

CITY OF LAGRANGE, GEORGIA

Comprehensive Annual Financial Report Year ended June 30, 2005



CITY OF LAGRANGE, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2005

Prepared by:
DEPARTMENT OF FINANCE

CITY OF LAGRANGE, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2005

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NOTICE

Certain pages of this report have been left blank intentionally.
These pages are identified as shown on this page.



INTRODUCTORY SECTION

*La*GRANGE *georgia*

S M A R T M O V E ®



December 1, 2005

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

The comprehensive annual report of the City of LaGrange, Georgia (the City), for the fiscal year ended June 30, 2005 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including the schedule of federal financial assistance and the auditor's reports on the internal control structure and compliance with applicable laws and regulations appear in the Single Audit section of this report. For the year ended June 30, 2005, expenditures of federal funds exceeded the \$500,000 threshold; therefore, a single audit section is included in this report.

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

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

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

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

ECONOMIC CONDITION AND OUTLOOK

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

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

The 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.

Generally, the City had a successful year in 2005 and accomplished much. While a declining manufacturing economy did present some challenges in 2005, indications are very positive for growth looking forward. While the size and scope of this growth is yet to be determined, it appears likely that LaGrange will see significant change in the coming year.

FISCAL YEAR 2004-2005 HIGHLIGHTS

The following is a list of activities, initiatives and accomplishments of the City of LaGrange over the past year. This list is not meant to be exhaustive or presented in any particular order of importance, but is designed to highlight the more important activities of the City during the past year.

Financial Condition

The City's financial condition can best be described as stable. Utility revenue dipped as a result of several industrial plant closings and cash balances are down slightly due to several ongoing major capital projects. On balance, however, the City's financial condition is healthy and we continue to offer outstanding services while having very competitive utility rates and no property taxes.

Downtown Projects

The City is completing work on a pedestrian walkway from Main Street to a newly-constructed parking lot behind the Main Street stores. A multi-level parking deck will soon be under contract for completion in the summer of 2006, and will be adjacent to the new surface parking. This will add over 300 spaces for downtown parking and will support the new ten-screen cinema currently under contract and also scheduled for completion late next summer. One of the commitments the City made in conjunction with the location of the theater project was to have a downtown police precinct staffed in the evenings while the theater is open. The Downtown Development Authority has agreed to pay one-half of the cost of this additional officer.

Other work completed this year includes the Downtown Streetscape Beautification Project, the city-wide cast iron gas line replacement project, replacement of all new water services in the downtown area, and, with the assistance of the State Department of Transportation, replacement of all existing traffic signals in LaGrange. In total, when the deck and theater are constructed, there will have been over \$20 million in investment in downtown infrastructure and facilities over the last three years.

Landfill Gas Project

The City completed installation of all equipment and gas lines to serve Milliken and Interface with methane gas produced from the City sanitary landfill. With natural gas prices being at historic highs, the economics of the project are better than initially thought. City estimates were between \$350,000 and \$400,000 per year for sales of methane gas as an alternate to natural gas for City industries. However, at the current price of natural gas, the City will more than double those sales. The project has been very successful and is garnering interest internationally. It will be highlighted this summer at a conference on sustainable best practices in local government held in LaGrange for an affiliate of the United Nations, and the City expects representatives from local governments from around the world to come learn about this project.

Major Developments

This past year work has begun on four major developments incorporating over 7,000 housing units and over 1.2 million square feet in retail stores. Work will begin on all four of these projects in the coming year. Because of the design and location of the four projects, the City is establishing a sewer service district in order to recover capital costs for constructing a main gravity-flow line placed to serve all four developments. This is the first major sewer construction work done in LaGrange in several years and it is important that the system be designed correctly and with adequate capacity to serve the City's long term needs. In the coming years, the City anticipates spending significant monies upgrading the collection system of its sewer lines. The outstanding bonds on the City water and sewer systems expire in 2011, which will provide approximately \$4 million per year in funds which would be available for improving infrastructure.

Industrial Development Authority

The Authority had a very successful year in 2005. The ae Group chose LaGrange as location for its American factory and will ultimately employ up to 300 people. Additionally, Caterpillar, Kaydon Corporation and Emerson have announced planned expansions.

The Authority is also acquiring property for construction of an office park in southeast LaGrange. The office park property should be acquired by the end of 2005 and has issued bonds sufficient to cover both the land acquisition costs and the park infrastructure development.

Department of Public Safety

This year the City established a Department of Public Safety under the leadership of the current police chief. In the coming year, the City will begin construction of some fire department station relocations.

Police Accreditation

LaGrange has been re-accredited by the Commission for Accreditation for Law Enforcement Agencies this past year. The police department received very favorable comments from the assessment team, which designated LaGrange as a “flagship agency” upholding the highest standards of professional law enforcement policies and operations. LaGrange is only one of a handful of agencies throughout the country to receive such a prestigious designation.

Electric Sales

With the recent purchase of LaGrange’s interest in the combined cycle electric generation turbine, the City has the capacity to sell excess electricity into the energy market. When the cost to produce energy is less than its market price, the units are run and the excess power generated is sold into the wholesale electric market through The Energy Authority. Over the last 12 months, the City’s off-system sales have been in excess of \$2 million.

Health and Safety Plan

As part of a community-wide initiative involving the City, Troup County, West Georgia Health Systems, West Georgia Tech, and LaGrange College, a safety initiative was begun. Under local leadership, these agencies are working toward developing world-class safety programs. LaGrange’s initiatives have broadened in scope to include a complete wellness program in an effort to bring healthcare costs under control. In addition to reducing workers’ compensation costs, the City has also made changes to its healthcare plan to encourage healthy lifestyles in proactively addressing healthcare costs. While it is too early to determine the effectiveness of the program, it is anticipated that the trend in healthcare costs will not rise as rapidly as in past years and should result in reduced absenteeism and higher productivity. This initiative has the potential to be another best practices model for communities and organizations everywhere.

DASH

DASH, Inc. (Dependable, Affordable, Sustainable Housing) continues to be an effective agency in community revitalization and has received statewide honors. The City of LaGrange has conveyed its rental houses to DASH in exchange for a reduced operating subsidy and has worked with them to get the Harmony House battered women’s shelter operational.

Troup County Information Technology Contract

LaGrange’s telecommunications initiative continues to be its fastest growing enterprise. During the past year the City has continued to add customers and margins remain high. The past year we also secured the IT business for Troup County at its new Government Services Center and other locations. The contract is valued at approximately \$250,000 per year and is beneficial for both LaGrange and Troup County, as their ability to manage information is greatly enhanced.

Community Information/Marketing

LaGrange is re-doing its public access television station and website and early in 2006 will be providing the community with a newsletter in an effort to better inform our citizens about City events. We have already started two new television shows that will air on a weekly basis and have commissioned a redesign of the City website.

West Point Lake Issues

The Middle Chattahoochee Water Coalition was recently formed as a formal group to plan the use of the Chattahoochee River/West Point Lake, and the City's representative for lake issues has been elected its first president. Preliminary data analysis has been completed; however, more work needs to be done. The group is being assisted by Kennesaw State, North Georgia College Valdosta State and Columbus State. Another city consultant has been appointed as a liaison to the Corps of Engineers on these lake/river issues.

Transportation Projects

The City has completed the first phase of the north bypass road, and the second phase, which will connect the northwest and north areas of LaGrange, has been designed and waiting for a funding commitment from the State Department of Transportation (DOT). Over the coming years, it is anticipated that the community will be asked to support a Special Purpose Local Option Sales Tax (SPLOST) to fund the local share of several transportation projects. This SPLOST funding is critical since many of the planned residential and commercial projects are currently on undeveloped land. This presents the City with a unique opportunity to affordably address transportation needs before property is developed.

Also, the contract for the Jefferson Street bridge project has been awarded by DOT and construction is expected to begin in the spring of 2006.

MAJOR INITIATIVES

The final budget for the year ending June 30, 2006 adopted by the Mayor and City Council shows estimated expenses of \$91,381,900.

The City's projected combined funds balance for fiscal year 05-06 is projected remain at the prior level with a slight increase of just over \$100,000. The cash balance does not include approximately \$6.2 million set aside for an ongoing gas system replacement project and future utility relocation and improvement projects. Further, the City has set aside almost \$3.0 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.

FINANCIAL INFORMATION

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

Single Audit

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

Budgeting Controls

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

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management. The following schedule presents a summary of the governmental funds revenues for the fiscal year ended June 30, 2005 and the amount and percentage of increases and decreases in relation to the prior year's revenue.

Revenues	Amount	% of Total	Increase (Decrease) from 2004	Percent of Increase (Decrease)
Taxes, Licenses and Permits	7,804,356	58.81	117,213	1.52
Intergovernmental	2,288,485	17.24	2,111,786	1195.13
Charges for services	267,242	2.01	16,022	6.38
Fines	1,272,171	9.59	255,898	25.18
Investment Income	266,186	2.01	47,032	21.46
Miscellaneous	1,372,690	10.34	(272,524)	(16.56)
TOTAL	13,271,130	100.00	2,265,427	20.58

Overall, General Fund revenues increased by \$2,265,427, or 20.58%. Intergovernmental revenues increased substantially due to an increase in grant revenue received in 2005. Miscellaneous income decreased by about 20% and charges for services increased slightly. Taxes, licenses and permits remained virtually unchanged from last year as retail sales leveled off. Fines increased substantially by over 25% and investment income was up over 21%, due to higher interest rates.

The following schedule presents a summary of governmental funds expenditures for fiscal year ended June 30, 2005, and the percentage of increases and decreases in relation to the prior year amounts.

Expenditures	Amount	% of Total	Increase (Decrease) from 2004	Percent of Increase (Decrease)
General Government	1,692,111	7.33	201,358	13.51
Public Safety	10,614,052	45.98	389,033	3.80
Public Services	3,763,165	16.30	1,861,031	97.84
Culture and Recreation	755,436	3.27	(64,405)	(7.86)
Community Development	1,765,461	7.65	231,772	15.11
Capital Outlay	3,250,998	14.08	1,549,345	91.05
Debt Service	1,243,970	5.39	(5,152)	(0.41)
TOTAL	23,085,193	100.00	4,162,982	22.00

General Government expenses increased about 200,000 due the addition of the City's government access television station operation. Public Services and Capital Outlay categories increased substantially as a result of an increase in major capital projects. Other categories remained substantially unchanged.

Enterprise Fund

Total Proprietary Funds operating revenues (electric, gas, water, sewer, telecommunications and sanitation) increased by just under \$2.8 million. Gas system revenues increased in total just over \$1.5 million, due primarily to increases in rates. Electric sales increased about \$1.0 million, again due primarily to increased rates. Water and sewer revenues decreased about \$120,000 and Telecommunications revenues increased by slightly over \$500,000 as a result of a growing and profitable business. Sanitation revenues increased about \$540,000, again due a growing business and increased customer base.

Total Proprietary Funds operating expenses increased by just over \$5,500,000 and, as a result, operating income decreased by just over \$2.7 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, 2005, the general long-term debt balance was \$7,581,485, consisting of \$3,445,000 in loans, which were issued to finance the construction of a facility to be leased to the State of Georgia and \$4,136,485 in capital leases. Enterprise Fund debt included \$31,420,000 in water and sewer bonds and \$7,705,000 in solid waste bonds. Outstanding debt in the Enterprise Fund also included capital leases of \$2,235,762 and notes payable of \$2,553,090 in the form of loans from the State of Georgia Environmental Facilities Authority for water and sewer improvements and sanitation improvements.

Cash Management

Cash temporarily idle during the year was invested in certificates of deposit, interest bearing checking accounts, money market accounts, the Georgia Fund local government investment pool and the Municipal Electric Authority of Georgia Trust. Interest rates varied from 2.03% and 3.36%.

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

Risk Management

The City is "self-insured" in the area of group health and dental, liability, property and workers' compensation, meaning that the City assumes some increased liability for insurance losses but is protected from catastrophic losses and aggregate losses through the purchase of excess insurance coverage. Savings since the program's inception exceed \$3.5 million when compared with a similar conventional insurance program.

OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of LaGrange for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the seventeenth year the City has received this award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principals and applicable legal requirements.

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

Acknowledgments

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

Respectfully submitted,



Thomas H. Hall
City Manager



John W. Bell
Clerk-Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of LaGrange,
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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

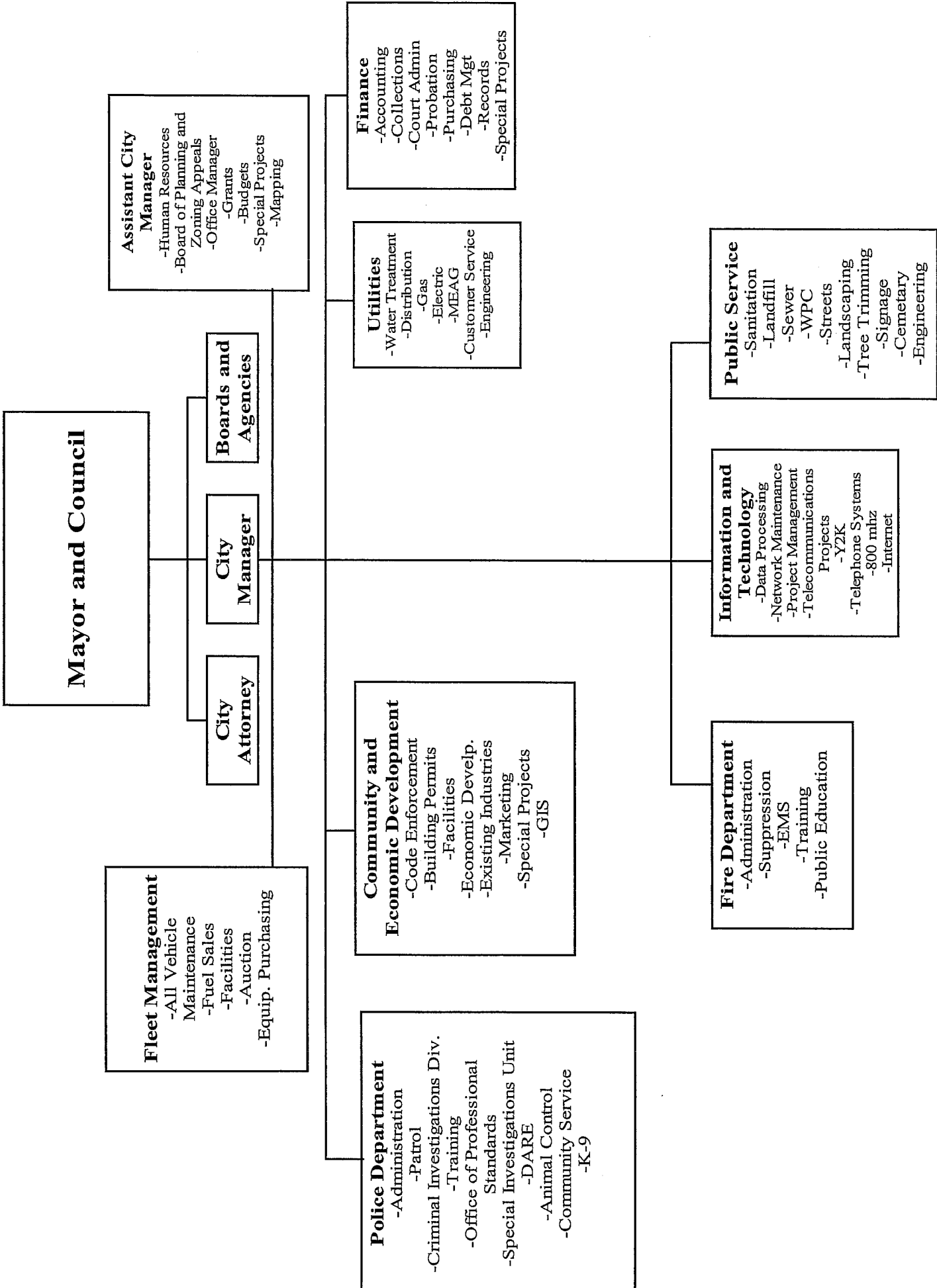
City of LaGrange, Georgia
LIST OF PRINCIPAL OFFICIALS
June 30, 2005

