

CITY OF LAGRANGE, GEORGIA

Comprehensive Annual Financial Report Year ended June 30, 2003



CITY OF LAGRANGE, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2003

PREPARED BY:
DEPARTMENT OF FINANCE

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INTRODUCTORY SECTION

LaGRANGE *georgia*

S M A R T M O V E ®



December 1, 2003

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

The comprehensive annual report of the City of LaGrange, Georgia (the City), for the fiscal year ended June 30, 2003 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 and account groups 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 the general purpose financial statements and the combining and individual fund and account group financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. This report includes all funds and account groups 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 is available on request from the City. For the year ended June 30, 2002, expenditures of federal funds fell below the \$300,000 threshold; therefore, no single audit section is included in the report.

This is the first 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.

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. Delivery services are provided by UPS, Federal Express, and several other national and local 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 remains guarded but steady due to the diversity of industry here, although the local economy, not unlike the national economy, showed some signs of weakness over the past 12 months. The City's local option sales tax receipts decreased just under 15.0% from last year, and the City's utility fund operating income decreased just under 18%, 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 2002 increased 0.8% over last year, and is an indicator of a more cautious 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, 2004 adopted by the Mayor and City Council estimated expenses of \$82,502,700.

The City's projected combined funds balance for fiscal year 03-04 is projected to increase just under \$1.1 million as a result of the decreased expenditures from the prior year. The cash balance does not include approximately \$2.6 million set aside for future gas and water utility relocation and improvement projects. Further, the City has set aside almost \$4.3 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 after four years. 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 also 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 2002-2003 HIGHLIGHTS

Financial Conditions

As in recent years, the City continues to show gradual improvement in our financial condition. Despite a slow national and local economy, the City ended the year with a slight improvement in cash position. This was accomplished even though several million dollars more in the past year on was spent in the past year on Subtitle D landfill cell construction and bioreactor system. The stability of the City's cash position is a direct result of very cautious budgeting. In fact, total governmental spending over the last eight years is up only 8%, which is well below the rate of inflation.

The following are highlights of the year ended June 30, 2003:

Transition Center

The City completed construction of the State of Georgia pre-release Transition Center, arranged for financing and executed a lease between the City and the State of Georgia. The center will house approximately 150 minimum-security inmates scheduled for release within 12 months. The center will employ 60 people.

Bond Refinancing

The City completed the refinancing of its 1993 water and sewer debt, which freed up approximately \$5.5 million. The proceeds of the refinancing were transferred into the gas replacement project fund to offset the need for additional borrowing to complete that project.

Gas Authority

LaGrange became the first city in the State to issue revenue bonds for natural gas system improvements without a referendum. With the assistance of our local legislative delegation, the City was able to have State law amended during the 2003 session to allow that to occur. The City established the LaGrange Gas Authority, which completed the sale of \$8 million of gas revenue bonds in October, 2003, at an excellent interest rate of 3.5%. This financing coupled with the proceeds of the water and sewer debt refinancing will allow completion of a project to replace all cast iron piping in the City's natural gas system.

GMA Activities

This year LaGrange's City Manager was appointed to serve on the Georgia Municipal Association (GMA) Legislative Policy Council, which is a group of 15 representatives around the state organized for the purpose of making GMA's advocacy role before the General Assembly stronger. One of the recent initiatives of the Policy Council was to defeat the initiative to institute water permit trading in Georgia law. This initiative would have had a detrimental affect on nearby West Point Lake.

The City Manager was also appointed to a four-person task force to negotiate sales tax issues as they relate to opportunity to raise capital for cities. LaGrange's City Manager and three other City officials from around the State represented municipal interests and four members of the Association of County Commissioners of Georgia (ACCG) were appointed to represent counties. After months of negotiation, talks have stalled, but the City remains confident that the leadership in the General Assembly was impressed with the case that cities made and there should be some changes in State law to give cities access to sales tax dollars for capital.

DASH

The City provides funds to assist the Dependable Affordable Sustainable Housing (DASH) initiative. DASH has opened its corporate offices in LaGrange and has begun neighborhood revitalization projects in the southwest quadrant of LaGrange.

Landfill Project

LaGrange completed design and construction of the landfill methane gas collection system. We have also completed contract negotiations with Milliken and Interface for using harvested methane gas. This marks the first time that a municipal government has used harvested methane gas as a multi-customer utility. The net present value over the first 10-year term of the contracts is \$1.1 million for the City and the two industries will save 30% on their energy costs. We are waiting on State Environmental Protection Division (EPD) approval for the second phase of the project, the vertical expansion. That project also has tremendous financial upside for the City over the next 30 years.

Grants

LaGrange has received over \$700,000 in public safety related grants in 2003, including \$348,000 for breathing apparatus for our fire department and \$350,000 to upgrade our radio system to facilitate interoperability with surrounding agencies. We also received approximately \$25,000 in grants for police department computers and \$229,000 in grant funds to reimburse the City for landfill monitoring expenses.

Fire Department ISO Rating

The City had its first comprehensive review by Insurance Service Office (ISO) this past year. They reaffirmed our Class 3 rating. After reviewing the report, we have submitted additional information on our water system and fire apparatus that will provide proper justification to lower our rating to a Class 2. If granted a Class 2 rating, all city property owners, particularly commercial property owners, would be eligible for a reduction in their insurance rates.

LGTV

LaGrange began operation of its Government Access Television channel. Some of the content has been successful including the posting of wanted persons and outstanding warrants. We are now providing services to the Troup County Sheriff's Department for their wanted persons. To date, 82% of the wanted persons broadcast on the City-owned public access cable channel have been arrested and hundreds of warrants have been cleared.

Telecom System Growth

Telecommunications continues to be the City's most rapidly growing enterprise. We added approximately 25 new customers at a value of approximately \$300,000 per year, including a 3 year contract with American Home Shield valued at \$566,000.

Computer Software

We replaced our Human Resource and Accounting software. The new software is also compliant with the uniform chart of accounts required by the State of Georgia. We have also established parallel redundancy in real-time for all of our data at MultiCast Media Networks.

Housing Inspection Program

We continue aggressive housing code enforcement, and as a result of taking unsafe structures to court, we have been able to recoup \$36,000 in demolitions costs in the past year.

Industrial Development Authority

The Authority continued to be active this past year, landing two major industries. American Home Shield will employ 450 and Yasufuku Industries will employ approximately 50.

Natural Gas Options

Our hedging program to manage risk for our customers for natural gas pricing was particularly effective this past year. We saved our firm customers, primarily residential and commercial customers, approximately \$550,000 on their utility bills this past winter. LaGrange continues to enjoy some of the lowest gas rates in the state.

On-Line Web Services

For the first time we allowed utility customers to pay utility bills on-line and send service requests. We also have updated our web site to include streaming media and access to City documents such as Council minutes. We have also instituted the use of an e-mail newsletter for business contacts.

Housing Growth

We have had plans submitted on approximately 1500 new housing units. This is unprecedented in recent history and may well be the start of a significant growth trend for our community.

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. For the year ended June 30, 2003, expenditures of federal funds fell below the \$300,000 threshold; therefore, a single audit was not required..

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 General, Special Revenue, Debt Service Fund, and Capital Projects revenues for the fiscal year ended June 30, 2003 and the amount and percentage of increases and decreases in relation to the prior year's revenue.

Revenues	Amount	% of Total	Increase (Decrease) from 2002	Percent of Increase (Decrease)
Taxes, Licenses and Permits	7,852,799	72.18	(194,353)	(2.42)
Intergovernmental	500,719	4.60	210,477	72.52
Charges for services	368,883	3.39	27,188	7.96
Fines	1,031,788	9.48	(233,877)	(18.48)
Investment Income	269,858	2.48	43,066	18.96
Miscellaneous	856,032	7.87	40,510	4.97
TOTAL	10,880,079	100.00	(107,049)	(.97)

As shown in the above chart, taxes, licenses and permits revenue decreased by \$194,353 with virtually all of the reduction coming in lost Local Option Sales Tax revenue. Fines collections decreased by just over \$230,000 due to 1) a U.S. Supreme Court decision which barred the City from serving warrants on hundreds of cases and 2) an economy which has prevented defendants on probation from paying fines. Intergovernmental revenue was up almost 73% due primarily to a \$300,000 Federal Emergency Management Authority grant and a State Department of Transportation grant of \$184,000 for local road projects. Investment income was up almost 19%, even though rates declined, due to an increase in dollars invested.

The following schedule presents a summary of governmental funds and Capital Projects expenditures for fiscal year ended June 30, 2003, and the percentage of increases and decreases in relation to the prior year amounts.

Expenditures	Amount	% of Total	Increase (Decrease) from 2002	Percent of Increase (Decrease)
General Government	1,429,078	6.57	154,581	12.13
Public Safety	9,235,159	42.45	312,904	3.51
Public Services	2,745,594	12.62	296,281	12.10
Culture and Recreation	697,984	3.21	(419,870)	(37.56)
Community Development	1,181,675	5.43	71,138	6.41
Capital Outlay	5,356,631	24.62	3,744,976	232.37
Debt Service	1,107,105	5.09	(618,085)	(35.83)
TOTAL	21,753,226	100.00	3,541,925	19.45

All expenditure categories increased except culture and recreation which decreased due to the transfer of this expense to the County, and debt service which decreased due to the retirement of a bond issue.

Enterprise Fund

Total Utility Fund operating revenues (electric, gas, water, sewer and telecommunications) increased by just under \$500,000 despite decreases in electric and telecommunications revenues approximately of \$1.75 million. Gas system revenues increased in total just over \$2.1 million. Gas sales increased due to a colder winter. Electric sales decreased about \$1 million due to decreases in the City's Purchased Power Adjustment.

Total Utility Fund operating expenses increased by just over \$2.4 million and , as a result, operating income decreased \$1.9 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, 2003, the general long term debt balance was \$8,600,963, consisting of \$3,640,000 in loans which were issued to finance the construction of a facility to be leased to the State of Georgia and \$4,960,963 in capital leases. Enterprise Fund debt included \$32,420,000 in water and sewer bonds, and \$6,325,000 in solid waste bonds, plus \$921,716 in unamortized premiums. Outstanding debt in the Enterprise Fund also included capital leases of \$2,463,324 and notes payable of \$1,984,178 in the form of a State of Georgia Environmental Facilities Authority loan 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, the Georgia Fund local government investment pool and the Municipal Electric Authority of Georgia Trust. Interest rates varied between 1.15% and 3.5%.

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. All collateral for deposits 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 Grant Thornton, LLP 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 and account group statements and schedules is included in the financial section of this report.

Awards

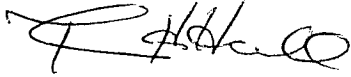
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of LaGrange for its comprehensive annual financial report for the fiscal year ended June 30, 2002. This was the fifteenth year the 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.

