS requirements and consult the City attorney to consider the appropriate future course of action.

**MANAGEMENT RESPONSE – FINDING 2017-2**

City acknowledges the recommendation and will consult with the City attorney regarding potential challenges and solutions. The City will review the compensating tax rate law as defined in statute, and as necessary adopt a protocol to determine the ratio upon receipt of the PVA assessments and address proactively.



**COMPLIANCE WITH LAWS AND REGULATIONS (CONTINUED)****FINDING 2017-3**

We noted that the City's budget incorporated the general and road funds. We noted there were road fund expenditures of \$24,915 that were not specifically budgeted as restricted road fund expenditures. Kentucky law requires that restricted funds such as the road fund be budgeted separately.

**RECOMMENDATION- FINDING 2017-3**

We recommend that the road fund revenues and expenditures be budgeted separately.

**MANAGEMENT RESPONSE- FINDING 2017-3**

While we had never segregated the general and road fund expenditures in the budget process, we accept the auditor's recommendation and will do so with our next budget cycle.

**FINDING 2017-4**

We noted an instance for which the City did not pay vendor invoices within 30 days of receipt of invoice, as is required by Kentucky law; bills for sanitation services for the months December through February totaling approximately \$15,000 that were not paid until March.

**RECOMMENDATION- FINDING 2017-4**

We recommend the City pay purchases within the aforementioned timeframe, unless the City and vendor otherwise contract.

**MANAGEMENT RESPONSE- FINDING 2017-4**

The instance found by the auditor was not a pattern but a unique occurrence due to a change in personnel. Our process is to pay purchases within 30 days of invoice unless otherwise contracted.