

CITY OF LAGRANGE, GEORGIA

Comprehensive Annual Financial Report Year ended June 30, 2004

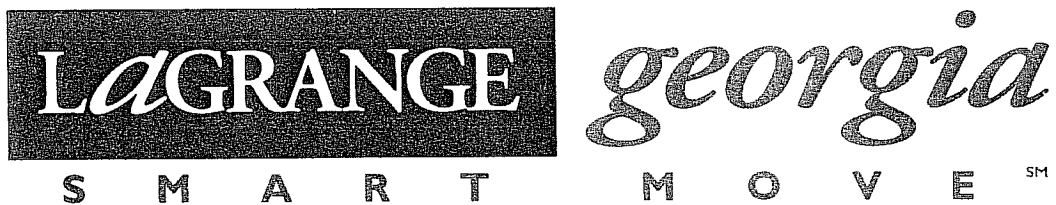


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INTRODUCTORY SECTION

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S M A R T M O V E ®



December 1, 2004

TO: Citizens of the City of LaGrange, Georgia
Honorable Mayor and Members of the City Council
City of LaGrange, Georgia

The comprehensive annual report of the City of LaGrange, Georgia (the City), for the fiscal year ended June 30, 2004 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the Government's organization chart, and a list of principal officials. The financial section includes management's discussion and analysis of the financial statements, the basic financial statements and related notes and certain supplementary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. This report includes all funds of the City of LaGrange.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including the schedule of federal financial assistance and the auditor's reports on the internal control structure and compliance with applicable laws and regulations appear in the Single Audit section of this report. For the year ended June 30, 2004, expenditures of federal funds fell below the \$500,000 threshold; therefore, no single audit section is included in this report.

This is the second year the City of LaGrange is subject to the requirements of the Governmental Accounting Standards Board Statement 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB 34). The new GASB pronouncement requires management discussion and analysis of the statements, government-wide financial statements, budgetary comparison schedules, added infrastructure reporting requirements and changes to the statement of cash flows, to name a few. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The City of LaGrange, incorporated in 1828, operates under the Council-Manager form of government. The City is organized under eight (8) departments: Community and Economic Development, Finance, Fire, Human Resources, Information and Technology, Police, Public Services and Public Utilities. These departments operate under the direct supervision of the City Manager, who is appointed by the Mayor and Council, and provide a full range of services to an estimated 27,000 citizens. Included among these services are traditional city functions, such as police and fire protection, sanitation services (garbage and trash collection, landfill, and recycling center), street

construction and maintenance, parks and recreation services, building inspection, zoning enforcement and economic development, as well as electric, gas, water and sewer utilities and telecommunications services.

The Troup County Airport Authority, Housing Authority of the City of LaGrange, the LaGrange Industrial Development Authority and the Downtown Development Authority of LaGrange have not met the established criteria for inclusion in the reporting entity and, accordingly, are excluded from this report. The Solid Waste Management Authority of the City of LaGrange is reported on a blended basis.

ECONOMIC CONDITION AND OUTLOOK

The City of LaGrange is located in the west central part of Georgia, approximately 70 miles southwest of the city of Atlanta with Interstate 85 and Interstate 185 adjacent on the east side of the city and West Point Lake adjacent on the west side. Hartsfield Atlanta International Airport is 45 minutes away via I-85 and Columbus is less than an hour away via I-185 south. Full-service rail facilities are provided by CSX, east/west and north/south lines. Truck lines include interstate and intrastate carriers and local terminals. UPS, Federal Express, and several other national and local firms provide delivery services.

LaGrange is home to over 40 industries in two industrial parks. The 1600-acre LaGrange Industrial Park and LaGrange Industrial Park East, a 640-acre park, are home to a dozen Fortune 50 and Fortune 500 companies.

The economic condition and outlook for LaGrange has shown signs of improvement over the last 12 months due to the diversity of industry here, although the local economy, not unlike the national economy, has struggled during the past year. The City's local option sales tax receipts remained at last year's levels, and the City's utility fund operating income increased by 38.6%, as discussed in the Financial Information - Enterprise Fund Section. However, the City ended the year with an improved cash position.

The unemployment rate for LaGrange for FY 2004 decreased 0.4% over last year, and is an indicator of an improving business and industrial community. The Georgia counties of Carroll, Coweta, Harris, Heard, Meriwether, Talbot and Troup combined with the nearby Alabama counties of Chambers and Randolph contribute in excess of 150,000 potential workers to LaGrange's labor pool.

The Industrial Development Authority reports continuing activity in its contact and discussions with industrial prospects from across the country. The City and the Industrial Development Authority through an Existing Industry Program continue its efforts in working with all of LaGrange's existing industries to offer assistance through Quickstart programs and low-cost financing which allows them to grow and remain competitive in the U.S. and abroad.

MAJOR INITIATIVES

The final budget for the year ending June 30, 2005 adopted by the Mayor and City Council shows estimated expenses of \$89,285,770.

The City's projected combined funds balance for fiscal year 04-05 is projected to increase just over \$1 million as a result of an increase in estimated revenues over the prior year. The cash balance does not include approximately

\$2.3 million set aside for future gas and water utility relocation and improvement projects. Further, the City has set aside almost \$3.4 million in property/liability and health insurance self-insurance funds.

Another source of restricted cash is in the form of monies set aside in the Municipal Electric Authority of Georgia (MEAG) Municipal Competitive Trust Fund and other City accounts for electric rate stabilization. These funds are restricted and are to be used for rate stabilization purposes only in order to assure LaGrange's competitive place in a deregulated electric environment. These funds provide necessary protection for LaGrange from stranded investment exposure and allow us to be competitive in customer marketing.

Another positive development in the City's approach to competing in a deregulated environment is the number of new services the City is able to offer and from which it is able to generate retained earnings. Because price pressures will intensify in a deregulated electric environment, the City's diversified service offerings and enterprises, including telecommunications services, revenues from Municipal Court, Probation and Collection services and residential and commercial sanitation services, now earn money for the community and the additional income earned from these activities lessens the reliance on utility profits to support General Fund activities.

In addition to these alternate sources of revenue, one advantage of diversifying our service offerings is the future opportunity to bundle services when competing for electric customers. The City is now able to present a potential customer with a package of services including electricity, natural gas, sanitation services, water and sewer service, advanced telecommunication services and internet access. This flexibility has resulted in a higher success rate for residential, commercial and industrial customers.

The State of Georgia Service Delivery Strategies Act is now fully implemented. This Act requires that the cost of services be absorbed by the political jurisdiction whose citizens primarily benefit from the service. Savings in the City's cost for County inmate work crews and funding for Parks and Recreation, Airport and Library services over the three years of implementation has resulted in a reduction of over \$3 million in City expenses for these services. City residents will continue to benefit from these savings because they will no longer have to pay the cost of many of these services through their County tax bills.

The City of LaGrange has successfully renegotiated a continuation of the Local Option Sales Tax Agreement with Troup County and the Cities of Hogansville and West Point. The agreement assures annual sales tax revenues for LaGrange of approximately \$4.25 million and will remain in place until the next U.S. Census.

FISCAL YEAR 2003-2004 HIGHLIGHTS

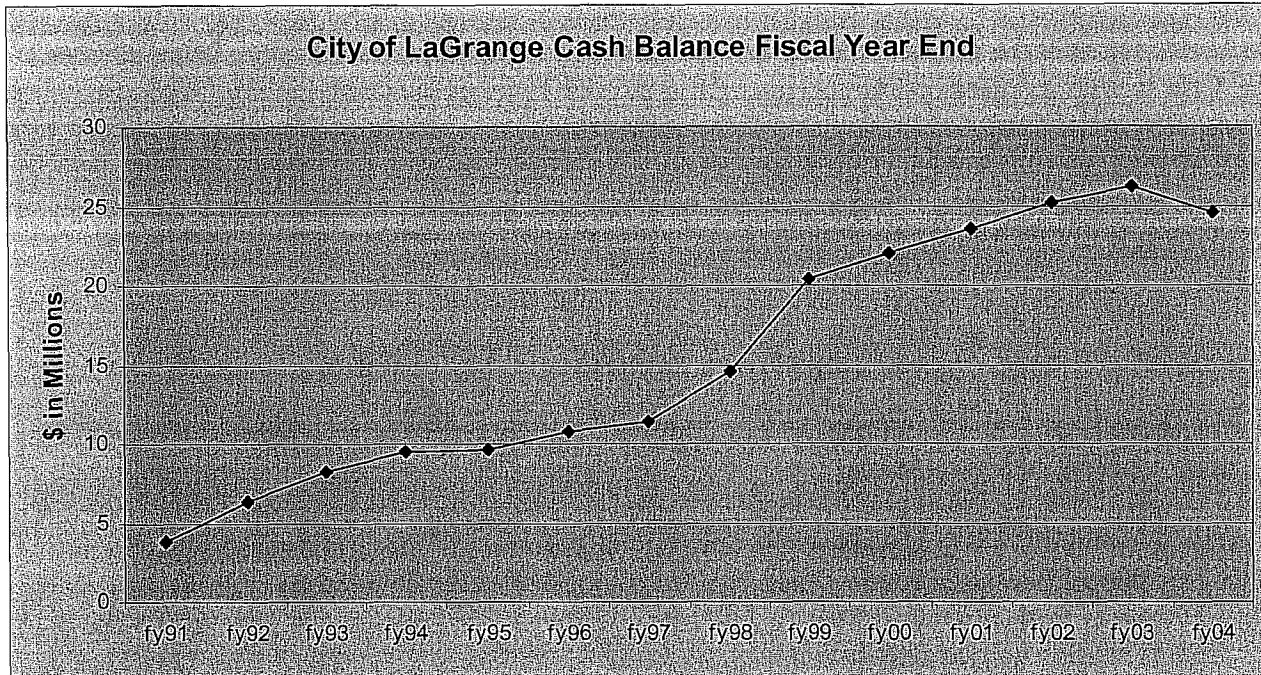
The following is a list of the highlights of the many activities, initiatives and accomplishments of the City of LaGrange over the past year.

Generally, the City of LaGrange has continued to operate in a difficult economic environment suffering significant manufacturing job losses that will continue into 2005. These job losses not only impact the health of the local economy, but the economic status of many of our citizens. Also, the loss of the manufacturing facilities as utility customers has a significant effect on the City of LaGrange's revenues. Despite the negative impact of the manufacturing job losses, we have seen significant investment in LaGrange in the housing/service/retail markets. This trend is expected to continue as there are several major projects just getting ready to come on-line. This shift in the local economy and population trend creates some tremendous opportunities and challenges for our city going forward. As always, we believe our City is up to that challenge and despite the difficult

economic environment this year, the City has accomplished much. To the extent we have had success in 2004 is a direct result of the leadership and support of the Mayor and City Council and the talent and hard work of the entire City staff.

Financial Conditions

The City's financial condition can best be described as stable, and is much improved over our condition of several years ago. Below is a graph representing the cash balance at fiscal year end over the last several years.



Over the next couple of years, it is expected that cash balances will dwindle slightly as the City invests in some major capital projects. Also, the loss of utility revenue from manufacturers will directly impact the City's bottom line. All reasonable steps available will be taken to control expenses, but over the longer term the City may need to re-evaluate its position on property taxes.

Downtown Projects

The City, in partnership with the Callaway Foundation, Inc. (a local charitable organization) and the State Department of Transportation, is involved with several major downtown projects that will strengthen and revitalize our central business district. First, we are in the middle of construction of the streetscape project, which will provide for brick pavers on city sidewalks and decorative lighting on several streets in the downtown area and including the area around City Hall. The project is on budget, and will be completed in 2005. Associated with that project is the replacement of most of the water services to the buildings in the central business district as most of them are extremely old and will need to be replaced in the next few years. By doing this work now, we avoid disrupting the completed streetscape for the foreseeable future. Second, the State Department of Transportation is replacing all of the traffic signals and updating the timing software, which will hopefully improve the functionality of the downtown traffic signals. This work should be completed in 2005. Third, we are assisting the Callaway Foundation in the construction of a pedestrian plaza through the middle of the Main Street block to the rear of Main parking area. \$1.2 million was budgeted for the project and we will complete construction at a savings to the Foundation of \$325,000.

The City is partnering with the Callaway Foundation on the construction of a multi-level parking deck and ten screen cinema complex to be developed in the downtown area and will have direct access from the previously mentioned pedestrian plaza. We hope to have construction of both the parking deck and cinema completed early in 2006. We believe this project will have a significant impact on the downtown area and will be a major people attractor for years to come.

When all the work on these projects has been completed, there will be two new parking facilities, new restaurants, athletic facilities, walking plazas and cinema, all of which will serve to enhance our downtown area.

Cast Iron Gas Pipe Replacement Project

Beginning in 2003, the City undertook a \$13 million project to replace all of its obsolete cast iron gas mains throughout the system. The project is approximately 56% complete and contracts have been issued for the remainder of the project. Through economies of scale and competitive bidding, the project will be completed at approximately \$1 million under budget.

Over the next couple of years we will need a major commitment on resurfacing to repair and beautify city streets impacted by several of the previously mentioned projects.

GMA Activities

Over the past year, the City Manager has been involved in several executive task force activities with the Georgia Municipal Association, which have been tremendously beneficial not only to LaGrange but cities throughout the State. As part of a four-member task force for GMA, we were able to renegotiate the existing Special Purpose Local Option Sales Tax law, which now guarantees that cities will receive at a minimum their per-capita share of SPLOST dollars for municipal projects. The previous law did not guarantee cities anything and there has never been a municipal project on a SPLOST ballot here in Troup County. If a SPLOST initiative is successful, LaGrange would be guaranteed a minimum of \$27 million for municipal projects based on current population distribution and revenue estimates.

The City Manager also served on a task force evaluating the association's position relative to tax assessment evaluation freezes and other tax initiatives expected in the upcoming session of the General Assembly. The task force helped formulate association policy for the coming session.

Finally, the City Manager worked on the first Legislative Policy Council of the Georgia Municipal Association. The policy council served as an executive committee finalizing policy initiatives from the association's committees and assist with lobbying the state legislature on those positions.

Prepaid Gas Initiative

LaGrange is actively pursuing a bond issue to prepay for a 20-year period certain portions of natural gas that will be needed by the City. It is anticipated that the City will save between \$250,000 and \$350,000 per year on its natural gas purchases for the next 20 years entering into such arrangements. Steps are being taken to minimize any risk to the City over the 20-year term of the issue.

Landfill Gas Project

The City is completing work on the methane gas pipeline from the City's landfill gas collection point to two of its industrial customers, Milliken & Co. and Interface Flooring. By re-bidding the machinery, the City saved \$400,000, however, completion of the project was delayed until the summer of 2005. There may also be an opportunity to generate additional volumes with the new expansion at Interface.

Interface Expansion

The Development Authority and the City were able to successfully attract a major expansion at Interface Flooring, which is purchasing a vacant building in the industrial park and will add a new process involving technology for recycling plastics for carpet backing. Initially the plant will employ 50 people, but representatives from Interface anticipate that the expansion could grow dramatically in the coming years. The City is also the utility provider for that facility.

Growth in the Utility System

While we have suffered the loss of several large customers, many new customers have been added to our utility system. Most of these are residential and commercial but do represent growth in the community. Over the past year we have installed 333 new electric meters and a net of 230 new water meters.

Combined cycle

LaGrange is a significant investor in the Municipal Electric Authority of Georgia (MEAG) combined cycle electric facility, which came on-line this year. Power generated by the plant should provide adequate electric capacity and reserves for our city through 2009. This year the City had excess capacity, which has been sold and an attractive market will generate in excess of \$1 million of all system sales for the City in the fiscal year 2004-2005.

MEAG Contracts

MEAG convinced all member cities, including LaGrange, to extend the current contractual obligations for the various MEAG projects for 25 years, which allowed MEAG to refinance the transmission debt for an annual savings to LaGrange of around \$400,000 per year.

Fire Department ISO Rating

In 2003, the City was notified that the Class 3 Fire Protection Rating held since 1986, was being renewed by the Insurance Service Office. The City appealed to ISO that there were certain miscalculations made in the assessment and that our correct rating should be a 2, which would put us in the top 7/10 of 1% of departments nationwide. That appeal was successful and in 2004 the fire department was awarded a Class 2 rating by the Insurance Service Office.

Grants

The fire department received the following grants in 2004. 1) A fire prevention grant of \$65,000 for hearing impaired smoke detectors and educational training with the Troup County School System; 2) communications grant of \$350,000 for enhancements to our existing 800 MHz radio system to make it compatible with the City of Columbus system and Harris County for joint use and mutual aid purposes; 3) a communication grant in the amount of \$1,057,000 completely replaced the radio consoles and related equipment as well as establish a new repeater tower site for the joint use project. The project replaces the entire operating system of the 800 system purchased in 1986 with a completely new system, avoiding what would have been a significant expense for the City of LaGrange; 4) a grant of \$97,000 for three mobile decontamination units in conjunction with disaster preparedness with West Georgia Health Systems.

Commercial Sanitation Contracts

Over the past year the Commercial Sanitation Division has entered into several new contracts, the most notable being a 10-year contract with nearby Harris County government to haul and dispose of their solid waste. We also renewed the contract with Heard County to the north of LaGrange and implemented curbside solid waste collection and recycling for Callaway Gardens. All of these contracts provide superior service to the customers at competitive rates.

Water Shed Assessment Monitoring Plan

The City completed a monitoring plan required by the State of Georgia for protection of our watersheds. The City's Long Cane Wastewater Treatment Plant operated the entire year of 2004 with no effluent violations noted by the Georgia Environmental Protection Division.

Landfill Bioreactor Project

The City installed a bioreactor and gas collection system at its sanitary landfill. In 2004, 620,000 gallons of leachate that would normally have been treated by the Long Cane Wastewater Treatment Plant were re-circulated through the landfill cell, generating additional methane gas and landfill space. In total, the bioreactor should add about 7 years of life to our landfill.

Jefferson Street Bridge

The City has received a \$900,000 commitment from the Georgia Department of Transportation for construction of the Jefferson Street Bridge on the west side of LaGrange. Land acquisition and easements have been acquired and the DOT is preparing to take bids on the reconstruction of the bridge. The City's cost for engineering, easements and land acquisition is estimated at \$150,000.

Bypass Extension

The City has contracted for the first phase of a bypass extension connecting New Franklin Road to Mooty Bridge Road, two main streets on the north side of the City. When complete, this extension will effectively create a bypass around LaGrange on State Route 219. Troup County is designing a south bypass extension from south LaGrange to the west side of town with plans for construction in 2007. The remaining sections of a functional bypass system around LaGrange would involve the connection of the west leg to the north.

D.A.S.H.

The City continues its involvement with the work of Decent Affordable Sustainable Housing (DASH). DASH is the sub-recipient, through the City, of State Community Home Improvement Program (CHIP) funds.

We were pleased to receive funding in the amount of \$300,000 in CHIP funds to assist in down payment assistance for new homeowners. DASH also received a \$2.5 million grant to renovate the Dunston School building into an apartment complex for seniors. Work continues on the revitalization of Hillside and DASH is also contemplating projects in southeast LaGrange.

City Audit

With the new GASB 34 requirements for local government audits, the cost of our annual audit has sky rocketed over the last couple of years. This past year we replaced our auditing firm of many years with local auditors Abbott, Jordan & Koon for a savings of \$85,000.

Big Springs Road Development

The City and Development Authority reached an agreement with the Markent Corporation on the purchase of some 270 acres on Big Springs Road on the east side of the City in the vicinity of I-85 for the purpose of developing a high density traditional neighborhood development here in LaGrange. When completed, the planned transaction would add up to approximately \$9.5 million in land sales and a significant impact on the utility sales as well as the local economy. Approximately 2,500 housing units are planned along with additional commercial and office space. Construction is slated to begin in Spring of 2005.

Subdivision Growth

The City has seen significant interest from developers in doing large projects in LaGrange, which add to the housing stock. In addition to the Big Springs Road Project, we have had 11 other subdivisions at various stages of development require work over the past year. When completed, these subdivisions will add more than 2,500 additional units over and above the Big Springs Project, representing a 50% growth in the housing stock in LaGrange. This growth will add challenges in the area of service delivery, traffic, utility system growth, etc. for which we will need to prepare.

Housing Code Enforcement

We continued our housing code enforcement program, which has had a direct impact on the quality of housing stock in our city. We currently are modifying the program to accommodate the requests of property owners while leaving the basic structure intact so that we can adequately insure safe, sanitary and decent housing for all of our citizens.