ELECTED OFFICIALS

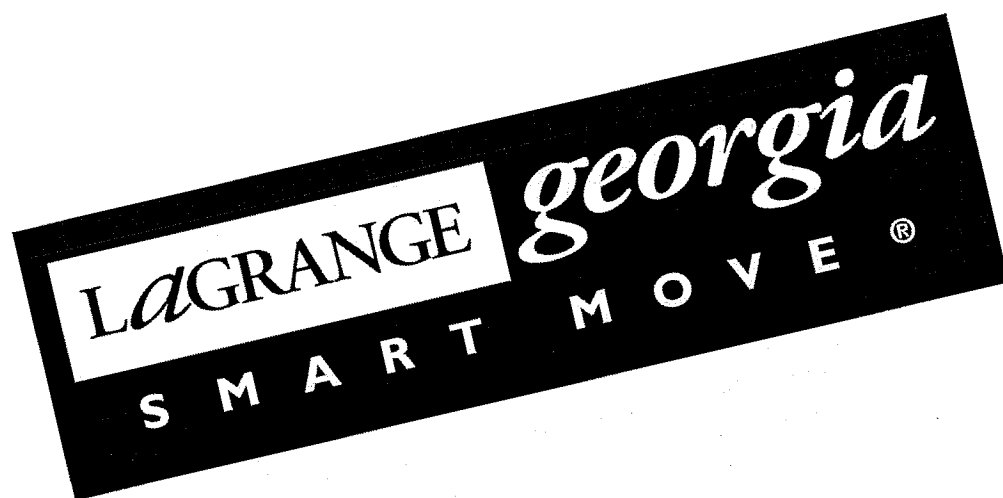
W. Jeff Lukken	Mayor
Frank Cox	Council Member
Willie T. Edmondson	Council Member
Tom Gore	Council Member
George R. Moore	Council Member
Bobby A. Traylor	Council Member
Nick Woodson	Council Member

OTHER OFFICIALS

Thomas H. Hall	City Manager
Meg Kelsey	Assistant City Manager
John W. Bell	Clerk-Treasurer
Jeffrey M. Todd	City Attorney
Alton West	Director of Community Development
David E. Brown	Director of Public Services
Patrick C. Bowie, Jr.	Director of Public Utilities
Louis M. Dekmar	Chief of Police
Chris A. Smith	Fire Chief
Alan Slaughenhaupt	Director of Information and Technology



FINANCIAL SECTION





Abbott, Jordan & Koon, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LaGrange, Georgia, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

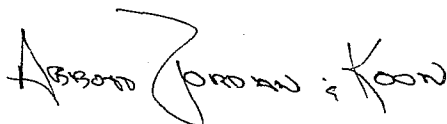
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LaGrange, Georgia, as of June 30, 2005, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis, budgetary comparison information and pension information on pages 3 to 8 and pages 39 to 41 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.

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, 2004 and we expressed an unqualified opinion on those financial statements. The accompanying supplemental information, such as introductory section, combining and individual nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are 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 November 18, 2005 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of reporting or on compliance. That report is an integral part of an audit conducted in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Manchester, Georgia
November 18, 2005

Management's Discussion and Analysis

As management of the City of LaGrange (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. 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 – ix of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of 2005 by \$121,002,583. Of this amount, \$21,227,003 may be used to meet the City's ongoing obligations.
- The City's total net assets increased by \$2,982,203.
- As of the close of 2005, the City's governmental funds reported combined ending fund balances of \$8,264,111, a decrease of \$2,344,442 from the prior year. The decrease was mostly due to increases in capital outlays.
- At the end of 2005, the fund balance for the general fund was \$1,771,887, or 10.4 percent of general fund expenditures.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

Fund financial statements

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

Governmental funds

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

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

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

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

Proprietary funds

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund statements provide separate information for the Utility operation, Solid Waste operation, and aggregate Internal Service Fund

Activity. Individual fund data for the Internal Service Funds is provided in the form of combining statements elsewhere in this report.

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 \$121,002,583 at the close of 2005.

A portion of the City's net assets (79 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 for the years ended June 30, 2004 and June 30, 2005, is as follows:

	Governmental Activities 2005	Governmental Activities 2004, Restated	Business-type Activities 2005	Business-type Activities 2004	Totals 2005	Totals 2004, Restated
Current and other assets	\$12,019,249	\$14,938,393	\$55,868,360	\$58,509,634	\$67,887,609	\$73,448,027
Capital assets	<u>28,536,508</u>	<u>27,411,504</u>	<u>114,978,357</u>	<u>111,294,077</u>	<u>143,514,865</u>	<u>138,705,581</u>
Total assets	<u>40,555,757</u>	<u>42,349,897</u>	<u>170,846,717</u>	<u>169,803,711</u>	<u>211,402,474</u>	<u>212,153,608</u>
Long-term liabilities	7,919,187	7,429,347	49,703,430	44,611,533	57,622,617	52,040,880
Other liabilities	<u>1,714,838</u>	<u>3,110,957</u>	<u>31,062,436</u>	<u>38,981,391</u>	<u>32,777,274</u>	<u>42,092,348</u>
Total liabilities	<u>9,634,025</u>	<u>10,540,304</u>	<u>80,765,866</u>	<u>83,592,924</u>	<u>90,399,891</u>	<u>94,133,228</u>
Net assets						
Invested in capital assets, net of related debt	20,955,023	19,160,513	74,485,060	62,436,197	95,440,083	81,596,710
Restricted	4,315,497	4,500,959	-	-	4,315,497	4,500,959
Unrestricted	<u>5,651,212</u>	<u>8,148,121</u>	<u>15,595,791</u>	<u>23,774,590</u>	<u>21,247,003</u>	<u>31,922,711</u>
Total net assets	<u>\$30,921,732</u>	<u>\$31,809,593</u>	<u>\$90,080,851</u>	<u>\$86,210,787</u>	<u>\$121,002,583</u>	<u>\$118,020,380</u>

A portion of the City's net assets (3.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net assets (\$21,227,003) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of 2005, the City is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental activities

Governmental activities decreased the City's net assets by \$887,861. Key elements of this decrease are illustrated in the comparative table below:

	Governmental Activities 2005	Governmental Activities 2004, Restated	Business-type Activities 2005	Business-type Activities 2004	Totals 2005	Totals 2004, Restated
Revenues						
Program revenues						
Charges for services	\$3,204,575	\$1,537,623	\$75,033,490	\$72,237,278	\$78,238,065	\$73,774,901
Grants & Contributions	2,235,351	53,833	1,402,765	-	3,638,116	53,833
General revenues						
Other taxes	7,565,018	7,427,013	-	-	7,565,018	7,427,013
Other	(414,536)	2,165,412	527,175	446,623	112,639	2,612,035
Total revenues	<u>12,590,408</u>	<u>11,183,881</u>	<u>76,963,430</u>	<u>72,683,901</u>	<u>89,553,838</u>	<u>83,867,782</u>
Expenses						
General government	1,867,233	1,842,762	-	-	1,867,233	1,842,762
Public safety	11,214,890	11,468,875	-	-	11,214,890	11,468,875
Public service	4,276,819	2,316,783	-	-	4,276,819	2,316,783
Culture and recreation	944,364	1,024,664	-	-	944,364	1,024,664
Community development	1,568,303	1,576,977	-	-	1,568,303	1,576,977
Redevelopment and housing	388,976	-	-	-	388,976	-
Telecommunications	121,601	-	-	-	121,601	-
Interest on long-term debt	423,878	372,771	-	-	423,878	372,771
Utilities	-	-	60,091,753	54,892,244	60,091,753	54,892,244
Solid waste	-	-	5,673,818	5,081,769	5,673,818	5,081,769
Total expenses	<u>20,806,064</u>	<u>18,602,832</u>	<u>65,765,571</u>	<u>59,974,013</u>	<u>86,571,635</u>	<u>78,576,845</u>
Increase in net assets						
before transfers	<u>(8,215,656)</u>	<u>(7,418,951)</u>	<u>11,197,859</u>	<u>12,709,888</u>	<u>2,982,203</u>	<u>5,290,937</u>
Transfers	<u>7,327,795</u>	<u>7,326,724</u>	<u>(7,327,795)</u>	<u>(7,326,724)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>(887,861)</u>	<u>(92,227)</u>	<u>3,870,064</u>	<u>5,383,164</u>	<u>2,982,203</u>	<u>5,290,937</u>
Net assets - beginning of year	<u>31,809,593</u>	<u>31,901,820</u>	<u>86,210,787</u>	<u>80,827,623</u>	<u>118,020,380</u>	<u>112,729,443</u>
Net assets - end of year	<u>\$30,921,732</u>	<u>\$31,809,593</u>	<u>\$90,080,851</u>	<u>\$86,210,787</u>	<u>\$121,002,583</u>	<u>\$118,020,380</u>

Business-type activities

Business-type activities increased the City's net assets by \$3,870,064. Key elements of the increase are as follows:

- Operating revenues increased by \$4,279,529 during 2005.
- Expenses increased by \$5,791,558 from 2004.

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 2005, unreserved fund balance of the general fund was \$1,565,837, while total fund balances reached \$1,771,887. 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 9.2 percent of the total general fund expenditures, while total fund balance represents 10.4 percent of that same amount. Transfers in from proprietary funds to supplement the general fund were \$7,255,540 for 2005, which represents 42.5 percent of total fund expenditures.

The fund balance of the General fund decreased by \$213,101 during 2005.

Other governmental funds have a total fund balance of \$6,492,224, of which \$1,225,630 is available for capital projects. The net decrease in the fund balance during the current year in capital projects was \$2,131,341. This decrease was primarily due to an increase in debt service of \$2,713,863, a decrease in the sale of assets of \$158,660.

Proprietary funds

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

Unrestricted net assets of the Utility Fund at the end of 2005 amounted to \$15,189,742, and those for the Solid Waste Fund amounted to \$406,049. The total change in net assets for each fund was \$2,750,183, and \$1,119,881, 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 significant differences between the original budget and the final budget. During the year, however, revenues were less than budgetary estimates and expenditures were less than budgetary estimates. The increase in transfers out increased the need to draw upon the fund balance to the extent shown in the budget statement.

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$95,440,083 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, vehicles and equipment, park and pool facilities, storm sewers, bridges, streets, gas lines, electric lines, and water and sewer lines.

City of LaGrange, Georgia

Capital Assets

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Totals	Totals
	2005	2004, Reclassified	2005	2004, Reclassified	2005	2004, Reclassified
Land	\$5,960,617	\$5,490,274	\$2,010,561	\$2,010,561	\$7,971,178	\$7,500,835
Buildings	9,128,789	9,958,134	26,421,835	26,140,990	35,550,624	36,099,124
Machinery and equipment	5,270,616	5,131,394	10,984,901	11,499,445	16,255,517	16,630,839
Vehicles	2,149,246	2,163,091	1,400,467	1,302,142	3,549,713	3,465,233
Transmission and distribution	-	-	116,499,061	113,537,850	116,499,061	113,537,850
Other	14,714,382	14,211,894	-	-	14,714,382	14,211,894
Construction in progress	<u>1,990,349</u>	<u>56,930</u>	<u>9,086,253</u>	<u>5,240,313</u>	<u>11,076,602</u>	<u>5,297,243</u>
Total	39,213,999	37,011,717	166,402,268	159,731,301	205,616,267	196,743,018
Less accumulated depreciation	<u>(10,677,491)</u>	<u>(9,600,213)</u>	<u>(51,423,911)</u>	<u>(48,437,225)</u>	<u>(62,101,402)</u>	<u>(58,037,437)</u>
Total net of accumulated depreciation	<u>\$28,536,508</u>	<u>\$27,411,504</u>	<u>\$114,978,357</u>	<u>\$111,294,076</u>	<u>\$143,514,865</u>	<u>\$138,705,581</u>

More detailed information can be found in the Notes to the Financial Statements, Note 4.

Long-term debt

At the end of 2005, the City had total bonded debt outstanding of \$39,125,000. Of this amount, none is debt backed by the full faith and credit of the City. All of the City's debt represents bonds secured solely by specific revenue sources (i.e., revenue bonds).

The City maintains an "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 \$85,166,194, which is significantly in excess of the City's outstanding general obligation bonds, which is zero.

More detailed information can be found in the Notes to the Financial Statements, Note 6.