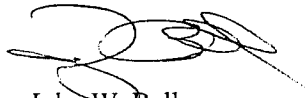
Acknowledgments

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 Grant Thornton, LLP, 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, 2002

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

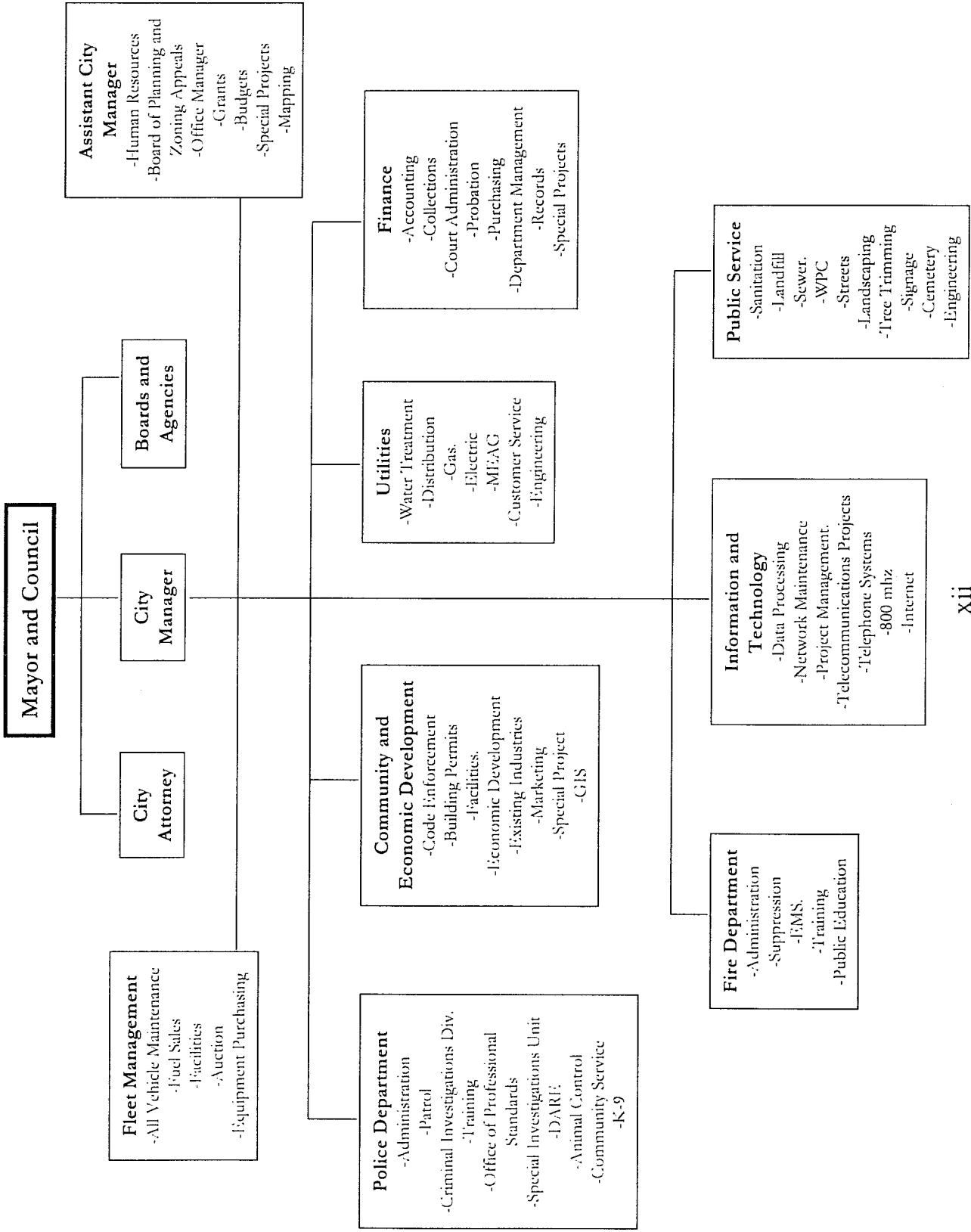
City of LaGrange, Georgia
LIST OF PRINCIPAL OFFICIALS
June 30, 2003

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

*La*GRANGE *georgia*

S M A R T M O V E ®

BASIC FINANCIAL STATEMENTS

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S M A R T M O V E ®

Report of Independent Certified Public Accountants

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, 2003, 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 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, 2003, 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.

As described in Note O to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures* in 2003.

The accompanying management's discussion and analysis, budgetary comparison information and pension information on pages 3 to 8 and pages 43 to 44 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We have also previously audited in accordance with auditing standards generally accepted in the United States of America, the City's basic financial statements for the year ended June 30, 2002 and we expressed an unqualified opinion on those financial statements. The accompanying supplemental information on pages 45 to 79, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. These combining and individual fund financial statements, budgetary schedules and capital assets schedules have been subjected to the auditing procedures applied in the audits 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit conducted in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Grant Thornton LLP

Atlanta, Georgia

September 12, 2003, except for note P as to which the date is October 21, 2003

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, 2003. 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 – viii of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of 2003 by \$112,729,443. Of this amount, \$28,062,710 may be used to meet the City's ongoing obligations.
- The City's total net assets increased by \$1,703,071.
- As of the close of 2003, the City's governmental funds reported combined ending fund balances of \$10,024,893, a decrease of \$3,213,812 from the prior year. The decrease was mostly due to decreases in the capital projects funds.
- At the end of 2003, the fund balance for the general fund was \$1,583,932, or 10.4 percent of general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are 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 4 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 project fund, of which the general fund and capital project funds are considered to be major funds. Data from the other 2 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor 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 \$130,221,107 at the close of 2003.

A portion of the City's net assets (28 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, 2003, is as follows:

	Governmental Activities 2003	Business- type Activities 2003	Totals 2003
Current and other assets	\$ 15,498,115	\$ 54,334,047	\$ 69,832,162
Capital assets	<u>27,496,234</u>	<u>105,902,527</u>	<u>133,398,761</u>
Total assets	<u>42,994,349</u>	<u>160,236,574</u>	<u>203,230,923</u>
Long-term liabilities	8,600,963	44,294,907	52,895,870
Other liabilities	<u>2,491,566</u>	<u>35,114,044</u>	<u>37,605,610</u>
Total liabilities	<u>11,092,529</u>	<u>79,408,951</u>	<u>90,501,480</u>
Net assets			
Invested in capital assets, net of related debt	18,895,271	61,607,620	80,502,891
Restricted	4,163,842	-	4,163,842
Unrestricted	<u>8,842,707</u>	<u>19,220,003</u>	<u>28,062,710</u>
Total net assets	<u>\$ 31,901,820</u>	<u>\$ 80,827,623</u>	<u>\$ 112,729,443</u>

A portion of the City's net assets (24.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net assets (\$28,062,710) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of 2003, 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 increased the City's net assets by \$324,687. Key elements of this increase are as follows:

City of LaGrange, Georgia Changes in Net Assets

	Governmental Activities 2003	Business- type Activities 2003	Totals 2003
Revenues			
Program revenues			
Charges for services	\$ 6,386,349	\$ 67,275,661	\$ 73,662,010
Operating Grants & Contributions	434,680	-	434,680
General revenues			
Other taxes	7,687,159		7,687,159
Other	523,170	937,535	1,460,705
Total revenues	<u>\$ 15,031,358</u>	<u>\$ 68,213,196</u>	<u>\$ 83,244,554</u>
Expenses			
General government	\$ 1,299,278	\$ -	\$ 1,299,278
Public safety	9,562,780	-	9,562,780
Public service	4,321,136	-	4,321,136
Culture and recreation	641,908	-	641,908
Community development	1,265,763	-	1,265,763
Interest on long-term debt	340,575	-	340,575
Risk management	4,272,833	-	4,272,833
Utilities	-	55,949,593	55,949,593
Solid waste	-	3,887,617	3,887,617
Total expenses	<u>\$ 21,704,273</u>	<u>\$ 59,837,210</u>	<u>\$ 81,541,483</u>
Increase in net assets before transfers	<u>\$ (6,672,915)</u>	<u>\$ 8,375,986</u>	<u>\$ 1,703,071</u>
Transfers	<u>6,997,602</u>	<u>(6,997,602)</u>	<u>-</u>
Increase in net assets	324,687	1,378,384	1,703,071
Net assets - beginning of year	<u>31,577,133</u>	<u>79,449,239</u>	<u>111,026,372</u>
Net assets - end of year	<u>\$ 31,901,820</u>	<u>\$ 80,827,623</u>	<u>\$ 112,729,443</u>

Business-type activities

Business-type activities increased the City's net assets by \$1,378,384. Key elements of the increase are as follows:

- Operating transfers out to supplement other funds decreased by \$1,142,763 during 2003.
- Investment earnings for all proprietary funds were \$475,855, which is 15 percent less than in 2002.

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 2003, unreserved fund balance of the general fund was \$777,129, while total fund balances reached \$1,583,932. 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 4.7 percent of the total general fund expenditures, while total fund balance represents 9.7 percent of that same amount. Transfers in from proprietary funds to supplement the general fund were \$6,549,500 for 2003, which represents 39.9 percent of total fund expenditures.

The fund balance of the City's General fund decreased by \$125,324 during 2003.

The Capital Projects fund has a total fund balance of \$2,463,964, all of which is available for capital projects. The net decrease in the fund balance during the current year in capital projects was \$2,916,728. This decrease was primarily due to the construction of the Transition Center in the amount of \$2,348,209.

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 2003 amounted to \$21,061,553, and those for the Solid Waste Fund amounted to (\$1,841,550). The total change in net assets for each fund was (\$88,081), and \$1,466,465, 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 more than budgetary estimates. The increase in expenditures increased the need to draw upon the fund balance to the extent shown in the budget.

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, 2003, amounts to \$80,502,891 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles and equipment, park and pool facilities, storm sewers, bridges, streets, and water and sewer lines.

City of LaGrange, Georgia
Capital Assets

	Governmental Activities 2003	Business-type Activities 2003	Totals 2003
Land	\$ 4,894,919	\$ 3,974,045	\$ 8,868,964
Buildings	12,747,100	26,504,191	39,251,291
Machinery and equipment	3,554,214	8,278,620	11,832,834
Furniture and fixtures	114,510	48,909	163,419
Vehicles	3,000,618	5,492,164	8,492,782
Transmission and distribution	-	103,794,824	103,794,824
Other	<u>12,522,821</u>	<u>14,893,614</u>	<u>27,416,435</u>
Total	\$ 36,834,182	\$ 162,986,367	\$ 199,820,549
Less accumulated depreciation	<u>(9,337,948)</u>	<u>(57,083,840)</u>	<u>(66,421,788)</u>
Total net of accumulated depreciation	<u>\$ 27,496,234</u>	<u>\$ 105,902,527</u>	<u>\$ 133,398,761</u>

Long-term debt

At the end of 2003, the City had total bonded debt outstanding of \$39,666,716. 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 \$72,552,980, which is significantly in excess of the City's outstanding general obligation bonds, which is zero.

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.

City of LaGrange, Georgia
Statement of Net Assets
June 30, 2003

	Primary Government		Total
	Governmental	Business-type	Reporting
	Activities	Activities	Entity
Assets			
Cash and cash equivalents	\$ 8,216,480	\$ 18,531,137	\$ 26,747,617
Investments	1,981,783	2,082,063	4,063,846
Receivables (net of allowance)			
Taxes	645,632	-	645,632
Accounts	114,515	7,705,708	7,820,223
Loans	3,452,942	-	3,452,942
Due from other governments	33,660	-	33,660
Inventory	187,774	1,400,832	1,588,606
Prepaid assets	48,699	-	48,699
Restricted cash	816,630	24,553,247	25,369,877
Capital assets:			
Land and construction in progress	4,894,919	-	4,894,919
Other capital assets, net of accumulated depreciation	22,601,315	105,902,527	128,503,842
Other assets	-	61,060	61,060
Total assets	<u>42,994,349</u>	<u>160,236,574</u>	<u>203,230,923</u>
Liabilities and net assets			
Liabilities			
Accounts and claims payable	354,756	5,225,754	5,580,510
Accrued liabilities	2,032,410	4,279,256	6,311,666
Customer deposits	-	1,042,492	1,042,492
Deferred revenue	104,400	24,566,542	24,670,942
Noncurrent liabilities:			
Due within one year	1,220,293	4,811,675	6,031,968
Due in more than one year	7,380,670	39,483,232	46,863,902
Total liabilities	<u>11,092,529</u>	<u>79,408,951</u>	<u>90,501,480</u>
Net assets			
Invested in capital assets, net of related debt	18,895,271	61,607,620	80,502,891
Restricted for:			
Redevelopment programs	3,452,942	-	3,452,942
Perpetual care	619,029	-	619,029
Capital outlay	91,871	-	91,871
Unrestricted	8,842,707	19,220,003	28,062,710
Total net assets	<u>\$ 31,901,820</u>	<u>\$ 80,827,623</u>	<u>\$ 112,729,443</u>

City of LaGrange, Georgia
Statement of Activities
For the Year Ended June 30, 2003

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	\$ 1,299,278	\$ 339,156	\$ 463	\$ -	\$ (959,659)
Public safety	9,562,780	1,288,633	208,800	-	(8,065,347)
Public service	4,321,136	590,852	184,461	-	(3,545,823)
Culture and recreation	641,908	-	-	-	(641,908)
Community development	1,265,763	96,134	40,956	-	(1,128,673)
Risk management	4,272,833	4,071,574	-	-	(201,259)
Interest on long-term debt	340,575	-	-	-	(340,575)
Total governmental activities	<u>21,704,273</u>	<u>6,386,349</u>	<u>434,680</u>	<u>-</u>	<u>(14,883,244)</u>
Business-type activities					
Water and sewer	11,846,135	11,480,750	-	-	(365,385)
Gas system	12,982,663	14,959,419	-	-	1,976,756
Electric system	29,035,611	33,835,447	-	-	4,799,836
Sanitation	3,887,617	5,514,095	-	-	1,626,478
Telecommunications	2,085,184	1,485,950	-	-	(599,234)
Total business-type activities	<u>59,837,210</u>	<u>67,275,661</u>	<u>-</u>	<u>-</u>	<u>7,438,451</u>
Total primary government	<u>\$ 81,541,483</u>	<u>\$ 73,662,010</u>	<u>\$ 434,680</u>	<u>\$ -</u>	<u>\$ (7,444,793)</u>

See accompanying notes to the financial statements.