West Point Lake Issues

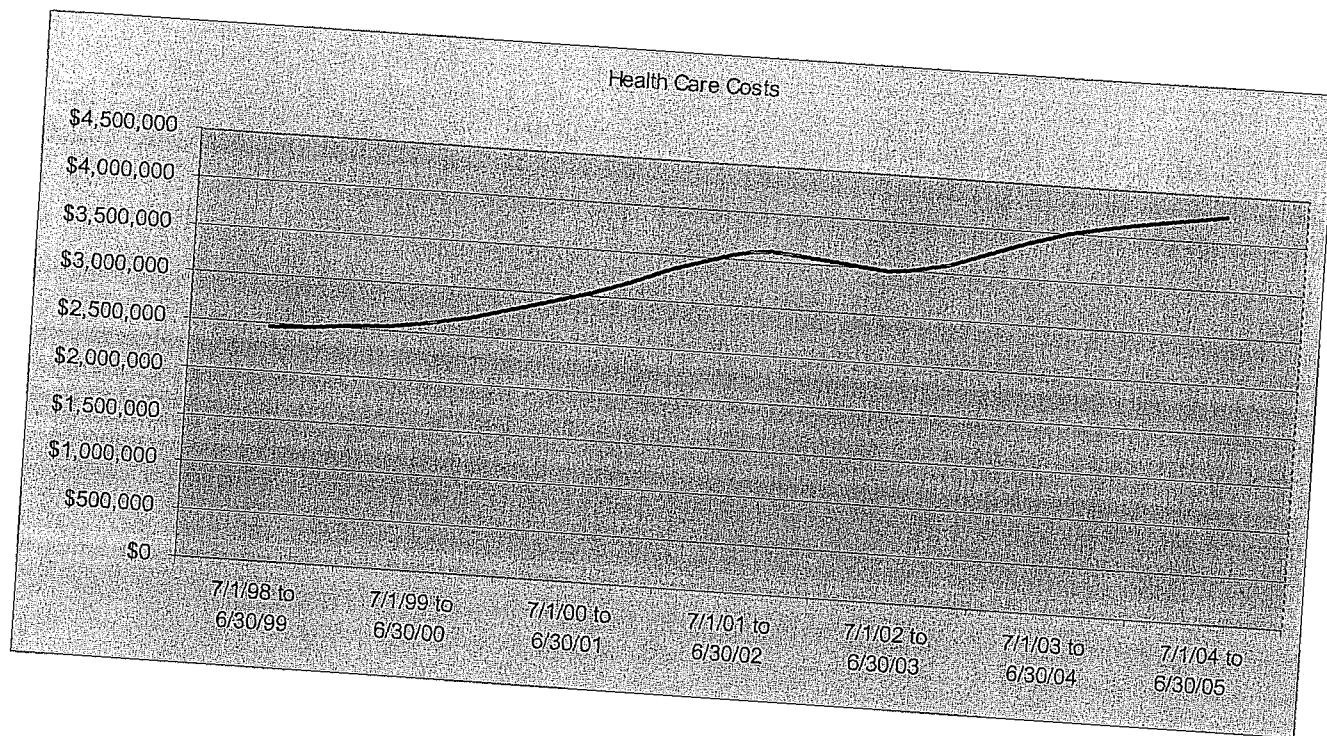
We continue our efforts to preserve and enhance West Point Lake as a natural resource for our community. With the help of citizens and community volunteers and contract help, the City was able to get commitments from the Corps of Engineers for minimum lake levels for winter pool above past years, which will make the lake more attractive and viable and more able to be used by residents and visitors. We have also met with the Corps on water management policy and plan to present findings to the Georgia EPD in the near future.

Safety Initiative

The City has begun the implementation of a citywide loss prevention initiative. Over the last five years we have experienced over \$1 million in workers' compensation claims, which is unacceptable. Working with the Milliken Corporation, which has established the finest safety record in manufacturing in the world, we will be implementing similarly structured safety initiatives in the City. Similar initiatives are going on in West Georgia Health Systems, West Georgia Tech, Troup County Board of Education, LaGrange College, and the Troup County Government.

Group Health Insurance

The cost of employee medical care continues to be a problem. We have restructured our benefits package and increased the amount of responsibility for payment of premiums that employees incur. Yet we apparently have not successfully stemmed the tide of rising healthcare costs. Presented below is a graph depicting healthcare costs over the last five years. This is a significant problem impacting the City's financial wellbeing that we need to improve in the immediate future.



Telecommunication System Growth

Over the past year we have added 23 new T1 local loops for ITC Deltacom, 25 new T1 point-to-point customers including American Home Shield for total revenues of over \$200,000 per year. We also added 33 new phone lines to our service offering.

Troup County Telecom Contract

At the request of the Troup County Government, the City of LaGrange developed a comprehensive service proposal to manage information services and telecommunication services for the Troup County Government. The County will enjoy a greatly enhanced technical capability and service level and will pay the City approximately \$265,000 per year for the service.

LGTV

LaGrange Government Television continued to be successful in providing assistance to DASH and other community-based organizations, developing a landfill gas documentary, helping West Georgia Tech and promoting literacy and children's programs. The Top 10 at 10 Most Wanted List continued to generate interest and tips resulting in the arrest of felons throughout the year.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from losses, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived and, 2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal and state financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

Budgeting Controls

In addition, the City maintains budgetary controls, the purpose of which is to assure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council of LaGrange. Activities of the general fund and debt service fund are included in the annual appropriated budget. Project length financial plans are adopted for the capital projects and special revenue funds. The level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is established by individual fund. The City also maintains an encumbrance account system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end and are reappropriated in the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management. The following schedule presents a summary of the governmental funds revenues for the fiscal year ended June 30, 2004 and the amount and percentage of increases and decreases in relation to the prior year's revenue.

Revenues	Amount	% of Total	Increase (Decrease) from 2003	Percent of Increase (Decrease)
Taxes, Licenses and Permits	7,697,143	69.94	(155,655)	(1.98)
Intergovernmental	176,699	1.60	(324,020)	(64.71)
Charges for services	251,220	2.28	(117,663)	(31.90)
Fines	1,016,273	9.23	(15,515)	(1.50)
Investment Income	219,154	2.00	(50,704)	(18.79)
Miscellaneous	1,645,214	14.95	789,182	92.19
TOTAL	11,005,703	100.00	125,625	1.15

Overall, General Fund revenues increased by \$125,625, or 1.15%. Miscellaneous income increased by 92%, due to the increase in leases and sale of assets. Taxes, licenses and permits declined by approximately 2%, due to a decrease in local option sales taxes and franchise taxes. Intergovernmental revenues declined substantially due to a decrease in grant revenue received in 2004. Fines decreased 1.50% and investment income declined 18.79%, due to lower interest rates.

The following schedule presents a summary of governmental funds expenditures for fiscal year ended June 30, 2004, and the percentage of increases and decreases in relation to the prior year amounts.

Expenditures	Amount	% of Total	Increase (Decrease) from 2003	Percent of Increase (Decrease)
General Government	1,490,753	7.88	61,675	4.32
Public Safety	10,225,019	54.04	989,860	10.72
Public Services	1,902,134	10.05	(843,460)	(30.72)
Culture and Recreation	819,841	4.33	121,857	17.46
Community Development	1,533,689	8.11	352,014	29.79
Capital Outlay	1,701,653	8.99	(3,654,978)	(68.23)
Debt Service	1,249,122	6.60	142,017	12.83
TOTAL	18,922,211	100.00	(2,831,015)	(13.01)

All expenditure categories increased except capital outlay, which decreased due to a reduction in capital purchases and public services.

Enterprise Fund

Total Utility Fund operating revenues (electric, gas, water, sewer and telecommunications) increased by just under \$4,200,000. Gas system revenues increased in total just over \$2.1 million. Gas sales increased due to a colder winter. Electric sales increased about \$734,000. Water and sewer revenues increased about \$900,000 and Telecommunications revenues increased by \$384,000.

Total Utility Fund operating expenses increased by just over \$768,000 and, as a result, operating income increased \$3.4 million.

Pension Benefit Plan

The City contributes to the Georgia Municipal Employees Benefit System, an agent multiple/employer public employee retirement system administered by the Georgia Municipal Association. All full time City employees and all City officials are eligible to participate in the system, and the employee becomes vested after 10 years of service.

The employee's participation is non-contributory; however, the City is subject to the minimum funding standards for the Public Retirement System Standard Law. The policy set by the City for contributing the annual pension expenses exceeds the minimum requirements. The Georgia Municipal Employees Benefit System is actuarially sound and all indications are that this will continue.

Debt Administration

At June 30, 2004, the general long-term debt balance was \$8,250,991, consisting of \$3,550,000 in loans, which were issued to finance the construction of a facility to be leased to the State of Georgia and \$4,770,991 in capital leases. Enterprise Fund debt included \$29,355,000 in water and sewer bonds, \$8,000,000 in gas bonds, and \$5,830,000 in solid waste bonds, plus \$809,408 in unamortized premiums. Outstanding debt in the Enterprise

Fund also included capital leases of \$2,703,682 and notes payable of \$2,664,790 in the form of loans from the State of Georgia Environmental Facilities Authority for water and sewer improvements and sanitation improvements.

Cash Management

Cash temporarily idle during the year was invested in certificates of deposit, interest bearing checking accounts, money market accounts, the Georgia Fund local government investment pool and the Municipal Electric Authority of Georgia Trust. Interest rates varied between .95% and 2.75%.

The City's investment policy is to minimize credit and market risk while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. Deposit collateral was held by a financial institution's trust department in the City's name.

Risk Management

The City is "self-insured" in the area of group health and dental, liability, property and workers' compensation, meaning that the City assumes some increased liability for insurance losses but is protected from catastrophic losses and aggregate losses through the purchase of excess insurance coverage. Savings since the program's inception exceed \$3 million when compared with a similar conventional insurance program.

OTHER INFORMATION

Independent Audit

Georgia Law requires cities to be audited every two years by independent certified public accountants. The City chooses to have an annual audit and this year the Council selected the firm of Abbott, Jordan & Koon, LLC to perform the audit. In addition to meeting the requirements set forth in state law, the audit was also designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditor's report on basic financial statements and individual fund statements and schedules is included in the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of LaGrange for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the sixteenth year the City has received this award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principals and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The timely preparation of this report was possible because of the hard work and dedication of the Finance Department, the cooperation of all City employees in following City policy in purchasing and accounting for revenues and expenditures and the invaluable assistance of Abbott, Jordan & Koon, LLC, the City's auditors. All of these individuals and organizations have our sincere appreciation for their contributions in the preparation of this report. We also wish to acknowledge the leadership and support of the Mayor and Council of the City of LaGrange.

Respectfully submitted,



Thomas H. Hall
City Manager



John W. Bell
Clerk-Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of LaGrange,
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of LaGrange, Georgia
LIST OF PRINCIPAL OFFICIALS

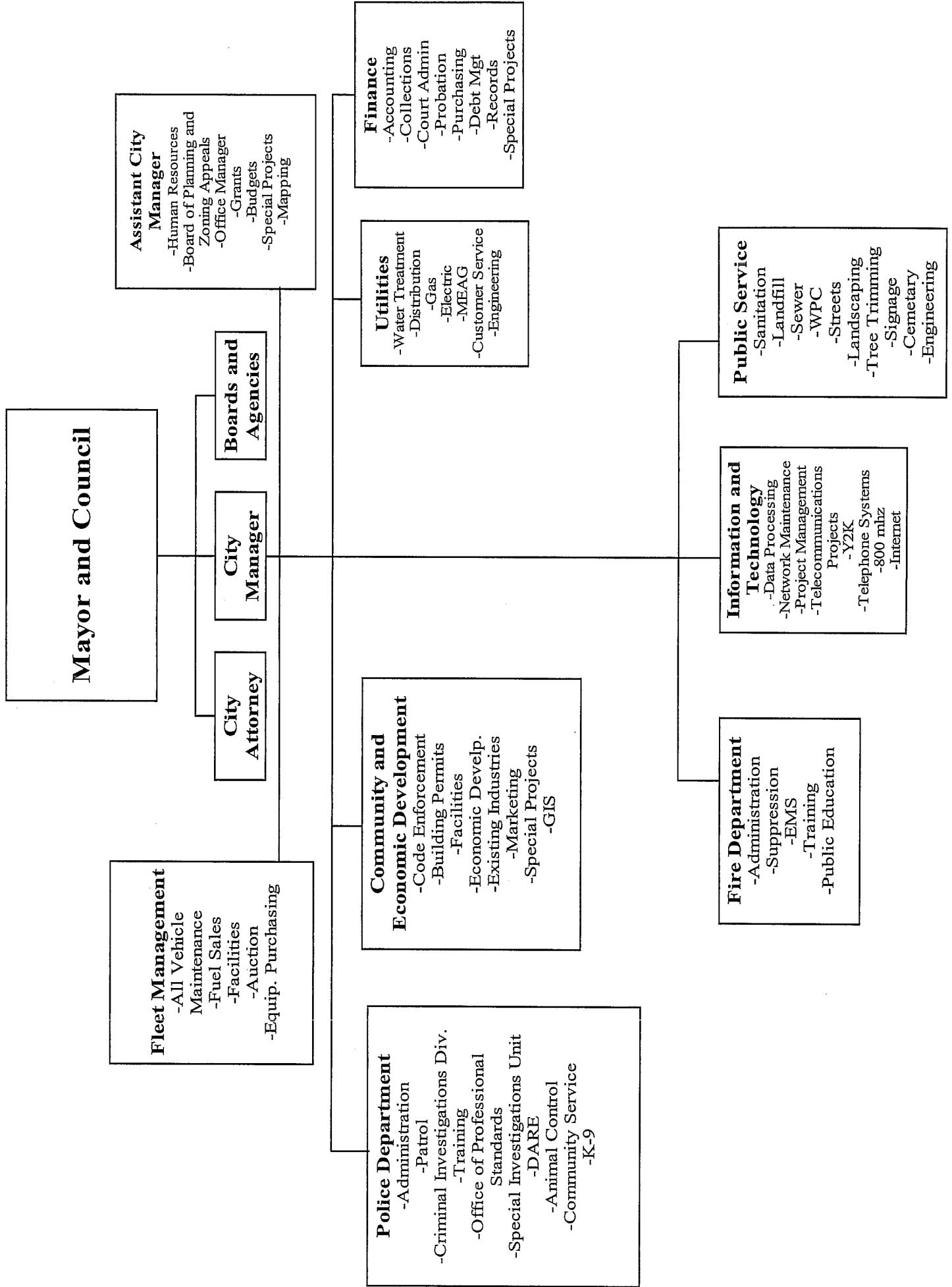
June 30, 2004

ELECTED OFFICIALS

W. Jeff Lukken	Mayor
Willie T. Edmondson	Council Member
Dr. Tom Gore	Council Member
Nick Woodson	Council Member
Frank Cox	Council Member
George R. Moore	Council Member
Bobby A. Traylor	Council Member

OTHER OFFICIALS

Thomas H. Hall	City Manager
Meg Kelsey	Assistant City Manager
John W. Bell	City Clerk/Treasurer
Jeffrey M. Todd	City Attorney
Joseph D. Maltese	Director of Community and Economic Development
David E. Brown	Director of Public Services
Patrick C. Bowie, Jr.	Director of Public Utilities
Louis M. Dekmar	Police Chief
Chris A. Smith	Fire Chief



FINANCIAL SECTION

L*a*GRANGE *georgia*

S M A R T M O V E ®



Abbott, Jordan & Koon, LLC

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 609 □ 405 Second Street □ Manchester, GA 31816
(706) 846-8401 □ Fax (706) 846-3370

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of City Council
City of LaGrange, Georgia

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 LaGrange, Georgia, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

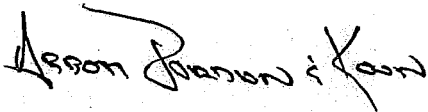
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 LaGrange, Georgia, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2005, on our consideration of the City'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information and pension information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the accompanying supplemental information, as listed in the table of contents, and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budgetary schedules and capital assets schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Manchester, Georgia
March 25, 2005

Management's Discussion and Analysis

As management of the City of LaGrange (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i – xiii of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of 2004 by \$117,895,946. Of this amount, \$31,798,277 may be used to meet the City's ongoing obligations.
- The City's total net assets increased by \$5,166,503.
- As of the close of 2004, the City's governmental funds reported combined ending fund balances of \$10,110,485, an increase of \$85,593 from the prior year. The increase was mostly due to increases in revenues.
- At the end of 2004, the fund balance for the general fund was \$1,489,672, or 9.1 percent of general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and fines and forfeiture revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The government activities of the City include general government, public safety, public works, community services, and development services. The business-type activities of the City include water and sewer, solid waste, fiber optics, and natural gas services.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and government activities.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, special revenue fund, and general capital projects fund, of which the general fund and capital projects funds are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this fund. Budgetary comparison statements have been provided for the Debt Service Fund and the Special Revenue Fund in the supplementary financial information elsewhere in this report. Since the Capital Project Fund budget is adopted on a project basis, a supplementary budgetary comparison statement has not been provided.

Proprietary funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Utility operation, and Solid Waste operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its Group Insurance, and Property and Casualty activities. These two services primarily benefit the City's general governmental operations and have been allocated to the governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund statements provide separate

information for the Utility operation, and the Solid Waste operation. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The internal service fund activities attributed to governmental activities have been combined into a single aggregate presentation in the proprietary fund financial statement

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$117,895,946 at the close of 2004.

A portion of the City's net assets (69 percent) reflects its investments in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A summary of the statement of net assets as of June 30, 2004, is as follows:

	Governmental Activities 2004	Governmental Activities 2003	Business- type Activities 2004	Business-type Activities 2003	Totals 2004	Totals 2003
Current and other assets	\$14,938,393	\$ 15,498,115	\$58,509,634	\$ 54,334,047	\$73,448,027	\$ 69,832,162
Capital assets	<u>27,411,504</u>	<u>24,796,234</u>	<u>111,294,077</u>	<u>105,902,527</u>	<u>138,705,581</u>	<u>130,698,761</u>
Total assets	<u>42,349,897</u>	<u>42,994,349</u>	<u>169,803,711</u>	<u>160,236,574</u>	<u>212,153,608</u>	<u>203,230,923</u>
Long-term liabilities	7,429,347	8,600,963	44,611,533	44,294,907	52,040,880	52,895,870
Other liabilities	<u>3,235,391</u>	<u>2,491,566</u>	<u>38,981,391</u>	<u>35,114,044</u>	<u>42,216,782</u>	<u>37,605,610</u>
Total liabilities	<u>10,664,738</u>	<u>11,092,529</u>	<u>83,592,924</u>	<u>79,408,951</u>	<u>94,257,662</u>	<u>90,501,480</u>
Net assets						
Invested in capital assets, net of related debt	19,160,513	18,895,271	62,436,197	61,607,620	81,596,710	80,502,891
Restricted	4,500,959	4,163,842	-	-	4,500,959	4,163,842
Unrestricted	<u>8,023,687</u>	<u>8,842,707</u>	<u>23,774,590</u>	<u>19,220,003</u>	<u>31,798,277</u>	<u>28,062,710</u>
Total net assets	<u>\$31,685,159</u>	<u>\$ 31,901,820</u>	<u>\$86,210,787</u>	<u>\$ 80,827,623</u>	<u>\$117,895,946</u>	<u>\$ 112,729,443</u>

A portion of the City's net assets (3.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net assets (\$31,798,277) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of 2004, the City is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental activities

Governmental activities decreased the City's net assets by \$216,661. Key elements of this decrease are as follows:

	Governmental Activities 2004	Governmental Activities 2003	Business- type Activities 2004	Business-type Activities 2003	Totals 2004	Totals 2003
Revenues						
Program revenues						
Charges for services	\$1,537,623	\$ 6,386,349	\$72,237,278	\$ 67,275,661	\$73,774,901	\$ 73,662,010
Grants & Contributions	53,833	434,680	-	-	53,833	434,680
General revenues						-
Other taxes	7,427,013	7,687,159	-	-	7,427,013	7,687,159
Other	2,165,412	523,170	446,623	937,535	2,612,035	1,460,705
Total revenues	<u>\$11,183,881</u>	<u>15,031,358</u>	<u>\$72,683,901</u>	<u>68,213,196</u>	<u>\$83,867,782</u>	<u>83,244,554</u>
Expenses						
General government	\$1,967,196	\$ 1,299,278	\$ -	\$ -	\$1,967,196	1,299,278
Public safety	11,468,875	9,562,780	-	-	11,468,875	9,562,780
Public service	2,316,783	4,321,136	-	-	2,316,783	4,321,136
Culture and recreation	1,024,664	641,908	-	-	1,024,664	641,908
Community development	1,576,977	1,265,763	-	-	1,576,977	1,265,763
Interest on long-term debt	372,771	340,575	-	-	372,771	340,575
Risk management	-	4,272,833	-	-	-	4,272,833
Utilities	-	-	54,892,244	55,949,593	54,892,244	55,949,593
Solid waste	-	-	5,081,769	3,887,617	5,081,769	3,887,617
Total expenses	<u>\$18,727,266</u>	<u>21,704,273</u>	<u>\$59,974,013</u>	<u>59,837,210</u>	<u>\$78,701,279</u>	<u>81,541,483</u>
Increase in net assets before transfers	<u>(\$7,543,385)</u>	<u>(6,672,915)</u>	<u>\$12,709,888</u>	<u>8,375,986</u>	<u>\$5,166,503</u>	<u>1,703,071</u>
Transfers	<u>7,326,724</u>	<u>6,997,602</u>	<u>(7,326,724)</u>	<u>(6,997,602)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>-216,661</u>	<u>324,687</u>	<u>5,383,164</u>	<u>1,378,384</u>	<u>5,166,503</u>	<u>1,703,071</u>
Net assets - beginning of year	<u>31,901,820</u>	<u>31,577,133</u>	<u>80,827,623</u>	<u>79,449,239</u>	<u>112,729,443</u>	<u>111,026,372</u>
Net assets - end of year	<u>\$31,685,159</u>	<u>\$ 31,901,820</u>	<u>\$86,210,787</u>	<u>\$ 80,827,623</u>	<u>\$117,895,946</u>	<u>\$112,729,443</u>

Business-type activities

Business-type activities increased the City's net assets by \$5,383,164. Key elements of the increase are as follows:

- Operating revenues increased by \$4,470,705 during 2004.
- Expenses increased by just \$136,803 from 2003.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of 2004, unreserved fund balance of the general fund was \$707,072, while total fund balances reached \$1,489,672. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 4.3 percent of the total general fund expenditures, while total fund balance represents 9.1 percent of that same amount. Transfers in from proprietary funds to supplement the general fund were \$6,750,000 for 2004, which represents 41.1 percent of total fund expenditures.