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, 2005

	Primary Government		Total
	Governmental	Business-type	Reporting
	Activities	Activities	Entity
<u>Assets</u>			
Cash and cash equivalents	\$ 6,073,195	\$ 15,811,869	\$ 21,885,064
Investment	467,781	3,367,429	3,835,210
Receivables (net of allowance):			
Taxes	863,589		863,589
Accounts		7,820,262	7,820,262
Loans	3,835,883		3,835,883
Other	560,065	583,801	1,143,866
Inventory	206,050	1,698,797	1,904,847
Prepaid assets	52,143	138,440	190,583
Interfund activity	(597,644)	597,644	
Restricted cash	145,487	456,626	602,113
Restricted investments	412,700	25,172,093	25,584,793
Capital assets:			
Land and construction in progress	7,950,966	11,096,814	19,047,780
Other capital assets, net of accumulated depreciation	20,585,542	103,881,543	124,467,085
Other assets		221,399	221,399
Total assets	<u>40,555,757</u>	<u>170,846,717</u>	<u>211,402,474</u>
<u>Liabilities</u>			
Accounts and claims payable	1,565,437	4,479,554	6,044,991
Accrued liabilities	41,361	21,430	62,791
Customer deposits	22,911		22,911
Unearned revenue	85,129	25,172,093	25,257,222
Payable from restricted assets		5,569,359	5,569,359
Noncurrent liabilities:			
Due within one year	1,153,205	589,386	1,742,591
Due in more than one year	<u>6,765,982</u>	<u>44,934,044</u>	<u>51,700,026</u>
Total liabilities	<u>9,634,025</u>	<u>80,765,866</u>	<u>90,399,891</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	20,955,023	74,485,060	95,440,083
Restricted for:			
Redevelopment programs	3,810,657		3,810,657
Perpetual care	504,840		504,840
Unrestricted	<u>5,651,212</u>	<u>15,595,791</u>	<u>21,247,003</u>
Total net assets	<u>\$ 30,921,732</u>	<u>\$ 90,080,851</u>	<u>\$ 121,002,583</u>

See the accompanying notes to the financial statements.

CITY OF LAGRANGE, GEORGIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Primary Government			Primary Government		
	Expenses	Charges for Services, Fees, Fines and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary government:						
Governmental activities:						
General government	\$ 1,867,233	\$ 276,231	\$ 41,607		\$(1,549,395)	\$(1,549,395)
Public safety	11,214,890	1,569,711			(9,645,179)	(9,645,179)
Public service	4,276,819	239,338		\$ 2,097,397	(1,940,084)	(1,940,084)
Culture and recreation	944,364	83,363			(861,001)	(861,001)
Community development	1,568,303	973,879	96,347		(498,077)	(498,077)
Redevelopment and housing	388,976	62,053			(326,923)	(326,923)
Telecommunications	121,601				(121,601)	(121,601)
Interest on long-term debt	423,878				(423,878)	(423,878)
Total governmental activities	20,806,064	3,204,575	137,954	2,097,397	(15,366,138)	(15,366,138)
Business-type activities:						
Water and sewer	11,250,626	12,304,516			1,053,890	1,053,890
Gas system	17,004,842	18,701,940			1,697,098	1,697,098
Electric system	30,592,415	35,716,067			5,123,652	5,123,652
Sanitation	5,673,818	6,943,583			1,269,765	1,269,765
Telecommunications	1,243,870	1,367,384		1,402,765	1,526,279	1,526,279
Total business-type activities	65,765,571	75,033,490	0	1,402,765	10,670,684	10,670,684
Total primary government	\$ 86,571,635	\$ 78,238,065	\$ 137,954	\$ 3,500,162	(15,366,138)	(4,895,454)
General revenues:						
Taxes:						
Franchise tax					912,312	912,312
Insurance premium tax					1,210,250	1,210,250
Alcoholic beverage tax					656,983	656,983
Sales tax					4,012,504	4,012,504
Other					772,969	772,969
Gain (loss) on sale of assets					(680,722)	26,347
Investment earnings					266,186	500,828
Transfers					7,327,795	(7,327,795)
Total general revenues and transfers					14,478,277	(6,800,620)
						7,677,657
Change in net assets					(887,861)	3,870,064
Net assets at beginning of year, as restated					31,809,593	86,210,787
Net assets at end of year					\$ 30,921,732	\$ 90,080,851
						\$ 121,002,583

See the accompanying notes to the financial statements.

CITY OF LAGRANGE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	Major Governmental Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>	<u>General</u>		
Cash and cash equivalents	\$ 625,658	\$ 2,961,114	\$ 3,586,772
Investments		8	8
Receivables (net of allowance):			
Taxes	863,589		863,589
Notes		3,835,883	3,835,883
Intergovernmental		421,346	421,346
Other	3,384	24,999	28,383
Due from other funds			
Inventory	206,050		206,050
Prepaid items		52,143	52,143
Restricted cash and cash equivalents	120,607	24,880	145,487
Restricted investments	412,700		412,700
Total assets	<u>\$ 2,231,988</u>	<u>\$ 7,320,373</u>	<u>\$ 9,552,361</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 273,175	\$ 106,057	\$ 379,232
Accrued liabilities	39,824	1,537	41,361
Accrued vacation	61,973		61,973
Due to other funds		697,644	697,644
Customer deposits		22,911	22,911
Unearned revenue	85,129		85,129
Total liabilities	<u>460,101</u>	<u>828,149</u>	<u>1,288,250</u>
Fund Balances:			
Reserved for:			
Inventory	206,050		206,050
Prepaid items		52,143	52,143
Perpetual care			
Long-term receivables		3,810,657	3,810,657
Unreserved	1,565,837		1,565,837
Unreserved, reported in nonmajor:			
Capital projects		1,231,130	1,231,130
Special revenue		(364,578)	(364,578)
Debt service		1,762,872	1,762,872
Total fund balances	<u>1,771,887</u>	<u>6,492,224</u>	<u>8,264,111</u>
Total liabilities and fund balances	<u>\$ 2,231,988</u>	<u>\$ 7,320,373</u>	<u>\$ 9,552,361</u>

See the accompanying notes to the financial statements.

CITY OF LAGRANGE, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balance - all governmental funds	\$ 8,264,111
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,536,508
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Balances at June 30, 2005 are:

Compensated absences	\$(275,729)	
Notes payable	(3,445,000)	
Capital leases	(<u>4,136,485</u>)	(7,857,214)

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>1,978,327</u>
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Net assets of governmental activities	<u><u>\$ 30,921,732</u></u>
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See the accompanying notes to the financial statements.

CITY OF LAGRANGE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	Major Governmental Funds	Non-Major Governmental Funds	Total Governmental Funds
	General		
Revenues:			
Taxes:			
Sales	\$ 4,012,504		\$ 4,012,504
Franchise	912,312		912,312
Insurance premium	1,210,250		1,210,250
Alcoholic beverage	656,983		656,983
Other	772,969		772,969
Licenses and permits	239,338		239,338
Intergovernmental	94,741	\$ 2,193,744	2,288,485
Charges for services	267,242		267,242
Fines, forfeitures, and penalties	1,272,171		1,272,171
Investment income	59,243	206,943	266,186
Miscellaneous	398,811	973,879	1,372,690
Total revenues	<u>9,896,564</u>	<u>3,374,566</u>	<u>13,271,130</u>
Expenditures:			
Current:			
General government	1,465,959	109,438	1,575,397
Public safety	10,614,052		10,614,052
Public service	2,319,593	1,443,572	3,763,165
Culture and recreation	755,436		755,436
Community development	1,274,598	101,887	1,376,485
Redevelopment and housing		388,976	388,976
Telecommunications and technology	116,714		116,714
Debt service:			
Principal retirements		820,092	820,092
Interest		423,878	423,878
Capital outlay:			
General government	147,794	7,620	155,414
Public safety	64,336		64,336
Public service	319,853	2,236,616	2,556,469
Community development		474,779	474,779
Total expenditures	<u>17,078,335</u>	<u>6,006,858</u>	<u>23,085,193</u>
Excess of revenues over (under) expenditures	(7,181,771)	(2,632,292)	(9,814,063)
Other financing sources (uses):			
Proceeds from capital lease	150,586		150,586
Proceeds from sale of asset	20,183		20,183
Transfers in	7,255,540	1,378,393	8,633,933
Transfers out	(457,639)	(877,442)	(1,335,081)
Total other financing sources (uses)	<u>6,968,670</u>	<u>500,951</u>	<u>7,469,621</u>
Net change in fund balances	(213,101)	(2,131,341)	(2,344,442)
Fund balance, beginning of year, as restated	<u>1,984,988</u>	<u>8,623,565</u>	<u>10,608,553</u>
Fund balance, end of year	<u>\$ 1,771,887</u>	<u>\$ 6,492,224</u>	<u>\$ 8,264,111</u>

See the accompanying notes to the financial statements.

CITY OF LAGRANGE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - All governmental funds \$(2,344,442)

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	3,250,998
Depreciation	(1,425,089)

Governmental funds do not recognize the net gain or loss from disposed capital assets. The gain or loss is recognized in the Statement of Activities.	(700,905)
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

30,737

Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increase 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	820,092
Proceeds from capital leases	(150,586)

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

(368,666)

Change in net assets of governmental activities	<u><u>\$(887,861)</u></u>
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See the accompanying notes to the financial statements.

CITY OF LAGRANGE, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

	Business-type Activities Major Enterprise Funds			Internal Service Funds Governmental Activities
	Utility Fund	Sanitation Fund	Total	
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 10,471,330	\$ 5,340,539	\$ 15,811,869	\$ 2,486,423
Investments	3,367,429		3,367,429	467,773
Receivables:				
Accounts	7,744,903	75,359	7,820,262	
Other	583,801		583,801	110,336
Due from other funds	597,644		597,644	100,000
Prepays	138,440		138,440	
Inventory	1,696,769	2,028	1,698,797	
Restricted assets:				
Restricted investments	25,172,093		25,172,093	
Restricted deposits	456,626		456,626	
Total current assets	<u>50,229,035</u>	<u>5,417,926</u>	<u>55,646,961</u>	<u>3,164,532</u>
Noncurrent assets:				
Capital assets, not being depreciated	9,659,081	1,437,733	11,096,814	
Capital assets, being depreciated	91,637,915	12,243,628	103,881,543	
Other assets	221,399		221,399	
Total noncurrent assets	<u>101,518,395</u>	<u>13,681,361</u>	<u>115,199,756</u>	<u>0</u>
Total assets	<u>151,747,430</u>	<u>19,099,287</u>	<u>170,846,717</u>	<u>3,164,532</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	4,414,185	65,369	4,479,554	61,205
Accrued liabilities	17,161	4,269	21,430	
Unearned revenue	25,172,093		25,172,093	
Claims payable				1,125,000
Notes payable, current	74,566	41,159	115,725	
Capital leases, current	168,966	135,062	304,028	
Liabilities payable from restricted assets:				
Customer deposits	1,208,481	1,780	1,210,261	
Accrued interest	158,315	20,783	179,098	
Revenue bonds, current	3,635,000	545,000	4,180,000	
Total current liabilities	<u>34,848,767</u>	<u>813,422</u>	<u>35,662,189</u>	<u>1,186,205</u>
Noncurrent liabilities:				
Accrued compensated absences	135,747	39,440	175,187	
Revenue bonds, long-term	30,921,617	4,736,755	35,658,372	
Notes payable, long-term	1,522,588	914,777	2,437,365	
Capital leases, long-term	1,011,323	920,411	1,931,734	
Landfill postclosure liability		4,901,019	4,901,019	
Total noncurrent liabilities	<u>33,591,275</u>	<u>11,512,402</u>	<u>45,103,677</u>	<u>0</u>
Total liabilities	<u>68,440,042</u>	<u>12,325,824</u>	<u>80,765,866</u>	<u>1,186,205</u>
<u>Net assets</u>				
Invested in capital assets, net of debt	68,117,646	6,367,414	74,485,060	
Unrestricted	15,189,742	406,049	15,595,791	1,978,327
Total net assets	<u>\$ 83,307,388</u>	<u>\$ 6,773,463</u>	<u>\$ 90,080,851</u>	<u>\$ 1,978,327</u>

See the accompanying notes to the financial statements.

CITY OF LAGRANGE, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	Business-type Activities Major Enterprise Funds			Internal Service Funds Governmental Activities
	Utility Fund	Sanitation Fund	Total	
Operating revenues:				
Water and sewer system	\$ 12,263,660		\$ 12,263,660	
Gas system	18,693,896		18,693,896	
Electric system	35,625,529		35,625,529	
Sanitation		\$ 6,826,436	6,826,436	
Premiums				\$ 4,980,526
Telecommunications	1,367,384		1,367,384	
Other sales	136,815	117,147	253,962	
Total operating revenues	<u>68,087,284</u>	<u>6,943,583</u>	<u>75,030,867</u>	<u>4,980,526</u>
Operating expenses:				
Water and sewer system	6,770,892		6,770,892	
Gas system	16,166,247		16,166,247	
Electric system	29,669,161		29,669,161	
Sanitation		4,785,739	4,785,739	
Telecommunications	874,956		874,956	
Administrative services	1,850,853		1,850,853	148,930
Depreciation and amortization	3,265,188	570,877	3,836,065	
Risk management				5,303,599
Total operating expenses	<u>58,597,297</u>	<u>5,356,616</u>	<u>63,953,913</u>	<u>5,452,529</u>
Operating income (loss)	<u>9,489,987</u>	<u>1,586,967</u>	<u>11,076,954</u>	<u>(472,003)</u>
Nonoperating revenues (expenses):				
Grant revenues	1,402,765		1,402,765	
Investment income	397,805	103,023	500,828	74,394
Gain (loss) on sale of assets	454,820	(428,473)	26,347	
Interest expense	(1,491,833)	(317,202)	(1,809,035)	
Other expense				
Total nonoperating revenues (expenses)	<u>763,557</u>	<u>(642,652)</u>	<u>120,905</u>	<u>74,394</u>
Net income (loss) before transfers	<u>10,253,544</u>	<u>944,315</u>	<u>11,197,859</u>	<u>(397,609)</u>
Transfers in	726,654	299,429	1,026,083	28,943
Transfers out	(8,230,015)	(123,863)	(8,353,878)	
Total transfers	<u>(7,503,361)</u>	<u>175,566</u>	<u>(7,327,795)</u>	<u>28,943</u>
Change in net assets	2,750,183	1,119,881	3,870,064	(368,666)
Net assets, beginning of year	<u>80,557,205</u>	<u>5,653,582</u>	<u>86,210,787</u>	<u>2,346,993</u>
Net assets, end of year	<u>\$ 83,307,388</u>	<u>\$ 6,773,463</u>	<u>\$ 90,080,851</u>	<u>\$ 1,978,327</u>

See the accompanying notes to the financial statements.