City of LaGrange, Georgia
Statement of Activities
For the Year Ended June 30, 2003

	Primary Government		Total
	Governmental Activities	Business-type Activities	Reporting Entity
Changes in net assets			
Net (expense) revenue	\$ (14,883,244)	\$ 7,438,451	\$ (7,444,793)
General revenues			
Taxes			
General purpose taxes	2,395,447	-	2,395,447
Sales tax	3,967,466	-	3,967,466
Franchise taxes	1,324,246	-	1,324,246
Grants and contributions not restricted	79,039	-	79,039
Unrestricted investment earnings	349,563	475,855	825,418
Gain on sale of capital assets	11,344	-	11,344
Miscellaneous	83,224	461,680	544,904
Transfers - internal activities	6,997,602	(6,997,602)	-
Total general revenues	15,207,931	(6,060,067)	9,147,864
Change in net assets	324,687	1,378,384	1,703,071
Net assets - beginning of year, as restated	31,577,133	79,449,239	111,026,372
Net assets - end of year	\$ 31,901,820	\$ 80,827,623	\$ 112,729,443

See accompanying notes to the financial statements.

City of LaGrange, Georgia
Balance Sheet
Governmental Funds
June 30, 2003

	Major Governmental Funds		Non-Major Governmental Funds	Total Governmental Funds
	General	Capital Project		
Assets				
Cash and cash equivalents	\$ 991,294	\$ 2,544,242	\$ 1,979,267	\$ 5,514,803
Investments	-	-	492,822	492,822
Receivables (net of allowance)				
Taxes	645,632	-	-	645,632
Notes	-	-	3,452,942	3,452,942
Intergovernmental	-	-	33,660	33,660
Other	114,515	-	-	114,515
Due from other funds	25,000	-	-	25,000
Inventory	187,774	-	-	187,774
Prepaid Interest	-	-	40,353	40,353
Restricted cash and cash equivalents	88,126	91,871	-	179,997
Restricted investments	534,643	-	-	534,643
Total assets	<u>\$ 2,586,984</u>	<u>\$ 2,636,113</u>	<u>\$ 5,999,044</u>	<u>\$ 11,222,141</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 285,179	\$ 67,749	\$ 1,828	\$ 354,756
Accrued liabilities	421,706	-	-	421,706
Accrued vacation	296,167	-	1,024	297,191
Customer deposits	-	-	19,195	19,195
Deferred revenue	-	104,400	-	104,400
Total liabilities	<u>1,003,052</u>	<u>172,149</u>	<u>22,047</u>	<u>1,197,248</u>
Fund balances				
Reserved for				
Inventory	187,774	-	-	187,774
Prepaid expenditures	-	-	40,353	40,353
Perpetual care	619,029	-	-	619,029
Long-term receivables	-	-	3,452,942	3,452,942
Capital outlay	-	91,871	-	91,871
Unreserved	777,129	2,372,093	-	3,149,222
Unreserved, reported in nonmajor				
Special revenue	-	-	188,067	188,067
Debt Service	-	-	2,295,635	2,295,635
Total fund balances	<u>1,583,932</u>	<u>2,463,964</u>	<u>5,976,997</u>	<u>10,024,893</u>
Total liabilities and fund balances	<u>\$ 2,586,984</u>	<u>\$ 2,636,113</u>	<u>\$ 5,999,044</u>	<u>\$ 11,222,141</u>

City of LaGrange, Georgia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2003

Total fund balance - all governmental funds	\$ 10,024,893
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.	27,496,234
Some liabilities, including capital leases, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,960,963)
Some liabilities, including notes and loans, are not due and payable in the current period and, therefore, are not reported in the funds.	(3,640,000)
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>2,981,656</u>
Net assets of governmental activities	<u><u>\$ 31,901,820</u></u>

City of LaGrange, Georgia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2003

	Major Governmental Funds		Non-Major Governmental Funds	Total Governmental Funds
	General	Capital Projects		
Revenues				
Taxes, licenses and permits	\$ 7,852,799	\$ -	\$ -	\$ 7,852,799
Intergovernmental	74,039	393,724	32,956	500,719
Charges for services	368,883	-	-	368,883
Fines, forfeitures, and penalties	1,031,788	-	-	1,031,788
Investment income	154,808	28,357	86,693	269,858
Miscellaneous	95,017	652,330	108,685	856,032
Total revenues	<u>9,577,334</u>	<u>1,074,411</u>	<u>228,334</u>	<u>10,880,079</u>
Expenditures				
Current:				
General government	1,364,523	-	-	1,364,523
Public safety	9,235,159	-	-	9,235,159
Public service	2,745,594	-	-	2,745,594
Culture and recreation	697,984	-	-	697,984
Community development	919,945	-	-	919,945
Redevelopment and housing	-	-	261,730	261,730
Administrative and management	-	-	64,555	64,555
Capital outlay	1,442,906	3,913,725	-	5,356,631
Debt service:				
Principal retirements	-	193,873	532,370	726,243
Interest	-	340,575	40,287	380,862
Total expenditures	<u>16,406,111</u>	<u>4,448,173</u>	<u>898,942</u>	<u>21,753,226</u>
Excess of revenues over (under) expenditures	<u>(6,828,777)</u>	<u>(3,373,762)</u>	<u>(670,608)</u>	<u>(10,873,147)</u>
Other financing sources (uses)				
Proceeds from capital lease	612,233	-	-	612,233
Transfers in	6,549,500	457,034	511,275	7,517,809
Transfers out	<u>(458,280)</u>	<u>-</u>	<u>(12,427)</u>	<u>(470,707)</u>
Total other financing sources (uses)	<u>6,703,453</u>	<u>457,034</u>	<u>498,848</u>	<u>7,659,335</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(125,324)</u>	<u>(2,916,728)</u>	<u>(171,760)</u>	<u>(3,213,812)</u>
Fund balance - beginning of year	<u>1,709,256</u>	<u>5,380,692</u>	<u>6,148,757</u>	<u>13,238,705</u>
Fund balance - end of year	<u>\$ 1,583,932</u>	<u>\$ 2,463,964</u>	<u>\$ 5,976,997</u>	<u>\$ 10,024,893</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, 2003

Net change in fund balances - all governmental funds	\$ (3,213,812)
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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	5,011,657
Depreciation	(1,416,114)

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	726,243
Proceeds from capital leases	(612,233)

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.

	(171,054)
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Change in net assets of governmental activities	\$ 324,687
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City of LaGrange, Georgia
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Business-type Activities - Major Enterprise Funds			Internal Service Funds Governmental Activities
	Utility Fund	Sanitation Fund	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 15,522,430	\$ 3,008,707	\$ 18,531,137	\$ 2,701,677
Investments	2,082,063	-	2,082,063	1,488,961
Receivables				
Accounts	7,639,267	109	7,639,376	-
Other	66,332	-	66,332	-
Due from other funds		71,524	71,524	-
Inventory	1,393,578	7,254	1,400,832	-
Total current assets	<u>26,703,670</u>	<u>3,087,594</u>	<u>29,791,264</u>	<u>4,190,638</u>
Restricted assets				
Restricted cash	24,553,247	-	24,553,247	101,990
Capital assets - net	91,793,295	14,109,232	105,902,527	-
Other assets	61,060	-	61,060	8,346
Total assets	<u>143,111,272</u>	<u>17,196,826</u>	<u>160,308,098</u>	<u>4,300,974</u>
Liabilities and net assets				
Current liabilities				
Accounts payable	4,305,246	920,508	5,225,754	-
Accrued liabilities	272,400	4,006,856	4,279,256	-
Due to other funds	71,524	-	71,524	25,000
Deferred revenue	24,566,542	-	24,566,542	-
Claims payable	-	-	-	1,294,318
Notes payable - current	149,606	165,932	315,538	-
Capital leases - current	409,955	526,182	936,137	-
Total current liabilities	<u>29,775,273</u>	<u>5,619,478</u>	<u>35,394,751</u>	<u>1,319,318</u>
Liabilities payable from restricted assets				
Customer deposits	1,040,712	1,780	1,042,492	-
Revenue bonds - current	3,065,000	495,000	3,560,000	-
Total liabilities payable from restricted assets	<u>4,105,712</u>	<u>496,780</u>	<u>4,602,492</u>	<u>-</u>
Long-term liabilities				
Revenue bonds - long-term	30,313,031	5,793,685	36,106,716	-
Notes payable - long-term	1,668,640	-	1,668,640	-
Capital leases - long-term	811,980	895,896	1,707,876	-
Total long-term liabilities	<u>32,793,651</u>	<u>6,689,581</u>	<u>39,483,232</u>	<u>-</u>
Net assets				
Invested in capital assets, net of debt	55,375,083	6,232,537	61,607,620	-
Unrestricted	21,061,553	(1,841,550)	19,220,003	2,981,656
Total net assets	<u>\$ 76,436,636</u>	<u>\$ 4,390,987</u>	<u>\$ 80,827,623</u>	<u>\$ 2,981,656</u>

City of LaGrange, Georgia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year ended June 30, 2003

	<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	\$ 11,480,750	\$ -	\$ 11,480,750	\$ -
Gas system	14,959,419	-	14,959,419	-
Electric system	33,835,447	-	33,835,447	-
Sanitation	-	5,514,095	5,514,095	-
Premiums	-	-	-	4,071,574
Telecommunications	1,485,950	-	1,485,950	-
Total operating revenues	61,761,566	5,514,095	67,275,661	4,071,574
Operating expenses				
Water and sewer system	5,759,903	-	5,759,903	-
Gas system	12,043,679	-	12,043,679	-
Electric system	27,141,701	-	27,141,701	-
Sanitation	-	2,781,432	2,781,432	-
Telecommunications	1,442,521	-	1,442,521	-
Administrative services	1,588,000	-	1,588,000	230,625
Depreciation	4,916,860	1,016,354	5,933,214	-
Risk management	-	-	-	4,042,208
Total operating expenses	52,892,664	3,797,786	56,690,450	4,272,833
Operating income (loss)	8,868,902	1,716,309	10,585,211	(201,259)
Nonoperating revenues (expenses)				
Investment income	428,600	47,255	475,855	79,705
Other revenue	431,069	30,611	461,680	-
Interest expense	(2,800,802)	(315,161)	(3,115,963)	-
Other expense	(30,797)	-	(30,797)	-
Total nonoperating revenues (expenses)	(1,971,930)	(237,295)	(2,209,225)	79,705
Net Income (loss) before capital contributions and operating transfers	6,896,972	1,479,014	8,375,986	(121,554)
Transfers out	(6,985,053)	(12,549)	(6,997,602)	(49,500)
Change in net assets	(88,081)	1,466,465	1,378,384	(171,054)
Net assets - beginning of year	76,524,717	2,924,522	79,449,239	3,152,710
Net assets - end of year	\$ 76,436,636	\$ 4,390,987	\$ 80,827,623	\$ 2,981,656

City of LaGrange, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2003

	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	\$ 64,883,352	\$ 6,245,993	\$ 71,129,345	\$ 4,096,574
Cash paid to suppliers and employees	(48,257,377)	(3,017,538)	(51,274,915)	(4,393,582)
Net cash provided (used) by operating activities	16,625,975	3,228,455	19,854,430	(297,008)
Cash flow from noncapital financing activities:				
Transfers out	(6,985,053)	(12,549)	(6,997,602)	(49,500)
Net cash used in noncapital financing activities	(6,985,053)	(12,549)	(6,997,602)	(49,500)
Cash flows from capital and related financing activities:				
Proceeds from revenue bonds, net	26,655,000	-	26,655,000	-
Principal payments on revenue bonds	(27,095,000)	(465,965)	(27,560,965)	-
Acquisition of capital assets	(3,641,830)	(1,951,862)	(5,593,692)	-
Capital lease payments	(339,635)	(506,429)	(846,064)	-
Payments on notes payable	(222,205)	-	(222,205)	-
Interest expense	(2,719,099)	(315,161)	(3,034,260)	-
Net cash used in capital financing activities	(7,362,769)	(3,239,417)	(10,602,186)	-
Cash flows from investing activities:				
Purchase of investments	(2,082,063)	-	(2,082,063)	
Interest income	428,600	47,255	475,855	79,705
Net cash used in investing activities	(1,653,463)	47,255	(1,606,208)	
Net increase (decrease) in cash	624,590	23,744	648,334	(266,803)
Cash, beginning of year	39,451,142	2,984,963	42,436,105	4,457,441
Cash, end of year	\$ 40,075,732	\$ 3,008,707	\$ 43,084,439	\$ 4,190,638