The fund balance of the General fund decreased by \$94,260 during 2004.

The Capital Projects Fund has a total fund balance of \$2,750,669, all of which is available for capital projects. The net increase in the fund balance during the current year in capital projects was \$286,705. This increase was primarily due to an increase in revenues of \$113,518, and the sale of assets of \$113,660.

Proprietary funds

The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Utility Fund at the end of 2004 amounted to \$25,158,090, and those for the Solid Waste Fund amounted to (\$1,383,500). The total change in net assets for each fund was \$4,120,569, and \$1,262,595, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final budget. During the year, however, revenues were less than budgetary estimates and expenditures were less than budgetary estimates. The increase in transfers out increased the need to draw upon the fund balance to the extent shown in the budget statement.

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$81,596,710 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, vehicles and equipment, park and pool facilities, storm sewers, bridges, streets, gas lines, electric lines, and water and sewer lines.

City of LaGrange, Georgia

Capital Assets

	Governmental	Governmental	Business-	Business-type	Totals	Totals
	Activities	Activities	type	Activities		
	2004	2003	2004	2003	2004	2003
Land	\$4,894,919	\$ 4,894,919	\$2,010,561	\$ 3,974,045	\$6,905,479	\$ 8,868,964
Buildings	12,747,100	12,747,100	25,415,611	26,504,191	38,162,710	39,251,291
Machinery and equipment	5,275,174	3,554,214	9,500,303	8,278,620	14,775,478	11,832,834
Furniture and fixtures	44,099	114,510	6,432	48,909	50,531	163,419
Vehicles	1,792,520	3,000,618	4,163,165	5,492,164	5,955,685	8,492,782
Transmission and distribution	-	-	113,300,316	103,794,824	113,300,317	103,794,824
Other	12,200,975	12,522,821	-	14,893,614	12,200,975	27,416,435
Construction in progress	<u>56,930</u>	<u>-</u>	<u>5,334,913</u>	<u>-</u>	<u>5,391,843</u>	<u>-</u>
Total	\$37,011,717	\$ 36,834,182	\$159,731,301	\$162,986,367	\$196,743,018	\$199,820,549
Less accumulated depreciation	<u>(9,600,213)</u>	<u>(9,337,948)</u>	<u>(48,437,225)</u>	<u>(57,083,840)</u>	<u>(58,037,437)</u>	<u>(66,421,788)</u>
Total net of accumulated depreciation	<u>\$27,411,504</u>	<u>\$ 27,496,234</u>	<u>\$111,294,076</u>	<u>\$105,902,527</u>	<u>\$138,705,581</u>	<u>\$133,398,761</u>

More detailed information can be found in the Notes to the Financial Statements, Note D.

Long-term debt

At the end of 2004, the City had total bonded debt outstanding of \$43,185,000. Of this amount, none is debt backed by the full faith and credit of the City. All of the City's debt represents bonds secured solely by specific revenue sources (i.e., revenue bonds).

The City maintains a "A -" rating from Standard & Poor's for its general obligation bonds. The rating for the Water and Sewer Utility revenue bonds is an "A -" rating from Standard & Poor's and an "A 3" rating from Moody's.

State statutes limit the amount of general obligation debt a government entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$83,363,330, which is significantly in excess of the City's outstanding general obligation bonds, which is zero.

More detailed information can be found in the Notes to the Financial Statements, Note E.

Requests for information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to John Bell, Finance Director, City of LaGrange, P O Box 30, 200 Ridley Avenue, LaGrange, Georgia 30241.

BASIC FINANCIAL STATEMENTS

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S M A R T M O V E ®

City of LaGrange, Georgia
Statement of Net Assets
June 30, 2004

	Primary Government		Total
	Governmental	Business-type	Reporting
	Activities	Activities	Entity
Assets			
Cash and cash equivalents	\$ 8,067,482	\$ 21,216,146	\$ 29,283,628
Investments	1,369,342	1,120,201	2,489,543
Receivables (net of allowance)			
Taxes	731,212	-	731,212
Accounts	207,259	8,282,228	8,489,487
Loans	3,923,468	-	3,923,468
Other	29,920	-	29,920
Inventory	189,925	1,666,638	1,856,563
Prepaid assets	53,646	-	53,646
Interfund activity	(462,416)	462,416	-
Restricted cash	232,508	24,927,509	25,160,017
Restricted investments	596,047	444,760	1,040,807
Capital assets:			
Land and construction in progress	4,951,849	7,345,474	12,297,323
Other capital assets, net of accumulated depreciation	22,459,655	103,948,603	126,408,258
Other assets	-	389,736	389,736
Total assets	<u>42,349,897</u>	<u>169,803,711</u>	<u>212,153,608</u>
Liabilities and net assets			
Liabilities			
Accounts and claims payable	1,528,707	3,770,230	5,298,937
Accrued liabilities	629,100	4,735,128	5,364,228
Customer deposits	51,762	1,126,452	1,178,214
Deferred revenue	204,178	24,598,234	24,802,412
Noncurrent liabilities:			
Due within one year	821,644	4,751,347	5,572,991
Due in more than one year	7,429,347	44,611,533	52,040,880
Total liabilities	<u>10,664,738</u>	<u>83,592,924</u>	<u>94,257,662</u>
Net assets			
Invested in capital assets, net of related debt	19,160,513	62,436,197	81,596,710
Restricted for:			
Redevelopment programs	3,880,395	-	3,880,395
Perpetual care	592,765	-	592,765
Capital outlay	27,799	-	27,799
Unrestricted	8,023,687	23,774,590	31,798,277
Total net assets	<u>\$ 31,685,159</u>	<u>\$ 86,210,787</u>	<u>\$ 117,895,946</u>

City of LaGrange, Georgia
Statement of Activities
For the Year Ended June 30, 2004

Functions / Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 1,967,196	\$ 170,880	\$ -	\$ -	\$ (1,796,316)
Public safety	11,468,875	1,094,738	31,878	21,955	(10,320,304)
Public service	2,316,783	-	-	-	(2,316,783)
Culture and recreation	1,024,664	1,875	-	-	(1,022,789)
Community development	1,576,977	270,130	-	-	(1,306,847)
Risk management	-	-	-	-	-
Interest on long-term debt	372,771	-	-	-	(372,771)
Total governmental activities	18,727,266	1,537,623	31,878	21,955	(17,135,810)
Business-type activities					
Water and sewer	8,642,457	12,383,971	-	-	3,741,514
Gas system	14,658,958	17,129,787	-	-	2,470,829
Electric system	29,680,370	34,569,540	-	-	4,889,170
Sanitation	5,081,769	6,284,443	-	-	1,202,674
Telecommunications	1,910,459	1,869,537	-	-	(40,922)
Total business-type activities	59,974,013	72,237,278	-	-	12,263,265
Total primary government	\$ 78,701,279	\$ 73,774,901	\$ 31,878	\$ 21,955	\$ (4,872,545)

See accompanying notes to the financial statements.

City of LaGrange, Georgia
Statement of Activities
For the Year Ended June 30, 2004

	Primary Government		Total
	Governmental Activities	Business-type Activities	Reporting Entity
Changes in net assets	\$ (17,135,810)	\$ 12,263,265	\$ (4,872,545)
Net (expense) revenue			
General revenues			
Taxes			
General purpose taxes	2,494,787	-	2,494,787
Sales tax	3,937,371	-	3,937,371
Franchise taxes	994,855	-	994,855
Grants and contributions not restricted	122,866	-	122,866
Unrestricted investment earnings	219,154	303,275	522,429
Gain on sale of capital assets	178,178	39,516	217,694
Miscellaneous	1,645,214	103,832	1,749,046
Transfers - internal activities	7,326,724	(7,326,724)	-
Total general revenues	16,919,149	(6,880,101)	10,039,048
Change in net assets	(216,661)	5,383,164	5,166,503
Net assets - beginning of year	31,901,820	80,827,623	112,729,443
Net assets - end of year	\$ 31,685,159	\$ 86,210,787	\$ 117,895,946

See accompanying notes to the financial statements.

City of LaGrange, Georgia
Balance Sheet
Governmental Funds
June 30, 2004

	Major Governmental Funds		Non-Major Governmental Funds	Total Governmental Funds
	General	Capital Projects		
Assets				
Cash and cash equivalents	\$ 664,308	\$ 2,587,370	\$ 2,469,648	\$ 5,721,326
Investments	361,462	-	-	361,462
Receivables (net of allowance)				
Taxes	731,212	-	-	731,212
Notes	-	43,073	3,880,395	3,923,468
Intergovernmental	-	-	29,906	29,906
Other	68,985	138,274	-	207,259
Due from other funds	92,307	-	16	92,323
Inventory	189,925	-	-	189,925
Prepaid Assets	-	5,500	48,147	53,647
Restricted cash and cash equivalents	83,129	39,043	-	122,172
Restricted investments	596,047	-	-	596,047
Total assets	<u>\$ 2,787,374</u>	<u>\$ 2,813,260</u>	<u>\$ 6,428,112</u>	<u>\$ 12,028,746</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 469,023	\$ 989	\$ 850	\$ 470,862
Accrued liabilities	320,786	-	-	320,786
Accrued vacation	303,715	-	4,598	308,313
Due to other funds	-	31,602	530,758	562,360
Customer deposits	-	30,000	21,762	51,762
Deferred revenue	204,178	-	-	204,178
Total liabilities	<u>1,297,702</u>	<u>62,591</u>	<u>557,968</u>	<u>1,918,261</u>
Fund balances				
Reserved for				
Inventory	189,925	-	-	189,925
Prepaid expenditures	-	5,500	48,147	53,647
Perpetual care	592,675	-	-	592,675
Long-term receivables	-	-	3,880,395	3,880,395
Capital outlay	-	27,799	-	27,799
Unreserved	707,072	2,717,370	-	3,424,442
Unreserved, reported in nonmajor				
Special revenue	-	-	(350,136)	(350,136)
Debt Service	-	-	2,291,738	2,291,738
Total fund balances	<u>1,489,672</u>	<u>2,750,669</u>	<u>5,870,144</u>	<u>10,110,485</u>
Total liabilities and fund balances	<u>\$ 2,787,374</u>	<u>\$ 2,813,260</u>	<u>\$ 6,428,112</u>	<u>\$ 12,028,746</u>

City of LaGrange, Georgia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2004

Total fund balance - all governmental funds	\$ 10,110,485
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Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	27,478,672
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Some liabilities, including capital leases, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,700,991)
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Some liabilities, including notes and loans, are not due and payable in the current period and, therefore, are not reported in the funds.	(3,550,000)
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Internal service funds are used by management to charge costs of certain activities, such as insurance to certain funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	<u>2,346,993</u>
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Net assets of governmental activities	<u><u>\$ 31,685,159</u></u>
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City of LaGrange, Georgia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	Major Governmental Funds		Non-Major Governmental Funds	Total Governmental Funds
	General	Capital Projects		
Revenues				
Taxes, licenses and permits	\$ 7,697,143	\$ -	\$ -	\$ 7,697,143
Intergovernmental	66,333	110,366	-	176,699
Charges for services	251,220	-	-	251,220
Fines, forfeitures, and penalties	1,016,273	-	-	1,016,273
Investment income	29,110	31,669	158,375	219,154
Miscellaneous	485,940	1,045,894	113,380	1,645,214
Total revenues	<u>9,546,019</u>	<u>1,187,929</u>	<u>271,755</u>	<u>11,005,703</u>
Expenditures				
Current:				
General government	1,410,557	-	-	1,410,557
Public safety	10,225,019	-	-	10,225,019
Public service	1,902,134	-	-	1,902,134
Culture and recreation	819,841	-	-	819,841
Community development	1,285,915	-	-	1,285,915
Redevelopment and housing	-	-	247,774	247,774
Administrative and management	-	-	80,196	80,196
Capital outlay	781,261	920,392	-	1,701,653
Debt service:				
Principal retirements	-	294,420	580,971	875,391
Interest	-	299,366	73,405	372,771
Other	-	706	254	960
Total expenditures	<u>16,424,727</u>	<u>1,514,884</u>	<u>982,600</u>	<u>18,922,211</u>
Excess of revenues over (under) expenditures	<u>(6,878,708)</u>	<u>(326,955)</u>	<u>(710,845)</u>	<u>(7,916,508)</u>
Other financing sources (uses)				
Proceeds from capital lease	525,419	-	-	525,419
Sale of fixed assets	19,518	113,660	45,000	178,178
Transfers in	6,750,000	500,000	558,992	7,808,992
Transfers out	(510,489)	-	-	(510,489)
Total other financing sources (uses)	<u>6,784,448</u>	<u>613,660</u>	<u>603,992</u>	<u>8,002,100</u>
Net change in fund balances	(94,260)	286,705	(106,853)	85,592
Fund balances - beginning of year	<u>1,583,932</u>	<u>2,463,964</u>	<u>5,976,997</u>	<u>10,024,893</u>
Fund balances - end of year	<u>\$ 1,489,672</u>	<u>\$ 2,750,669</u>	<u>\$ 5,870,144</u>	<u>\$ 10,110,485</u>

City of LaGrange, Georgia
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, 2004

Net change in fund balances - all governmental funds	\$	85,592
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Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		1,143,519
Depreciation		(1,161,081)

Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal retirements		875,391
Proceeds from capital leases		(525,419)

Internal service funds are used by management to charge costs of certain activities, such as insurance to certain funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

		(634,663)
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Change in net assets of governmental activities	\$	(216,661)
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City of LaGrange, Georgia
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Business-type Activities - Major Enterprise Funds			Internal Service Funds Governmental Activities
	Utility Fund	Sanitation Fund	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 17,702,557	\$ 3,513,589	\$ 21,216,146	\$ 2,346,156
Investments	1,120,201	-	1,120,201	1,007,880
Receivables				
Accounts	8,181,662	-	8,181,662	-
Other	100,566	-	100,566	-
Due from other funds	407,495	54,921	462,416	7,621
Inventory	1,659,384	7,254	1,666,638	-
Total current assets	<u>29,171,865</u>	<u>3,575,764</u>	<u>32,747,629</u>	<u>3,361,657</u>
Noncurrent Assets				
Restricted cash and cash equivalents:				
Restricted cash	24,927,509	-	24,927,509	-
Restricted deposits	444,760	-	444,760	110,336
Total restricted assets	<u>25,372,269</u>	<u>-</u>	<u>25,372,269</u>	<u>110,336</u>
Capital assets - net	91,279,663	14,679,501	105,959,164	-
Construction in progress	5,334,913	-	5,334,913	-
Other assets	389,736	-	389,736	-
Total noncurrent assets	<u>122,376,581</u>	<u>14,679,501</u>	<u>137,056,082</u>	<u>-</u>
Total assets	<u>151,548,446</u>	<u>18,255,265</u>	<u>169,803,711</u>	<u>3,471,993</u>
Liabilities				
Current liabilities				
Accounts payable	3,754,087	16,143	3,770,230	-
Accrued liabilities	298,726	4,436,402	4,735,128	-
Deferred revenue	24,598,234	-	24,598,234	-
Claims payable	-	-	-	1,125,000
Notes payable - current	60,588	10,899	71,487	-
Capital leases - current	494,979	419,881	914,860	-
Total current liabilities	<u>29,206,614</u>	<u>4,883,325</u>	<u>34,089,939</u>	<u>1,125,000</u>
Current Liabilities payable from restricted assets				
Customer deposits	1,124,733	1,719	1,126,452	-
Revenue bonds - current	3,260,000	505,000	3,765,000	-
Total current liabilities payable from restricted assets	<u>4,384,733</u>	<u>506,719</u>	<u>4,891,452</u>	<u>-</u>
Noncurrent Liabilities				
Revenue bonds - long-term	34,936,688	5,292,720	40,229,408	-
Notes payable - long-term	1,608,052	985,250	2,593,302	-
Capital leases - long-term	855,154	933,669	1,788,823	-
Total noncurrent liabilities	<u>37,399,894</u>	<u>7,211,639</u>	<u>44,611,533</u>	<u>-</u>
Total liabilities	<u>70,991,241</u>	<u>12,601,683</u>	<u>83,592,924</u>	<u>1,125,000</u>
Net assets				
Invested in capital assets, net of debt	55,399,115	7,037,082	62,436,197	-
Unrestricted	25,158,090	(1,383,500)	23,774,590	2,346,993
Total net assets	<u>\$ 80,557,205</u>	<u>\$ 5,653,582</u>	<u>\$ 86,210,787</u>	<u>\$ 2,346,993</u>

City of LaGrange, Georgia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year ended June 30, 2004

	<u>Business-type Activities - Major Enterprise Funds</u>			<u>Internal Service Funds Governmental Activities</u>
	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>	
Operating revenues				
Water and sewer system	\$ 12,383,971	\$ -	\$ 12,383,971	\$ -
Gas system	17,129,787	-	17,129,787	-
Electric system	34,569,540	-	34,569,540	-
Sanitation	-	6,284,443	6,284,443	-
Premiums	-	-	-	4,340,762
Telecommunications	1,869,537	-	1,869,537	-
Total operating revenues	<u>65,952,835</u>	<u>6,284,443</u>	<u>72,237,278</u>	<u>4,340,762</u>
Operating expenses				
Water and sewer system	6,132,332	-	6,132,332	-
Gas system	12,882,062	-	12,882,062	-
Electric system	28,706,601	-	28,706,601	-
Sanitation	-	4,039,068	4,039,068	-
Telecommunications	1,521,947	-	1,521,947	-
Administrative services	1,295,212	-	1,295,212	165,163
Depreciation	3,123,000	690,219	3,813,219	-
Risk management	-	-	-	4,879,142
Total operating expenses	<u>53,661,154</u>	<u>4,729,287</u>	<u>58,390,441</u>	<u>5,044,305</u>
Operating income (loss)	<u>12,291,681</u>	<u>1,555,156</u>	<u>13,846,837</u>	<u>(703,543)</u>
Nonoperating revenues (expenses)				
Investment income	292,447	10,828	303,275	40,659
Other revenue	103,832	-	103,832	-
Interest expense	(1,186,633)	(350,652)	(1,537,285)	-
Other expense	(44,457)	(1,830)	(46,287)	-
Total nonoperating revenues (expenses)	<u>(834,811)</u>	<u>(341,654)</u>	<u>(1,176,465)</u>	<u>40,659</u>
Net Income (loss) before capital contributions and transfers	<u>11,456,870</u>	<u>1,213,502</u>	<u>12,670,372</u>	<u>(662,884)</u>
Sale of assets	5,805	33,711	39,516	-
Transfers in (out)	<u>(7,342,106)</u>	<u>15,382</u>	<u>(7,326,724)</u>	<u>28,221</u>
Change in net assets	4,120,569	1,262,595	5,383,164	(634,663)
Net assets - beginning of year	<u>76,436,636</u>	<u>4,390,987</u>	<u>80,827,623</u>	<u>2,981,656</u>
Net assets - end of year	<u>\$ 80,557,205</u>	<u>\$ 5,653,582</u>	<u>\$ 86,210,787</u>	<u>\$ 2,346,993</u>

City of LaGrange, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds			Internal Service Funds
	Utility Fund	Sanitation Fund	Total	Governmental Activities
Cash flows from operating activities:				
Cash received from customers and users	\$ 65,952,060	\$ 5,838,496	\$ 71,790,556	\$ 3,974,437
Cash paid to employees	(3,790,656)	(883,064)	(4,673,720)	-
Cash paid to suppliers	(49,146,868)	(3,170,054)	(52,316,922)	(4,879,919)
Net cash provided (used) by operating activities	13,014,536	1,785,378	14,799,914	(905,482)
Cash flow from noncapital financing activities:				
Transfers in (out)	(7,342,106)	15,382	(7,326,724)	28,221
Net cash used in noncapital financing activities	(7,342,106)	15,382	(7,326,724)	28,221
Cash flows from capital and related financing activities:				
Proceeds from revenue bonds, net	8,000,000	-	8,000,000	-
Proceeds from leases	628,668	433,357	1,062,025	-
Notes payable proceeds	-	840,126	840,126	-
Sale of assets	5,805	33,711	39,516	-
Principal payments on revenue bonds	(3,065,000)	(495,000)	(3,560,000)	-
Acquisition of capital assets	(2,609,367)	(1,260,488)	(3,869,855)	-
Construction of capital assets	(5,334,913)	-	(5,334,913)	-
Capital lease payments	(500,470)	(507,759)	(1,008,229)	-
Payments on notes payable	(149,606)	(9,908)	(159,514)	-
Interest expense	(1,186,633)	(340,744)	(1,527,377)	-
Net cash used in capital financing activities	(4,211,516)	(1,306,705)	(5,518,221)	-
Cash flows from investing activities:				
Proceeds from sale of investments	5,248,696	-	5,248,696	481,081
Interest income	292,447	10,828	303,275	40,659
Net cash used in investing activities	5,541,143	10,828	5,551,971	521,740
Net increase (decrease) in cash	7,002,058	504,882	7,506,940	(355,521)
Cash, beginning of year	36,072,769	3,008,707	39,081,476	2,812,013
Cash, end of year	\$ 43,074,826	\$ 3,513,589	\$ 46,588,415	\$ 2,456,492

See the accompanying notes to the financial statements.