CITY OF LAGRANGE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	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	\$ 67,934,407	\$ 6,928,371	\$ 74,862,778	\$ 4,888,147
Cash paid to employees	(3,991,374)	(929,850)	(4,921,224)	
Cash paid to suppliers	(50,428,421)	(3,298,276)	(53,726,697)	(5,391,324)
Net cash provided (used) by operating activities	<u>13,514,612</u>	<u>2,700,245</u>	<u>16,214,857</u>	<u>(503,177)</u>
Cash flow from noncapital financing activities:				
Transfers in	726,654	299,429	1,026,083	28,943
Transfers out	(8,230,015)	(123,863)	(8,353,878)	
Grant income	<u>1,402,765</u>		<u>1,402,765</u>	
Net cash provided (used) in noncapital financing activities	<u>(6,100,596)</u>	<u>175,566</u>	<u>(5,925,030)</u>	<u>28,943</u>
Cash flows from capital and related financing activities:				
Principal payments on revenue bonds	(3,640,071)	(515,965)	(4,156,036)	
Gain (loss) on sale of assets	719,281	(1,210)	718,071	
Acquisition of capital assets	(8,043,732)		(8,043,732)	
Capital lease payments	(169,844)	(298,077)	(467,921)	
Payments on notes payable	(71,486)	(40,213)	(111,699)	
Interest expense	(1,333,518)	(296,419)	(1,629,937)	
Net cash provided (used) in capital financing activities	<u>(12,539,370)</u>	<u>(1,151,884)</u>	<u>(13,691,254)</u>	<u>0</u>
Cash flows from investing activities:				
Proceeds from maturities of investments				540,107
Purchase of investments	(2,247,228)		(2,247,228)	
Interest income	<u>397,805</u>	<u>103,023</u>	<u>500,828</u>	<u>74,394</u>
Net cash provided (used) in investing activities	<u>(1,849,423)</u>	<u>103,023</u>	<u>(1,746,400)</u>	<u>614,501</u>
Net increase (decrease) in cash	(6,974,777)	1,826,950	(5,147,827)	140,267
Cash, beginning of year, as restated	<u>17,902,733</u>	<u>3,513,589</u>	<u>21,416,322</u>	<u>2,346,156</u>
Cash, end of year	<u>\$ 10,927,956</u>	<u>\$ 5,340,539</u>	<u>\$ 16,268,495</u>	<u>\$ 2,486,423</u>

See the accompanying notes to the financial statements.

CITY OF LAGRANGE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
Year Ended June 30, 2005

	Business-Type Activities Major Enterprise Fund			Internal Service Funds
	Utility Fund	Sanitation Fund	Total	Governmental Activities
Report on the balance sheet as:				
Cash and cash equivalents	\$ 10,471,330	\$ 5,340,539	\$ 15,811,869	\$ 2,596,759
Restricted cash	<u>456,626</u>		<u>456,626</u>	
Total	<u>\$ 10,927,956</u>	<u>\$ 5,340,539</u>	<u>\$ 16,268,495</u>	<u>\$ 2,596,759</u>
Cash flows from operating activities:				
Operating income (loss)	\$ 9,489,987	\$ 1,586,967	\$ 11,076,954	\$ (472,003)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	3,265,188	570,877	3,836,065	
Changes in operating assets and liabilities:				
Accounts receivable	(46,476)	(75,359)	(121,835)	
Inventory	(37,385)	5,226	(32,159)	
Prepays	(138,440)		(138,440)	
Accounts payable	660,098	49,226	709,324	61,205
Accrued vacation	135,747	39,440	175,187	
Due from other fund	(190,149)	54,921	(135,228)	(92,379)
Unearned revenue	573,859		573,859	
Other accrued expenses	(281,565)	468,886	187,321	
Customer deposits	<u>83,748</u>	<u>61</u>	<u>83,809</u>	
Net cash provided by (used in) operating activities	<u>\$ 13,514,612</u>	<u>\$ 2,700,245</u>	<u>\$ 16,214,857</u>	<u>\$ (503,177)</u>

See the accompanying notes to the financial statements.

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

1. 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 governmental 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.

For the fiscal year 2005, the County has implemented GASB Statement No. 40 (GASB 40), *Deposit and Investment risk Disclosures*.

GASB 40 amends GASB Statement 3 through the elimination of traditional categories 1 and 2 of cash and investments and restructures category 3 of cash and cash investments. GASB 40 places emphasis on risk of cash and investments at end of the year by subdividing risk into credit risk, interest rate risk, concentration risk and foreign currency risk. In addition, under GASB 40 cash is described and organized by the following factors: uncollateralized, collateralized with securities held by pledging institution, and collateralized with securities held by pledging institutions trust department or agent, but not in the government's name.

- A. 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.

- B. Government-wide and Fund Financial Statements - The government-wide statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit of the City. As a general rule, the effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items such as internally dedicated resources, not properly included among program revenues are reported instead as general revenues.

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental funds and proprietary funds. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(Continued)

- C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grants from other governments, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

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.

In addition, the City also presented the following governmental nonmajor funds:

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.

Additional, the city reports the following major proprietary funds:

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. 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.

▸ **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.

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(Continued)

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

- D. 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 functions within any fund; however, any revisions that alter the total expenditures of any function 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, 2005.

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 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.

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

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(Continued)

- F. Investments - The statutes of the State of Georgia authorize the City to invest in U.S. government obligations; U.S. governmental 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.

- G. Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

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

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

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

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

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

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

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(Continued)

- J. 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 bond payable whereas issuance costs are presented as other assets. Unamortized premiums are presented as an increase in the face amount of bonds payable.
- K. 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.
- L. Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
- M. Reclassifications - Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.
- N. Allocation of Administrative Expenses - The City does not allocate indirect costs. It is the City's policy to allocate to the proprietary funds overhead administrative expenses that are paid by and expended in the General Fund. This allocation is to recover the direct costs of General Fund Services provided (finance, personnel, purchasing, legal, etc.). These expenses allocated to the proprietary funds are presented in these financial statements as "administrative charges" on the proprietary funds financial statement and are included in "other revenue" on the General Fund financial statements.
- O. Use of Estimates to Prepare Financial Statements - Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

2. DEPOSITS AND INVESTMENTS

At year end, the carrying amount of the City's deposits was \$22,487,177, which includes \$7,450 petty cash and the bank balance was \$24,133,560. All of the bank balance listed above was either covered by federal depository insurance or covered by collateral held in the pledging bank's trust department or by its agent in the City's name.

As of June 30, 2005, the City had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Municipal Competitive Trust	July 2005 - September 2016	\$ 28,059,784
U.S. Treasury Bills	6 months - 2 years	11,899
Federal Home Loan Bank	November 15, 2005	935,620
Coca Cola Stock		412,700
Total investments		29,420,003
Georgia fund 1 (State Investment Pool)	24 day WAM	9,972
Total pooled cash and investments		<u>\$ 29,429,975</u>

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
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(Continued)

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The city has no investment policy that would further limit its investment choices. As of June 30, 2005, the City's investment in the state investment pool was rated AAAm by Standard & Poor's. The City's investment in the Federal Home Loan Bank was rated AAA by Moody's Investors Service and AAA by Standard & Poor's.

Concentration of Credit Risk - The City places no limit on the amount the City may invest in one issuer. The investment in the Municipal Competitive Trust is 94.25% total investments.

The City's investment of \$9,972 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 Office of Treasury and Fiscal Services 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.

3. 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:

2006	\$ 126,853
2007	129,790
2008	131,790
2009	2,742,068
20010	3,154,638
Thereafter	<u>1,611,540</u>
	7,896,679
Less, allowance for doubtful accounts	<u>(4,060,796)</u>
	<u>\$ 3,835,883</u>

Accounts receivable in the Utility fund is reported net of an allowance for doubtful accounts of \$4,895,715.

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(Continued)

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2005, was as follows:

	<u>June 30, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2005</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,490,274	\$ 482,099	\$ (11,756)	\$ 5,960,617
Construction in progress	<u>56,930</u>	<u>1,933,419</u>		<u>1,990,349</u>
Total capital assets not being depreciated	<u>5,547,204</u>	<u>2,415,518</u>	<u>(11,756)</u>	<u>7,950,966</u>
Capital assets being depreciated:				
Buildings	9,958,134		(829,345)	9,128,789
Machinery and equipment	5,131,394	260,702	(121,480)	5,270,616
Vehicles	2,163,091	33,382	(47,227)	2,149,246
Infrastructure	<u>14,211,894</u>	<u>541,396</u>	<u>(38,908)</u>	<u>14,714,382</u>
Total capital assets being depreciated	<u>31,464,513</u>	<u>835,480</u>	<u>(1,036,960)</u>	<u>31,263,033</u>
Less, accumulated depreciation for:				
Buildings	(1,685,309)	(183,579)	258,337	(1,610,551)
Machinery and equipment	(2,443,924)	(344,800)	76,741	(2,711,983)
Vehicles	(664,437)	(201,476)	1,366	(864,547)
Infrastructure	<u>(4,806,543)</u>	<u>(695,234)</u>	<u>11,367</u>	<u>(5,490,410)</u>
Total accumulated depreciation	<u>(9,600,213)</u>	<u>(1,425,089)</u>	<u>347,811</u>	<u>(10,677,491)</u>
Total capital assets being depreciated, net	<u>21,864,300</u>	<u>(589,609)</u>	<u>(689,149)</u>	<u>20,585,542</u>
Governmental activities capital assets, net	<u>\$ 27,411,504</u>	<u>\$ 1,825,909</u>	<u>\$ (700,905)</u>	<u>\$ 28,536,508</u>

Beginning capital assets agree to the prior year ending governmental capital assets in total. However, certain amounts have been reclassified by management for financial statement presentation in the current year.

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

Government activities:	
General government	\$ 262,277
Public safety	344,003
Public service	468,099
Culture and recreation	176,480
Community development	<u>174,230</u>
Total depreciation expense for governmental activities	<u>\$ 1,425,089</u>

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(Continued)

A summary of business-type activities for property, plant and equipment at June 30, 2005 is presented below:

<u>Business-Type Activities</u>	<u>June 30, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2005</u>
Capital assets, not being depreciated:				
Land	\$ 2,010,561		\$	\$ 2,010,561
Construction in progress	<u>5,240,313</u>	<u>\$ 3,845,940</u>		<u>9,086,253</u>
Total capital assets, not being depreciated	<u>7,250,874</u>	<u>3,845,940</u>	<u>\$ 0</u>	<u>11,096,814</u>
Capital assets being depreciated:				
Buildings	26,140,990	280,845		26,421,835
Machinery and equipment	11,499,445	857,410	(1,372,764)	10,984,091
Vehicles	1,302,142	98,325		1,400,467
Infrastructure	<u>113,537,850</u>	<u>2,961,211</u>		<u>116,499,061</u>
Total capital assets being depreciated	<u>152,480,427</u>	<u>4,197,791</u>	<u>(1,372,764)</u>	<u>155,305,454</u>
Less, accumulated depreciation for:				
Buildings	(9,276,540)	(489,375)	1,423	(9,764,492)
Machinery and equipment	(5,095,340)	(963,295)	913,080	(5,145,555)
Vehicles	(627,474)	(120,050)	945	(746,579)
Infrastructure	<u>(33,437,871)</u>	<u>(2,347,728)</u>	<u>18,314</u>	<u>(35,767,285)</u>
Total accumulated depreciation	<u>(48,437,225)</u>	<u>(3,920,448)</u>	<u>933,762</u>	<u>(51,423,911)</u>
Total capital assets being depreciated, net	<u>104,043,202</u>	<u>277,343</u>	<u>(439,002)</u>	<u>103,881,543</u>
Business-type activities capital assets, net	<u>\$111,294,076</u>	<u>\$ 4,123,283</u>	<u>\$ (439,002)</u>	<u>\$114,978,357</u>

Beginning capital assets agree to the prior year ending business-type activity capital assets in total. However, certain amounts have been reclassified by management for financial statement presentation in the current year.

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

Business-type activities:	
Water and sewer	\$ 2,556,559
Electric system	315,099
Gas system	223,822
Telecommunications	258,126
Sanitation	<u>566,842</u>
Total depreciation expense for business-type activities	<u>\$ 3,920,448</u>

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(Continued)

5. CAPITAL LEASES

The City has entered into lease agreements for financing the acquisition of various pieces of equipment and vehicles for the governmental activities and business-type activities. Capital leases for governmental activities are being repaid through the capital projects fund. Capital leases for business-type activities are being repaid through the utility and sanitation funds. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Machinery and equipment	\$ 3,281,426	\$ 7,828,500
Less, accumulated depreciation	(1,717,320)	(3,438,620)
Total	<u>\$ 1,564,106</u>	<u>\$ 4,389,880</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

	Governmental Activities	Business-type Activities
Year ending June 30:		
2006	\$ 896,549	\$ 936,587
2007	765,896	696,907
2008	647,259	479,271
2009	529,939	264,052
2010	408,505	41,285
2011-2015	<u>1,929,999</u>	<u> </u>
Total lease payments	5,178,147	2,418,102
Less, amount representing interest	(1,041,662)	(182,340)
Present value of minimum lease payments	<u>\$ 4,136,485</u>	<u>\$ 2,235,762</u>

6. LONG-TERM DEBT

A. Notes Payable

Governmental Activities

The City has entered into notes payable for the purpose of financing the City's Transition Center. The total amount of loans issued in prior years was \$3,640,000.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Financing of the City's Transition Center - Debt Service Fund	4.85%	<u>\$ 3,445,000</u>

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Loans payable currently outstanding are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2006	\$ 125,000	\$ 164,051
2007	145,000	157,504
2008	160,000	150,108
2009	180,000	141,863
2010	200,000	132,648
2011-2015	1,410,000	481,605
2016-2018	1,225,000	92,756
	<u>\$ 3,445,000</u>	<u>\$ 1,320,535</u>

Business-Type Activities

The City's Utility Fund borrowed funds for system improvements under notes payable. As of June 30, 2005, the City had drawn \$1,597,154 against the \$2,597,069 of these notes. In prior years, the City's sanitation fund also entered into a notes payable agreement with the Georgia Environmental Facilities Authority whereby the City could borrow up to \$1,000,000.

In prior years, the City had borrowed all of the \$1,000,000 available.

Notes payable currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
System improvements - Utility Fund	4.24% - 4/76%	\$ 1,597,154
Gas recirculation project at landfill - Sanitation Fund	2.33%	955,936
		<u>\$ 2,553,090</u>

Notes payable service requirements to maturity are as follows:

	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2006	\$ 115,725	\$ 88,460
2007	119,905	84,280
2008	124,245	79,939
2009	128,754	75,431
2010	133,436	70,748
2011-2015	744,037	276,886
2016-2020	891,679	129,244
2021-2024	295,309	11,773
	<u>\$ 2,553,090</u>	<u>\$ 816,761</u>

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(Continued)

B. Revenue Bonds

Business-Type Activities

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. In prior years, the City issued \$52,265,000 in revenue bonds to finance construction projects to expand existing facilities and construct additional facilities. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Refunding of 1986 water and sewerage bonds, to improve and extend the City's water system - Utility Fund	4.5% - 4.85%	\$ 5,310,000
Refunding of prior bond issues and, improvement and extension of the City's Water System - Utility Fund	3.5% - 4.3%	3,625,000
Refunding of prior bond issues - Utility Fund	4.7% - 5.25%	22,485,000
Acquisition construction of a solid waste disposal system - Sanitation	2.13% - 4.38%	7,705,000
		<u>\$ 39,125,000</u>

Revenue bond service requirements to maturity are as follows:

	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2006	\$ 4,180,000	\$ 1,545,489
2007	4,320,000	1,420,473
2008	4,490,000	1,240,446
2009	4,660,000	1,077,971
2010	4,850,000	892,098
2011-2015	12,275,000	1,747,509
2016-2020	2,200,000	669,084
2021-2024	<u>2,150,000</u>	<u>201,475</u>
	<u>\$ 39,125,000</u>	<u>\$ 8,794,545</u>

- C. Compensated Absences - The City accrues compensated absences for their employees. Both governmental and business-type activities have accrued absences at June 30, 2005. Accrued compensated absences from governmental activities are repaid through the General Fund. Business-type activities accrued compensated absences are repaid through the Utility Fund and Sanitation Fund.