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, 2003

	Business-type Activities - Major Enterprise Funds			Internal Service Funds
	Utility Fund	Sanitation Fund	Total	
Report on the balance sheet as:				
Cash and cash equivalents	\$ 15,522,485	\$ 3,008,707	\$ 18,531,192	4,190,638
Restricted cash	24,553,247	-	24,553,247	101,990
Total	\$ 40,075,732	\$ 3,008,707	\$ 43,084,439	\$ 4,292,628
Cash flows from operating activities:				
Operating income (loss)	\$ 8,868,902	\$ 1,716,309	\$ 10,585,211	(201,259)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	4,916,860	1,016,354	5,933,214	-
Changes in operating assets and liabilities:				
Accounts receivable	101,545	2,046	103,591	-
Inventory	(102,183)	3,091	(99,092)	-
Other assets	42,734	-	42,734	(8,346)
Accounts payable	1,275,640	470,167	1,745,807	-
Accrued vacation	27,275	-	27,275	-
Due from other fund	(9,722)	6,389	(3,333)	25,000
Deferred revenue	1,058,640	-	1,058,640	-
Other accrued expenses	-	(16,512)	(16,512)	(112,403)
Customer deposits	115,954	-	115,954	-
Other nonoperating revenue, net	330,330	30,611	360,941	-
Net cash provided by (used in) operating activities	\$ 16,625,975	\$ 3,228,455	\$ 19,854,430	\$ (297,008)
Supplemental Schedule of Noncash Investing and Financing Activities:				
Equipment acquired through assumption of capital lease obligation	\$ 231,740	\$ 759,155	\$ 990,895	\$ -

See the accompanying notes to the financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS



City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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, 2003

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, 2003

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.

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

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

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

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, 2003.

Property taxes not collected by August 30, 2003 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, 2003

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 proprietary operations.

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 within departments within any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Council. Any supplemental appropriations are approved by the City Council. No supplemental appropriations were made during the year ended June 30, 2003.

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.

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.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Budgets and Budgetary Accounting - Continued

Adjustments necessary to convert the actual results of operations of the General Fund below at June 30, 2003 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	\$ (125,324)
Capital outlay expenditures	612,223
Proceeds from capital leases	<u>(612,223)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses - GAAP budget basis	<u>\$ (125,324)</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.

The City's investment of \$1,397,640 in the Georgia Fund 1 local government investment pool has not been categorized as to risk level because it is a pool managed by another government. Georgia Fund 1, which was created by the Official Code of Georgia Annotated ("OCGA") 36-83-8, is a stable net asset value investment pool which follows Standard & Poor's criteria for AAA rated market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the Securities and Exchange Commission as an investment company. The

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Investments - continued

Georgia Department of Audits and Accounts is the regulatory oversight agency of Georgia Fund 1. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1.00 per share.

7. Receivables

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

8. Inventory

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.

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:

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Capital Assets - continued

The estimated useful lives are as follows:

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

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, 2003

NOTE B – DEPOSITS AND INVESTMENTS

Deposits

At year-end, the cash and cash equivalents included deposits, state investment pool interest and repurchase agreements totaling \$51,480,916. The carrying amount and bank balance of deposits was \$42,460,276 and \$33,812,422, respectively. The carrying value of the state investment pool totaled \$1,397,640. The City's bank balances were insured or collateralized with securities held by the City or its agent in the City's name.

The City's repurchase agreements of \$7,623,000 were collateralized with securities held by its agent in the City's name.

Investments

At year-end, the City's investments consisted of equity securities contributed to the City in a prior year with a fair value of \$534,643. These securities are held by the City in the name of the City.

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.

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

2004	\$ 71,000
2005	71,000
2006	68,000
2007	68,000
2008	68,000
Thereafter	<u>7,206,300</u>
	7,552,300
Less allowance for doubtful accounts	<u>(4,099,358)</u>
	<u>\$ 3,452,942</u>

Accounts receivable in the Utility Fund is reported net of an allowance for doubtful accounts of \$4,155,660.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE D – CAPITAL ASSETS

Capital Asset activity for governmental activities for the year ended June 30, 2003, was as follows:

	<u>June 30, 2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2003</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 4,894,919	\$ -	\$ -	\$ 4,894,919
Total capital assets, not being depreciated	<u>4,894,919</u>	<u>-</u>	<u>-</u>	<u>4,894,919</u>
Capital assets being depreciated				
Buildings	12,719,513	27,587	-	12,747,100
Machinery and equipment	3,055,743	498,472	-	3,554,214
Furniture and fixtures	114,510	-	-	114,510
Vehicles	2,796,545	204,073	-	3,000,618
Infrastructure	8,241,295	4,281,525	-	12,522,821
Total capital assets being depreciated	<u>26,927,606</u>	<u>5,011,657</u>	<u>-</u>	<u>31,939,263</u>
Less accumulated depreciation for				
Buildings	(1,384,285)	(150,512)	-	(1,534,797)
Machinery and equipment	(1,257,305)	(354,253)	-	(1,611,558)
Furniture and fixtures	(65,886)	(9,660)	-	(75,546)
Vehicles	(899,674)	(225,341)	-	(1,125,015)
Infrastructure	<u>(4,314,684)</u>	<u>(676,349)</u>	<u>-</u>	<u>(4,991,033)</u>
Total accumulated depreciation	<u>(7,921,834)</u>	<u>(1,416,114)</u>	<u>-</u>	<u>(9,337,948)</u>
Total capital assets being depreciated, net	<u>19,005,772</u>	<u>3,595,543</u>	<u>-</u>	<u>22,601,315</u>
Governmental activities capital assets, net	<u>\$ 23,900,691</u>	<u>\$ 3,595,543</u>	<u>\$ -</u>	<u>\$ 27,496,234</u>

The total cost of capital assets as of July 1, 2002 was reduced by \$9,039,941 from the amounts previously reported to reflect an increase in the capitalization threshold for capital assets used by governmental funds and to reflect the write-off of fully depreciated assets

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

Government activities	
General government	\$ 443,118
Public safety	332,382
Public service	451,883
Culture and recreation	164,318
Community development	24,413
Total depreciation expense for governmental activities	<u>\$ 1,416,114</u>

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE D – CAPITAL ASSETS - CONTINUED

A summary of business-type activities for property, plant and equipment at June 30, 2003, is presented below:

Land	\$ 3,974,045
Buildings	26,504,191
Machinery and equipment	8,278,620
Furniture and fixtures	48,909
Vehicles	5,492,164
Transmission and distribution	103,794,824
Other	<u>14,893,614</u>
Total	\$ 162,986,367
Less accumulated depreciation	<u>(57,083,840)</u>
 Total net of accumulated depreciation	 <u>\$ 105,902,527</u>

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

Business-type activities

Water and sewer	\$ 3,912,302
Electric system	518,790
Gas System	398,363
Telecommunications	87,405
Sanitation	<u>1,016,354</u>
Total depreciation expense for business-type activities	<u>\$ 5,933,214</u>

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, 2003:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Loans	\$ 3,640,000	\$ -	\$ -	\$ 3,640,000
Capital leases	<u>5,074,973</u>	<u>612,233</u>	<u>726,243</u>	<u>4,960,963</u>
 Total	 <u>\$ 8,714,973</u>	 <u>\$ 612,233</u>	 <u>\$ 726,243</u>	 <u>\$ 8,600,963</u>

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE E – LONG-TERM DEBT – CONTINUED

1. Governmental Type Debt - Continued

Loans

Loans outstanding bear interest at 4.85%. The carrying value of assets subject to these leases totals approximately \$3,640,000. 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>
2004	\$ 90,000	\$176,540	\$ 266,540
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
2009-2013	1,140,000	632,683	1,772,683
2014-2018	1,875,000	289,301	2,164,301
Total	<u>\$ 3,640,000</u>	<u>\$1,752,790</u>	<u>\$ 5,392,790</u>

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.

Year ending June 30	
2004	\$ 953,753
2005	943,340
2006	780,592
2007	555,364
2008	488,753
2009-2013	1,568,765
2014-2018	<u>1,133,235</u>
	6,423,800
Less amount representing interest	<u>(1,462,837)</u>
	<u>\$ 4,960,963</u>

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE E – LONG-TERM DEBT – CONTINUED

2. Enterprise Fund Debt

Bonds

Series	Interest Rates	Amount of Original Issuance	Balance
1997 Solid Waste Bonds	4.5% to 4.85%	8,070,000	\$ 6,325,000
1999 Water and Sewerage Revenue Refunding Bonds	3.5% to 4.3%	9,540,000	5,765,000
2002 Water & Sewerage Revenue Refunding Bonds	4.7% to 5.25%	26,655,000	<u>26,655,000</u>
Total bonds outstanding			38,745,000
Plus unamortized premium			<u>921,716</u>
Net bonds outstanding			<u>\$ 39,666,716</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
2004	\$3,560,000	\$1,579,841	\$5,139,841
2005	3,765,000	1,388,809	5,153,809
2006	3,880,000	1,278,389	5,158,389
2007	4,015,000	1,149,026	5,164,026
2008	4,180,000	285,220	4,465,220
2009 – 2013	<u>19,345,000</u>	<u>2,192,224</u>	<u>21,537,224</u>
	<u>\$38,745,000</u>	<u>\$7,873,509</u>	<u>\$46,618,509</u>

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE E – LONG-TERM DEBT – CONTINUED

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 variable rates (4.5% to 5.2% at June 30, 2003).

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, 2003:

Year ending June 30	
2004	\$ 1,037,151
2005	779,390
2006	506,191
2007	371,127
2008	<u>210,376</u>
Total minimum lease payments	2,904,235
Less amount representing interest	<u>(440,911)</u>
	<u>\$ 2,463,324</u>

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE E – LONG-TERM DEBT – CONTINUED

Enterprise Fund 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, 2003, \$1,818,246 has been drawn against the \$2,597,069 of these notes. During the current 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, 2003, the City's Sanitation Fund had borrowed \$165,932 of the \$1,000,000 available. Interest on this note is 2.33%. Future payments for all notes outstanding at June 30, 2003 including interest of \$733,705 are as follows:

Year ending June 30,	Principal	Interest	Total
2004	\$ 189,203	\$ 200,361	\$ 389,564
2005	71,487	69,624	141,111
2006	74,566	66,544	141,110
2007	77,778	63,332	141,110
2008	81,129	59,981	141,110
2009 - 2013	524,347	181,205	705,552
2014 - 2018	632,617	72,934	705,551
2019 - 2020	<u>333,051</u>	<u>19,724</u>	<u>352,775</u>
	<u>\$ 1,984,178</u>	<u>\$ 733,705</u>	<u>\$2,717,883</u>

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, 2003, \$29,270,000 of outstanding bonds are considered defeased.

Current Bond Refunding

During the year ended June 30, 2003, the City currently refunded its remaining outstanding 1993 water and sewer bonds with the proceeds from its 2002 water and sewer bonds. The refunding resulted in a reduction of future cash flows of approximately \$105,000 and an economic gain of approximately \$100,000.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE F – RESTRICTED NET ASSETS

At June 30, 2003, reserved net assets for governmental funds consisted of the following:

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Reserved for perpetual care	\$ 619,029	\$ -	\$ -	\$ -
Reserved for inventory	187,774	-	-	-
Reserved for long-term receivables	-	3,452,942	-	-
Reserved for prepaid expenditures	-	-	40,353	-
Reserved for capital outlay	-	-	-	91,871
Total reserved net assets	<u>\$ 806,803</u>	<u>\$ 3,452,942</u>	<u>\$ 40,353</u>	<u>\$ 91,871</u>

NOTE G - 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, 2003.

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.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE G - RISK MANAGEMENT AND SELF-INSURANCE -CONTINUED

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, 2003. Claims exceeding this amount are covered by a private insurance carrier.