City of LaGrange, Georgia
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended June 30, 2004

	Business-type Activities - Major Enterprise Funds			Internal Service Funds
	Utility Fund	Sanitation Fund	Total	Governmental Activities
Report on the balance sheet as:				
Cash and cash equivalents	\$ 17,702,557	\$ 3,513,589	\$ 21,216,146	\$ 2,346,156
Restricted cash	25,372,269	-	25,372,269	110,336
Total	\$ 43,074,826	\$ 3,513,589	\$ 46,588,415	\$ 2,456,492
Cash flows from operating activities:				
Operating income (loss)	\$ 12,291,680	\$ 1,555,156	\$ 13,846,836	\$ (703,543)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	3,123,000	690,219	3,813,219	-
Changes in operating assets and liabilities:				
Accounts receivable	(576,626)	109	(576,517)	-
Inventory	(265,806)	-	(265,806)	-
Other assets	(328,676)	-	(328,676)	-
Accounts payable	(551,159)	(904,364)	(1,455,523)	-
Accrued vacation	26,326	-	26,326	-
Interfund activities	(479,019)	16,603	(462,416)	(32,621)
Deferred revenue	31,692	-	31,692	-
Other accrued expenses	-	429,546	429,546	(169,318)
Customer deposits	84,021	(61)	83,960	-
Other nonoperating revenue, net	(340,897)	(1,830)	(342,727)	-
Net cash provided by (used in) operating activities	\$ 13,014,536	\$ 1,785,378	\$ 14,799,914	\$ (905,482)
Supplemental Schedule of Noncash Investing and Financing Activities:				
Equipment acquired through assumption of capital lease obligation	\$ 628,668	\$ 433,357	\$ 1,062,025	\$ -

See the accompanying notes to the financial statements.

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**



City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of LaGrange, Georgia (the City) was incorporated in 1828, under the provisions of the State of Georgia. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highway and street, sanitation, health and social services, culture recreation, community development, planning and zoning and general administrative services.

The accounting policies of the City of LaGrange, Georgia conform to generally accepted accounting principles applicable to governments. The following is a summary of the City's more significant accounting policies used in the preparation of the accompanying financial statements.

1. The Reporting Entity

The City of LaGrange, Georgia is a municipal corporation governed by a Mayor and six member Council. The City has considered all potential component units for inclusion in these financial statements and determined that the Solid Waste Management Authority of the City of LaGrange should be included on a blended basis.

The Solid Waste Management Authority of the City of LaGrange (the "Authority"), consists of an eight member board appointed by the governing authority of the City. The Authority provides a means to issue revenue bonds. Although it is legally separate from the City, the Authority is reported as if it were a part of the City's Solid Waste Fund because its sole purpose is to finance, construct, equip, expand and maintain the City's solid waste facilities. Separate financial statements are not prepared by the Solid Waste Management Authority.

2. Basis of Presentation – Fund Accounting

The accounts of the City are organized on the basis of funds. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues 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 various funds are organized by type in the financial statements

The City's funds are grouped into two broad fund categories for financial statement presentation purposes. Governmental funds include the general, special revenue, debt service, and capital project funds. Proprietary funds include enterprise and internal service funds.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis of Presentation – Fund Accounting - continued

Governmental Funds

Governmental funds are accounted for on a flow of current financial resources measurement focus. Therefore, generally only current assets and liabilities are included on their balance sheets. One exception is long-term notes receivable. Reported fund balances constitute a measure of available spendable resources or, in the case of long-term notes receivable, a reserve for long-term receivables.

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.

Special Revenue Fund – This fund accounts for the activities carried out by the City under the term of certain intergovernmental grants.

Debt Service Fund – This fund accounts for the accumulation of resources and the subsequent disbursement of such resources to pay principal and interest on long-term debt of the City (other than the debt of the Enterprise Funds).

Capital Projects Fund – This fund accounts for the accumulation of resources and the subsequent disbursement of such resources in obtaining, constructing or renovating major fixed assets.

Proprietary Funds

Proprietary Funds are accounted for on the flow of economic resources measurement focus. All assets and liabilities associated with these activities are included on their balance sheets.

Enterprise Funds – these funds account for operations of the City which are to be financed and operated in a manner similar to a private business enterprise in which the costs (including depreciation) incurred in providing services are being recovered primarily through user charges.

Internal Service Funds – These funds account for the activities of the City's group insurance and property and casualty insurance programs which provide for the partial self-insurance of employee medical, workers compensation and liability claims.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basis of Accounting

Government-wide financial statements

The statement of net assets and the statement of activities display information about the City, the primary government, as a whole. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Therefore, each of the governmental fund financial statements includes a reconciliation with brief explanations to better identify the relationship between the governmental fund's statements and the government-wide statements.

The government-wide statement of activities presents a comparison between expenses and program revenues for each program of the governmental activities. Expenses are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund financial statements

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The major individual enterprise funds are reported as separate columns in the proprietary fund financial statements. Non-major funds are aggregated and presented in a single column on the governmental and proprietary fund financial statements.

The City reports the following major governmental funds:

General

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.

Capital Projects

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

The Capital Projects Fund accounts for the accumulation of resources and the subsequent disbursement of such resources in obtaining or renovating major fixed assets.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basis of Accounting - continued

The City reports the following major proprietary funds:

Utility Fund

The Utility Fund accounts for operations of the City which are to be financed and operated in a manner similar to a private business enterprise in which the costs (including depreciation) incurred in providing services are being recovered primarily through user charges. These operations include water and sewer, electricity, fiber optics and natural gas services.

Sanitation Fund

The Sanitation Fund accounts for the provision of solid waste collection and disposal services to the residents and businesses of the City.

Governmental Funds

The Governmental Fund type statements are prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Property tax revenues are considered measurable and available to the extent they are collected within the current period or collected by August 30, 2004.

Property taxes not collected by August 30, 2004 are recorded as deferred revenue and recognized when subsequently collected. The City Council adopts a millage rate (as part of the budgetary process) based upon estimated property assessments as of January 1. Property taxes attach as an enforceable lien on property as of January 1. After approval of the tax digest by the State of Georgia, taxes are levied on October 1, and are payable to the City on November 15, and, if not paid, become delinquent on November 16.

Revenues which are susceptible to accrual are property taxes, grants from other governments, charges for services and interest on investments. Licenses and permits, fines and forfeitures and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Expenditures are recognized under the modified accrual basis when the fund liability is incurred, except for principal and interest of long-term debt and vacation pay, which is recorded as an expenditure when due and payable from available, spendable resources. Accumulated vested unpaid vacation pay is recognized as an expenditure only to the extent that it will be paid from "available spendable resources" (net current assets).

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basis of Accounting - continued

Proprietary Funds

The Proprietary Fund type statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they have been earned and are measurable, expenses are recognized when they are incurred, if measurable. Unbilled utility charges are accrued as receivables at year end and are reported as revenue of the Utility Fund. The City applies all FASB pronouncements issued on or before November 30, 1989 in accounting for and reporting its enterprise operations.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as General revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating revenues* and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and production and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City's net assets are reported in three parts- 1) invested in capital assets, net of related debt; 2) restricted net assets; and 3) unrestricted net assets. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Budgets and Budgetary Accounting

On or about May 1 of each year, the City Manager presents a proposed operating budget to the City Council for the fiscal year commencing the following July 1. After revisions, if any, by the council, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts between line items within any function within any fund; however, any revisions that alter the total expenditures of any function must be approved by the City Council. Such revisions, if made, would be addressed as mid-year budget adjustments approved by the City Council. No supplemental appropriations were made during the year ended June 30, 2004.

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary process. Encumbrances outstanding do not constitute expenditures or liabilities and are re-appropriated in the subsequent year. Unencumbered appropriations lapse at year-end.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Budgets and Budgetary Accounting - Continued

The budgets for the General Fund, Debt Service Fund and Special Revenue Fund are adopted on a basis not consistent with generally accepted accounting principles (GAAP). The Capital Project Fund is budgeted on a project basis, which may be one or more years in length. Proprietary fund type budgets are adopted for management control purposes only.

Adjustments necessary to convert the actual results of operations of the General Fund below at June 30, 2004 from GAAP to the non-GAAP budget bases are as follows:

	<u>General Fund</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses - GAAP budget basis	\$ (178,045)
Capital outlay expenditures	525,419
Proceeds from capital leases	<u>(525,419)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses - GAAP budget basis	<u>\$ (178,045)</u>

5. Cash and Cash Equivalents

Cash and cash equivalents shown on the balance sheet represent demand deposits and certificates of deposit. All highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

6. Investments

The statutes of the State of Georgia authorize the City to invest in U.S. government obligations; U.S. government agency obligation; State of Georgia obligations; obligations of other counties, municipal corporations and political subdivisions of the State of Georgia which are rated "A" or better by Moody's Investors Service, Inc.; negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association; repurchase agreements when collateralized by U.S. Government or agency obligations; and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

Investments are stated at fair value based upon quoted market prices.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Receivables

Receivables are reported net of an allowance for amounts deemed uncollectible.

8. Inventory and Prepaid Items

Inventory is valued at cost determined principally using the first-in, first-out (FIFO) method. Inventory is recorded on the consumption method which means that inventory acquisitions are recorded in inventory accounts initially and charged as expenditures or expenses when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

9. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, traffic signals, sewers, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Some assets are capitalized when the aggregated amount of a group of an asset is material. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their estimated fair market value on the date donated. Construction period interest is capitalized with the cost of the asset. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as any reported component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Distribution systems	33 - 50 years
Furniture and fixtures	5 - 10 years
Equipment and Vehicles	5 - 25 years
Infrastructure	10 - 50 years

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Bond Discounts, Premiums and Issuance Costs

Bond discounts, premiums and issuance costs related to the Water and Sewer Revenue bonds are deferred and amortized over the term of the bonds using the interest method. Unamortized bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are presented as other assets. Unamortized premiums are presented as an increase in the face amount of bonds payable.

11. Accrued Vacation

A liability for accrued vacation pay is recorded by the City. A liability for unused sick leave pay is not recorded since these amounts do not vest.

12. Equity Classifications

In the government-wide statements, equity is shown as net assets and classified into three components:

- a. Invested in capital assets, net of related debt – consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages notes, or other borrowings that are attributable to the acquisitions, construction, or improvements of those assets.
- b. Restricted net assets – consisting of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unreserved net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE B – DEPOSITS AND INVESTMENTS

The City invests idle cash from all funds for the purpose of increasing income through investment activities. Investments are carried at fair value, which approximates cost. Interest income on investments and appreciation/depreciation in fair value in investments are allocated to the respective governmental fund types and proprietary fund types on the basis of actual investment amount.

State statutes require that all City bank deposits be covered entirely by federal depository insurance or by pledged collateral provided by the financial institution in the City's name. The City's deposits are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes deposits that are insured or collateralized with securities that are held by the City or its agent in the City's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or its agent in the City's name. Category 3 includes uncollateralized deposits or deposits collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name. All deposits held by the City at June 30, 2004, are classified as Category 1.

At year-end, the cash and cash equivalents consisted of deposits totaling \$54,443,645. The City's bank balances were insured or collateralized with securities held by the City or its agent in the City's name and are classified as Category 1 as to risk.

Investments

At year-end, the City's investments consisted of equity security deposits and repurchase agreements totaling \$3,530,350. These investment securities are held by the City in the name of the City and are classified as Category 1 as to risk.

NOTE C – NOTES AND ACCOUNTS RECEIVABLE

Notes receivable are from various Federal, state and local community development programs. Funds were loaned to homeowners, landlords and businesses for rehabilitation and construction. These notes receivable bear interest at various rates up to 10% per annum. Upon collection, the proceeds from these notes receivable must be used for future program activity approved by the Department of Housing and Urban Development.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE C – NOTES AND ACCOUNTS RECEIVABLE – CONTINUED

The following is a schedule of future maturities of these notes by fiscal years ending June 30 and the allowance for doubtful accounts:

2005	\$ 71,000
2006	68,000
2007	68,000
2008	68,000
2009	68,000
Thereafter	<u>7,636,753</u>
	7,979,753
Less allowance for doubtful accounts	<u>(4,099,358)</u>
	<u>\$ 3,880,395</u>

Accounts receivable in the Utility Fund is reported net of an allowance for doubtful accounts of \$4,637,676.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE D – CAPITAL ASSETS

Capital Asset activity for governmental activities for the year ended June 30, 2004, was as follows:

	June 30, 2003	Additions	Retirements	June 30, 2004
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 4,894,919	\$ -	\$ -	\$ 4,894,919
Construction in progress	-	56,930	-	56,930
Total capital assets, not being depreciated	4,894,919	56,930	-	4,951,849
Capital assets being depreciated				
Buildings	12,747,100	-	-	12,747,100
Machinery and equipment	5,154,480	378,846	(258,152)	5,275,174
Furniture and fixtures	114,510	-	(70,411)	44,099
Vehicles	1,400,352	418,814	(26,646)	1,792,520
Infrastructure	12,522,821	288,929	(610,775)	12,200,975
Total capital assets being depreciated	31,939,263	1,086,589	(965,984)	32,059,868
Less accumulated depreciation for				
Buildings	(1,534,797)	(150,512)	-	(1,685,309)
Machinery and equipment	(2,217,186)	(346,785)	142,097	(2,421,874)
Furniture and fixtures	(75,545)	(4,410)	57,905	(22,050)
Vehicles	(519,387)	(156,670)	11,620	(664,437)
Infrastructure	(4,991,033)	(502,704)	687,194	(4,806,543)
Total accumulated depreciation	(9,337,948)	(1,161,081)	898,816	(9,600,213)
Total capital assets being depreciated, net	22,601,315	(74,492)	(67,168)	22,459,655
Governmental activities capital assets, net	\$ 27,496,234	\$ (17,562)	\$ (67,168)	\$ 27,411,504

Depreciation expense was charged to functions/programs of the primary governmental funds as follows:

Government activities	
General government	\$ 390,035
Public safety	310,400
Public service	262,787
Culture and recreation	171,562
Community development	26,297
Total depreciation expense for governmental activities	<u>\$ 1,161,081</u>

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE D – CAPITAL ASSETS - CONTINUED

A summary of business-type activities for property, plant and equipment at June 30, 2004, is presented below:

	June 30, 2003	Additions	Retirements	June 30, 2004
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 2,016,407	\$ -	\$ (5,846)	\$ 2,010,561
Construction in progress	-	5,334,913	-	5,334,913
Total capital assets, not being depreciated	<u>2,016,407</u>	<u>5,334,913</u>	<u>(5,846)</u>	<u>7,345,474</u>
Capital assets being depreciated				
Buildings	26,505,852	1,197,462	(2,287,703)	25,415,611
Machinery and equipment	10,434,484	1,163,491	(2,097,672)	9,500,303
Furniture and fixtures	381,002	-	(374,570)	6,432
Vehicles	5,480,781	120,502	(1,438,118)	4,163,165
Infrastructure	118,167,841	1,388,400	(6,255,925)	113,300,316
Total capital assets being depreciated	<u>160,969,960</u>	<u>3,869,855</u>	<u>(12,453,988)</u>	<u>152,385,827</u>
Less accumulated depreciation for				
Buildings	(10,956,166)	(473,543)	2,293,549	(9,136,160)
Machinery and equipment	(6,507,864)	(1,056,047)	2,097,672	(5,466,239)
Furniture and fixtures	(379,924)	(195)	374,570	(5,549)
Vehicles	(1,938,871)	(135,721)	1,438,118	(636,474)
Infrastructure	<u>(37,301,015)</u>	<u>(2,147,713)</u>	<u>6,255,925</u>	<u>(33,192,803)</u>
Total accumulated depreciation	<u>(57,083,840)</u>	<u>(3,813,219)</u>	<u>12,459,834</u>	<u>(48,437,225)</u>
Total capital assets being depreciated, net	<u>103,886,120</u>	<u>56,636</u>	<u>5,846</u>	<u>103,948,602</u>
Business-type activities capital assets, net	<u><u>\$105,902,527</u></u>	<u><u>\$ 5,391,549</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 111,294,076</u></u>

Depreciation expense was charged to functions/programs of the primary proprietary funds as follows:

Business-type activities	
Water and sewer	\$ 2,222,427
Electric system	294,818
Gas System	253,897
Telecommunications	351,858
Sanitation	690,219
Total depreciation expense for business-type activities	<u><u>\$ 3,813,219</u></u>

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE E – LONG-TERM DEBT

1. Governmental Type Debt

The following is a summary of the debt transactions of the City for the year ended June 30, 2004:

	July 1, 2003	Additions	Deletions	June 30, 2004	Due in one year
Loans	\$3,640,000	\$ -	\$ 90,000	\$3,550,000	\$105,000
Capital Leases	<u>4,960,962</u>	<u>525,419</u>	<u>785,390</u>	<u>4,700,991</u>	<u>716,644</u>
Total	<u>\$8,600,962</u>	<u>\$ 525,419</u>	<u>\$875,390</u>	<u>\$8,250,991</u>	<u>\$821,644</u>

Loans

Loans outstanding bear interest at 4.85%. The carrying value of assets subject to these leases totals approximately \$3,550,000. The following is a summary of future maturities on these loans which are being repaid by the Debt Service Fund.

Year ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 105,000	\$172,175	\$ 277,175
2006	125,000	167,083	292,083
2007	145,000	161,020	306,020
2008	160,000	153,988	313,988
2009	180,000	146,228	326,228
2010-2014	1,270,000	577,393	1,847,393
2015-2018	<u>1,565,000</u>	<u>198,363</u>	<u>1,763,363</u>
Total	<u>\$ 3,550,000</u>	<u>\$1,576,250</u>	<u>\$ 5,126,250</u>

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE E – LONG-TERM DEBT - CONTINUED

1. Governmental Type Debt (continued)

Capital Leases

Capital leases bear interest at 4.5% to 5.2%. The carrying value of assets subject to these leases totals approximately \$7,000,000. The following is a summary of future maturities on these capital leases which are being repaid by the Debt Service Fund.

	<u>Governmental Activities</u>
Asset:	
Machinery and equipment	
Less: Accumulated depreciation	
Total	
Year ending June 30	
2005	\$ 943,340
2006	780,592
2007	555,364
2008	488,753
2009	459,539
2010-2014	1,495,226
2015	<u>747,235</u>
	5,470,049
Less amount representing interest	<u>(769,058)</u>
	<u>\$ 4,700,991</u>

2. Enterprise Fund Debt

The following is a summary of the debt transactions of the City for the year ended June 30, 2004:

	July 1, 2003	Additions	Deletions	June 30, 2004	Due in one year
Revenue Bonds	\$38,745,000	\$8,000,000	\$3,560,000	\$43,185,000	\$3,765,000
Capital Leases	2,644,013	1,062,025	1,002,356	2,703,682	914,860
Notes Payable	<u>1,984,178</u>	<u>840,126</u>	<u>159,514</u>	<u>2,664,790</u>	<u>71,487</u>
Total	<u>\$43,373,191</u>	<u>\$9,902,151</u>	<u>\$4,721,870</u>	<u>\$48,553,472</u>	<u>\$4,751,347</u>

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE E – LONG-TERM DEBT – CONTINUED

2. Enterprise Fund Debt (continued)

Bonds

Series	Interest Rates	Amount of Original Issuance	Balance
1997 Solid Waste Bonds	4.5% to 4.85%	8,070,000	\$ 5,830,000
1999 Water and Sewerage Revenue Refunding Bonds	3.5% to 4.3%	9,540,000	4,470,000
2002 Water & Sewerage Revenue Refunding Bonds	4.7% to 5.25%	26,655,000	24,885,000
2003 Gas Revenue	2.13% to 4.38%	8,000,000	<u>8,000,000</u>
Total bonds outstanding			43,185,000
Plus unamortized premium			<u>809,408</u>
Net bonds outstanding			<u>\$ 43,994,408</u>

The following is a summary of future debt service requirements, including interest of \$7,873,509 for Enterprise Fund bonds:

Year ending June 30

	Principal	Interest	Total
2005	\$3,765,000	\$1,622,687	\$5,387,687
2006	4,180,000	1,493,795	5,673,795
2007	4,320,000	1,342,153	5,662,153
2008	4,490,000	1,176,947	5,666,947
2009	4,660,000	1,004,049	5,664,049
2010 – 2014	16,740,000	2,193,260	18,933,260
2015 – 2019	2,105,000	748,123	2,853,123
2020 – 2024	<u>2,925,000</u>	<u>288,683</u>	<u>3,213,683</u>
	<u>\$43,185,000</u>	<u>\$9,869,697</u>	<u>\$53,054,697</u>

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE E – LONG-TERM DEBT – CONTINUED

3. Enterprise Fund Debt (continued)

Capital Leases

The City is financing the acquisition of certain Enterprise Fund equipment, with a net book value of approximately \$2,700,000, under agreements that qualify as capital leases for accounting purposes. These leases bear interest at rates ranging from 4.5% to 5.2% at June 30, 2004.