- D. Changes in Long-Term Liabilities - Long-term liability activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 4,700,991	\$ 150,586	\$(715,092)	\$ 4,136,485	\$ 690,503
Notes payable	3,550,000		(105,000)	3,445,000	125,000
Compensated absences	<u>306,466</u>	<u>392,357</u>	<u>(361,121)</u>	<u>337,702</u>	<u>337,702</u>
Governmental activities long-term liabilities	<u>\$ 8,557,457</u>	<u>\$ 542,943</u>	<u>\$(1,181,213)</u>	<u>\$ 7,919,187</u>	<u>\$ 1,153,205</u>

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 43,185,000		\$(4,060,000)	\$ 39,125,000	\$ 4,180,000
Add, unamortized premium	<u>809,408</u>		<u>(96,036)</u>	<u>713,372</u>	
Total bonds	43,994,408	\$ 0	(4,156,036)	39,838,372	4,180,000
Capital leases	2,703,682		(467,920)	2,235,762	304,028
Notes payable	2,664,790		(111,700)	2,553,090	115,725
Compensated absences	<u>158,848</u>	<u>285,587</u>	<u>(269,248)</u>	<u>175,187</u>	<u>169,633</u>
Business-type activities long-term liabilities	<u>\$ 49,521,728</u>	<u>\$ 285,587</u>	<u>\$(5,004,904)</u>	<u>\$ 44,802,411</u>	<u>\$ 4,769,386</u>

The government-wide statement of net assets includes \$4,180,000 of the long-term liabilities due within one year for business-type activities in liabilities "payable from restricted assets." The remaining amount of \$589,386 is displayed as "noncurrent liabilities, due within one year" on that same statement.

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2005 is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
Utility	Nonmajor Governmental Funds	\$ 597,644
Internal Service Funds	Nonmajor Governmental Funds	<u>100,000</u>
		<u>\$ 697,644</u>

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

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

	Transfers In					
	General Fund	Nonmajor Governmental	Utility Fund	Sanitation Fund	Internal Service	Total
Transfers out:						
General Fund		\$ 420,948	\$ 7,748		\$ 28,943	\$ 457,639
Nonmajor governmental			660,606	\$ 216,836		877,442
Utility Fund	\$ 7,250,777	896,645		82,593		8,230,015
Sanitation Fund	<u>4,763</u>	<u>60,800</u>	<u>58,300</u>			<u>123,863</u>
	<u>\$ 7,255,540</u>	<u>\$ 1,378,393</u>	<u>\$ 726,654</u>	<u>\$ 299,429</u>	<u>\$ 28,943</u>	<u>\$ 9,688,959</u>

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(Continued)

8. RESTRICTED NET ASSETS

At June 30, 2005, reserved net assets for governmental funds consisted of the following:

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Reserved for perpetual care	\$ 504,840	
Reserved for long-term receivables		\$ 3,810,657
Total reserved net assets	<u>\$ 504,840</u>	<u>\$ 3,810,657</u>

9. 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 and 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, 2005.

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.

- A. 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 \$3,947,174 for the year ended June 30, 2005. Claims exceeding this amount are covered by a private insurance carrier.
- B. Property and Casualty Insurance Fund - The purpose of this Fund is to pay worker's 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 \$500,000 for general insurance liability and \$900,000 for worker compensation liability for the plan year ended June 30, 2005. 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 and Casualty</u>
Liability balance, June 30, 2003	\$ 694,318	\$ 600,000
Claims and changes in estimate	3,234,324	987,000
Claims payments	(3,403,642)	(987,000)
Liability balance, June 30, 2004	525,000	600,000
Claims and changes in estimate	3,705,949	527,949
Claims payments	(3,705,949)	(527,949)
Liability balance, June 30, 2005	<u>\$ 525,000</u>	<u>\$ 600,000</u>

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
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(Continued)

- C. Changes in Coverage and Claims Paid - Neither the Group Insurance Fund nor the Property and 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.

10. DEFINED BENEFIT PENSION PLAN

The City of LaGrange Retirement Plan, a defined benefit pension plan, is affiliated with the Georgia Municipal Employees Benefit System ("System"), an agent multiple-employer public employee retirement system administered by the Georgia Municipal Association.

All full-time City employees with one year service and all City officials are eligible to participate in the System. Benefits fully vest after ten years of service. Annual retirement benefits are based on 1% of covered compensation plus 1.75% of average earnings in excess of covered compensation multiplied by the number of years of credited service. Normal retirement age is 65 with 5 years of service and early retirement age is 55 with 10 years of credited service. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and city ordinance.

The City's employees participation is noncontributory. However, the City is subject to the minimum funding standards of the Public Retirement Systems Standard Law. Policy set by the City for contributing the annual pension expense exceeds the minimum requirements.

The Georgia Municipal Association issues a publicly available annual report that includes financial statements and required supplementary information for the Georgia Municipal Employees Benefit System Retirement Trust. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia 30303 or by calling 404/688-0472.

Total pension expense amounted to approximately \$642,135 for the year ended June 30, 2005. The participant data and the asset values used in the actuarial valuation are as of January 1, 2005.

- A. The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

The significant actuarial assumptions used in the current valuation are:

- rate of return on investment	8.0% per year
- projected salary increases for...	
-- inflation	5.0% per year
-- merit or seniority	0.5% per year
- post retirement benefit increases	not applicable

- B. The funding policy and annual contributions for the plan is to contribute an amount equal to the recommended contribution in each year. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of Statement No. 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 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. These amortization periods, if applicable, are closed for this plan year.

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(Continued)

- C. The funded status is shown in the tables below. These tables set forth required supplementary information to be disclosed in the schedule of funding progress. The items presented are based on the January 1, 2005 actuarial valuation.

- actuarial value of assets	\$ 18,403,591
- actuarial accrued liability	\$ 18,465,904
- funded ratio	99.7%
- total unfunded actuarial liability (funding excess)	\$ 62,313
- annual covered payroll	\$ 12,549,560
- ratio of unfunded (excess) to annual covered payroll	.5%

- D. The effect of plan changes on the actuarial accrued liability of any current-year changes in actuarial assumptions or benefit provisions is:

The plan provisions valued and the actuarial assumptions are the same as those used in the preceding valuation.

- E. The effect of plan changes on recommended contributions of any current-year changes in actuarial assumptions, benefit provisions or actuarial funding method is:

The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

- F. The method used to determine the actuarial value of assets is to roll forward prior year's actuarial value with contributions, disbursements, and expected return on investments.

- G. Current plan membership includes the following categories of participants as of January 1, 2005:

- retirees and beneficiaries currently receiving benefits	129
- terminated employees entitled to benefits but not yet receiving them	97
- current active employees...	
-- vested	162
-- nonvested	191
- total membership in the plan	<u>579</u>

- H. The actuarially determined estimated minimum annual contribution as of January 1, 2005 is \$55,543. This consists of:

		% of Current Year Covered Payroll
Normal cost	\$ 610,004	4.86%
Amortization of unfunded actuarial accrued liability	8,599	.06%
Interest	23,532	.19%
Total estimated minimum annual contribution	<u>\$ 642,135</u>	5.12%

The actual contribution was \$642,135.

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(Continued)

- I. Historical trend information is shown in the table below:

TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/05	\$ 642,135	100%	\$ 0
06/30/04	\$ 591,571	100%	\$ 0
06/30/03	\$ 508,605	100%	\$ 0

11. **DEFINED CONTRIBUTION PLAN**

The City has a defined contribution plan which is administered by Nationwide Retirement Services. The plan is a combined 457 plan and 401A plan. The City matches employee contributions on a 1:2 ratio up to a maximum of \$667 per year. During the year ended June 30, 2005, the City contributed \$99,949 and employees contributed \$374,855. Plan provisions are established or amended by a resolution of the City Council.

12. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

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

- A. Utility Fund - Established to account for the operation of the City's water, sewer, electrical, gas and fiber optics services.
- B. 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 activities for water and sewer operations for the year ended June 30, 2005.

Segment information for the Sanitation Fund for the year ended June 30, 2005 is not presented below since it is presented in the basic financial statements.

Condensed Statement of Net Assets

Assets:	
Current assets	\$ 6,093,660
Capital assets	72,364,375
Total assets	<u>78,458,035</u>
Liabilities:	
Current liabilities	812,269
Current liabilities payable from restricted assets	3,802,475
Noncurrent liabilities	26,165,126
Total liabilities	<u>30,779,870</u>
Net assets:	
Invested in capital assets, net of related debt	42,396,774
Unrestricted	5,281,391
Total net assets	<u>\$ 47,678,165</u>

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

Water and sewer charges	\$ 12,301,893
Depreciation expense	(2,455,714)
Other operating expenses	(7,476,905)
Operating income	<u>2,369,274</u>
Nonoperating revenues (expenses):	
Investment earnings	92,093
(Loss) on sale of fixed assets	(4,875)
Interest expense	(1,206,110)
Nonoperating revenues (expenses)	<u>(1,118,892)</u>
Transfers in	9,454,098
Transfers out	(10,561,471)
Change in net assets	143,009
Beginning net assets	<u>47,535,156</u>
Ending net assets	<u>\$ 47,678,165</u>

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	\$ 2,369,274
Noncapital financing activities	(1,107,373)
Capital and related financing activities	(1,210,985)
Investing activities	<u>92,093</u>
Net increase (decrease)	143,009
Beginning cash and cash equivalents	<u>2,756,963</u>
Ending cash and cash equivalents	<u>\$ 2,899,972</u>

13. COMMITMENT AND CONTINGENCIES

- A. 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, 2005, the outstanding debt of the Authority was approximately \$3.7 billion. The City's guarantee various by individual projects undertaken by the Authority and totals approximately \$170 million at June 30, 2005.

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(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, 2005, \$28,059,784 has been placed into the Trust for the benefit of the City, of which \$2,887,691 is available without restriction and \$25,172,093 is subject to restrictions. Due to the restricted nature of the \$25,172,093, the amount is reported as unearned revenue at June 30, 2005.

- B. Guarantee of Communication System Debt - The City has guaranteed the payment of debt totaling \$6,875,000 at June 30, 2005 relating to a privately owned communications system, a portion of which is utilized by the City for communication activities.
- C. Intergovernmental Contract - The City has entered into a contract dated April 1, 2005, with the Downtown LaGrange Development Authority obligating the City to pay to the Authority amounts sufficient to enable the Authority to pay the principal and interest on the Authority's Series 2005 Revenue Bonds. As of June 30, 2005, no payments related to this contract had been made. The total debt guarantee at June 30, 2005, is approximately \$5,778,547.

14. JOINT VENTURES

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

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

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, 2005, the City paid \$26,603 in dues.

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

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(Continued)

15. HOTEL / MOTEL LODGING TAX

During the year ended June 30, 2005, the City levied a 5% lodging tax and received \$308,113 for this 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 \$121,866 of lodging tax received from the City during the year ended June 30, 2005 was used for the promotion of tourism.

16. 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.

17. LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City's Sanitation Fund to place a cover on landfill sites when it stops accepting waste, and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and post-closure care costs will not be paid until after the date a landfill stops accepting waste, the Sanitation Fund is required to accrue these closure and post-closure care costs over the landfill's operational period. The \$4,901,019 reported as the landfill closure and post-closure care liability at June 30, 2005 includes \$1,878,388, 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 \$3,022,631 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 \$9,845,785, 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, 2005, 31% of this landfill's capacity had been utilized and accordingly, a liability of \$3,022,631 has been recognized. The City will recognize the remaining estimated closure and post-closure care of \$6,823,154 as the remaining capacity is used.

Liability balance, June 30, 2004	\$ 4,364,775
Additions	<u>536,244</u>
Liability balance, June 30, 2005	<u>\$ 4,901,019</u>

18. RESTATEMENT OF NET ASSETS AND FUND BALANCES

Beginning net assets for governmental activities are restated for correction of errors made in prior years.

Net assets governmental activities per prior year financials	\$ 31,685,159
Plus, overstatement of expenses and liabilities in prior years	<u>124,434</u>
Restated beginning net assets for governmental assets on current year financials	<u>\$ 31,809,593</u>

CITY OF LAGRANGE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Beginning general fund balances are restated for correction of errors made in prior years.

Ending fund balance for the general fund per prior year financials	\$ 1,489,672
Add, correction of errors	<u>495,316</u>
Restated beginning fund balance for the general fund	<u>\$ 1,984,988</u>

Beginning special revenue fund balance is restated for the correction of errors made in prior years.

Ending fund balance for the special revenue fund per prior year financials	\$ 3,530,259
Add, correction of errors	<u>2,752</u>
Restated beginning fund balance for the special revenue fund	<u>\$ 3,533,011</u>

19. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund reported a material budget violation when expenditures of the City exceeded budgeted appropriations in some of the functions, as shown below. These over-expenditures were funded by available fund balances. In future years, the City will analyze the budget periodically for deficiencies. All deficiencies will be investigated and budget amendments will be adopted when appropriate.