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, 2003. 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	\$ 545,888	\$ 600,000
Claims and changes in estimate	3,198,399	439,790
Claims payments	<u>(3,043,762)</u>	<u>(333,594)</u>
Liability balance, June 30, 2003	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	<u>\$ 694,318</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, 2003

NOTE H – 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 \$508,605 was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2003 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, 2003

NOTE H – 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>
6/30/99	\$ 209,377	100%	-
6/30/00	276,160	100%	-
6/30/01	312,613	100%	-
6/30/02	337,732	100%	-
6/30/03	508,605	100%	-

NOTE I – 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, 2003. 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, 2003

NOTE I – SEGMENT INFORMATION FOR ENTERPRISE FUNDS - continued

Segment information for the Sanitation Fund for the year ended June 30, 2003 is not presented below since it is presented in the basic financial statements

Water & Sewer Activities

Operating revenues	\$11,480,750
Operating expenses	
Water system	\$2,548,011
Sewer system	\$3,211,892
Administrative services	\$296,185
Depreciation	<u>\$3,912,302</u>
Total operating expenses	<u>\$9,968,390</u>
Operating income	<u><u>\$1,512,360</u></u>

NOTE J – 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, 2003, 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, 2003.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE J – 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 off-set 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, 2003, \$32,546,473 has been placed into the Trust for the benefit of the City, of which \$7,979,931 is available without restriction and \$24,566,542 is subject to restrictions. Of the \$7,979,931 approximately \$1,169,855 and \$2,923,455 has been recognized as revenue for the years ended June 30, 2003 and 2002, respectively. Due to the restricted nature of the \$24,566,542, the amount is reported as deferred revenue at June 30, 2003.

Guarantee of Communication System Debt

The City has guaranteed the payment of debt totaling \$7,915,000 at June 30, 2003 relating to a privately owned communication system, a portion of which is utilized by the City for communication activities.

NOTE K – 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 City remitted \$7,310 to the Authority during the year ended June 30, 2003. 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, 2003

NOTE K – 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, 2003, the City paid no 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 L – HOTEL / MOTEL LODGING TAX

During the year ended June 30, 2003, 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 \$92,187 of lodging tax received from the City during the year ended June 30, 2003 was used for the promotion of tourism.

NOTE M - 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 N – 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 \$3,955,621 reported as the landfill closure and post-closure care liability at June 30, 2003 includes \$1,986,464, 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.

The remaining amount reported as landfill closure and post-closure cost of \$1,969,157 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, 2003, 43% of this landfill's capacity had been utilized and accordingly, a liability of \$1,969,157 has been recognized. The City will recognize the remaining estimated closure and post-closure care of \$4,579,435 as the remaining capacity is used.

City of LaGrange, Georgia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE O – CHANGES IN ACCOUNTING PRINCIPLES

Effective July 1, 2002, the City implemented the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments – Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures* and Statement No. 41, *Budgetary Comparison Schedules, Perspective Differences*. The implementation of these new accounting statements significantly changed the reporting model and reporting requirements for the City.

The implementation of these new statements required the following calculation to establish beginning net assets for governmental activities:

Total governmental fund balances as of June 30, 2002	\$ 13,238,705
Capital assets	23,900,691
Long-term liabilities	
Loans payable	(3,640,000)
Capital leases payable	(5,074,973)
Internal service fund net assets	3,152,710
Net assets as of June 30, 2002	<u>\$ 31,577,133</u>

NOTE P – SUBSEQUENT EVENTS

The LaGrange Gas Authority was created during the 2003 Georgia Legislative session and consists of a five member board appointed by the governing authority of the City. The Gas Authority provides a means to issue revenue bonds for system improvements. The Gas Authority issued \$8,000,000 of bond debt on October 21, 2003, and entered into an intergovernmental agreement with the City for the purpose of replacing cast iron gas mains under an order of the Georgia Public Service Commission.

**REQUIRED SUPPLEMENTARY
INFORMATION**



City of LaGrange, Georgia
REQUIRED SUPPLEMENTARY INFORMATION
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Budget Basis	Variance Positive Negative
	Original	Final		
Revenues				
Taxes, licenses and permits	\$ 8,097,000	\$ 8,097,000	\$ 7,852,799	\$ (244,201)
Intergovernmental	39,171	39,171	74,039	34,868
Fines and forfeitures	1,331,500	1,331,500	1,031,788	(299,712)
Charges for services	347,800	347,800	368,883	21,083
Investment Income	39,000	39,000	154,808	115,808
Miscellaneous	54,500	54,500	95,017	40,517
Total revenues	9,908,971	9,908,971	9,577,334	(331,637)
Expenditures				
Current:				
General government	1,329,500	1,329,500	1,364,523	(35,023)
Public safety	9,624,520	9,624,520	9,235,159	389,361
Public service	2,582,200	2,582,200	2,745,594	(163,394)
Culture and recreation	694,900	694,900	697,984	(3,084)
Community development	761,400	761,400	919,945	(158,545)
Capital outlay	1,100,900	1,100,900	830,673	270,227
Total expenditures	16,093,420	16,093,420	15,793,878	299,542
Excess of revenues over (under) expenditures	(6,184,449)	(6,184,449)	(6,216,544)	(32,095)
Other financing sources (uses)				
Transfers in	6,500,000	6,500,000	6,549,500	49,500
Transfers out	-	-	(458,280)	(458,280)
Total other financing sources (uses)	6,500,000	6,500,000	6,091,220	(408,780)
Net change in fund balance	315,551	315,551	(125,324)	(440,875)
Fund balance - beginning of year	1,709,256	1,709,256	1,709,256	-
Fund balance - end of year	\$ 2,024,807	\$ 2,024,807	\$ 1,583,932	\$ (440,875)

NOTE: Budget basis actual amount differs from GAAP basis actual amounts because proceeds from capital leases of \$612,233 and the related capital outlay of \$612,233 are not budgeted.

City of LaGrange, Georgia
Pension Fund - 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)%

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, 2003

		Special Revenue	Debt Service	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents		\$ 176,454	1,802,813	1,979,267
Investments		-	492,822	492,822
Receivables				
Notes		3,452,942	-	3,452,942
Intergovernmental		33,660	-	33,660
Prepaid Interest		-	40,353	40,353
Total assets		<u>\$ 3,663,056</u>	<u>\$ 2,335,988</u>	<u>\$ 5,999,044</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable		\$ 1,828	-	1,828
Accrued vacation		1,024	-	1,024
Customer Deposits		19,195	-	19,195
Total liabilities		22,047	-	22,047
Fund balance				
Reserved for prepaid expenditures		-	40,353	40,353
Reserved for long-term receivables		3,452,942	-	3,452,942
Unreserved		188,067	2,295,635	2,483,702
Total fund balance		<u>3,641,009</u>	<u>2,335,988</u>	<u>5,976,997</u>
Total liabilities and fund balance		<u>\$ 3,663,056</u>	<u>\$ 2,335,988</u>	<u>\$ 5,999,044</u>

City of LaGrange, Georgia
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2003

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Intergovernmental	\$ 32,956	\$ -	\$ 32,956
Investment income (loss)	54,015	32,678	86,693
Miscellaneous	<u>108,685</u>	<u>-</u>	<u>108,685</u>
Total revenues	195,656	32,678	228,334
Expenditures			
Current			
Redevelopment and housing	261,730	-	261,730
Administrative and management	64,555	-	64,555
Debt service			
Principal retirement	-	532,370	532,370
Interest	<u>-</u>	<u>40,287</u>	<u>40,287</u>
Total expenditures	<u>326,285</u>	<u>572,657</u>	<u>898,942</u>
Excess of expenditures over revenues	(130,629)	(539,979)	(670,608)
Other financing sources (uses)			
Transfers in	-	511,275	511,275
Transfers out	<u>(12,427)</u>	<u>-</u>	<u>(12,427)</u>
Total other financing sources	<u>(12,427)</u>	<u>511,275</u>	<u>498,848</u>
Excess of revenues and other sources over (under) expenditures and other financing uses	(143,056)	(28,704)	(171,760)
Fund balance, beginning of year	<u>3,784,065</u>	<u>2,364,692</u>	<u>6,148,757</u>
Fund balance, end of year	<u>\$ 3,641,009</u>	<u>\$ 2,335,988</u>	<u>\$ 5,976,997</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).

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S M A R T M O V E ®

City of LaGrange, Georgia
General Fund

COMPARATIVE BALANCE SHEETS

June 30, 2003 and 2002

ASSETS

	2003	2002
Cash and cash equivalents	\$ 991,294	\$ 1,564,502
Receivables		
Taxes	645,632	530,065
Other	114,515	19,230
Due from other funds	25,000	3,333
Inventory	187,774	213,515
Restricted cash and cash equivalents	88,126	79,713
Restricted investments	534,643	421,056
Total assets	\$ 2,586,984	\$ 2,831,414

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$ 285,179	\$ 242,210
Accrued vacation	296,167	301,353
Other accrued liabilities	421,706	578,595
Total liabilities	1,003,052	1,122,158
Fund balance		
Reserved for inventory	187,774	213,515
Reserved for perpetual care	619,029	500,769
Unreserved	777,129	994,972
Total fund balance	1,583,932	1,709,256
Total liabilities and fund balance	\$ 2,586,984	\$ 2,831,414

City of LaGrange, Georgia
General Fund

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Taxes, licenses and permits	\$ 7,852,799	\$ 8,047,152
Intergovernmental	74,039	238,063
Charges for services	368,883	341,695
Fines and forfeitures	1,031,788	1,265,665
Investment income (loss)	154,808	82,968
Miscellaneous	<u>95,017</u>	<u>148,930</u>
 Total revenues	 9,577,334	 10,124,473
Expenditures		
Current		
General government	1,364,523	1,274,497
Public safety	9,235,159	8,922,255
Public service	2,745,594	2,449,313
Culture and recreation	697,984	1,117,854
Community development	919,945	785,416
Capital outlay	1,442,906	1,039,907
Debt service		
Principal retirement	<u>-</u>	<u>116,255</u>
 Total expenditures	 <u>16,406,111</u>	 <u>15,705,497</u>
 Excess of expenditures over revenues	 (6,828,777)	 (5,581,024)
Other financing sources (uses)		
Operating transfers in	6,549,500	6,500,000
Operating transfers out	(458,280)	(493,950)
Proceeds from capital lease	<u>612,233</u>	<u>436,822</u>
 Total other financing sources	 <u>6,703,453</u>	 <u>6,442,872</u>
 Excess of revenues and other sources over (under) expenditures and other financing uses	 (125,324)	 861,848
 Fund balance, beginning of year	 <u>1,709,256</u>	 <u>847,408</u>
 Fund balance, end of year	 <u>\$ 1,583,932</u>	 <u>\$ 1,709,256</u>

City of LaGrange, Georgia
Special Revenue Fund

COMPARATIVE BALANCE SHEETS

June 30, 2003 and 2002

ASSETS

	<u>2003</u>	<u>2002</u>
Cash and cash equivalents	\$ 176,454	\$ 230,764
Receivables		
Notes	3,452,942	3,530,694
Intergovernmental	33,660	37,400
Accounts	<u>-</u>	<u>5</u>
Total assets	<u>\$ 3,663,056</u>	<u>\$ 3,798,863</u>

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$ 1,828	\$ 2,567
Accrued vacation	1,024	1,024
Customer deposits	<u>19,195</u>	<u>11,207</u>
Total liabilities	22,047	14,798
Fund balance		
Reserved for long-term receivables	3,452,942	3,530,694
Unreserved	<u>188,067</u>	<u>253,371</u>
Total fund balance	<u>3,641,009</u>	<u>3,784,065</u>
Total liabilities and fund balance	<u>\$ 3,663,056</u>	<u>\$ 3,798,863</u>

City of LaGrange, Georgia
Special Revenue Fund

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

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Intergovernmental	\$ 32,956	\$ 45,269
Interest	54,015	51,182
Miscellaneous	<u>108,685</u>	<u>94,873</u>
Total revenues	195,656	191,324
Expenditures		
Current		
Redevelopment and housing	261,730	226,178
Administrative and management	<u>64,555</u>	<u>98,943</u>
Total expenditures	<u>326,285</u>	<u>325,121</u>
Excess of expenditures over revenues	(130,629)	(133,797)
Other financing sources (uses)		
Operating transfers out	<u>(12,427)</u>	-
Total other financing sources	<u>(12,427)</u>	-
Excess of revenues and other sources over (under) expenditures and other financing uses	(143,056)	-
Fund balance, beginning of year	<u>3,784,065</u>	<u>3,917,862</u>
Fund balance, end of year	<u>\$ 3,641,009</u>	<u>\$ 3,784,065</u>

City of LaGrange, Georgia
Statement of Revenues, Expenditures, and Changes in Fund Balance
Special Revenue Fund
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2003

	Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	10,000	32,956	22,956
Investment income	66,700	54,015	(12,685)
Miscellaneous	175,200	108,685	(66,515)
Total revenues	251,900	195,656	(56,244)
Expenditures			
Current:			
Redevelopment and housing	232,300	261,730	(29,430)
Administrative and management	73,000	64,555	8,445
Capital outlay	12,000	-	12,000
Total expenditures	317,300	326,285	(8,985)
Excess of revenues over (under) expenditures	(65,400)	(130,629)	(65,229)
Other financing sources (uses)			
Transfers out	-	(12,427)	(12,427)
Total other financing sources (uses)	-	(12,427)	(12,427)
Net change in fund balance	(65,400)	(143,056)	(77,656)
Fund balance - beginning of year	3,784,065	3,784,065	-
Fund balance - end of year	\$ 3,718,665	\$ 3,641,009	\$ (77,656)

City of LaGrange, Georgia
Debt Service Fund

COMPARATIVE BALANCE SHEETS

June 30, 2003 and 2002

ASSETS

	<u>2003</u>	<u>2002</u>
Cash	\$ 1,802,813	\$ 2,333,285
Investments	492,822	-
Prepaid interest	<u>40,353</u>	<u>31,407</u>
Total assets	<u>\$ 2,335,988</u>	<u>\$ 2,364,692</u>

LIABILITIES AND FUND BALANCE

Fund balance		
Reserved for prepaid expenditures	\$ 40,353	\$ 31,407
Unreserved	<u>2,295,635</u>	<u>2,333,285</u>
Total fund balance	<u>2,335,988</u>	<u>2,364,692</u>
Total liabilities and fund balance	<u>\$ 2,335,988</u>	<u>\$ 2,364,692</u>

City of LaGrange, Georgia
Debt Service Fund

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

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Interest	\$ 32,678	\$ 55,087
Total revenues	32,678	55,087
Expenditures		
Principal retirement	532,370	672,129
Interest	40,287	39,318
Total expenditures	572,657	711,447
Excess of expenditures over revenues	(539,979)	(656,360)
Other financing sources		
Operating transfers in	511,275	634,315
Total other financing sources	511,275	634,315
Excess of expenditures over revenues and other financing sources	(28,704)	(22,045)
Fund balance, beginning of year	2,364,692	2,386,737
Fund balance, end of year	\$ 2,335,988	\$ 2,364,692

City of LaGrange, Georgia
Statement of Revenues, Expenditures, and Changes in Fund Balance
Debt Service Fund
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Investment income	50,000	32,678	(17,322)
Total revenues	50,000	32,678	(17,322)
Expenditures			
Debt service			
Principal retirement	672,129	532,370	139,759
Interest and fiscal charges	45,100	40,287	4,813
Total expenditures	717,229	572,657	144,572
Excess of revenues over (under) expenditures	(667,229)	(539,979)	127,250
Other financing sources (uses)			
Transfers in	-	511,275	511,275
Total other financing sources (uses)	-	511,275	511,275
Net change in fund balance	(667,229)	(28,704)	638,525
Fund balance - beginning of year	2,364,692	2,364,692	-
Fund balance - end of year	<u>\$ 1,697,463</u>	<u>\$ 2,335,988</u>	<u>\$ 638,525</u>

City of LaGrange, Georgia
Capital Projects Fund

COMPARATIVE BALANCE SHEETS

June 30, 2003 and 2002

ASSETS

	<u>2003</u>	<u>2002</u>
Cash	\$ 2,544,242	\$ 1,960,538
Restricted cash	91,871	3,421,504
Accounts receivable	<u>-</u>	<u>7,500</u>
Total assets	\$ 2,636,113	\$ 5,389,542

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	\$ 67,749	\$ 8,850
Deferred revenue	<u>104,400</u>	<u>-</u>
Total liabilities	172,149	8,850
Fund balance		
Unreserved	2,372,093	1,959,188
Reserves for capital outlay	<u>91,871</u>	<u>3,421,504</u>
Total fund balance	<u>2,463,964</u>	<u>5,380,692</u>
Total liabilities and fund balance	\$ 2,636,113	\$ 5,389,542

City of LaGrange, Georgia
Capital Projects Fund

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

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Intergovernmental	\$ 393,724	\$ 6,910
Interest	28,357	37,615
Miscellaneous	<u>652,330</u>	<u>571,719</u>
Total	1,074,411	616,244
Expenditures		
Capital outlay	3,913,725	571,748
Debt service		
Principal retirement	193,873	673,870
Interest	<u>340,575</u>	<u>223,618</u>
Total expenditures	<u>4,448,173</u>	<u>1,469,236</u>
Excess of expenditures over revenues	(3,373,762)	(852,992)
Other financing sources (uses)		
Transfers in	457,034	1,500,000
Proceeds from capital lease	<u>-</u>	<u>3,640,000</u>
Total other financing sources	<u>457,034</u>	<u>5,140,000</u>
Excess of revenues and other sources over (under) expenditures and other financing uses	(2,916,728)	4,287,008
Fund balance, beginning of year	<u>5,380,692</u>	<u>1,093,684</u>
Fund balance, end of year	<u>\$ 2,463,964</u>	<u>\$ 5,380,692</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.



For more information on LaGrange Georgia, visit our website at www.lagrangega.org. We are currently accepting applications for the 2014-2015 cohort.

City of LaGrange, Georgia
Utility Fund

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 15,522,430	\$ 15,953,185
Investments	2,082,063	-
Receivables		
Accounts	7,639,267	7,806,261
Other	66,332	80
Inventory	1,393,578	1,291,395
Total current assets	<u>26,703,670</u>	<u>25,050,921</u>
Restricted assets		
Restricted cash	24,553,247	23,497,957
Capital assets - net	91,793,295	92,514,962
Other assets	<u>61,060</u>	<u>104,597</u>
Total assets	143,111,272	141,168,437
 Liabilities and net assets		
Current liabilities		
Accounts payable	4,305,246	3,029,606
Accrued liabilities	272,400	163,422
Due to other funds	71,524	81,246
Deferred revenue	24,566,542	23,507,902
Notes payable - current	149,606	182,383
Capital leases - current	409,955	322,269
Total current liabilities	<u>29,775,273</u>	<u>27,286,828</u>
Liabilities payable from restricted assets		
Customer deposits	1,040,712	924,758
Revenue bonds - current	<u>3,065,000</u>	<u>2,705,000</u>
Total liabilities payable from restricted assets	<u>4,105,712</u>	<u>3,629,758</u>
Long-term liabilities		
Revenue bonds - long-term	30,313,031	30,864,600
Notes payable - long-term	1,668,640	1,858,068
Capital leases - long-term	811,980	1,004,466
Total long-term liabilities	<u>32,793,651</u>	<u>33,727,134</u>
Net assets		
Invested in capital assets, net of related debt	55,375,083	55,578,176
Unrestricted	<u>21,061,553</u>	<u>20,946,541</u>
Total net assets	<u>\$ 76,436,636</u>	<u>\$ 76,524,717</u>

City of LaGrange, Georgia
Utility Fund

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

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating revenues		
Water system	\$ 7,031,805	\$ 6,877,395
Sewer system	4,448,945	4,548,518
Gas system	14,959,419	12,785,494
Electric system	33,835,447	34,927,906
Telecommunications	1,485,950	2,143,183
Other	-	11,886
Total operating revenues	<u>61,761,566</u>	<u>61,294,382</u>
Operating expenses		
Water system	2,548,011	2,303,486
Sewerage system	3,211,892	3,148,857
Gas system	12,043,679	10,001,031
Electric system	27,141,701	26,817,075
Telecommunications	1,442,521	1,044,594
Administrative services	1,588,000	2,712,922
Depreciation	<u>4,916,860</u>	<u>4,557,728</u>
Total operating expenses	<u>52,892,664</u>	<u>50,585,693</u>
Operating income	8,868,902	10,708,689
Nonoperating revenues (expenses)		
Investment income	428,600	468,307
Other revenue	431,069	213,072
Interest expense	(2,800,802)	(1,744,035)
Other expense	<u>(30,797)</u>	<u>(3,256)</u>
Total nonoperating revenues (expenses)	<u>(1,971,930)</u>	<u>(1,065,912)</u>
Net income before capital contributions and operating transfers	6,896,972	9,642,777
Capital contributions	-	117,071
Transfers out	<u>(6,985,053)</u>	<u>(8,194,073)</u>
Change in net assets	(88,081)	1,565,775
Net assets - beginning of year	<u>76,524,717</u>	<u>74,958,942</u>
Net assets - end of year	<u>\$ 76,436,636</u>	<u>\$ 76,524,717</u>

**City of LaGrange, Georgia
Utility Fund**

COMPARATIVE STATEMENTS OF CASH FLOWS

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 64,883,352	63,916,981
Cash paid to suppliers and employees	<u>(48,257,377)</u>	<u>(46,240,165)</u>
Net cash provided (used) by operating activities	16,625,975	17,676,816
 Cash flow from noncapital financing activities:		
Transfers out	<u>(6,985,053)</u>	<u>(8,194,073)</u>
Net cash used in noncapital financing activities	(6,985,053)	(8,194,073)
 Cash flows from capital and related financing activities:		
Proceeds from revenue bonds, net	26,655,000	-
Principal payments on revenue bonds	(27,095,000)	(2,555,511)
Acquisition of capital assets	(3,641,830)	(1,775,710)
Capital lease payments	(339,635)	(259,203)
Payments on notes payable	(222,205)	(212,259)
Interest expense	<u>(2,719,099)</u>	<u>(1,744,035)</u>
Net cash used in capital and related financing activities	(7,362,769)	(6,546,718)
 Cash flows from investing activities:		
Purchase of investments	(2,082,063)	-
Investment income	<u>428,600</u>	<u>468,307</u>
Net cash used in investing activities	<u>(1,653,463)</u>	<u>468,307</u>
Net increase in cash	624,590	3,404,332
 Cash, beginning of year	<u>39,451,142</u>	<u>36,046,810</u>
 Cash, end of year	<u>\$ 40,075,732</u>	<u>\$ 39,451,142</u>
 Report on the balance sheet as:		
Cash and cash equivalents	\$ 15,522,485	\$ 15,953,185
Restricted cash	<u>24,553,247</u>	<u>23,497,957</u>
 Total	<u>\$ 40,075,732</u>	<u>\$ 39,451,142</u>

City of LaGrange, Georgia
Utility Fund

COMPARATIVE STATEMENTS OF CASH FLOWS (continued)

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Operating income	\$ 8,868,902	\$ 10,708,689
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,916,860	4,557,728
Changes in operating assets and liabilities:		
Accounts receivable	101,545	632,545
Inventory	(102,183)	59,054
Other assets	42,734	(20,767)
Accounts payable	1,275,640	(11,061)
Accrued vacation	27,275	53,954
Due from other fund	(9,722)	16,245
Deferred revenue	1,058,640	1,399,151
Customer deposits	115,954	71,462
Other revenue, net	<u>330,330</u>	<u>209,816</u>
Net cash provided by operating activities	<u>16,625,975</u>	<u>17,676,816</u>

Supplemental Schedule of Noncash Investing and Financing Activities:

Equipment acquired through assumption of capital lease obligation	\$ 231,740	\$ 463,058
Capital assets acquired through contributions from developers	<u>-</u>	<u>117,071</u>
Total	<u>\$ 231,740</u>	<u>\$ 580,129</u>

City of LaGrange, Georgia
Utility Fund

SCHEDULE OF OPERATING INCOME

Year ended June 30, 2003

	Electric System	Gas System	Water & Sewer System	Telecommuni- cations	Total
Operating revenues	\$ 33,835,447	\$ 14,959,419	\$ 11,480,750	\$ 1,485,950	\$ 61,761,566
Operating expenses					
Electricity and natural gas purchases	25,818,377	11,082,045	-	-	36,900,422
Administrative services	869,095	384,120	296,185	38,600	1,588,000
Depreciation	518,790	398,363	3,912,302	87,405	4,916,860
Other operating	1,323,324	961,634	5,759,903	1,442,521	9,487,382
	<u>28,529,586</u>	<u>12,826,162</u>	<u>9,968,390</u>	<u>1,568,526</u>	<u>52,892,664</u>
Operating income	\$ <u>5,305,861</u>	\$ <u>2,133,257</u>	\$ <u>1,512,360</u>	\$ <u>(82,576)</u>	\$ <u>8,868,902</u>