The assets acquired through capital leases are as follows:

	Governmental <u>Activities</u>
Assets:	
Machinery and equipment	
Less: Accumulated depreciation	
Total	

The following is a schedule, by year, of future minimum lease payments under Enterprise Fund capital leases together with the present value of the minimum lease payments as of June 30, 2004:

Year ending June 30	
2005	\$ 999,128
2006	876,330
2007	641,723
2008	480,530
2009	<u>265,939</u>
Total minimum lease payments	3,263,650
Less amount representing interest	<u>(559,968)</u>
	<u>\$ 2,703,682</u>

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE E – LONG-TERM DEBT – CONTINUED

Notes Payable

The City's Utility Fund borrowed funds for system improvements under notes payable bearing interest at 4.24% and 4.76%. As of June 30, 2004, \$1,818,246 has been drawn against the \$2,597,069 of these notes. During the prior year, the City's Sanitation Fund entered into a note agreement with Georgia Environmental Facilities Authority whereby the City can borrow up to \$1,000,000. At June 30, 2004, the City's Sanitation Fund had borrowed \$1,000,000 of the \$1,000,000 available. Interest on this note is 2.33%. Future payments for all notes outstanding at June 30, 2004 including interest of \$909,245 are as follows:

Year ending June 30,	Principal	Interest	Total
2005	\$ 111,701	\$ 92,484	\$ 204,185
2006	115,725	88,460	204,185
2007	119,904	84,281	204,185
2008	124,245	79,940	204,185
2009	128,754	75,430	204,184
2010 - 2014	717,750	303,172	1,020,922
2015 - 2019	859,842	161,080	1,020,922
2020 - 2024	<u>486,869</u>	<u>24,398</u>	<u>511,267</u>
	<u>\$ 2,664,790</u>	<u>\$ 909,245</u>	<u>\$3,574,035</u>

2. Enterprise Fund Debt (continued)

Defeased Bonds

Periodically, the City will defease revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

As of June 30, 2004, \$29,270,000 of outstanding bonds are considered defeased.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE F – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2004, is as follows:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Internal Service	\$ 25,000
General	Capital Improvements	31,602
General	Utility	4,947
General	Nonmajor governmental funds	30,758
Nonmajor governmental funds	Utility	16
Utility	Nonmajor governmental funds	500,000
Utility	Sanitation	52,315
Internal Service	Utility	32,621
Sanitation	Utility	<u>107,236</u>
		\$784,495

All due to/ due from balances were made during the year to supplement operations. All due to due from balances are expected to be repaid within one year.

NOTE F – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS- CONTINUED

Interfund transfers were made during the year to supplement operations. These transfers were as follows:

<u>Transfers In</u>							
<u>Transfers Out</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Fund</u>	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Utility Fund	\$6,750,000	\$500,000	\$97,835	-	-	-	\$7,347,835
General Fund	-	-	475,207	\$28,221	\$5,729	\$1,332	510,489
Debt Service Fund	-	-	-	-	-	14,050	<u>14,050</u>
							<u>\$7,872,374</u>

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE G – RESTRICTED NET ASSETS

At June 30, 2004, reserved net assets for governmental funds consisted of the following:

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Reserved for perpetual care	\$ 592,675	\$ -	\$ -	\$ -
Reserved for inventory	189,925	-	-	-
Reserved for long-term receivables	-	3,880,395	-	-
Reserved for prepaid expenditures	-	-	48,147	5,500
Reserved for capital outlay	-	-	-	27,799
Total reserved net assets	<u>\$ 782,600</u>	<u>\$ 3,880,395</u>	<u>\$ 48,147</u>	<u>\$ 33,299</u>

NOTE H - RISK MANAGEMENT AND SELF-INSURANCE

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage and provide for these risks, the City has established a Group Insurance Fund and a Property & Casualty Insurance Fund which are reported as internal service funds. These funds account for the risk financing activities of the City and do not constitute a transfer of risk from the City.

Charges to other funds for these benefits are based upon an estimate of actual claims, administrative costs and stop-loss insurance premiums. Such charges are reported as revenue in the internal service funds and expenditures/expenses in the paying fund. An estimate of unpaid claims has been accrued as of June 30, 2004.

The City records an estimated liability for employee medical claims, workers' compensation, torts and other claims against the City. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Group insurance Fund

The purpose of this Fund is to pay the medical claims of City employees and their covered dependents and to minimize the total cost of medical insurance to the City. Under this plan, the City is self-insured for claims aggregating up to \$2,916,000 for the year ended June 30, 2004. Claims exceeding this amount are covered by a private insurance carrier.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE H - RISK MANAGEMENT AND SELF-INSURANCE –CONTINUED

Property & Casualty Insurance Fund

The purpose of this Fund is to pay workers' compensation, general, automobile and personal liability claims. This program is administered by a third party, which provides claims review and processing. Under this plan, the City is self-insured for claims aggregating up to \$600,000 for the plan year ended June 30, 2004. Claims exceeding this amount are covered by a private insurance carrier.

The following represents changes in these liabilities for the last two fiscal years.

	<u>Group Insurance</u>	<u>Property & Casualty</u>
Liability balance, June 30, 2002	\$ 700,525	\$ 706,196
Claims and changes in estimate	2,963,804	191,352
Claims payments	<u>(2,970,011)</u>	<u>(297,548)</u>
Liability balance, June 30, 2003	694,318	600,000
Claims and changes in estimate	3,234,324	987,000
Claims payments	<u>(3,403,642)</u>	<u>(987,000)</u>
Liability balance, June 30, 2004	<u>\$ 525,000</u>	<u>\$ 600,000</u>

Changes in Coverage and Claims Paid

Neither the Group Insurance nor the Property & Casualty Fund had significant decreases in coverage from the prior year. Also, neither fund paid claims that exceeded its insurance coverage for the past three years.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE I – DEFINED BENEFIT PENSION PLAN

Plan Description

The City contributes as a participant to the Georgia Municipal Employees Benefit System (the System), an agent multiple-employer public employee retirement system administered by the Georgia Municipal Association. The System's Retirement Plan is a defined benefit plan that provides retirement and disability benefits and death benefits to plan members and beneficiaries. The Public Retirement Systems Standard Law (Georgia Code Section 47-20-10) assigned the authority to establish and amend the plan to the City of LaGrange. The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Georgia Municipal Employees Benefit System, 201 Pryor Street, S.W., Atlanta, Georgia 30303.

Funding Policy

The City's employee's participation is noncontributory. The City is required to contribute at an actuarially determined rate; the current rate is 4.3% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the system's Board of Trustees.

Annual Pension Cost

The City's annual pension cost of \$591,571 was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases of 5.0% for inflation and 0.5% for merit. The actuarial value of the Plan's assets was determined using a roll forward of prior years' actuarial value with contributions, disbursements and expected return on investments, plus 10% of investment gain (loss) during 10 prior years, which smoothes the effects of short-term volatility in the market value of investments. The plan's period for amortizing the initial unfunded actuarial accrued liability for 30 years for 1982 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. The amortization periods, if applicable, are open for this plan year.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE I – DEFINED BENEFIT PENSION PLAN – CONTINUED

Trend Information

Trend information for the Annual Pension Cost (APC) is presented below:

<u>Funding</u>		<u>APC</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/00	\$	276,160	100%	-
6/30/01		312,613	100%	-
6/30/02		337,732	100%	-
6/30/03		508,605	100%	-
6/30/04		591,571	100%	-

Defined Contribution Plan

The City has adopted an employer match which is tied to the existing Section 457 plan. Under its 401-A plan, the City will match contributions on a 1:2 ratio, up to a maximum contribution of \$667 per calendar year.

NOTE J – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The following Enterprise funds have been created to provide various services to the general public:

Utility Fund – established to account for the operation of the City's water, sewer, electrical, gas and fiber optics services.

Sanitation Fund – established to account for the operation of the City's waste disposal activities.

The Utility Fund includes water and sewer system operations, of which the revenues are pledged against revenue bonds. The following segment information presented is a summary of operating revenues and expenses for water and sewer operations for the year ended June 30, 2004. Balance sheet and cash flow information is not presented for the water and sewer activity since that data is not accounted for separately within the Utility Fund.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE J – SEGMENT INFORMATION FOR ENTERPRISE FUNDS - CONTINUED

Segment information for the Sanitation Fund for the year ended June 30, 2004 is not presented below since it is presented in the basic financial statements

Water & Sewer Activities

Operating revenues	\$12,383,971
Operating expenses	
Water system	2,986,326
Sewer system	3,146,006
Administrative services	243,241
Depreciation	<u>2,222,427</u>
Total operating expenses	<u>8,598,000</u>
Operating income	<u>\$3,785,971</u>

NOTE K – COMMITMENT AND CONTINGENCIES

Agreements with Municipal Electric Authority of Georgia

During 1976, the City, along with 45 other cities and one county, all political subdivisions of the State of Georgia, entered into a Power Sales Contract with the Municipal Electric Authority of Georgia, a public corporation and instrumentality of the State of Georgia.

Under the terms of the agreement, the Authority agrees to provide, and the Cities are obligated to purchase, all of the cities' bulk power supply requirements for a period not to exceed 50 years. The cities have agreed to purchase all their future power and energy requirements in excess of that received by the cities through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by the Authority. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each City has guaranteed a portion of the unpaid debt based on their individual entitlement shares of the output and services of generating units acquired or constructed by the Authority. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations.

At June 30, 2004, the outstanding debt of the Authority was approximately \$3.7 billion. The City's guarantee varies by individual projects undertaken by the Authority and totals approximately \$169 million at June 30, 2004.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE K – COMMITMENT AND CONTINGENCIES - CONTINUED

Agreements with Municipal Electric Authority of Georgia - continued

On April 1, 1999, the City approved a resolution adopting the provisions of the Municipal Competitive Trust (the "Trust"), which was created by MEAG for the mutual benefit of MEAG and its wholesale customers which have elected to become beneficiaries. The Trust was established to provide MEAG and the trust's beneficiaries a means to mitigate the expected differential between market rates for power and the costs of power generated by MEAG facilities, after deregulation of the electric industry.

The Trust created two types of funds, which are held by MEAG in the name of the City. The first type represents amounts that are available to the City for withdrawal without restriction. The second type represents amounts that are available to the City in the form of a loan or as an offset to billings from MEAG for power usage if certain criteria related to the difference between the cost of power generated by MEAG facilities and the market rates for power are met.

At June 30, 2004, \$25,938,586 has been placed into the Trust for the benefit of the City, of which \$1,340,352 is available without restriction and \$24,598,234 is subject to restrictions. Due to the restricted nature of the \$24,598,234, the amount is reported as deferred revenue at June 30, 2004.

Guarantee of Communication System Debt

The City has guaranteed the payment of debt totaling \$7,915,000 at June 30, 2004 relating to a privately owned communication system, a portion of which is utilized by the City for communication activities.

NOTE L – JOINT VENTURES

The City has joined with Troup County, Georgia and other municipalities to create the Troup County Airport Authority for the purpose of operating the LaGrange-Callaway Airport. The City appoints four of the twelve members serving on the Authority. The operating capital budgets are funded by user fees, government grants, and appropriations from the participant governments which vary each year based on the Authority's request. The Authority has final authority for all budgeting and financial management. The City's interest is limited to certain City owned fixed assets used by the Authority. These fixed assets are included in the general fixed assets account group.

Complete financial statement for the Troup County Airport Authority can be obtained from the Authority's administrative office at 101 Airport Parkway, LaGrange, Georgia 30240.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE L – JOINT VENTURES - CONTINUED

Under Georgia Law, the City, in conjunction with other Cities and Counties in the five county west Georgia area, is a member of the Chattahoochee-Flint Regional Development Center (the "RDC") and is required to pay annual dues thereto. During the year ended June 30, 2004, the City paid \$180,557 in dues.

Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality in the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from: Chattahoochee-Flint Regional Development Center, P.O. Box 1600, Franklin, Georgia 30217.

NOTE M – HOTEL / MOTEL LODGING TAX

During the year ended June 30, 2004, the City levied a 5% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires that all lodging taxes levied in excess of 3% be expended or obligated contractually for the promotion of tourism, conventions or trade shows. The LaGrange-Troup County Chamber of Commerce has certified that the \$117,208 of lodging tax received from the City during the year ended June 30, 2004 was used for the promotion of tourism.

NOTE N - RELATED ORGANIZATION

The City's council is responsible for appointing a majority of the board members of the City of LaGrange Housing Authority. However, the City has no further accountability for the Authority.

NOTE O – LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and Federal laws and regulations require the City's Sanitation Fund to place a cover on landfill sites when it stops accepting waste, and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and post-closure care costs will not be paid until after the date a landfill stops accepting waste, the Sanitation Fund is required to accrue these closure and post-closure care costs over the landfill's operational period. The \$4,364,775 reported as the landfill closure and post-closure care liability at June 30, 2004 includes \$1,926,813, which represents the cumulative amount accrued to date, less amounts already paid, based on the use of one hundred percent of the estimated capacity of the landfill which was closed during the fiscal year ended June 30, 1998. The liability is based on the current costs of closure and post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE O – LANDFILL CLOSURE AND POSTCLOSURE CARE COST-CONTINUED

The remaining amount reported as landfill closure and post-closure cost of \$2,437,962 relates to an additional landfill site, which began accepting waste during the year ended June 30, 1999. This landfill site has an estimated closure and post-closure cost of \$6,548,592, which is based on the current cost necessary to perform all closure and post-closure care. The City expects to close the landfill in 2017. As of June 30, 2004, 37% of this landfill's capacity had been utilized and accordingly, a liability of \$2,437,962 has been recognized. The City will recognize the remaining estimated closure and post-closure care of \$4,110,990 as the remaining capacity is used.

June 30, 2003 Liability	Additions	June 30, 2004 Liability
\$3,955,621	\$409,154	\$4,364,775

**REQUIRED SUPPLEMENTARY
INFORMATION**

*La*GRANGE

georgia

S M A R T M O V E ®

City of LaGrange, Georgia
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
General Fund
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Budget Basis	Variance Positive Negative
	Original	Final		
Revenues				
Taxes, licenses and permits	\$ 7,898,500	\$ 7,898,500	\$ 7,697,143	\$ (201,357)
Intergovernmental	45,955	45,955	66,333	20,378
Fines and forfeitures	1,224,000	1,224,000	1,016,273	(207,727)
Charges for services	289,000	289,000	251,220	(37,780)
Investment income	28,500	28,500	29,110	610
Miscellaneous	186,500	186,500	485,940	299,440
Total revenues	<u>9,672,455</u>	<u>9,672,455</u>	<u>9,546,019</u>	<u>(126,436)</u>
Expenditures				
Current:				
General government	1,394,700	1,394,700	1,410,557	(15,857)
Public safety	9,613,200	9,613,200	10,225,019	(611,819)
Public service	1,777,000	1,777,000	1,902,134	(125,134)
Culture and recreation	894,600	894,600	819,841	74,759
Community development	1,190,900	1,190,900	1,285,915	(95,015)
Capital outlay	1,180,594	1,180,594	255,842	924,752
Total expenditures	<u>16,050,994</u>	<u>16,050,994</u>	<u>15,899,308</u>	<u>151,686</u>
Excess of revenues over (under) expenditures	<u>(6,378,539)</u>	<u>(6,378,539)</u>	<u>(6,353,289)</u>	<u>25,250</u>
Other financing sources (uses)				
Sale of assets	15,000	15,000	19,518	4,518
Transfers in	6,750,000	6,750,000	6,750,000	-
Transfers out	-	-	(510,489)	(510,489)
Total other financing sources (uses)	<u>6,765,000</u>	<u>6,765,000</u>	<u>6,259,029</u>	<u>(505,971)</u>
Net change in fund balance	<u>386,461</u>	<u>386,461</u>	<u>(94,260)</u>	<u>(480,721)</u>
Fund balance - beginning of year	<u>1,583,932</u>	<u>1,583,932</u>	<u>1,583,932</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,970,393</u>	<u>\$ 1,970,393</u>	<u>\$ 1,489,672</u>	<u>\$ (480,721)</u>

NOTE: Budget basis actual amount differs from GAAP basis actual amounts because proceeds from capital leases of \$525,419 and the related capital outlay of \$525,419 are not budgeted.

City of LaGrange, Georgia
Schedule of Funding Progress - Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/00	\$ 16,014,153	\$ 13,487,362	\$ (2,526,791)	118.7%	\$ 10,501,209	(24.1)%
01/01/01	16,927,079	14,512,233	(2,414,846)	116.6%	11,108,999	(21.7)%
01/01/02	17,382,347	15,372,501	(2,009,846)	113.1%	11,224,936	(17.9)%
01/01/03	16,830,616	16,431,286	(399,330)	102.4%	11,900,408	(3.4)%
01/01/04	17,542,262	17,335,546	(206,716)	101.2%	12,317,331	(1.7)%

SUPPLEMENTAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

This fund accounts for activities carried out by the City under the terms of certain governmental grants.

Community Development Fund

This fund accounts for the revenues and expenditures provided under Title I of the Housing and Community Development Act of 1974, and other Community Development activities.

Debt Service Fund

This fund accounts for the accumulation of resources and the subsequent disbursement of such resources to pay principal and interest on long-term debt of the City (other than debt of Proprietary Fund Types).



City of LaGrange, Georgia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 177,926	\$ 2,291,722	\$ 2,469,648
Receivables			
Notes	3,880,395	-	3,880,395
Intergovernmental	29,906	-	29,906
Due from other funds	-	16	16
Prepaid Interest	-	48,147	48,147
Total assets	<u>\$ 4,088,227</u>	<u>\$ 2,339,885</u>	<u>\$ 6,428,112</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 850	\$ -	\$ 850
Accrued vacation	4,598	-	4,598
Due to other funds	530,758	-	530,758
Customer Deposits	21,762	-	21,762
Total liabilities	<u>557,968</u>	<u>-</u>	<u>557,968</u>
Fund balance			
Reserved for prepaid expenditures	-	48,147	48,147
Reserved for long-term receivables	3,880,395	-	3,880,395
Unreserved	(350,136)	2,291,738	1,941,602
Total fund balance	<u>3,530,259</u>	<u>2,339,885</u>	<u>5,870,144</u>
Total liabilities and fund balance	<u>\$ 4,088,227</u>	<u>\$ 2,339,885</u>	<u>\$ 6,428,112</u>

City of LaGrange, Georgia
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Revenues			
Investment income (loss)	\$ 58,840	\$ 99,535	\$ 158,375
Miscellaneous	<u>113,380</u>	<u>-</u>	<u>113,380</u>
Total revenues	<u>172,220</u>	<u>99,535</u>	<u>271,755</u>
Expenditures			
Current			
Redevelopment and housing	247,774	-	247,774
Administrative and management	80,196	-	80,196
Debt service			
Principal retirement	-	580,971	580,971
Interest	-	73,405	73,405
Other	<u>-</u>	<u>254</u>	<u>254</u>
Total expenditures	<u>327,970</u>	<u>654,630</u>	<u>982,600</u>
Excess of expenditures over revenues	<u>(155,750)</u>	<u>(555,095)</u>	<u>(710,845)</u>
Other financing sources (uses)			
Gain on sale of assets	45,000	-	45,000
Transfers in	<u>-</u>	<u>558,992</u>	<u>558,992</u>
Total other financing sources	<u>45,000</u>	<u>558,992</u>	<u>603,992</u>
Net change in fund balance	(110,750)	3,897	(106,853)
Fund balance, beginning of year	<u>3,641,009</u>	<u>2,335,988</u>	<u>5,976,997</u>
Fund balance, end of year	<u>\$ 3,530,259</u>	<u>\$ 2,339,885</u>	<u>\$ 5,870,144</u>

SUPPLEMENTAL INFORMATION

GOVERNMENTAL FUND STATEMENTS

General Fund

This fund accounts for resources traditionally associated with governments which are not required to be accounted for in another fund.

Special Revenue Fund

This fund accounts for activities carried out by the City under the terms of certain governmental grants.

Community Development Fund

To account for the revenues and expenditures provided under Title I of the Housing and Community Development Act of 1974, and other Community Development activities.