<u>Function</u>	<u>Final Budget Amount</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
General government	\$ 1,464,402	\$ 1,465,959	\$(1,557)
Public safety	9,917,844	10,614,052	(696,208)
Public service	1,861,625	2,319,593	(457,968)
Community development	1,244,583	1,274,598	(30,015)

CITY OF LAGRANGE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Taxes:				
Sales	\$ 4,000,000	\$ 4,000,000	\$ 4,012,504	\$ 12,504
Franchise	1,028,000	1,028,000	912,312	(115,688)
Insurance premium	1,150,000	1,150,000	1,210,250	60,250
Alcoholic beverage	645,500	645,500	656,983	11,483
Other	680,000	680,000	772,969	92,969
Licenses and permits	269,500	269,500	239,338	(30,162)
Intergovernmental	75,000	149,744	94,741	(55,003)
Fines, forfeitures and penalties	1,113,500	1,113,500	1,272,171	158,671
Charges for services	279,000	279,000	267,242	(11,758)
Investment income	17,400	17,400	59,243	41,843
Miscellaneous	<u>383,500</u>	<u>383,500</u>	<u>398,811</u>	<u>15,311</u>
Total revenues	<u>9,641,400</u>	<u>9,716,144</u>	<u>9,896,564</u>	<u>180,420</u>
Expenditures:				
Current:				
General government:				
Administrative	616,100	619,731	596,164	23,567
Finance	597,100	600,933	616,151	(15,218)
Purchasing	54,400	55,005	55,198	(193)
Garage	(100,400)	(98,383)	(189,556)	91,173
Human resources	137,600	139,416	133,863	5,553
General government	38,000	38,000	38,000	
City hall	<u>109,700</u>	<u>109,700</u>	<u>216,139</u>	<u>(106,439)</u>
Total general government	<u>1,452,500</u>	<u>1,464,402</u>	<u>1,465,959</u>	<u>(1,557)</u>
Public safety:				
Court administration	197,600	199,012	229,384	(30,372)
Probation	155,600	157,012	154,815	2,197
Police	5,748,400	5,762,118	6,175,913	(413,795)
Community service	70,700	70,700	79,908	(9,208)
Traffic control	159,800	159,800	515,217	(355,417)
Fire services	3,336,500	3,414,002	3,291,819	122,183
Animal control	<u>155,200</u>	<u>155,200</u>	<u>166,996</u>	<u>(11,796)</u>
Total public safety	<u>9,823,800</u>	<u>9,917,844</u>	<u>10,614,052</u>	<u>(696,208)</u>
Public service:				
Engineering and supervision	112,400	112,803	112,374	429
Streets	1,071,600	1,074,222	1,174,033	(99,811)
Street cleaning	63,700	63,700	62,186	1,514
Trash and refuse	<u>610,900</u>	<u>610,900</u>	<u>971,000</u>	<u>(360,100)</u>
Total public service	<u>1,858,600</u>	<u>1,861,625</u>	<u>2,319,593</u>	<u>(457,968)</u>

(Continued...)

CITY OF LAGRANGE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2005
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Culture and recreation:				
Landscaping and cemetery maintenance	\$ 830,500	\$ 831,509	\$ 755,436	\$ 76,073
Community development:				
Community development	708,800	783,843	845,741	(61,898)
DAL marketing	150,000	150,000	112,563	37,437
Other community support	309,100	310,740	316,294	(5,554)
Total community development	<u>1,167,900</u>	<u>1,244,583</u>	<u>1,274,598</u>	<u>(30,015)</u>
Telecommunications and technology:				
LGTV		<u>221,602</u>	<u>116,714</u>	<u>104,888</u>
Capital outlay:				
General government	68,600	68,600	147,794	(79,194)
Public safety	684,300	695,904	64,336	631,568
Public service	<u>315,000</u>	<u>315,000</u>	<u>319,853</u>	<u>(4,853)</u>
Total capital outlay	<u>1,067,900</u>	<u>1,079,504</u>	<u>531,983</u>	<u>547,521</u>
Total expenditures	<u>16,201,200</u>	<u>16,621,069</u>	<u>17,078,335</u>	<u>(457,266)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,559,800)</u>	<u>(6,904,925)</u>	<u>(7,181,771)</u>	<u>(276,846)</u>
Other financing sources (uses):				
Transfers in	7,000,000	7,200,000	7,255,540	55,540
Transfers out			(457,639)	(457,639)
Sale of capital assets			20,183	20,183
Proceeds from capital leases			<u>150,586</u>	<u>150,586</u>
Total other financing sources (uses)	<u>7,000,000</u>	<u>7,200,000</u>	<u>6,968,670</u>	<u>(231,330)</u>
Net change in fund balance	440,200	295,075	(213,101)	(508,176)
Fund balance, beginning of year	<u>1,984,988</u>	<u>1,984,988</u>	<u>1,984,988</u>	
Fund balance, end of year	<u>\$ 2,425,188</u>	<u>\$ 2,280,063</u>	<u>\$ 1,771,887</u>	<u>\$ (508,176)</u>

CITY OF LAGRANGE, GEORGIA
SCHEDULE OF FUNDING PROGRESS
DEFINED BENEFIT PENSION PLAN
Year Ended June 30, 2005

	Actuarial Valuation Date		
	January 1, 2005	January 1, 2004	January 1, 2003
Actuarial value of plan assets	\$ 18,403,591	\$ 17,542,262	\$ 16,830,616
Actuarial accrued liability	18,465,904	17,335,546	16,431,286
Total unfunded actuarial liability (or funding excess)	62,313	(206,716)	(399,330)
Actuarial value of plan assets as a percentage of the actuarial accrued liability (funded ratio)	99.7%	101.2%	102.4%
Annual covered payroll	12,549,560	\$ 12,317,331	\$ 11,900,408
Ratio of the unfunded actuarial liability (or funding excess) to annual covered	.5%	(1.7%)	(3.4%)

LaGRANGE *georgia*
S M A R T M O V E SM

SUPPLEMENTAL INFORMATION NONMAJOR GOVERNMENTAL FUNDS

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

Special Revenue Fund - This fund account is for activities carried out by the City under the terms of certain governmental grants.

Debt Service Fund - This fund accounts for the accumulation of resources and the subsequent disbursement of cash 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, 2005

	Capital Projects Fund	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 962,801	\$ 235,449	\$ 1,762,864	\$ 2,961,114
Investments			8	8
Receivables:				
Notes	25,226	3,810,657		3,835,883
Intergovernmental	421,346			421,346
Other		24,999		24,999
Prepaid items			52,143	52,143
Restricted cash	24,880			24,880
Total assets	<u>\$ 1,434,253</u>	<u>\$ 4,071,105</u>	<u>\$ 1,815,015</u>	<u>\$ 7,320,373</u>
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Accounts payable	\$ 105,479	\$ 578		\$ 106,057
Accrued payroll		1,537		1,537
Due to other funds	97,644	600,000		697,644
Customer deposits		22,911		22,911
Total liabilities	<u>203,123</u>	<u>625,026</u>	<u>\$ 0</u>	<u>828,149</u>
Fund balance:				
Reserved for prepaid items			52,143	52,143
Reserved for long-term receivables		3,810,657		3,810,657
Unreserved	1,231,130	(364,578)	1,762,872	2,629,424
Total fund balance	<u>1,231,130</u>	<u>3,446,079</u>	<u>1,815,015</u>	<u>6,492,224</u>
Total liabilities and fund balance	<u>\$ 1,434,253</u>	<u>\$ 4,071,105</u>	<u>\$ 1,815,015</u>	<u>\$ 7,320,373</u>

CITY OF LAGRANGE, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

	Capital Projects Fund	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Revenues:				
Intergovernmental	\$ 2,097,397	\$ 96,347		\$ 2,193,744
Investment income (loss)	49,436	55,783	\$ 101,724	206,943
Miscellaneous	<u>823,965</u>	<u>149,914</u>		<u>973,879</u>
Total revenues	<u>2,970,798</u>	<u>302,044</u>	<u>101,724</u>	<u>3,374,566</u>
Expenditures:				
Current:				
General government	109,438			109,438
Public service	1,443,572			1,443,572
Redevelopment and housing		388,976		388,976
Community development	101,887			101,887
Debt service:				
Principal retirement	320,540		499,552	820,092
Interest	342,611		81,267	423,878
Capital outlay:				
General government	7,620			7,620
Public service	2,236,616			2,236,616
Community development	<u>474,779</u>			<u>474,779</u>
Total expenditures	<u>5,037,063</u>	<u>388,976</u>	<u>580,819</u>	<u>6,006,858</u>
Excess of expenditures over revenues	(2,066,265)	(86,932)	(479,095)	(2,632,292)
Other financing sources (uses):				
Transfers in	685,000		693,393	1,378,393
Transfers out	(138,274)		(739,168)	(877,442)
Total other financing sources	<u>546,726</u>	<u>0</u>	<u>(45,775)</u>	<u>500,951</u>
Net change in fund balance	(1,519,539)	(86,932)	(524,870)	(2,131,341)
Fund balance, beginning of year as restated	<u>2,750,669</u>	<u>3,533,011</u>	<u>2,339,885</u>	<u>8,623,565</u>
Fund balance, end of year	<u>\$ 1,231,130</u>	<u>\$ 3,446,079</u>	<u>\$ 1,815,015</u>	<u>\$ 6,492,224</u>

LaGRANGE *georgia*
S M A R T M O V E SM

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 account for activities carried out by the City under the terms of certain governmental 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 debt of Proprietary Fund Types).

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

CITY OF LAGRANGE, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2005 and 2004

	<u>2005</u>	<u>2004, Restated</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 625,658	\$ 664,308
Investments		361,461
Receivables:		
Taxes	863,589	731,212
Other		68,985
Due from other funds	3,384	92,307
Inventory	206,050	189,925
Restricted cash and cash equivalents	120,607	83,129
Restricted investments	<u>412,700</u>	<u>596,047</u>
Total assets	<u>\$ 2,231,988</u>	<u>\$ 2,787,374</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 273,175	\$ 277,422
Accrued vacation	61,973	320,786
Other accrued liabilities	39,824	
Unearned revenue	<u>85,129</u>	<u>204,178</u>
Total liabilities	<u>460,101</u>	<u>802,386</u>
Fund balance:		
Reserved for inventory	206,050	189,925
Reserved for perpetual care		592,675
Unreserved	<u>1,565,837</u>	<u>1,202,388</u>
Total fund balance	<u>1,771,887</u>	<u>1,984,988</u>
Total liabilities and fund balance	<u>\$ 2,231,988</u>	<u>\$ 2,787,374</u>

CITY OF LAGRANGE, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004, Restated</u>
Revenues:		
Taxes:		
Sales	\$ 4,012,504	\$ 3,937,371
Franchise	912,312	994,855
Insurance premium	1,210,250	1,116,748
Alcoholic beverage	656,983	630,756
Other	772,969	765,802
Licenses and permits	239,338	251,611
Intergovernmental	94,741	66,333
Charges for services	267,242	251,220
Fines and forfeitures	1,272,171	1,016,273
Investment income (loss)	59,243	29,110
Miscellaneous	398,811	485,940
Total revenues	<u>9,896,564</u>	<u>9,546,019</u>
Expenditures:		
Current:		
General government	1,465,959	915,241
Public safety	10,614,052	10,225,019
Public service	2,319,593	1,902,134
Culture and recreation	755,436	819,841
Community development	1,274,598	1,285,915
Telecommunications and technology	116,714	
Capital outlay:		
General government	147,794	59,846
Public safety	64,336	282,276
Public service	319,853	294,448
Community development	144,691	144,691
Total expenditures	<u>17,078,335</u>	<u>15,929,411</u>
Excess of expenditures over revenues	(7,181,771)	(6,383,392)
Other financing sources (uses):		
Sale of assets	20,183	19,518
Proceeds from capital lease	150,586	525,419
Transfers in	7,255,540	6,750,000
Transfers out	(457,639)	(510,489)
Total other financing sources	<u>6,968,670</u>	<u>6,784,448</u>
Net change in fund balance	(213,101)	401,056
Fund balance, beginning of year, as restated	<u>1,984,988</u>	<u>1,583,932</u>
Fund balance, end of year	<u>\$ 1,771,887</u>	<u>\$ 1,984,988</u>

CITY OF LAGRANGE, GEORGIA
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2005 and 2004

	<u>2005</u>	<u>2004, Restated</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 235,449	\$ 177,926
Receivables:		
Notes	3,810,657	3,880,395
Other	<u>24,999</u>	<u>29,906</u>
Total assets	<u>\$ 4,071,105</u>	<u>\$ 4,088,227</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 578	\$ 850
Accrued payroll	1,537	1,846
Due to other funds	600,000	530,758
Customer deposits	<u>22,911</u>	<u>21,762</u>
Total liabilities	<u>625,026</u>	<u>555,216</u>
Fund balance:		
Reserved for long-term receivables	3,810,657	3,880,395
Unreserved	<u>(364,578)</u>	<u>(347,384)</u>
Total fund balance	<u>3,446,079</u>	<u>3,533,011</u>
Total liabilities and fund balance	<u>\$ 4,071,105</u>	<u>\$ 4,088,227</u>

CITY OF LAGRANGE, GEORGIA
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004, Restated</u>
Revenues:		
Intergovernmental	\$ 96,347	
Interest	55,783	\$ 58,840
Miscellaneous	<u>149,914</u>	<u>113,380</u>
Total revenues	<u>302,044</u>	<u>172,220</u>
Expenditures:		
Current:		
Redevelopment and housing	388,976	245,022
Administrative and management	<u> </u>	<u>80,196</u>
Total expenditures	<u>388,976</u>	<u>325,218</u>
Excess of expenditures over revenues	(<u>86,932</u>)	(<u>152,998</u>)
Other financing sources (uses):		
Gain on sale of assets	<u> </u>	<u>45,000</u>
Total other financing sources	<u>0</u>	<u>45,000</u>
Net change in fund balance	(86,932)	(107,998)
Fund balance, beginning of year, as restated	<u>3,533,011</u>	<u>3,641,009</u>
Fund balance, end of year	<u>\$ 3,446,079</u>	<u>\$ 3,533,011</u>

CITY OF LAGRANGE, GEORGIA
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2005

	Original Budgeted Amount	Final Budgeted Amount	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental			\$ 96,347	\$ 96,347
Interest	\$ 1,000	\$ 1,000	55,783	54,783
Miscellaneous	<u>229,700</u>	<u>229,700</u>	<u>149,914</u>	<u>(79,786)</u>
Total revenues	<u>230,700</u>	<u>230,700</u>	<u>302,044</u>	<u>71,344</u>
Expenditures:				
Current:				
Redevelopment and housing	<u>293,170</u>	<u>291,826</u>	<u>388,976</u>	<u>(97,150)</u>
Total expenditures	<u>293,170</u>	<u>291,826</u>	<u>388,976</u>	<u>(97,150)</u>
Excess of expenditures over revenues	<u>(62,470)</u>	<u>(61,126)</u>	<u>(86,932)</u>	<u>(25,806)</u>
Net change in fund balance	<u>(62,470)</u>	<u>(61,126)</u>	<u>(86,932)</u>	<u>(25,806)</u>
Fund balance, beginning of year, as restated	<u>3,533,011</u>	<u>3,533,011</u>	<u>3,533,011</u>	
Fund balance, end of year	<u>\$ 3,470,541</u>	<u>\$ 3,471,885</u>	<u>\$ 3,446,079</u>	<u>\$(25,806)</u>