City of LaGrange, Georgia
Utility Fund

SCHEDULE OF CHANGES IN UTILITY PLANT IN SERVICE

Year ended June 30, 2003

	Historical Cost			Allowance for Depreciation			Net Asset Value
	Balance June 30, 2002	Additions	Deletions	Balance June 30, 2002	Expense	Deletions	
Water and sewer system	\$ 112,449,266	\$ 1,214,076	\$ -	\$ 35,524,409	\$ 3,912,302	\$ -	\$ 74,226,632
Gas system	10,152,566	2,032,191	-	5,112,694	398,363	-	6,673,700
Electric system	14,565,965	465,197	-	5,011,774	518,790	-	9,500,598
Telecommunications	2,097,034	483,728	-	1,100,992	87,405	-	1,392,365
	<u>\$ 139,264,831</u>	<u>\$ 4,195,192</u>	<u>\$ -</u>	<u>\$ 46,749,869</u>	<u>\$ 4,916,860</u>	<u>\$ -</u>	<u>\$ 91,793,295</u>

City of LaGrange, Georgia
Utility Fund

COMPARATIVE SCHEDULES OF REVENUES

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Water and sewer system		
Water sales	\$ 6,210,916	\$ 6,653,554
Sewer service charges	4,489,693	4,539,637
Fire services	66,949	55,758
Connection fees	678,060	113,152
Miscellaneous	35,132	66,028
	<u>11,480,750</u>	<u>11,428,129</u>
Gas system		
Gas sales	14,899,620	12,758,820
Miscellaneous	59,799	29,154
	<u>14,959,419</u>	<u>12,787,974</u>
Electric system		
Electricity sales	33,045,845	34,203,333
Street and security lights	676,456	563,308
Miscellaneous	113,146	168,040
	<u>33,835,447</u>	<u>34,934,681</u>
Telecommunications		
Internet services	1,181,661	1,105,498
Other telecommunications services	304,289	1,038,101
	<u>1,485,950</u>	<u>2,143,599</u>
Total operating revenues	<u>\$ 61,761,566</u>	<u>\$ 61,294,383</u>

City of LaGrange, Georgia
Sanitation Funds

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,008,707	\$ 2,984,963
Receivables		
Accounts receivable	109	2,155
Due from other funds	71,524	77,913
Inventory	7,254	10,345
Total current assets	<u>3,087,594</u>	<u>3,075,376</u>
Capital assets - net	<u>14,109,232</u>	<u>12,248,637</u>
Total assets	17,196,826	15,324,013
 Liabilities and net assets		
Current liabilities		
Accounts payable	920,508	450,341
Accrued liabilities	4,006,856	4,023,368
Notes payable - current	165,932	-
Capital leases - current	526,182	464,456
Total current liabilities	<u>5,619,478</u>	<u>4,938,165</u>
Liabilities payable from restricted assets		
Customer deposits	1,780	1,780
Revenue bonds - current	495,000	470,000
Total liabilities payable from restricted assets	<u>496,780</u>	<u>471,780</u>
Long-term liabilities		
Revenue bonds - long-term	5,793,685	6,284,650
Capital leases - long-term	895,896	704,896
Total long-term liabilities	<u>6,689,581</u>	<u>6,989,546</u>
Net assets		
Invested in capital assets, net of related debt	6,232,537	4,327,635
Unrestricted	<u>(1,841,550)</u>	<u>(1,403,113)</u>
Total net assets	<u>\$ 4,390,987</u>	<u>\$ 2,924,522</u>

City of LaGrange, Georgia
Sanitation Funds

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

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating revenues		
Garbage collection	\$ 3,158,924	\$ 3,220,613
Landfill	2,014,057	1,660,791
Other	341,114	61,838
Total operating revenues	<u>5,514,095</u>	<u>4,943,242</u>
Operating expenses		
Garbage collection	1,587,954	1,565,380
Landfill	1,117,079	984,314
Recycling center	76,399	115,668
Depreciation	1,016,354	932,189
Total operating expenses	<u>3,797,786</u>	<u>3,597,551</u>
Operating income	1,716,309	1,345,691
Nonoperating revenues (expenses)		
Investment income	47,255	93,521
Other income (expense)	30,611	(68,811)
Interest expense	(315,161)	(351,825)
Total nonoperating revenues (expenses)	<u>(237,295)</u>	<u>(327,115)</u>
Income before transfers	1,479,014	1,018,576
Transfers in	-	53,708
Transfers out	(12,549)	-
Total transfers	<u>(12,549)</u>	<u>53,708</u>
Change in net assets	1,466,465	1,072,284
Net assets, beginning of year	<u>2,924,522</u>	<u>1,852,238</u>
Net assets, end of year	<u>\$ 4,390,987</u>	<u>\$ 2,924,522</u>

**City of LaGrange, Georgia
Sanitation Funds**

COMPARATIVE STATEMENTS OF CASH FLOWS

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 6,245,993	5,639,056
Cash paid to suppliers and employees	<u>(3,017,538)</u>	<u>(2,700,527)</u>
Net cash provided (used) by operating activities	3,228,455	2,938,529
Cash flow from capital and related financing activities:		
Acquisition of capital assets	(1,951,862)	(3,032,598)
Capital lease payments	(506,429)	(606,253)
Principal payments on revenue bonds	(465,965)	(440,965)
Interest expense	<u>(315,161)</u>	<u>(351,633)</u>
Net cash used in capital and related financing activities	(3,239,417)	(4,431,449)
Cash flows from noncapital financing activities:		
Transfers in (out)	<u>(12,549)</u>	53,708
Net cash used in noncapital financing activities	(12,549)	53,708
Cash flows from investing activities:		
Investment income	<u>47,255</u>	93,521
Net cash used in investing activities	<u>47,255</u>	93,521
Net (decrease) increase in cash	23,744	(1,345,691)
Cash, beginning of year	<u>2,984,963</u>	<u>4,330,654</u>
Cash, end of year	<u><u>\$ 3,008,707</u></u>	<u><u>\$ 2,984,963</u></u>

City of LaGrange, Georgia
Sanitation Funds

COMPARATIVE STATEMENTS OF CASH FLOWS (continued)

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Operating income	\$ 1,716,309	\$ 1,345,691
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,016,354	910,427
Changes in operating assets and liabilities:		
Accounts receivable	2,046	402,614
Inventory	3,091	(127)
Other assets	-	17,727
Accounts payable	470,167	328,791
Due from other fund	6,389	(12,912)
Other accrued expenses	(16,512)	17,565
Other nonoperating revenue, net	30,611	(68,811)
Customer deposits	-	(2,436)
Net cash provided by operating activities	<u>\$ 3,228,455</u>	<u>\$ 2,938,529</u>

Supplemental Schedule of Noncash Investing and Financing Activities:

Equipment acquired through assumption of capital lease obligation	<u>\$ 759,155</u>	<u>\$ 238,184</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, 2003

	Group Insurance Fund	Property & Casualty Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,042,303	\$ 1,659,374	\$ 2,701,677
Investments	-	1,488,961	1,488,961
Prepaid expenses	8,346	-	8,346
Total current assets	<u>1,050,649</u>	<u>3,148,335</u>	<u>4,198,984</u>
Restricted assets			
Deposits	<u>-</u>	<u>101,990</u>	<u>101,990</u>
Total assets	1,050,649	3,250,325	4,300,974
 Liabilities and net assets			
Current liabilities			
Claims payable	694,318	600,000	1,294,318
Due to other funds	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total current liabilities	<u>719,318</u>	<u>600,000</u>	<u>1,319,318</u>
 Total net assets			
Unrestricted	<u>\$ 331,331</u>	<u>\$ 2,650,325</u>	<u>\$ 2,981,656</u>

City of LaGrange, Georgia
Internal Service Funds

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

Year ended June 30, 2003

	<u>Group Insurance Fund</u>	<u>Property & Casualty Fund</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 3,034,447	\$ 1,037,127	\$ 4,071,574
Operating expenses			
Liability claims	-	297,548	297,548
Liability premiums	-	506,457	506,457
Medical claims	2,807,993	-	2,807,993
Reinsurance premium	88,533	-	88,533
Administrative fee	165,619	65,006	230,625
Other premiums	<u>341,677</u>	<u>-</u>	<u>341,677</u>
Total operating expenses	<u>3,403,822</u>	<u>869,011</u>	<u>4,272,833</u>
Operating income (loss)	(369,375)	168,116	(201,259)
Nonoperating revenues			
Investment income	<u>23,991</u>	<u>55,714</u>	<u>79,705</u>
Total nonoperating revenues	<u>23,991</u>	<u>55,714</u>	<u>79,705</u>
Other financing sources (uses)			
Transfers out	<u>-</u>	<u>(49,500)</u>	<u>(49,500)</u>
Change in net assets	(345,384)	174,330	(171,054)
Net assets, beginning of year	<u>676,715</u>	<u>2,475,995</u>	<u>3,152,710</u>
Net assets, end of year	<u>\$ 331,331</u>	<u>\$ 2,650,325</u>	<u>\$ 2,981,656</u>

City of LaGrange, Georgia
Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year ended June 30, 2003

	Group Insurance Fund	Property & Casualty Fund	Total
Cash flows from operating activities:			
Cash received from customers and users	\$ 3,059,447	\$ 1,037,127	\$ 4,096,574
Cash paid to suppliers and employees	<u>(3,418,375)</u>	<u>(975,207)</u>	<u>(4,393,582)</u>
Net cash provided (used) by operating activities	(358,928)	61,920	(297,008)
Cash flows from non capital financing activities:			
Transfers out	<u>-</u>	<u>(49,500)</u>	<u>(49,500)</u>
Net cash used in non capital financing activities	<u>-</u>	<u>(49,500)</u>	<u>(49,500)</u>
Cash flows from investing activities:			
Investment income	<u>23,991</u>	<u>55,714</u>	<u>79,705</u>
Net (decrease) increase in cash	(334,937)	68,134	(266,803)
Cash, beginning of year	<u>1,377,240</u>	<u>3,080,201</u>	<u>4,457,441</u>
Cash, end of year	<u><u>\$ 1,042,303</u></u>	<u><u>\$ 3,148,335</u></u>	<u><u>\$ 4,190,638</u></u>
Cash flows from operating activities:			
Operating (loss) income	\$ (369,375)	\$ 168,116	\$ (201,259)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:			
Increase in prepaid assets	(8,346)	-	(8,346)
Increase in interfund accounts	25,000	-	25,000
Increase in claims payable	<u>(6,207)</u>	<u>(106,196)</u>	<u>(112,403)</u>
Net cash (used in) provided by operating activities	<u><u>\$ (358,928)</u></u>	<u><u>\$ 61,920</u></u>	<u><u>\$ (297,008)</u></u>

City of LaGrange, Georgia
Group Insurance Funds

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,042,303	\$ 1,377,240
Prepaid expenses	<u>8,346</u>	<u>-</u>
Total assets	1,050,649	1,377,240
 Liabilities and net assets		
Current liabilities		
Claims payable	694,318	700,525
Due to other funds	<u>25,000</u>	<u>-</u>
Total current liabilities	<u>719,318</u>	<u>700,525</u>
 Total net assets		
Unrestricted	<u>\$ 331,331</u>	<u>\$ 676,715</u>

**City of LaGrange, Georgia
Group Insurance Funds**

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

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating revenues	\$ 3,034,447	\$ 2,640,692
Operating expenses		
Medical claims	2,807,993	3,350,513
Reinsurance premium	88,533	10,238
Administrative fee	165,619	175,004
Other premiums	<u>341,677</u>	<u>196,481</u>
Total operating expenses	<u>3,403,822</u>	<u>3,732,236</u>
Operating income (loss)	(369,375)	(1,091,544)
Nonoperating revenues		
Investment income	<u>23,991</u>	<u>62,841</u>
Total nonoperating revenues	<u>23,991</u>	<u>62,841</u>
Change in net assets	(345,384)	(1,028,703)
Net assets, beginning of year	<u>676,715</u>	<u>1,705,418</u>
Net assets, end of year	<u>\$ 331,331</u>	<u>\$ 676,715</u>