Debt Service Fund

This fund accounts for the accumulation of resources and the subsequent disbursement of such resources to pay principal and interest on long-term debt of the City (other than debt of Proprietary Fund Types).

Capital Projects Fund

This fund accounts for the accumulation of resources and the subsequent disbursements of such resources in obtaining or renovating major fixed assets (other than those financed by the Enterprise Funds).



City of LaGrange, Georgia
General Fund

COMPARATIVE BALANCE SHEETS

June 30, 2004 and 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 664,308	\$ 674,288
Investments	361,461	317,006
Receivables		
Taxes	731,212	645,632
Other	68,985	114,515
Due from other funds	92,307	25,000
Inventory	189,925	187,774
Restricted cash and cash equivalents	83,129	88,126
Restricted investments	<u>596,047</u>	<u>534,643</u>
Total assets	<u>\$ 2,787,374</u>	<u>\$ 2,586,984</u>

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$ 469,023	\$ 285,179
Accrued vacation	320,786	296,167
Other accrued liabilities	303,715	421,706
Deferred revenue	<u>204,178</u>	<u>-</u>
Total liabilities	<u>1,297,702</u>	<u>1,003,052</u>
Fund balance		
Reserved for inventory	189,925	187,774
Reserved for perpetual care	592,675	619,029
Unreserved	<u>707,072</u>	<u>777,129</u>
Total fund balance	<u>1,489,672</u>	<u>1,583,932</u>
Total liabilities and fund balance	<u>\$ 2,787,374</u>	<u>\$ 2,586,984</u>

City of LaGrange, Georgia
General Fund

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Taxes, licenses and permits	\$ 7,697,143	\$ 7,852,799
Intergovernmental	66,333	74,039
Charges for services	251,220	368,883
Fines and forfeitures	1,016,273	1,031,788
Investment income (loss)	29,110	154,808
Miscellaneous	<u>485,940</u>	<u>95,017</u>
 Total revenues	 <u>9,546,019</u>	 <u>9,577,334</u>
Expenditures		
Current		
General government	1,410,557	1,364,523
Public safety	10,225,019	9,235,159
Public service	1,902,134	2,745,594
Culture and recreation	819,841	697,984
Community development	1,285,915	919,945
Capital outlay	781,261	1,442,906
Debt service		
Principal retirement	<u>-</u>	<u>-</u>
 Total expenditures	 <u>16,424,727</u>	 <u>16,406,111</u>
 Excess of expenditures over revenues	 <u>(6,878,708)</u>	 <u>(6,828,777)</u>
Other financing sources (uses)		
Sale of assets	19,518	-
Proceeds from capital lease	525,419	612,233
Transfers in	6,750,000	6,549,500
Transfers out	<u>(510,489)</u>	<u>(458,280)</u>
 Total other financing sources	 <u>6,784,448</u>	 <u>6,703,453</u>
 Net change in fund balance	 (94,260)	 (125,324)
 Fund balance, beginning of year	 <u>1,583,932</u>	 <u>1,709,256</u>
 Fund balance, end of year	 <u>\$ 1,489,672</u>	 <u>\$ 1,583,932</u>

City of LaGrange, Georgia
Special Revenue Fund

COMPARATIVE BALANCE SHEETS

June 30, 2004 and 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 177,926	\$ 176,454
Receivables		
Notes	3,880,395	3,452,942
Other	<u>29,906</u>	<u>33,660</u>
Total assets	<u>\$ 4,088,227</u>	<u>\$ 3,663,056</u>

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$ 850	\$ 1,828
Accrued vacation	4,598	1,024
Due to other funds	530,758	-
Customer deposits	<u>21,762</u>	<u>19,195</u>
Total liabilities	<u>557,968</u>	<u>22,047</u>
Fund balance		
Reserved for long-term receivables	3,880,395	3,452,942
Unreserved	<u>(350,136)</u>	<u>188,067</u>
Total fund balance	<u>3,530,259</u>	<u>3,641,009</u>
Total liabilities and fund balance	<u>\$ 4,088,227</u>	<u>\$ 3,663,056</u>

City of LaGrange, Georgia
Special Revenue Fund

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Intergovernmental	\$ -	\$ 32,956
Interest	58,840	54,015
Miscellaneous	<u>113,380</u>	<u>108,685</u>
Total revenues	<u>172,220</u>	<u>195,656</u>
Expenditures		
Current		
Redevelopment and housing	247,774	261,730
Administrative and management	<u>80,196</u>	<u>64,555</u>
Total expenditures	<u>327,970</u>	<u>326,285</u>
Excess of expenditures over revenues	(155,750)	(130,629)
Other financing sources (uses)		
Gain on sale of assets	45,000	-
Transfers out	<u>-</u>	<u>(12,427)</u>
Total other financing sources	<u>45,000</u>	<u>(12,427)</u>
Net change in fund balance	(110,750)	(143,056)
Fund balance, beginning of year	<u>3,641,009</u>	<u>3,784,065</u>
Fund balance, end of year	<u>\$ 3,530,259</u>	<u>\$ 3,641,009</u>

City of LaGrange, Georgia
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Special Revenue Fund
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2004

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment income	\$ 4,000	\$ 58,840	\$ 54,840
Miscellaneous	238,200	113,380	(124,820)
Total revenues	<u>242,200</u>	<u>172,220</u>	<u>(69,980)</u>
Expenditures			
Current:			
Redevelopment and housing	194,300	247,774	(53,474)
Administrative and management	75,200	80,196	(4,996)
Total expenditures	<u>269,500</u>	<u>327,970</u>	<u>(58,470)</u>
Excess of revenues over (under) expenditures	<u>(27,300)</u>	<u>(155,750)</u>	<u>(128,450)</u>
Other financing sources (uses)			
Gain on sale of assets	-	45,000	45,000
Total other financing sources (uses)	<u>-</u>	<u>45,000</u>	<u>45,000</u>
Net change in fund balance	<u>(27,300)</u>	<u>(110,750)</u>	<u>(83,450)</u>
Fund balance - beginning of year	3,641,009	3,641,009	-
Fund balance - end of year	<u>\$ 3,613,709</u>	<u>\$ 3,530,259</u>	<u>\$ (83,450)</u>

City of LaGrange, Georgia
Debt Service Fund

COMPARATIVE BALANCE SHEETS

June 30, 2004 and 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Cash	\$ 2,291,722	\$ 1,802,813
Investments	-	492,822
Due from other funds	16	-
Prepaid interest	<u>48,147</u>	<u>40,353</u>
Total assets	<u>\$ 2,339,885</u>	<u>\$ 2,335,988</u>

FUND BALANCE

Fund balance		
Reserved for prepaid expenditures	48,147	40,353
Unreserved	<u>2,291,738</u>	<u>2,295,635</u>
Total fund balance	<u>\$ 2,339,885</u>	<u>\$ 2,335,988</u>

City of LaGrange, Georgia
Debt Service Fund

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Interest	\$ 99,535	\$ 32,678
Total revenues	<u>99,535</u>	<u>32,678</u>
Expenditures		
Principal retirement	580,971	532,370
Interest	73,405	40,287
Other	<u>254</u>	<u>-</u>
Total expenditures	<u>654,630</u>	<u>572,657</u>
Excess of expenditures over revenues	(555,095)	(539,979)
Other financing sources		
Transfers in	<u>558,992</u>	<u>511,275</u>
Total other financing sources	<u>558,992</u>	<u>511,275</u>
Net change in fund balance	3,897	(28,704)
Fund balance, beginning of year	<u>2,335,988</u>	<u>2,364,692</u>
Fund balance, end of year	<u>\$ 2,339,885</u>	<u>\$ 2,335,988</u>

City of LaGrange, Georgia
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Debt Service Fund
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2004

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment income	\$ 45,000	\$ 99,535	\$ 54,535
Total revenues	45,000	99,535	54,535
Expenditures			
Debt service			
Principal retirement	-	580,971	(580,971)
Interest and fiscal charges	40,100	73,659	(33,559)
Total expenditures	40,100	654,630	(614,530)
Excess of revenues over (under) expenditures	4,900	(555,095)	(559,995)
Other financing sources (uses)			
Transfers in	-	558,992	558,992
Total other financing sources (uses)	-	558,992	558,992
Net change in fund balance	4,900	3,897	(1,003)
Fund balance - beginning of year	2,335,988	2,335,988	-
Fund balance - end of year	\$ 2,340,888	\$ 2,339,885	\$ (1,003)

City of LaGrange, Georgia
Capital Projects Fund

COMPARATIVE BALANCE SHEETS

June 30, 2004 and 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Cash	\$ 2,587,370	\$ 2,544,242
Accounts receivable	181,347	-
Prepaid assets	5,500	-
Restricted cash	<u>39,043</u>	<u>91,871</u>
Total assets	<u>\$ 2,813,260</u>	<u>\$ 2,636,113</u>

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$ 989	\$ 67,749
Due to other funds	31,602	-
Deposits	30,000	-
Deferred revenue	<u>-</u>	<u>104,400</u>
Total liabilities	<u>62,591</u>	<u>172,149</u>
Fund balance		
Reserved for prepaid assets	5,500	-
Reserved for capital outlay	27,799	91,871
Unreserved	<u>2,717,370</u>	<u>2,372,093</u>
Total fund balance	<u>2,750,669</u>	<u>2,463,964</u>
Total liabilities and fund balance	<u>\$ 2,813,260</u>	<u>\$ 2,636,113</u>

City of LaGrange, Georgia
Capital Projects Fund

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Intergovernmental	\$ 110,366	\$ 393,724
Interest	31,669	28,357
Miscellaneous	<u>1,045,894</u>	<u>652,330</u>
Total	<u>1,187,929</u>	<u>1,074,411</u>
Expenditures		
Capital outlay	920,392	3,913,725
Debt service		
Principal retirement	294,420	193,873
Interest	299,366	340,575
Other	<u>706</u>	<u>-</u>
Total expenditures	<u>1,514,884</u>	<u>4,448,173</u>
Excess of expenditures over revenues	<u>(326,955)</u>	<u>(3,373,762)</u>
Other financing sources (uses)		
Sale of assets	113,660	-
Transfers in	<u>500,000</u>	<u>457,034</u>
Total other financing sources	<u>613,660</u>	<u>457,034</u>
Net change in fund balance	286,705	(2,916,728)
Fund balance, beginning of year	<u>2,463,964</u>	<u>5,380,692</u>
Fund balance, end of year	<u>\$ 2,750,669</u>	<u>\$ 2,463,964</u>

SUPPLEMENTAL INFORMATION

ENTERPRISE FUNDS

Utility Fund

This fund accounts for the provision of utility services to the residents of the City and some residents of the unincorporated County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to administration, financing and related debt service and billing and collection.

Sanitation Fund

This fund accounts for the operation of the City's solid waste collection and disposal activities.



LaGrange Georgia is a smart move for you and your business. We offer a variety of services to help you grow your business and improve your bottom line. Our services include:

City of LaGrange, Georgia
Utility Fund

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	2004	2003
Assets		
Current Assets		
Cash and cash equivalents	\$ 17,702,557	\$ 11,519,522
Investments	1,120,201	6,084,968
Receivables		
Accounts	8,181,662	7,639,267
Other	100,566	66,335
Due from other funds	407,495	-
Inventory	1,659,384	1,393,578
Total current assets	<u>29,171,865</u>	<u>26,703,670</u>
Noncurrent Assets		
Restricted cash and cash equivalents:		
Restricted cash	24,927,509	24,552,776
Restricted deposits	444,760	471
Total restricted assets	<u>25,372,269</u>	<u>24,553,247</u>
Capital assets - net	91,279,663	91,793,295
Construction in progress	5,334,913	-
Other assets	389,736	61,060
Total noncurrent assets	<u>122,376,581</u>	<u>116,407,602</u>
Total assets	<u>151,548,446</u>	<u>143,111,272</u>
Liabilities		
Current liabilities		
Accounts payable	3,754,087	4,305,246
Accrued liabilities	298,726	272,400
Due to other funds	-	71,524
Deferred revenue	24,598,234	24,566,542
Notes payable - current	60,588	149,606
Capital leases - current	494,979	409,955
Total current liabilities	<u>29,206,614</u>	<u>29,775,273</u>
Current Liabilities payable from restricted assets		
Customer deposits	1,124,733	1,040,712
Revenue bonds - current	3,260,000	3,065,000
Total current liabilities payable from restricted assets	<u>4,384,733</u>	<u>4,105,712</u>
Noncurrent Liabilities		
Revenue bonds - long-term	34,936,688	30,313,031
Notes payable - long-term	1,608,052	1,668,640
Capital leases - long-term	855,154	811,980
Total noncurrent liabilities	<u>37,399,894</u>	<u>32,793,651</u>
Total liabilities	<u>70,991,241</u>	<u>66,674,636</u>
Net assets		
Invested in capital assets, net of debt	55,399,115	55,375,083
Unrestricted	25,158,090	21,061,553
Total net assets	<u>\$ 80,557,205</u>	<u>\$ 76,436,636</u>

City of LaGrange, Georgia
Utility Fund

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS**

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating revenues		
Water system	\$ 7,721,430	\$ 7,031,805
Sewer system	4,662,541	4,448,945
Gas system	17,129,787	14,959,419
Electric system	34,569,540	33,835,447
Telecommunications	1,869,537	1,485,950
Other	-	-
Total operating revenues	<u>65,952,835</u>	<u>61,761,566</u>
Operating expenses		
Water system	2,986,326	2,548,011
Sewerage system	3,146,006	3,211,892
Gas system	12,882,062	12,043,679
Electric system	28,706,601	27,141,701
Telecommunications	1,521,947	1,442,521
Administrative services	1,295,212	1,588,000
Depreciation	<u>3,123,000</u>	<u>4,916,860</u>
Total operating expenses	<u>53,661,154</u>	<u>52,892,664</u>
Operating income	<u>12,291,681</u>	<u>8,868,902</u>
Nonoperating revenues (expenses)		
Investment income	292,447	428,600
Other revenue	103,832	431,069
Interest expense	(1,186,633)	(2,800,802)
Other expense	<u>(44,457)</u>	<u>(30,797)</u>
Total nonoperating revenues (expenses)	<u>(834,811)</u>	<u>(1,971,930)</u>
Net income before capital contributions and transfers	<u>11,456,870</u>	<u>6,896,972</u>
Sale of assets	5,805	-
Transfers out	<u>(7,342,106)</u>	<u>(6,985,053)</u>
Change in net assets	4,120,569	(88,081)
Net assets - beginning of year	<u>76,436,636</u>	<u>76,524,717</u>
Net assets - end of year	<u>\$ 80,557,205</u>	<u>\$ 76,436,636</u>

City of LaGrange, Georgia
Utility Fund

COMPARATIVE STATEMENTS OF CASH FLOWS

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 65,952,060	\$ 64,883,352
Cash paid to employees	(3,790,656)	(3,853,804)
Cash paid to suppliers	<u>(49,146,868)</u>	<u>(44,403,573)</u>
Net cash provided (used) by operating activities	<u>13,014,536</u>	<u>16,625,975</u>
 Cash flow from noncapital financing activities:		
Transfers out	<u>(7,342,106)</u>	<u>(6,985,053)</u>
 Net cash used in noncapital financing activities	<u>(7,342,106)</u>	<u>(6,985,053)</u>
 Cash flows from capital and related financing activities:		
Proceeds from revenue bonds, net	8,000,000	26,655,000
Proceeds from leases	628,668	-
Sale of assets	5,805	-
Principal payments on revenue bonds	(3,065,000)	(27,095,000)
Acquisition of capital assets	(2,609,367)	(3,641,830)
Construction of capital assets	(5,334,913)	-
Capital lease payments	(500,470)	(339,635)
Payments on notes payable	(149,606)	(222,205)
Interest expense	<u>(1,186,633)</u>	<u>(2,719,099)</u>
 Net cash used in capital and related financing activities	<u>(4,211,516)</u>	<u>(7,362,769)</u>
 Cash flows from investing activities:		
Sale (purchase) of investments	5,248,696	(6,085,126)
Investment income	<u>292,447</u>	<u>428,600</u>
 Net cash used in investing activities	<u>5,541,143</u>	<u>(5,656,526)</u>
 Net increase in cash	7,002,057	(3,378,373)
 Cash, beginning of year	<u>36,072,769</u>	<u>39,451,142</u>
 Cash, end of year	<u>\$ 43,074,826</u>	<u>\$ 36,072,769</u>
 Report on the balance sheet as:		
Cash and cash equivalents	\$ 17,702,557	\$ 11,519,522
Restricted cash	<u>25,372,269</u>	<u>24,553,247</u>
 Total	<u>\$ 43,074,826</u>	<u>\$ 36,072,769</u>

City of LaGrange, Georgia
Utility Fund

COMPARATIVE STATEMENTS OF CASH FLOWS (continued)

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Operating income	\$ 12,291,680	\$ 8,868,902
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,123,000	4,916,860
Changes in operating assets and liabilities:		
Accounts receivable	(576,626)	101,545
Inventory	(265,806)	(102,183)
Other assets	(328,676)	42,734
Accounts payable	(551,159)	1,275,640
Accrued vacation	26,326	27,275
Interfund activity	(479,019)	(9,722)
Deferred revenue	31,692	1,058,640
Customer deposits	84,021	115,954
Other revenue, net	<u>(340,897)</u>	<u>330,330</u>
Net cash provided by operating activities	<u>13,014,536</u>	<u>16,625,975</u>

Supplemental Schedule of Noncash Investing and Financing Activities:

Equipment acquired through assumption of capital lease obligation	<u>\$ 628,668</u>	<u>\$ 231,740</u>
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SCHEDULE OF OPERATING INCOME

Year ended June 30, 2004

	Electric System	Gas System	Water & Sewer System	Telecommuni- cations	Total
Operating revenues	\$ 34,569,540	\$ 17,129,787	\$ 12,383,971	\$ 1,869,537	\$ 65,952,835
Operating expenses					
Electricity and natural gas purchases	27,664,023	11,858,966	-	-	39,522,989
Administrative services	678,950	336,367	243,241	36,654	1,295,212
Depreciation	294,818	253,897	2,222,427	351,858	3,123,000
Other operating	1,042,578	1,023,096	6,132,332	1,521,947	9,719,953
	<u>29,680,369</u>	<u>13,472,326</u>	<u>8,598,000</u>	<u>1,910,459</u>	<u>53,661,154</u>
Operating income	\$ 4,889,171	\$ 3,657,461	\$ 3,785,971	\$ (40,922)	\$ 12,291,681

SCHEDULE OF CHANGES IN UTILITY PLANT IN SERVICE

Year ended June 30, 2004

	Historical Cost			Allowance for Depreciation			Net Asset Value
	Balance June 30, 2003	Additions	Balance June 30, 2004	Balance June 30, 2003	Expense	Deletions	
Water and sewer system	\$ 113,663,343	\$ 1,095,782	\$ 106,843,720	\$ 39,436,711	\$ 2,222,427	\$ 7,915,404	\$ 33,743,734
Gas system	12,184,757	471,852	10,926,071	5,511,057	253,897	1,730,538	4,034,416
Electric system	15,031,162	418,021	14,827,405	5,530,564	294,818	621,778	5,203,604
Telecommunications	2,580,762	623,712	2,668,214	1,188,397	351,858	536,260	1,003,995
	\$ 143,460,024	\$ 2,609,367	\$ 135,265,410	\$ 51,666,729	\$ 3,123,000	\$ 10,803,980	\$ 43,985,749
							\$ 91,279,661

City of LaGrange, Georgia
Utility Fund

COMPARATIVE SCHEDULES OF REVENUES

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Water and sewer system		
Water sales	\$ 6,651,644	\$ 6,210,916
Sewer service charges	4,662,541	4,489,693
Fire services	87,573	66,949
Connection fees	822,795	678,060
Miscellaneous	<u>159,418</u>	<u>35,132</u>
	12,383,972	11,480,750
Gas system		
Gas sales	17,114,047	14,899,620
Miscellaneous	<u>15,740</u>	<u>59,799</u>
	17,129,787	14,959,419
Electric system		
Electricity sales	33,809,298	33,045,845
Street and security lights	661,908	676,456
Miscellaneous	<u>98,334</u>	<u>113,146</u>
	34,569,539	33,835,447
Telecommunications		
Internet services	1,410,834	1,181,661
Other telecommunications services	<u>458,703</u>	<u>304,289</u>
	<u>1,869,537</u>	<u>1,485,950</u>
Total operating revenues	<u>\$ 65,952,835</u>	<u>\$ 61,761,566</u>