CITY OF LAGRANGE, GEORGIA
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Assets</u>		
Cash	\$ 1,762,864	\$ 2,291,722
Investments	8	
Due from other funds		16
Prepaid items	<u>52,143</u>	<u>48,147</u>
Total assets	<u>\$ 1,815,015</u>	<u>\$ 2,339,885</u>
<u>Liabilities and Fund Balance</u>		
Fund balance:		
Reserved for prepaid items	\$ 52,143	\$ 48,147
Unreserved	<u>1,762,872</u>	<u>2,291,738</u>
Total fund balance	<u>1,815,015</u>	<u>2,339,885</u>
Total liabilities and fund balance	<u>\$ 1,815,015</u>	<u>\$ 2,339,885</u>

CITY OF LAGRANGE, GEORGIA
DEBT SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues:		
Interest	\$ 101,724	\$ 99,535
Total revenues	<u>101,724</u>	<u>99,535</u>
Expenditures:		
Principal retirement	499,552	580,971
Interest	81,267	73,405
Other	<u> </u>	<u>254</u>
Total expenditures	<u>580,819</u>	<u>654,630</u>
Excess of expenditures over revenues	(479,095)	(555,095)
Other financing sources:		
Transfers in	693,393	
Transfers out	(739,168)	<u>558,992</u>
Total other financing sources	(45,775)	<u>558,992</u>
Net change in fund balance	(524,870)	3,897
Fund balance, beginning of year	<u>2,339,885</u>	<u>2,335,988</u>
Fund balance, end of year	<u>\$ 1,815,015</u>	<u>\$ 2,339,885</u>

CITY OF LAGRANGE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE DEBT SERVICE FUND
BUDGET AND ACTUAL
Year Ended June 30, 2005

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ 50,000	\$ 101,724	\$ 51,724
Total revenues	<u>50,000</u>	<u>101,724</u>	<u>51,724</u>
Expenditures:			
Debt service:			
Principal retirement	50,000	499,552	(449,552)
Interest and fiscal charges	<u>200</u>	<u>81,267</u>	<u>(81,067)</u>
Total expenditures	<u>50,200</u>	<u>580,819</u>	<u>(530,619)</u>
Excess of revenues over (under) expenditures	(200)	(479,095)	(478,895)
Other financing sources (uses):			
Transfers in		693,393	693,393
Transfers out		(739,168)	(739,168)
Total other financing sources (uses)		<u>(45,775)</u>	<u>(45,775)</u>
Net change in fund balance	(200)	(524,870)	(524,670)
Fund balance, beginning of year	<u>2,339,885</u>	<u>2,339,885</u>	
Fund balance, end of year	<u>\$ 2,339,685</u>	<u>\$ 1,815,015</u>	<u>\$ (524,670)</u>

CITY OF LAGRANGE, GEORGIA
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Assets</u>		
Cash	\$ 962,801	\$ 2,587,370
Restricted cash	24,880	39,043
Receivables:		
Accounts		181,347
Notes	25,226	
Intergovernmental	421,346	
Prepaid items		<u>5,500</u>
Total assets	<u>\$ 1,434,253</u>	<u>\$ 2,813,260</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 105,479	\$ 989
Deposits		30,000
Due to other funds	<u>97,644</u>	<u>31,602</u>
Total liabilities	<u>203,123</u>	<u>62,591</u>
Fund balance:		
Reserved for prepaid items		5,500
Reserved for capital outlay		27,799
Unreserved	<u>1,231,130</u>	<u>2,717,370</u>
Total fund balance	<u>1,231,130</u>	<u>2,750,669</u>
Total liabilities and fund balance	<u>\$ 1,434,253</u>	<u>\$ 2,813,260</u>

CITY OF LAGRANGE, GEORGIA
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues:		
Intergovernmental	\$ 2,097,397	\$ 110,366
Interest	49,436	31,669
Miscellaneous	<u>823,965</u>	<u>1,045,894</u>
Total revenues	<u>2,970,798</u>	<u>1,187,929</u>
Expenditures:		
Current:		
General government	109,438	
Public service	1,443,572	
Community development	101,887	
Other		706
Debt service:		
Principal retirement	320,540	294,420
Interest	342,611	299,366
Capital outlay:		
General government	7,620	920,392
Public service	2,236,616	
Community development	<u>474,779</u>	
Total expenditures	<u>5,037,063</u>	<u>1,514,884</u>
Excess of expenditures over revenues	(<u>2,066,265</u>)	(<u>326,955</u>)
Other financing sources (uses):		
Transfers in	685,000	500,000
Transfers out	(138,274)	
Proceeds from capital lease		<u>113,660</u>
Total other financing sources	<u>546,726</u>	<u>613,660</u>
Net change in fund balance	(1,519,539)	286,705
Fund balance, beginning of year	<u>2,750,669</u>	<u>2,463,964</u>
Fund balance, end of year	<u>\$ 1,231,130</u>	<u>\$ 2,750,669</u>

LaGRANGE *georgia*
S M A R T M O V E SM

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 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 disposal activities.

CITY OF LAGRANGE, GEORGIA
UTILITY FUND
COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 10,471,330	\$ 17,702,557
Investments	3,367,429	1,120,201
Receivables:		
Accounts	7,744,903	8,181,662
Other	583,801	100,566
Due from other funds	597,644	407,495
Prepays	138,440	
Inventory	1,696,769	1,659,384
Restricted assets:		
Restricted investments	25,172,093	25,172,093
Restricted deposits	<u>456,626</u>	<u>200,176</u>
Total current assets	<u>50,229,035</u>	<u>54,544,134</u>
Noncurrent assets:		
Capital assets, not being depreciated	9,659,081	5,334,913
Capital assets, being depreciated	91,637,915	91,279,663
Other assets	<u>221,399</u>	<u>389,736</u>
Total noncurrent assets	<u>101,518,395</u>	<u>97,004,312</u>
Total assets	<u>151,747,430</u>	<u>151,548,446</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	4,414,185	3,754,087
Accrued liabilities	17,161	298,726
Unearned revenue	25,172,093	24,598,234
Notes payable - Current	74,566	60,588
Capital leases - Current	168,966	494,979
Liabilities payable from restricted assets:		
Customer deposits	1,208,481	1,124,733
Accrued interest payable	158,315	
Revenue bonds - Current	<u>3,635,000</u>	<u>3,260,000</u>
Total current liabilities	<u>34,848,767</u>	<u>33,591,347</u>
Non-current liabilities:		
Accrued compensated absences	135,747	
Revenue bonds - Long-term	30,921,617	34,936,688
Notes payable - Long-term	1,522,588	1,608,052
Capital leases - Long-term	<u>1,011,323</u>	<u>855,154</u>
Total noncurrent liabilities	<u>33,591,275</u>	<u>37,399,894</u>
Total liabilities	<u>68,440,042</u>	<u>70,991,241</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	68,117,646	55,399,115
Unrestricted	<u>15,189,742</u>	<u>25,158,090</u>
Total net assets	<u>\$ 83,307,388</u>	<u>\$ 80,557,205</u>

CITY OF LAGRANGE, GEORGIA
UTILITY FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Water and sewer system	\$ 12,263,660	\$ 12,383,971
Gas system	18,693,896	17,129,787
Electric system	35,625,529	34,569,540
Telecommunications	1,367,384	1,869,537
Other sales	<u>136,815</u>	
Total operating revenues	<u>68,087,284</u>	<u>65,952,835</u>
Operating expenses:		
Water and sewer system	6,770,892	6,132,332
Gas system	16,166,247	12,882,062
Electric system	29,669,161	28,706,601
Telecommunications	874,956	1,521,947
Administrative services	1,850,853	1,295,212
Depreciation and amortization	<u>3,265,188</u>	<u>3,123,000</u>
Total operating expenses	<u>58,597,297</u>	<u>53,661,154</u>
Operating income	<u>9,489,987</u>	<u>12,291,681</u>
Nonoperating revenues (expenses):		
Grant revenues	1,402,765	
Gain (loss) on sale of assets	454,820	5,805
Investment income	397,805	292,447
Other revenue		103,832
Interest expense	(1,491,833)	(1,186,633)
Other expense	<u>()</u>	<u>(44,457)</u>
Total nonoperating revenues (expenses)	<u>763,557</u>	<u>(829,006)</u>
Net income before transfers	10,253,544	11,462,675
Transfers in	726,654	
Transfers out	<u>(8,230,015)</u>	<u>(7,342,106)</u>
Change in net assets	2,750,183	4,120,569
Net assets, beginning of year	<u>80,557,205</u>	<u>76,436,636</u>
Net assets, end of year	<u>\$ 83,307,388</u>	<u>\$ 80,557,205</u>

CITY OF LAGRANGE, GEORGIA
UTILITY FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 67,934,407	\$ 65,952,060
Cash paid to employees	(3,991,374)	(3,790,656)
Cash paid to suppliers	(50,428,421)	(49,146,868)
Net cash provided (used) by operating activities	<u>13,514,612</u>	<u>13,014,536</u>
Cash flow from noncapital financing activities:		
Grant income	1,402,765	
Transfers in	726,654	
Transfers out	(8,230,015)	(7,342,106)
Net cash provided (used) in noncapital financing activities	<u>(6,100,596)</u>	<u>(7,342,106)</u>
Cash flows from capital and related financial activities:		
Proceeds from revenue bonds, net		8,000,000
Proceeds from leases		628,668
Principal payments on revenue bonds	(3,640,071)	(3,065,000)
Gain on sale of assets	719,281	5,805
Acquisition of capital assets	(8,043,732)	(7,944,280)
Capital lease payments	(169,844)	(500,470)
Payments on notes payable	(71,486)	(149,606)
Interest expense	(1,333,518)	(1,186,633)
Net cash provided (used) in capital and related financing activities	<u>(12,539,370)</u>	<u>(4,211,516)</u>
Cash flows from investing activities:		
Sale (Purchase) of investments	(2,247,228)	5,248,696
Investment income	397,805	292,447
Net cash provided (used) in investing activities	<u>(1,849,423)</u>	<u>5,541,143</u>
Net increase in cash	(6,974,777)	7,002,057
Cash, beginning of year, as restated	<u>17,902,733</u>	<u>10,900,676</u>
Cash, end of year	<u>\$ 10,927,956</u>	<u>\$ 17,902,733</u>
Report on the balance sheet as:		
Cash and cash equivalents	\$ 10,471,330	\$ 17,702,557
Restricted cash	<u>456,626</u>	<u>200,176</u>
Total	<u>\$ 10,927,956</u>	<u>\$ 17,902,733</u>

CITY OF LAGRANGE, GEORGIA
UTILITY FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
Years Ended June 30, 2005 and 2004
(Continued)

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Operating income	\$ 9,489,987	\$ 12,291,680
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation & amortization	3,265,188	3,123,000
Changes in operating assets and liabilities:		
Accounts receivable	(46,476)	(576,626)
Inventory	(37,385)	(265,806)
Other assets	(138,440)	(328,676)
Accounts payable	660,098	(551,159)
Accrued vacation	135,747	26,326
Due from other funds	(190,149)	(479,019)
Unearned revenue	573,859	31,692
Customer deposits	83,748	84,021
Other revenue, net		(340,897)
Other accrued expenses	(281,565)	
Net cash provided by operating activities	<u>\$ 13,514,612</u>	<u>\$ 13,014,536</u>
Supplemental schedule of noncash investing and financing activities:		
Equipment acquired through assumption of capital lease obligation		<u>\$ 628,668</u>
Total		<u>\$ 628,668</u>

CITY OF LAGRANGE, GEORGIA
UTILITY FUND
SCHEDULE OF OPERATING INCOME
Year Ended June 30, 2005

	<u>Electric System</u>	<u>Gas System</u>	<u>Water and Sewer System</u>	<u>Telecom- munications</u>	<u>Total</u>
Operating revenues	<u>\$ 35,716,067</u>	<u>\$ 18,701,940</u>	<u>\$ 12,301,893</u>	<u>\$ 1,367,384</u>	<u>\$ 68,087,284</u>
Operating expenses:					
Electricity and natural gas purchase	27,842,496	14,733,366			42,575,862
Administrative services	602,347	602,347	556,759	89,400	1,850,853
Depreciation	315,099	236,249	2,455,714	258,126	3,265,188
Other operating	<u>1,708,316</u>	<u>1,401,976</u>	<u>6,920,146</u>	<u>874,956</u>	<u>10,905,394</u>
	<u>30,468,258</u>	<u>16,973,938</u>	<u>9,932,619</u>	<u>1,222,482</u>	<u>58,597,297</u>
Operating income	<u>\$ 5,247,809</u>	<u>\$ 1,728,002</u>	<u>\$ 2,369,274</u>	<u>\$ 144,902</u>	<u>\$ 9,489,987</u>

CITY OF LAGRANGE, GEORGIA
UTILITY FUND
SCHEDULE OF CHANGES IN UTILITY PLANT IN SERVICE
Year Ended June 30, 2005

	Historical Cost			Allowance for Depreciation			Net Asset Value	
	Balance June 30, 2004, Reclassified	Additions	Deletions	Balance June 30, 2005	Expense	Deletions		
Water and sewer system	\$ 107,973,886	\$ 1,181,532	\$(46,359)	\$ 109,109,059	\$(2,556,551)	\$ 38,649	\$ (36,744,684)	\$ 72,364,375
Gas system	14,715,840	4,209,385		18,925,225	(4,034,415)	(223,823)	(4,258,238)	14,666,987
Electric system	14,827,405	510,353		15,337,758	(5,203,604)	(315,098)	(5,518,702)	9,819,056
Tele-communications	3,083,191	2,142,461		5,225,652	(520,948)	(258,126)	(779,074)	4,446,578
	<u>\$ 140,600,322</u>	<u>\$ 8,043,731</u>	<u>\$(46,359)</u>	<u>\$ 148,597,694</u>	<u>\$(43,985,749)</u>	<u>\$ 38,649</u>	<u>\$(47,300,698)</u>	<u>\$ 101,296,996</u>