City of LaGrange, Georgia
Group Insurance Funds

COMPARATIVE STATEMENTS OF CASH FLOWS

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 3,059,447	2,640,692
Cash paid to suppliers and employees	<u>(3,418,375)</u>	<u>(3,577,599)</u>
Net cash provided (used) by operating activities	(358,928)	(936,907)
Cash flows from investing activities:		
Investment income	<u>23,991</u>	<u>62,841</u>
Net cash used in investing activities	<u>23,991</u>	<u>62,841</u>
Net decrease in cash	(334,937)	(874,066)
Cash, beginning of year	<u>1,377,240</u>	<u>2,251,306</u>
Cash, end of year	<u><u>\$ 1,042,303</u></u>	<u><u>\$ 1,377,240</u></u>
Cash flows from operating activities:		
Operating loss	\$ (369,375)	\$ (1,091,544)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Increase in prepaid assets	(8,346)	-
Increase in interfund accounts	25,000	-
Increase in claims payable	<u>(6,207)</u>	<u>154,637</u>
Net cash used in operating activities	<u><u>\$ (358,928)</u></u>	<u><u>\$ (936,907)</u></u>

City of LaGrange, Georgia
Property & Casualty Fund

COMPARATIVE BALANCE SHEETS

June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,659,374	\$ 3,080,201
Investments	<u>1,488,961</u>	<u>-</u>
Total current assets	3,148,335	3,080,201
 Restricted assets		
Deposits	<u>101,990</u>	<u>101,990</u>
 Total assets	3,250,325	3,182,191
 Liabilities and net assets		
Current liabilities		
Claims payable	<u>600,000</u>	<u>706,196</u>
 Total liabilities	<u>600,000</u>	<u>706,196</u>
 Total net assets		
Unrestricted	<u>\$ 2,650,325</u>	<u>\$ 2,475,995</u>

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

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

Year ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating revenues	\$ 1,037,127	\$ 1,009,648
Operating expenses		
Liability claims	297,548	333,594
Liability premiums	506,457	478,990
Administrative fee	<u>65,006</u>	<u>62,044</u>
Total operating expenses	<u>869,011</u>	<u>874,628</u>
Operating income	168,116	135,020
Nonoperating revenues		
Investment income	<u>55,714</u>	<u>72,835</u>
Total nonoperating revenues	<u>55,714</u>	<u>72,835</u>
Net income before transfers	223,830	207,855
Transfers out	<u>(49,500)</u>	<u>-</u>
Change in net assets	174,330	207,855
Net assets, beginning of year	<u>2,475,995</u>	<u>2,268,140</u>
Net assets, end of year	<u>\$ 2,650,325</u>	<u>\$ 2,475,995</u>

City of LaGrange, Georgia
Property & Casualty Fund

COMPARATIVE STATEMENTS OF CASH FLOWS

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 1,037,127	1,009,648
Cash paid to suppliers and employees	<u>(975,207)</u>	<u>(768,432)</u>
Net cash provided (used) by operating activities	61,920	241,216
 Cash flows from non capital financing activities:		
Operating transfers out	<u>(49,500)</u>	<u>-</u>
Net cash used in non capital financing activities	(49,500)	-
 Cash flows from investing activities:		
Investment income	<u>55,714</u>	<u>72,835</u>
Net cash used in investing activities	<u>55,714</u>	<u>72,835</u>
Net increase in cash	68,134	314,051
 Cash, beginning of year	<u>3,080,201</u>	<u>2,766,150</u>
 Cash, end of year	<u><u>\$ 3,148,335</u></u>	<u><u>\$ 3,080,201</u></u>
 Cash flows from operating activities:		
Operating income	\$ 168,116	\$ 135,020
Adjustments to reconcile operating income to net cash provided by operating activities:		
Increase in claims payable	<u>(106,196)</u>	<u>106,196</u>
Net cash provided by operating activities	<u><u>\$ 61,920</u></u>	<u><u>\$ 241,216</u></u>

SUPPLEMENTAL INFORMATION

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

LaGRANGE *georgia*

S M A R T M O V E ®

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

COMPARATIVE SCHEDULES BY SOURCE

June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
General fixed assets:		
Land and land improvements	\$ 4,894,919	\$ 4,894,919
Buildings	12,747,100	12,719,513
Furniture and fixtures	114,510	114,510
Machinery and equipment	3,554,214	3,055,743
Vehicles	3,000,618	2,796,545
Other	<u>12,522,821</u>	<u>8,241,295</u>
 Total general fixed assets	 <u>\$ 36,834,182</u>	 <u>\$ 31,822,525</u>
Investment in general fixed assets from:		
General fund revenues	\$ 7,524,526	\$ 6,649,657
General obligation bonds	3,000,000	3,000,000
Capital projects fund	20,168,554	16,031,766
Special revenues funds	2,638,037	2,638,037
Donations	<u>3,503,065</u>	<u>3,503,065</u>
	 <u>\$ 36,834,182</u>	 <u>\$ 31,822,525</u>

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

SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY

June 30, 2003

	Total	Land and Improvements	Buildings	Furniture and Fixtures	Machinery and Equipment	Vehicles	Infrastructure
Other	\$ 614,107	\$ 614,107	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous and real estate	2,537,842	1,807,311	730,531	-	-	-	-
General government	6,702,688	236,427	4,613,207	44,100	1,545,436	86,250	177,268
Police department	2,923,041	25,244	1,409,344	43,848	570,415	854,190	20,000
Fire department	2,244,785	-	693,281	-	680,176	871,328	-
Animal control	11,026	-	-	-	-	11,026	-
Community service	5,654	-	-	-	-	5,654	-
Mediation center	8,500	-	-	-	8,500	-	-
Lights, meters and traffic control	32,815	-	-	-	4,885	-	-
Engineering and supervision	84,905	-	-	2,418	-	45,691	27,930
Parks and cemeteries	1,786,392	609,070	71,890	-	157,584	346,748	36,796
Streets	6,279,960	397,858	858	3,009	425,729	462,888	601,100
Recreation	3,624,741	1,128,665	135,054	-	(1)	-	4,989,620
Airport	4,367,277	76,237	487,752	-	55,544	-	2,361,023
West Georgia Medical	479,480	-	-	-	-	-	3,747,744
Community and economic development	2,559,028	-	2,361,864	21,135	24,310	69,857	479,480
School system	250,000	-	250,000	-	-	-	81,860
Garage	2,124,333	-	1,993,319	-	68,737	62,277	-
Trash and refuse	197,608	-	-	-	12,899	184,709	-
Total	\$ 36,834,182	\$ 4,894,919	\$ 12,747,100	\$ 114,510	\$ 3,554,214	\$ 3,000,618	\$ 12,522,821

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

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY

Year ended June 30, 2003

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Miscellaneous and real estate	\$ 2,537,842	\$ -	\$ -	\$ 2,537,842
Other	614,107	-	-	614,107
General government	4,223,536	2,479,152	-	6,702,688
Police department	2,736,615	186,426	-	2,923,041
Fire department	1,973,709	271,076	-	2,244,785
Animal control	11,026	-	-	11,026
Community service	5,654	-	-	5,654
Mediation center	8,500	-	-	8,500
Lights, meters and traffic control	32,815	-	-	32,815
Engineering and supervision	84,905	-	-	84,905
Parks and cemeteries	1,719,250	67,142	-	1,786,392
Streets	4,287,724	1,992,236	-	6,279,960
Recreation	3,624,741	-	-	3,624,741
Airport	4,367,277	-	-	4,367,277
West Georgia Medical	479,480	-	-	479,480
Community and economic development	2,553,346	5,682	-	2,559,028
School system	250,000	-	-	250,000
Garage	2,114,390	9,943	-	2,124,333
Trash and refuse	197,608	-	-	197,608
	<u>\$ 31,822,525</u>	<u>\$ 5,011,657</u>	<u>\$ -</u>	<u>\$ 36,834,182</u>

STATISTICAL SECTION

*La*GRANGE

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

Fiscal Year Ending June 30,	Culture and Recreation									Total
	General Government	Public Safety	Public Services	Recreation	Education	Community Development	Capital Outlays	Debt Service		
1994	\$ 1,034,668	\$ 5,928,482	\$ 2,513,548	\$ 645,791	\$ 7,323,591	\$ 745,981	\$ 440,323	\$ 979,280	\$ 19,611,664	
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	

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

N/A Information not available

Source: Audited financial statements

City of LaGrange, Georgia

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
1994	\$ 11,416,150	\$ 161,900	\$ 248,431	\$ 17,250	\$ 155,884	\$ 195,912	\$ 12,195,527
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

(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
1994	1993	\$ 5,241,090	\$ 5,267,665	100.5	\$ 15,130	\$ 5,282,795	100.8	\$ -	N/A
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

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>
1994	\$ 525,595,686	\$ 1,313,989,215	40
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	40.0

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
1994	0.50	27.65	28.15	3.50	31.65
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

- (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.

Note: Tax rate per \$1,000 of assessed valuation.
Source: Troup County Tax Commissioner

City of LaGrange, Georgia

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2003

Approximate assessed valuation	<u>\$ 811,539,417</u>
Debt limit: 10% of assessed value ⁽¹⁾	\$ 81,153,942
Amount of debt applicable to debt limit	<u>8,600,962</u>
Legal debt margin	<u>\$ 72,552,980</u>

(1) State of Georgia constitutional limit.
Source: Troup County Tax Assessor

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

**LAST TEN FISCAL YEARS
(Unaudited)**

Year	Population⁽¹⁾	Assessed Value⁽²⁾	Net Bonded Debt⁽³⁾	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1994	27,032	\$ 525,595,686	\$ 3,322,470	0.006	139
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	-	-	-

Source:

(1) 1990 & 2000 U.S. Census: years through 1993 Troup County Planning Commission; 1994 State of Georgia Office of Planning and budget; 1995 - 1999 & 2001 - 2003 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)**

Fiscal Year	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Governmental Expenditures⁽¹⁾	Ratio of Debt Service to General Expenditures
1994	\$ 215,000	\$ 41,771	\$ 256,771	\$ 19,611,644	1.3
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

(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, 2003
(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

City of LaGrange, Georgia

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	
1994	\$ 10,433,570	\$ 5,199,415	\$ 5,234,155	\$ 1,515,000	\$ 1,049,042	\$ 2,564,042	2.04
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	6,056,088	5,893,603	3,065,000	1,296,416	4,361,416	1.35

(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⁽²⁾</u>	<u>Unemployment Rate⁽³⁾</u>
1994	27,032	\$ 14,997	32.9	4,582	7.7%
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%

Source: (1) 1990 & 2000 U.S. Census: years 1991 through 1993 Troup County Planning Commission; 1994 State of Georgia Office of Planning and budget; 1995 - 1999 & 2001 - 2003 LaGrange Planning Office
 (2) LaGrange Board of Education through 1993; thereafter, Troup County Board of Education
 (3) 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		
	Industrial and Commercial ⁽⁴⁾	Residential	Construction(2)		Number of Units	Construction(2)		Commercial Bank Deposits(3) (In Thousands)
			Number of Units	Value		Number of Units	Value	
1994	\$ 190,259,100	\$ 422,670,758	241	\$ 8,152,278	15	\$ 7,715,505		467,622
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

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 is for calendar year 2002.

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

PRINCIPAL TAXPAYERS

June 30, 2003
(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	\$ 70,763,756	8.72%
Kimberly-Clark Corp.	Non-woven fabric	34,289,944	4.23%
Wal-Mart	Distribution Center	34,762,890	4.28%
Duracell	Batteries	27,774,725	3.42%
Mobile Chemical Co.	Chemicals	21,172,968	2.61%
T Mobil	Cell Phone repair	17,369,313	2.14%
West Point Stevens	Textiles	15,411,005	1.90%
Guardian Automotive	Automotive Plastics	12,900,470	1.59%
Federal Mogul	Engine Components	11,434,015	1.41%
Interface Flooring	Textiles	9,402,376	1.16%
All other taxpayers		<u>556,257,955</u>	<u>68.54%</u>
		<u>\$ 811,539,417</u>	<u>100%</u>

Note: These are assessed value for calendar year 2003

Source: Troup County Tax Assessor

City of LaGrange, Georgia

MISCELLANEOUS STATISTICAL INFORMATION

June 30, 2003
(Unaudited)

Date of incorporation	1828
Form of government	Council-Manager
City limits area	29.6 square miles
Population (2003 estimate)	26,777
Number of employees:	
Full time	398
Part time	<u>25</u>
Total employees	423
Electric customers, June 2003	12,260
Gas customers, June 2003	9,106
Water customers, June 2003	16,858
Sewer customers, June 2003	9,600
Utilities sales July 2002 - June 2003:	
Electric sales (megawatt hours)	526,193
Gas sales (1,000 cu. Ft.)	1,953,529
Water sales (1,000 gallons)	2,252,619
Garbage customers, June 2003	
Residential	8,833
Commercial/Industrial	2,036