City of LaGrange, Georgia
Sanitation Funds

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	2004	2003
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,513,589	\$ 3,008,707
Investments	-	-
Receivables		
Accounts	-	109
Due from other funds	54,921	71,524
Inventory	7,254	7,254
Total current assets	<u>3,575,764</u>	<u>3,087,594</u>
Noncurrent Assets		
Capital assets - net	14,679,501	14,109,232
Total noncurrent assets	<u>14,679,501</u>	<u>14,109,232</u>
Total assets	<u>18,255,265</u>	<u>17,196,826</u>
Liabilities		
Current liabilities		
Accounts payable	16,143	920,508
Accrued liabilities	4,436,402	4,006,856
Notes payable - current	10,899	165,932
Capital leases - current	419,881	526,182
Total current liabilities	<u>4,883,325</u>	<u>5,619,478</u>
Current Liabilities payable from restricted assets		
Customer deposits	1,719	1,780
Revenue bonds - current	505,000	495,000
Total current liabilities payable from restricted assets	<u>506,719</u>	<u>496,780</u>
Noncurrent Liabilities		
Revenue bonds - long-term	5,292,720	5,793,685
Notes payable - long-term	985,250	-
Capital leases - long-term	933,669	895,896
Total noncurrent liabilities	<u>7,211,639</u>	<u>6,689,581</u>
Total liabilities	<u>12,601,683</u>	<u>12,805,839</u>
Net assets		
Invested in capital assets, net of debt	7,037,082	6,232,537
Unrestricted	<u>(1,383,500)</u>	<u>(1,841,550)</u>
Total net assets	<u>\$ 5,653,582</u>	<u>\$ 4,390,987</u>

**City of LaGrange, Georgia
Sanitation Funds**

**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS**

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating revenues		
Garbage collection	\$ 3,168,988	\$ 3,158,924
Landfill	3,006,785	2,014,057
Other	108,670	341,114
Total operating revenues	<u>6,284,443</u>	<u>5,514,095</u>
Operating expenses		
Garbage collection	2,417,500	1,587,954
Landfill	1,530,883	1,117,079
Recycling center	90,685	76,399
Depreciation	690,219	1,016,354
Total operating expenses	<u>4,729,287</u>	<u>3,797,786</u>
Operating income	<u>1,555,156</u>	<u>1,716,309</u>
Nonoperating revenues (expenses)		
Investment income	10,828	47,255
Other income (expense)	(1,830)	30,611
Interest expense	(350,652)	(315,161)
Total nonoperating revenues (expenses)	<u>(341,654)</u>	<u>(237,295)</u>
Income before transfers	<u>1,213,502</u>	<u>1,479,014</u>
Sale of assets	33,711	-
Transfers in	15,382	-
Transfers out	-	(12,549)
Total transfers	<u>49,093</u>	<u>(12,549)</u>
Change in net assets	1,262,595	1,466,465
Net assets, beginning of year	<u>4,390,987</u>	<u>2,924,522</u>
Net assets, end of year	<u>\$ 5,653,582</u>	<u>\$ 4,390,987</u>

City of LaGrange, Georgia
Sanitation Funds

COMPARATIVE STATEMENTS OF CASH FLOWS

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 5,838,496	\$ 6,245,993
Cash paid to employees	(883,064)	(905,091)
Cash paid to suppliers	(3,170,054)	(2,112,447)
Net cash provided (used) by operating activities	<u>1,785,378</u>	<u>3,228,455</u>
Cash flows from noncapital financing activities:		
Transfers in (out)	<u>15,382</u>	<u>(12,549)</u>
Net cash used in noncapital financing activities	<u>15,382</u>	<u>(12,549)</u>
Cash flow from capital and related financing activities:		
Capital lease proceeds	433,357	-
Note payable proceeds	840,126	-
Sale of assets	33,711	-
Principal payments on revenue bonds	(495,000)	(465,965)
Acquisition of capital assets	(1,260,488)	(1,951,862)
Capital lease payments	(507,759)	(506,429)
Payments on notes payable	(9,908)	-
Interest expense	(340,744)	(315,161)
Net cash used in capital and related financing activities	<u>(1,306,705)</u>	<u>(3,239,417)</u>
Cash flows from investing activities:		
Investment income	<u>10,828</u>	<u>47,255</u>
Net cash used in investing activities	<u>10,828</u>	<u>47,255</u>
Net (decrease) increase in cash	504,882	23,744
Cash, beginning of year	<u>3,008,707</u>	<u>2,984,963</u>
Cash, end of year	<u>\$ 3,513,589</u>	<u>\$ 3,008,707</u>
Report on the balance sheet as:		
Cash and cash equivalents	<u>\$ 3,513,589</u>	<u>\$ 3,008,707</u>

City of LaGrange, Georgia
Sanitation Funds

COMPARATIVE STATEMENTS OF CASH FLOWS (continued)

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Operating income	\$ 1,555,156	\$ 1,716,309
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	690,219	1,016,354
Changes in operating assets and liabilities:		
Accounts receivable	109	2,046
Inventory	-	3,091
Accounts payable	(904,364)	470,167
Interfund activities	16,603	6,389
Other accrued expenses	429,546	(16,512)
Other nonoperating revenue (expense), net	(1,830)	30,611
Customer deposits	(61)	-
Net cash provided by operating activities	<u>\$ 1,785,378</u>	<u>\$ 3,228,455</u>

Supplemental Schedule of Noncash Investing and Financing Activities:

Equipment acquired through assumption of capital lease obligation	<u>\$ 433,357</u>	<u>\$ 759,155</u>
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SUPPLEMENTAL INFORMATION

INTERNAL SERVICE FUNDS

Group Insurance Fund

To account for the City's partial self-insurance of employees' medical claims.

Property and Casualty Insurance Fund

To account for the City's partial self-insurance of workers' compensation and liability claims.



City of LaGrange, Georgia
Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2004

	Group Insurance Fund	Property & Casualty Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 393,291	\$ 1,952,865	\$ 2,346,156
Investments		1,007,880	1,007,880
Due from other funds	1,912	5,709	7,621
Total current assets	<u>395,203</u>	<u>2,966,454</u>	<u>3,361,657</u>
Noncurrent assets			
Restricted assets			
Deposits	<u>8,346</u>	<u>101,990</u>	<u>110,336</u>
Total assets	<u>403,549</u>	<u>3,068,444</u>	<u>3,471,993</u>
 Liabilities and net assets			
Current liabilities			
Claims payable	525,000	600,000	1,125,000
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>525,000</u>	<u>600,000</u>	<u>1,125,000</u>
 Total net assets			
Unrestricted	<u>\$ (121,451)</u>	<u>\$ 2,468,444</u>	<u>\$ 2,346,993</u>

City of LaGrange, Georgia
Internal Service Funds

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

Year ended June 30, 2004

	Group Insurance Fund	Property & Casualty Fund	Total
Operating revenues			
Charges for services	\$ 3,319,545	\$ 1,021,217	\$ 4,340,762
Operating expenses			
Liability claims	-	487,140	487,140
Liability premiums	-	727,530	727,530
Medical claims	3,335,277	-	3,335,277
Reinsurance premium	80,027	-	80,027
Administrative fee	143,183	21,980	165,163
Other premiums	249,168	-	249,168
Total operating expenses	3,807,655	1,236,650	5,044,305
Operating income (loss)	(488,110)	(215,433)	(703,543)
Nonoperating revenues			
Investment income	7,107	33,552	40,659
Total nonoperating revenues	7,107	33,552	40,659
Net income before transfers	(481,003)	(181,881)	(662,884)
Transfers in	28,221	-	28,221
Change in net assets	(452,782)	(181,881)	(634,663)
Net assets, beginning of year	331,331	2,650,325	2,981,656
Net assets, end of year	\$ (121,451)	\$ 2,468,444	\$ 2,346,993

City of LaGrange, Georgia
Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year ended June 30, 2004

	Group Insurance Fund	Property & Casualty Fund	Total
Cash flows from operating activities:			
Cash received from customers and users	\$ 2,980,909	\$ 993,528	\$ 3,974,437
Cash paid to employees	-	-	-
Cash paid to suppliers	<u>(3,665,249)</u>	<u>(1,214,670)</u>	<u>(4,879,919)</u>
Net cash provided (used) by operating activities	<u>(684,340)</u>	<u>(221,142)</u>	<u>(905,482)</u>
Cash flows from non capital financing activities:			
Operating transfers in	<u>28,221</u>	<u>-</u>	<u>28,221</u>
Cash flows from investing activities:			
Proceeds from sale of investments		481,081	481,081
Investment income	<u>7,107</u>	<u>33,552</u>	<u>40,659</u>
Net cash provided by investing activities	<u>7,107</u>	<u>514,633</u>	<u>521,740</u>
Net (decrease) increase in cash	<u>(649,012)</u>	<u>293,491</u>	<u>(355,521)</u>
Cash, beginning of year	<u>1,050,649</u>	<u>1,761,364</u>	<u>2,812,013</u>
Cash, end of year	<u>\$ 401,637</u>	<u>\$ 2,054,855</u>	<u>\$ 2,456,492</u>
Report on the balance sheet as:			
Cash and cash equivalents	\$ 393,291	\$ 1,952,865	\$ 2,346,156
Restricted cash	<u>8,346</u>	<u>101,990</u>	<u>110,336</u>
Total	<u>\$ 401,637</u>	<u>\$ 2,054,855</u>	<u>\$ 2,456,492</u>
Cash flows from operating activities:			
Operating (loss) income	\$ (488,110)	\$ (215,433)	\$ (703,543)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:			
Increase in interfund accounts	(26,912)	(5,709)	(32,621)
Decrease in claims payable	<u>(169,318)</u>	<u>-</u>	<u>(169,318)</u>
Net cash (used in) provided by operating activities	<u>\$ (684,340)</u>	<u>\$ (221,142)</u>	<u>\$ (905,482)</u>

City of LaGrange, Georgia
Group Insurance Funds

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 393,291	\$ 1,042,303
Due from other funds	<u>1,912</u>	<u>-</u>
Total current assets	<u>395,203</u>	<u>1,042,303</u>
Noncurrent assets		
Restricted assets		
Deposits	<u>8,346</u>	<u>8,346</u>
Total assets	<u>403,549</u>	<u>1,050,649</u>
 Liabilities and net assets		
Current liabilities		
Claims payable	525,000	694,318
Due to other funds	<u>-</u>	<u>25,000</u>
Total current liabilities	<u>525,000</u>	<u>719,318</u>
 Total net assets		
Unrestricted	<u><u>\$ (121,451)</u></u>	<u><u>\$ 331,331</u></u>

City of LaGrange, Georgia
Group Insurance Funds

**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 3,319,545	\$ 3,034,447
Operating expenses		
Medical claims	3,335,277	2,807,993
Reinsurance premium	80,027	88,533
Administrative fee	143,183	165,619
Other premiums	<u>249,168</u>	<u>341,677</u>
Total operating expenses	<u>3,807,655</u>	<u>3,403,822</u>
Operating income (loss)	<u>(488,110)</u>	<u>(369,375)</u>
Nonoperating revenues		
Investment income	<u>7,107</u>	<u>23,991</u>
Total nonoperating revenues	<u>7,107</u>	<u>23,991</u>
Net income before transfers	<u>(481,003)</u>	<u>(345,384)</u>
Transfers in	<u>28,221</u>	<u>-</u>
Change in net assets	(452,782)	(345,384)
Net assets, beginning of year	<u>331,331</u>	<u>676,715</u>
Net assets, end of year	<u>\$ (121,451)</u>	<u>\$ 331,331</u>

City of LaGrange, Georgia
Group Insurance Funds

COMPARATIVE STATEMENTS OF CASH FLOWS

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 2,980,909	\$ 3,059,447
Cash paid to employees	-	-
Cash paid to suppliers	<u>(3,665,249)</u>	<u>(3,410,029)</u>
Net cash provided (used) by operating activities	(684,340)	(350,582)
Cash flows from non capital financing activities:		
Transfers in	<u>28,221</u>	-
Net cash used in non capital financing activities	<u>28,221</u>	-
Cash flows from investing activities:		
Investment income	<u>7,107</u>	23,991
Net cash used in investing activities	<u>7,107</u>	23,991
Net decrease in cash	(649,012)	(326,591)
Cash, beginning of year	<u>1,050,649</u>	<u>1,377,240</u>
Cash, end of year	<u><u>\$ 401,637</u></u>	<u><u>\$ 1,050,649</u></u>
Report on the balance sheet as:		
Cash and cash equivalents	\$ 393,291	\$ 1,042,303
Restricted cash	<u>8,346</u>	<u>8,346</u>
Total	<u><u>\$ 401,637</u></u>	<u><u>\$ 1,050,649</u></u>
Cash flows from operating activities:		
Operating loss	\$ (488,110)	\$ (369,375)
Adjustments to reconcile operating loss		
to net cash used for operating activities:		
Increase in interfund accounts	(26,912)	25,000
Decrease in claims payable	<u>(169,318)</u>	<u>(6,207)</u>
Net cash used in operating activities	<u><u>\$ (684,340)</u></u>	<u><u>\$ (350,582)</u></u>

City of LaGrange, Georgia
Property & Casualty Fund

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,952,865	\$ 1,659,374
Investments	1,007,880	1,488,961
Due from other funds	5,709	-
Total current assets	<u>2,966,454</u>	<u>3,148,335</u>
Noncurrent assets		
Restricted assets		
Deposits	<u>101,990</u>	<u>101,990</u>
Total assets	<u>3,068,444</u>	<u>3,250,325</u>
 Liabilities and net assets		
Current liabilities		
Claims payable	<u>600,000</u>	<u>600,000</u>
Total liabilities	<u>600,000</u>	<u>600,000</u>
 Total net assets		
Unrestricted	<u><u>\$ 2,468,444</u></u>	<u><u>\$ 2,650,325</u></u>

City of LaGrange, Georgia
Property & Casualty Fund

**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

Year ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 1,021,217	\$ 1,037,127
Operating expenses		
Liability claims	487,140	297,548
Liability premiums	727,530	506,457
Administrative fee	<u>21,980</u>	<u>65,006</u>
Total operating expenses	<u>1,236,650</u>	<u>869,011</u>
Operating income	<u>(215,433)</u>	<u>168,116</u>
Nonoperating revenues		
Investment income	<u>33,552</u>	<u>55,714</u>
Total nonoperating revenues	<u>33,552</u>	<u>55,714</u>
Net income (loss) before transfers	(181,881)	223,830
Transfers out	<u>-</u>	<u>(49,500)</u>
Change in net assets	(181,881)	174,330
Net assets, beginning of year	<u>2,650,325</u>	<u>2,475,995</u>
Net assets, end of year	<u>\$ 2,468,444</u>	<u>\$ 2,650,325</u>

**City of LaGrange, Georgia
Property & Casualty Fund**

COMPARATIVE STATEMENTS OF CASH FLOWS

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 993,528	1,037,127
Cash paid to employees	-	-
Cash paid to suppliers	<u>(1,214,670)</u>	<u>(975,207)</u>
Net cash provided (used) by operating activities	<u>(221,142)</u>	<u>61,920</u>
 Cash flows from non capital financing activities:		
Transfers out	<u>-</u>	<u>(49,500)</u>
Net cash used in non capital financing activities	<u>-</u>	<u>(49,500)</u>
 Cash flows from investing activities:		
Proceeds from sale of investments	481,081	1,333,081
Investment income	<u>33,552</u>	<u>55,714</u>
Net cash used in investing activities	<u>514,633</u>	<u>1,388,795</u>
Net increase in cash	293,491	1,401,215
Cash, beginning of year	<u>1,761,364</u>	<u>360,149</u>
Cash, end of year	<u>\$ 2,054,855</u>	<u>\$ 1,761,364</u>
 Report on the balance sheet as:		
Cash and cash equivalents	\$ 1,952,865	\$ 1,659,374
Restricted cash	<u>101,990</u>	<u>101,990</u>
Total	<u>\$ 2,054,855</u>	<u>\$ 1,761,364</u>
 Cash flows from operating activities:		
Operating income	\$ (215,433)	\$ 168,116
Adjustments to reconcile operating income to net cash provided by operating activities:		
Increase in interfund activities	(5,709)	-
Increase in claims payable	<u>-</u>	<u>(106,196)</u>
Net cash provided by operating activities	<u>\$ (221,142)</u>	<u>\$ 61,920</u>

SUPPLEMENTAL INFORMATION

**CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS**



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City of LaGrange, Georgia
Capital Assets Used in the Operation of Governmental Funds

COMPARATIVE SCHEDULES BY SOURCE*

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Governmental funds capital assets:		
Land	\$ 4,894,919	\$ 4,894,919
Buildings and improvements	12,747,100	12,747,100
Furniture and fixtures	44,099	114,510
Machinery and equipment	5,275,174	5,154,480
Vehicles	1,792,520	1,400,352
Infrastructure	12,200,975	12,522,821
Construction in progress	<u>56,930</u>	<u>-</u>
Total governmental funds capital assets	<u>\$ 37,011,717</u>	<u>\$ 36,834,182</u>
Investments in governmental funds capital assets by source:		
General fund revenues	\$ 7,701,738	\$ 7,524,526
General obligation bonds	3,000,000	3,000,000
Capital projects fund	20,192,687	20,168,554
Special revenues funds	2,614,227	2,638,037
Donations	<u>3,503,065</u>	<u>3,503,065</u>
Total governmental funds capital assets	<u>\$ 37,011,717</u>	<u>\$ 36,834,182</u>

* This schedule presents only the capital assets balances related to governemntal funds.

SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY*

June 30, 2004

Function and activity	Total	Land	Buildings and Improvements	Furniture and Fixtures	Machinery and Equipment	Vehicles	Infrastructure
General government:							
General government	\$ 6,694,923	\$ 236,427	\$ 4,613,207	\$ 44,099	\$ 1,621,054	\$ 5,618	\$ 174,518
Garage	2,165,015	-	1,993,319	-	60,522	111,174	-
Miscellaneous real estate	2,537,842	1,807,311	730,531	-	-	-	-
Other	614,107	614,107	-	-	-	-	-
Total general government	12,011,887	2,657,845	7,337,057	44,099	1,681,576	116,792	174,518
Public safety:							
Police department	2,956,268	25,244	1,409,344	-	439,449	1,062,231	20,000
Fire department	2,405,795	-	693,281	-	1,712,514	-	-
Municipal court	10,949	-	-	-	-	10,949	-
Animal control	11,026	-	-	-	-	11,026	-
Mediation center	5,076	-	-	-	5,076	-	-
Lights, meters, traffic	27,930	-	-	-	-	-	27,930
Total public safety	5,417,044	25,244	2,102,625	-	2,157,039	1,084,206	47,930
Public service:							
Engineering and supervision	82,487	-	-	-	-	45,691	36,796
Streets	6,797,014	397,858	858	-	918,918	201,846	5,277,534
Trash and refuse	197,608	-	-	-	180,392	17,216	-
Construction in progress	56,930	-	-	-	-	-	56,930
Total public service	7,134,039	397,858	858	-	1,099,310	264,753	5,371,260
Culture and Recreation:							
Parks and cemeteries	1,764,325	609,070	71,890	-	250,668	231,597	601,100
Recreation	3,017,732	1,128,665	135,054	-	-	-	1,754,013
Total culture and recreation	4,782,057	1,737,735	206,944	-	250,668	231,597	2,355,113
Community development:							
Airport	4,367,277	76,237	487,752	-	55,544	-	3,747,744
West Georgia Medical	479,480	-	-	-	-	-	479,480
Community and economic development	2,569,933	-	2,361,864	-	31,037	95,172	81,860
School	250,000	-	250,000	-	-	-	-
Total community development	7,666,690	76,237	3,099,616	-	86,581	95,172	4,309,084
Total governmental funds capital assets	\$ 37,011,717	\$ 4,894,919	\$ 12,747,100	\$ 44,099	\$ 5,275,174	\$ 1,792,520	\$ 12,257,905

* This schedule presents only the capital asset balances related to governmental funds.

City of LaGrange, Georgia
Capital Assets Used in the Operation of Governmental Funds

SCHEDULE OF CHANGES IN CAPITAL ASSETS
BY FUNCTION AND ACTIVITY*

Year ended June 30, 2004

Function and activity	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
General government:				
General government	\$ 6,702,688	\$ -	\$ 7,765	\$ 6,694,923
Garage	2,124,333	48,897	8,215	2,165,015
Miscellaneous real estate	2,537,842	-	-	2,537,842
Other	614,107	-	-	614,107
Total general government	<u>11,978,970</u>	<u>48,897</u>	<u>15,980</u>	<u>12,011,887</u>
Public safety:				
Police department	2,876,995	291,110	211,837	2,956,268
Fire department	2,290,830	137,512	22,547	2,405,795
Municipal court	-	10,949	-	10,949
Animal control	11,026	-	-	11,026
Mediation center	8,500	-	3,424	5,076
Lights, meters, traffic	32,815	-	4,885	27,930
Community service	5,654	-	5,654	-
Total public safety	<u>5,225,820</u>	<u>439,571</u>	<u>248,347</u>	<u>5,417,044</u>
Public service:				
Engineering and supervision	84,905	-	2,418	82,487
Streets	6,279,962	541,395	24,343	6,797,014
Trash and refuse	197,608	-	-	197,608
Construction in progress	-	56,930	-	56,930
Total public service	<u>6,562,475</u>	<u>598,325</u>	<u>26,761</u>	<u>7,134,039</u>
Culture and Recreation:				
Parks and cemeteries	1,786,392	17,517	39,584	1,764,325
Recreation	3,624,742	-	607,010	3,017,732
Total culture and recreation	<u>5,411,134</u>	<u>17,517</u>	<u>646,594</u>	<u>4,782,057</u>
Community development:				
Airport	4,367,277	-	-	4,367,277
West Georgia Medical	479,480	-	-	479,480
Community and economic development	2,559,026	39,209	28,302	2,569,933
School	250,000	-	-	250,000
Total community development	<u>7,655,783</u>	<u>39,209</u>	<u>28,302</u>	<u>7,666,690</u>
Total governmental funds capital assets	<u>\$ 36,834,182</u>	<u>\$ 1,143,519</u>	<u>\$ 965,984</u>	<u>\$ 37,011,717</u>

This schedule presents only the capital asset balances related to governmental funds.

ADDITIONAL DATA

*L*aGRANGE

georgia

S M A R T M O V E ®



Abbott, Jordan & Koon, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and
Members of City Council
City of LaGrange, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LaGrange, Georgia, as of and for the year ended June 30, 2004, which collectively comprise the City of LaGrange, Georgia's basic financial statements and have issued our report thereon dated March 25, 2005. 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, we considered the City of LaGrange, Georgia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of LaGrange, Georgia's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of audit findings as items 04-1 and 04-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of LaGrange, Georgia'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Joseph J. Koon". The signature is written in a cursive, flowing style.

Manchester, Georgia
March 25, 2005

CITY OF LAGRANGE, GEORGIA
SCHEDULE OF AUDIT FINDINGS
June 30, 2004

04-1 Reconciliation of Account Balances

Condition and Criteria: Internal controls should be in place to ensure that all significant balance sheet and revenue accounts are recorded accurately in the accounting system. During our audit we noted several instances in which balance sheet and revenue account balances were misstated in amounts that were material to the financial statements.

Effect: The failure to implement basic accounting controls to ensure that all balance sheet and revenue accounts are accurately stated could result in material errors or fraud that might go undetected by management.

Recommendation: The City should perform monthly reconciliations for all balance sheet accounts and significant revenue accounts. Accounts reconciled on a monthly basis should include, among others, due to and due from other funds, interfund transfers, service revenue and receivable, and accounts payable.

Management Response: We concur.

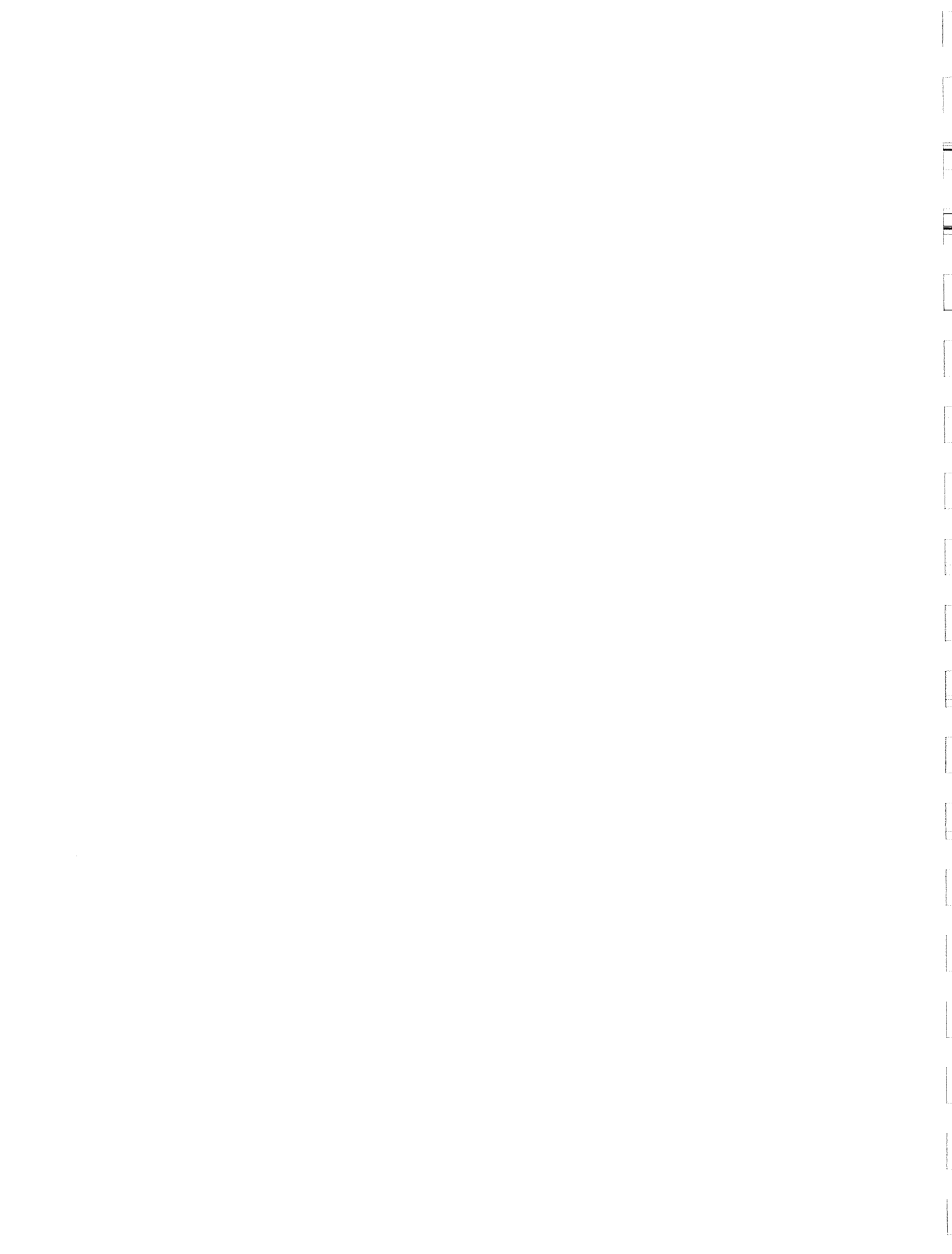
04-2 Application of Generally Accepted Accounting Principles

Condition and Criteria: During our audit we noted that generally accepted accounting principles were not consistently applied to all funds of the City. Examples include improper posting to fund balance, improper recognition of revenue and expenditures, and the failure to apply the modified accrual basis of accounting to governmental funds.

Effect: The failure to consistently apply generally accepted accounting principles to all funds of the City could result in interim and year end financial statements being materially misstated.

Recommendation: Generally accepted accounting principles should be consistently applied to all funds of the City. Any financial information provided to management that does not conform to generally accepted accounting principles should be compiled outside of the City's accounting system used for financial statement reporting.

Management Response: We concur.



STATISTICAL SECTION

L^aGRANGE

georgia

S M A R T M O V E ®

GENERAL GOVERNMENTAL EXPENDITURES FOR SELECTED FUNCTIONS⁽¹⁾LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ending June 30,	Culture and Recreation							Community Development	Capital Outlays	Debt Service	Total
	General Government	Public Safety	Public Services	Recreation	Education						
1995	1,182,015	6,342,556	2,438,617	650,397	410,509		1,615,425	321,528	1,244,926	14,205,973	
1996	1,224,502	6,321,070	2,660,278	806,675	400,000		3,222,425	173,946	1,166,302	15,975,198	
1997	1,556,769	6,688,297	2,455,546	874,449	400,000		1,888,673	161,137	1,122,401	15,147,272	
1998	1,337,076	7,691,045	2,722,215	876,100	-		6,103,804	1,044,540	1,055,419	20,830,199	
1999	1,412,244	7,964,829	2,814,926	876,000	-		1,404,540	491,144	990,875	15,954,558	
2000	1,445,092	8,497,976	3,046,519	1,048,531	-		1,387,525	1,330,198	1,013,165	17,769,006	
2001	1,305,100	8,750,529	2,962,267	981,100	-		1,231,218	1,149,978	1,266,869	17,647,061	
2002	1,274,497	8,922,255	2,449,313	1,117,854	-		1,110,538	1,039,907	827,702	16,742,066	
2003	1,364,523	9,235,159	2,745,594	697,984	-		1,246,230	1,442,906	572,657	17,305,053	
2004	1,490,753	10,225,019	1,902,134	819,841	-		1,533,689	1,701,653	1,249,122	18,922,211	

(1) Includes the general, special revenue and debt service funds.
N/A Information not available.

GENERAL GOVERNMENTAL REVENUES BY SOURCE⁽¹⁾

LAST TEN FISCAL YEARS

Fiscal Year Ending June 30,	Taxes Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeitures	Investment Income*	Miscellaneous	Total
1995	6,677,051	924,161	174,549	18,415	178,366	122,023	8,094,565
1996	6,989,353	2,125,549	230,222	9,080	160,248	392,151	9,906,603
1997	7,056,705	894,024	175,434	377,164	124,811	539,798	9,167,936
1998	7,344,338	1,322,241	147,316	1,129,764	248,790	493,944	10,686,393
1999	7,561,380	384,683	157,221	999,915	(11,571)	208,401	9,300,029
2000	8,076,924	347,058	175,934	1,123,610	227,440	144,854	10,095,820
2001	8,253,038	295,531	263,893	1,270,246	86,548	233,816	10,403,072
2002	8,047,152	283,332	341,695	1,265,665	189,237	243,803	10,370,884
2003	7,852,799	106,995	368,883	1,031,788	241,501	203,702	9,805,668
2004	7,697,144	176,699	251,220	1,016,273	219,154	1,645,214	11,005,704

(1) Includes the general, special revenue and debt service funds.

* Appreciation and depreciation of the fair value of investments included beginning 1998.

Source: Audited financial statements

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN YEARS
(Unaudited)

Fiscal Year Ending June 30,	Tax Year	Total Tax Levy	Current Tax Collection	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percentage of Total Tax Collections to Tax Levy	Percent of Outstanding Delinquent Taxes	Delinquent Taxes to Levy
1995	1994	275,938	280,833	101.8	13,789	294,622	110.4	5,401	2.0
1996	1995	274,423	273,107	88.5	14,225	287,332	104.7	1,548	0.6
1997	1996	288,257	284,314	99.3	2,359	286,723	99.5	1,943	0.7
1998	1997	305,756	285,843	93.5	11,920	297,763	97.4	-	N/A
1999	1998	-	-	0.0	8,100	8,100	0.0	-	N/A
2000	1999	-	-	0.0	4,701	4,701	0.0	-	N/A
2001	2000	-	-	0.0	4,297	4,297	0.0	-	N/A
2002	2001	-	-	0.0	1,590	1,590	0.0	-	N/A
2003	2002	-	-	0.0	74	74	0.0	-	N/A
2004	2003	-	-	0.0	0.0	0.0	0.0	0.0	N/A

City of LaGrange, Georgia

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS (Unaudited)

<u>Tax Year</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Ratio of Total Assessed to Total Estimated Actual Value</u>
1995	551,875,470	1,379,688,675	40
1996	548,846,682	1,372,116,705	40
1997	611,507,683	1,528,769,207	40
1998	654,879,615	1,637,199,037	40
1999	704,891,891	1,762,229,728	40
2000	734,031,598	1,835,078,995	40
2001	756,052,545	1,890,131,362	40
2002	809,122,123	2,022,805,307	40
2003	811,539,417	2,028,848,543	40
2004	833,633,304	2,084,083,260	40

City of LaGrange, Georgia

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS (Unaudited)

Tax Year	City	Troup County(1)	Subtotal	Downtown Development Authority Tax(2)	Total
1995	0.50	29.24	29.74	3.50	33.24
1996	0.50	28.52	29.02	3.50	32.52
1997	0.50	25.86	26.36	3.50	29.86
1998	0.00	26.86	26.86	3.50	30.36
1999	0.00	26.86	26.86	4.00	30.86
2000	0.00	26.86	26.86	4.00	30.86
2001	0.00	26.86	26.86	4.00	30.86
2002	0.00	26.86	26.86	4.00	30.86
2003	0.00	26.86	26.86	4.00	30.86
2004	0.00	29.66	29.66	4.00	33.66

(1) Rates for incorporated area only. Beginning in 1994, rates reflect the merging of the City School System into the County School System.

(2) Applied only to commercial property located in the downtown business district.

City of LaGrange, Georgia

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2004

Approximate assessed valuation	<u>\$ 833,633,304</u>
Debt limit: 10% of assessed value ⁽¹⁾	\$ 83,363,330
Amount of debt applicable to debt limit	<u>-</u>
Legal debt margin	<u>\$ 83,363,330</u>

(1) State of Georgia constitutional limit.

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA**

**LAST TEN FISCAL YEARS
(Unaudited)**

<u>Year</u>	<u>Population⁽¹⁾</u>	<u>Assessed Value⁽²⁾</u>	<u>Net Bonded Debt⁽³⁾</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1995	27,390	551,875,470	2,362,563	0.004	123
1996	27,664	590,582,394	1,791,077	0.003	86
1997	27,941	611,512,279	1,319,814	0.002	65
1998	28,220	654,879,615	-	-	47
1999	28,502	704,891,891	-	-	-
2000	25,998	734,031,598	-	-	-
2001	26,250	756,052,545	-	-	-
2002	26,512	809,122,123	-	-	-
2003	26,777	811,539,417	-	-	-
2004	27,045	833,633,304	-	-	-

Source:

(1) 2000 U.S. Census: other years - LaGrange Planning Office.

(2) Troup County Tax Assessor

(3) City of LaGrange (Gross bonds, less available cash)

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES**

**LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures⁽¹⁾</u>	<u>Ratio of Debt Service to General Expenditures</u>
1995	230,000	30,500	260,500	14,205,973	1.8
1996	240,000	18,750	258,750	15,975,198	1.6
1997	255,000	6,700	261,700	15,147,272	1.7
1998	-	-	-	N/A	0.0
1999	-	-	-	N/A	0.0
2000	-	-	-	N/A	0.0
2001	-	-	-	N/A	0.0
2002	-	-	-	N/A	0.0
2003	-	-	-	N/A	0.0
2004	-	-	-	N/A	0.0

(1) Includes General, Special Revenue and Debt Service Funds.
Source: Prior and current year audited financial statements.

City of LaGrange, Georgia

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

**June 30, 2004
(Unaudited)**

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City of LaGrange</u>	<u>Amount Applicable to City of LaGrange</u>
City of LaGrange	\$ -	100%	\$ -
Troup County	-	0%	-
LaGrange Development Authority	-	100%	-
Troup County Board of Education	32,705,000	51%	16,679,550

**REVENUE BOND COVERAGE
WATER AND SEWER BONDS**

**LAST TEN FISCAL YEARS
(Unaudited)**

	Net Revenue Available for Debt Service			Debt Service Requirements			Revenue Bond Coverage ⁽³⁾
	Total Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Principal	Interest	Total	
1995	10,573,076	5,048,184	5,524,892	1,595,000	2,563,845	4,158,845	1.33
1996	12,143,227	5,379,615	6,763,612	1,688,000	2,489,306	4,177,306	1.62
1997	11,404,693	5,748,489	5,656,204	1,785,000	2,390,764	4,175,764	1.35
1998	11,333,264	5,603,012	5,730,252	1,895,000	2,255,013	4,150,013	1.38
1999	11,404,789	5,710,745	5,694,044	2,375,000	1,963,583	4,338,583	1.31
2000	12,408,747	5,942,692	6,466,055	2,485,000	1,816,438	4,301,438	1.50
2001	11,887,227	5,842,782	6,044,445	2,590,000	1,707,553	4,297,553	1.41
2002	11,706,818	6,050,103	5,656,715	2,705,000	1,594,362	4,299,362	1.31
2003	11,949,691	6,560,645	5,389,046	3,065,000	1,296,416	4,361,416	1.24
2004	12,383,971	6,375,573	6,008,398	3,065,000	1,189,770	4,254,770	1.41

(1) Operating and nonoperating revenue available for debt service.

(2) Operating expenses other than interest on debt, depreciation and amortization.

(3) Revenue bond coverage is equal to net revenue available for debt service divided by total principal and interest required to be paid during that year.

City of LaGrange, Georgia

REVENUE BOND COVERAGE
SOLID WASTE BONDS

CURRENT FISCAL YEAR *
(Unaudited)

	Net Revenue Available for Debt Service			Debt Service Requirements			Revenue Bond Coverage ⁽³⁾
	Total Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Principal	Interest	Total	
2004	6,284,443	4,039,068	2,245,375	495,000	283,425	778,425	2.88

* This is the first year of the bonds. Ten year period will accumulate in future reports.

(1) Operating and nonoperating revenue available for debt service.

(2) Operating expenses other than interest on debt, depreciation and amortization.

(3) Revenue bond coverage is equal to net revenue available for debt service divided by total principal and interest required to be paid during that year.

City of LaGrange, Georgia

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS (Unaudited)

<u>Fiscal Year</u>	<u>Total Population⁽¹⁾</u>	<u>Per Capital Income⁽¹⁾</u>	<u>Median Age⁽¹⁾</u>	<u>School Enrollment</u>	<u>Unemployment Rate⁽²⁾</u>
1995	27,390	16,978	32.9	10,779	6.4%
1996	27,664	17,657	33.3	11,283	7.8%
1997	27,941	18,187	33.3	11,112	6.9%
1998	28,220	18,733	33.6	11,082	7.1%
1999	28,502	19,295	33.6	11,299	6.8%
2000	25,998	16,650	32.8	11,653	5.4%
2001	26,250	16,972	32.8	11,748	6.7%
2002	26,512	17,312	32.8	10,717	8.1%
2003	26,777	17,658	32.8	11,944	8.9%
2004	27,045	18,011	32.8	12,049	8.5%

Source:

(1) 2000 U.S. Census: other years - LaGrange Planning Office.

(2) Troup County Department of Labor (latest completed calendar year, 1994 - 1995 is for all Troup County, other years are for City of LaGrange only)

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS
(Unaudited)

	Property Value(1)		Residential		Commercial		Commercial Bank Deposits(3) (In Thousands)
	Industrial and Commercial ⁽⁴⁾	Residential	Construction(2)		Construction(2)		
			Number of Units	Value	Number of Units	Value	
1995	321,032,152	422,255,837	261	4,434,769	73	36,130,319	490,990
1996	321,032,152	422,255,837	306	10,094,911	96	33,761,076	484,057
1997	373,473,143	446,028,990	322	14,466,711	52	14,825,891	497,505
1998	387,943,133	466,970,520	323	10,732,467	150	11,953,068	N/A
1999	1,189,456,733	506,977,440	311	16,659,244	173	79,689,819	N/A
2000	1,236,106,650	529,640,810	363	22,558,200	147	13,738,656	N/A
2001	1,402,244,222	472,382,065	85	8,849,560	76	14,716,689	N/A
2002	1,417,642,252	600,822,062	82	21,653,098	77	15,160,871	N/A
2003	1,408,806,387	634,370,657	97	18,358,157	83	20,534,816	N/A
2004	1,377,106,156	674,273,310	490	19,733,168	99	44,708,372	N/A

Source:

(1) Troup County Tax Assessor/Tax Commissioner

(2) City of LaGrange Building Permit records; beginning in 1994, residential figures include residential additions; commercial figures include industrial construction; additions to structures also included for commercial industry construction.

(3) Federal Reserve System. This information reflects commercial bank activity only. Balances presented represent latest completed calendar year, i.e. fiscal year 2003 deposits for calendar year 2002.

(4) Values through 1998 include commercial only; beginning in 1999 values include commercial and industrial, less freepport exemptions.

City of LaGrange, Georgia

PRINCIPAL TAXPAYERS

June 30, 2004
(Unaudited)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Real and Personal Property Assessed Value</u>	<u>Percent of Total Assessed Value</u>
Milliken and Company	Textiles	\$ 55,162,049	6.62
Wal-Mart	Distribution Center	32,058,116	3.85
Vernon Woods	Retirement Housing	30,468,740	3.65
T-Mobil	cell phone warehousing	29,937,706	3.59
Kimberly-Clark Corp.	Non-woven fabric	28,479,091	3.42
Duracell	Batteries	24,598,966	2.95
Mobil Chemical Co.	Chemicals	19,184,600	2.30
West Point Stevens	Textiles	15,761,158	1.89
Freudenberg NOK	Engine Gaskets	14,162,805	1.70
Interface, Inc.	Carpet	9,508,030	1.14
All other taxpayers		<u>574,312,043</u>	68.89
		<u>\$ 833,633,304</u>	<u>100.00</u>

Note: These are assessed value for calendar year 2004

Source: Troup County Tax Assessor

City of LaGrange, Georgia

MISCELLANEOUS STATISTICAL INFORMATION

June 30, 2004
(Unaudited)

Date of incorporation	1828
Form of government	Council-Manager
City limits area	29.6 square miles
Population (2004 estimate)	27,045
Number of employees:	
Full time	404
Part time	19
Total employees	423
Electric customers, June 2004	12,253
Gas customers, June 2004	9,050
Water customers, June 2004	17,022
Sewer customers, June 2004	9,651
Utilities sales July 2003 - June 2004:	
Electric sales (megawatt hours)	509,969
Gas sales (1,000 cu. Ft.)	2,006,417
Water sales (1,000 gallons)	2,145,411
Garbage customers, June 2004	
Residential	11,418
Commercial/Industrial	821