CITY OF LAGRANGE, GEORGIA
UTILITY FUND
COMPARATIVE SCHEDULES OF REVENUES
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Water and sewer system:		
Water sales	\$ 7,085,377	\$ 6,651,645
Sewer service charges	4,856,796	4,662,541
Fire services	58,469	87,573
Connection fees	263,020	822,795
Miscellaneous	<u>38,231</u>	<u>159,418</u>
	<u>12,301,893</u>	<u>12,383,972</u>
Gas system:		
Gas sales	18,693,896	17,114,047
Miscellaneous	<u>8,044</u>	<u>15,740</u>
	<u>18,701,940</u>	<u>17,129,787</u>
Electric system:		
Electricity sales	35,009,260	33,809,297
Street and security lights	616,269	661,908
Miscellaneous	<u>90,538</u>	<u>98,334</u>
	<u>35,716,067</u>	<u>34,569,539</u>
Telecommunications:		
Internet services	929,990	1,410,834
Other telecommunications services	<u>437,394</u>	<u>458,703</u>
	<u>1,367,384</u>	<u>1,869,537</u>
 Total operating revenues	 <u>\$ 68,087,284</u>	 <u>\$ 65,952,835</u>

CITY OF LAGRANGE, GEORGIA
SANITATION FUND
COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2005 and 2004

<u>Assets</u>	<u>2005</u>	<u>2004</u>
Current assets:		
Cash and cash equivalents	\$ 5,340,539	\$ 3,513,589
Receivables:		
Accounts receivable	75,359	
Due from other funds		54,921
Inventory	<u>2,028</u>	<u>7,254</u>
Total current assets	<u>5,417,926</u>	<u>3,575,764</u>
Noncurrent assets:		
Capital assets, not being depreciated	1,437,733	
Capital assets, being depreciated	<u>12,243,628</u>	<u>14,679,501</u>
Total noncurrent assets	<u>13,681,361</u>	<u>14,679,501</u>
Total assets	<u>19,099,287</u>	<u>18,255,265</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	65,369	16,143
Accrued liabilities	4,269	4,436,402
Notes payable, current	41,159	10,899
Capital leases, current	135,062	419,881
Liabilities payable from restricted assets:		
Customer deposits	1,780	1,719
Accrued interest payable	20,783	
Revenue bonds, current	<u>545,000</u>	<u>505,000</u>
Total current liabilities	<u>813,422</u>	<u>5,390,044</u>
Noncurrent liabilities:		
Accrued compensated absences	39,440	
Revenue bonds, long-term	4,736,755	5,292,720
Notes payable, long-term	914,777	985,250
Capital leases, long-term	920,411	933,669
Landfill postclosure liability	<u>4,901,019</u>	
Total noncurrent liabilities	<u>11,512,402</u>	<u>7,211,639</u>
Total liabilities	<u>12,325,824</u>	<u>12,601,683</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	6,367,414	7,037,082
Unrestricted	<u>406,049</u>	(<u>1,383,500</u>)
Total net assets	<u>\$ 6,773,463</u>	<u>\$ 5,653,582</u>

CITY OF LAGRANGE, GEORGIA
SANITATION FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Sanitation	\$ 6,826,436	\$ 6,175,773
Other sales	<u>117,147</u>	<u>108,670</u>
Total operating revenues	<u>6,943,583</u>	<u>6,284,443</u>
Operating expenses:		
Sanitation	4,785,739	4,039,068
Depreciation	<u>570,877</u>	<u>690,219</u>
Total operating expenses	<u>5,356,616</u>	<u>4,729,287</u>
Operating income	<u>1,586,967</u>	<u>1,555,156</u>
Nonoperating revenues (expenses):		
Investment income	103,023	10,828
Gain (loss) on sale of assets	(428,473)	(1,830)
Interest expense	<u>(317,202)</u>	<u>(350,652)</u>
Total nonoperating revenues (expenses)	<u>(642,652)</u>	<u>(341,654)</u>
Income before transfers	944,315	1,213,502
Sale of assets		33,711
Transfers in	299,429	15,382
Transfers out	<u>(123,863)</u>	<u> </u>
Change in net assets	1,119,881	1,262,595
Net assets, beginning of year	<u>5,653,582</u>	<u>4,390,987</u>
Net assets, end of year	<u><u>\$ 6,773,463</u></u>	<u><u>\$ 5,653,582</u></u>

CITY OF LAGRANGE, GEORGIA
SANITATION FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 6,928,371	\$ 5,838,495
Cash paid to employees	(929,850)	(883,064)
Cash paid to suppliers	(3,298,276)	(3,170,054)
Net cash provided (used) by operating activities	<u>2,700,245</u>	<u>1,785,377</u>
Cash flows from noncapital financing activities:		
Transfers in	299,429	15,382
Transfers out	(123,863)	
Net cash provided (used) in noncapital financing activities	<u>175,566</u>	<u>15,382</u>
Cash flows from capital and related financing activities:		
Gain (loss) on sale of assets	(1,210)	33,711
Capital lease proceeds		433,357
Capital lease payments	(298,077)	(507,759)
Principal payments on revenue bonds	(515,965)	(495,000)
Note payable proceeds		840,126
Payments on notes payable	(40,213)	(9,908)
Acquisition of capital assets		(1,260,488)
Interest expenses	(296,419)	(340,744)
Net cash provided (used) in capital and related financing activities	<u>(1,151,884)</u>	<u>(1,306,705)</u>
Cash flows from investing activities:		
Investment income	<u>103,023</u>	<u>10,828</u>
Net cash provided (used) in investing activities	<u>103,023</u>	<u>10,828</u>
Net (decrease) increase in cash	1,826,950	504,882
Cash, beginning of year	<u>3,513,589</u>	<u>3,008,707</u>
Cash, end of year	<u>\$ 5,340,539</u>	<u>\$ 3,513,589</u>
Cash flows from operating activities:		
Operating income	\$ 1,586,967	\$ 1,555,156
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	570,877	690,219
Changes in operating assets and liabilities:		
Accounts receivable	(75,359)	109
Inventory	5,226	
Accounts payable	49,226	(904,364)
Due from other fund	54,921	16,603
Other accrued expenses	508,326	429,546
Other nonoperating revenue, net		(1,830)
Customer deposits	<u>61</u>	<u>(61)</u>
Net cash provided by operating activities	<u>\$ 2,700,245</u>	<u>\$ 1,785,378</u>
Supplemental schedule of noncash investing and financing activities:		
Equipment acquired through assumption of capital lease obligation		<u>\$ 433,357</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, 2005

	<u>Group Insurance Fund</u>	<u>Property and Casualty Fund</u>	<u>Total</u>
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 162,232	\$ 2,324,191	\$ 2,486,423
Investments		467,773	467,773
Receivables-other	8,346	101,990	110,336
Due from other funds		100,000	100,000
Total assets	<u>170,578</u>	<u>2,993,954</u>	<u>3,164,532</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	25,761	35,444	61,205
Claims payable	525,000	600,000	1,125,000
Due to other funds			
Total liabilities	<u>550,761</u>	<u>635,444</u>	<u>1,186,205</u>
Net assets:			
Unrestricted	(380,183)	2,358,510	1,978,327
Total net assets	<u>\$(380,183)</u>	<u>\$ 2,358,510</u>	<u>\$ 1,978,327</u>

CITY OF LAGRANGE, GEORGIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Year Ended June 30, 2005

	Group Insurance Fund	Property and Casualty Fund	Total
Operating revenues:			
Charges for services	\$ 3,983,556	\$ 996,970	\$ 4,980,526
Operating expenses:			
Administrative services	134,008	14,922	148,930
Risk management	4,141,282	1,162,317	5,303,599
Total operating expenses	4,275,290	1,177,239	5,452,529
Operating income (loss)	(291,734)	(180,269)	(472,003)
Nonoperating revenues:			
Investment income	4,059	70,335	74,394
Total nonoperating revenues	4,059	70,335	74,394
Transfers in	28,943		28,943
Change in net assets	(258,732)	(109,934)	(368,666)
Net assets, beginning of year	(121,451)	2,468,444	2,346,993
Net assets, end of year	<u>\$ (380,183)</u>	<u>\$ 2,358,510</u>	<u>\$ 1,978,327</u>

CITY OF LAGRANGE, GEORGIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2005

	Group Insurance Fund	Property and Casualty Fund	Total
Cash flows from operating activities:			
Cash received from customers and users	\$ 3,985,468	\$ 902,679	\$ 4,888,147
Cash paid to suppliers	(4,249,529)	(1,141,795)	(5,391,324)
Net cash provided (used) by operating activities	(264,061)	(239,116)	(503,177)
Cash flows from non-capital financing activities:			
Transfers in	28,943		28,943
Net cash used in non-capital financing activities	28,943	0	28,943
Cash flows from investing activities:			
Proceeds from maturities of investments		540,107	540,107
Investment income	4,059	70,335	74,394
	4,059	610,442	614,501
Net (decrease) increase in cash	(231,059)	371,326	140,267
Cash, beginning of year	393,291	1,952,865	2,346,156
Cash, end of year	<u>\$ 162,232</u>	<u>\$ 2,324,191</u>	<u>\$ 2,486,423</u>
Report on the balance sheet as:			
Cash and cash equivalents	<u>\$ 162,232</u>	<u>\$ 2,324,191</u>	<u>\$ 2,486,423</u>
Cash flows from operating activities:			
Operating (loss) income	\$(291,734)	\$(180,269)	\$(472,003)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:			
Decrease (Increase) in interfund accounts	1,912	(94,291)	(92,379)
Increase in accounts payable	25,761	35,444	61,205
Net cash (used in) provided by operating activities	<u>\$(264,061)</u>	<u>\$(239,116)</u>	<u>\$(503,177)</u>

CITY OF LAGRANGE, GEORGIA
GROUP INSURANCE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 162,232	\$ 393,291
Due from other funds		1,912
Receivables-other	<u>8,346</u>	<u>8,346</u>
Total assets	<u>170,578</u>	<u>403,549</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	25,761	
Claims payable	<u>525,000</u>	<u>525,000</u>
Total current liabilities	<u>550,761</u>	<u>525,000</u>
Net assets:		
Unrestricted	<u><u>\$ (380,183)</u></u>	<u><u>\$ (121,451)</u></u>

CITY OF LAGRANGE, GEORGIA
GROUP INSURANCE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating revenues	\$ <u>3,983,556</u>	\$ <u>3,319,545</u>
Operating expenses:		
Medical claims		
Reinsurance premium		
Administrative services	134,008	143,183
Other premiums		
Risk management	<u>4,141,282</u>	<u>3,664,472</u>
Total operating expenses	<u>4,275,290</u>	<u>3,807,655</u>
Operating income (loss)	(<u>291,734</u>)	(<u>488,110</u>)
Nonoperating revenues:		
Investment income	<u>4,059</u>	<u>7,107</u>
Total nonoperating revenues	<u>4,059</u>	<u>7,107</u>
Transfers in	<u>28,943</u>	<u>28,221</u>
Change in net assets	(<u>258,732</u>)	(<u>452,782</u>)
Net assets, beginning of year	(<u>121,451</u>)	<u>331,331</u>
Net assets, end of year	<u><u>\$ (380,183)</u></u>	<u><u>\$ (121,451)</u></u>

CITY OF LAGRANGE, GEORGIA
GROUP INSURANCE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 3,985,468	\$ 2,980,909
Cash paid to suppliers	(4,249,529)	(3,665,249)
Net cash provided (used) by operating activities	(264,061)	(684,340)
Cash flows from non-capital financing activities:		
Transfers in	<u>28,943</u>	<u>28,221</u>
Cash flows from investing activities:		
Investment income	<u>4,059</u>	<u>7,107</u>
Net cash provided (used) in investing activities	<u>4,059</u>	<u>7,107</u>
Net increase (decrease) in cash	(231,059)	(649,012)
Cash, beginning of year	<u>393,291</u>	<u>1,042,303</u>
Cash, end of year	<u>\$ 162,232</u>	<u>\$ 393,291</u>
Report on the balance sheet as:		
Cash and cash equivalents	<u>\$ 162,232</u>	<u>\$ 393,291</u>
Cash flows from operating activities:		
Operating loss	\$(291,734)	\$(488,110)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Increase in interfund accounts	1,912	(26,912)
Decrease in claims payable		(169,318)
Increase in accounts payable	<u>25,761</u>	
Net cash used in operating activities	<u>\$(264,061)</u>	<u>\$(684,340)</u>

CITY OF LAGRANGE, GEORGIA
PROPERTY AND CASUALTY FUND
COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 2,324,191	\$ 1,952,865
Investments	467,773	1,007,880
Due from other funds	100,000	5,709
Receivables-other	<u>101,990</u>	<u>101,990</u>
Total assets	<u>2,993,954</u>	<u>3,068,444</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	35,444	
Claims payable	<u>600,000</u>	<u>600,000</u>
Total liabilities	<u>635,444</u>	<u>600,000</u>
Net assets:		
Unrestricted	<u>\$ 2,358,510</u>	<u>\$ 2,468,444</u>

CITY OF LAGRANGE, GEORGIA
PROPERTY AND CASUALTY FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services	\$ 996,970	\$ 1,021,217
Operating expenses:		
Administrative services	14,922	21,980
Risk management	<u>1,162,317</u>	<u>1,214,670</u>
Total operating expenses	<u>1,177,239</u>	<u>1,236,650</u>
Operating income (loss)	(180,269)	(215,433)
Nonoperating revenues:		
Investment income	<u>70,335</u>	<u>33,552</u>
Total nonoperating revenues	<u>70,335</u>	<u>33,552</u>
Change in net assets	(109,934)	(181,881)
Net assets, beginning of year	<u>2,468,444</u>	<u>2,650,325</u>
Net assets, end of year	<u>\$ 2,358,510</u>	<u>\$ 2,468,444</u>

CITY OF LAGRANGE, GEORGIA
PROPERTY AND CASUALTY FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 902,679	\$ 993,528
Cash paid to suppliers	(1,141,795)	(1,214,670)
Net cash provided (used) by operating activities	(239,116)	(221,142)
Cash flows from investing activities:		
Proceeds from maturities of investments	540,107	481,081
Investment income	<u>70,335</u>	<u>33,552</u>
Net cash provided (used) in investing activities	<u>610,442</u>	<u>514,633</u>
Net increase in cash	371,326	293,491
Cash, beginning of year	<u>1,952,865</u>	<u>1,659,374</u>
Cash, end of year	<u>\$ 2,324,191</u>	<u>\$ 1,952,865</u>
Report on the balance sheet as:		
Cash and cash equivalents	<u>\$ 2,324,191</u>	<u>\$ 1,952,865</u>
Cash flows from operating activities:		
Operating income	\$(180,269)	\$(215,433)
Adjustments to reconcile operating income to net cash provided by operating activities:		
(Increase) in interfund accounts	(94,291)	(5,709)
Increase in accounts payable	<u>35,444</u>	<u></u>
Net cash provided by operating activities	<u>\$(239,116)</u>	<u>\$(221,142)</u>

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

CITY OF LAGRANGE, GEORGIA
COMPARATIVE SCHEDULES OF CAPITAL ASSETS BY SOURCE
June 30, 2005 and 2004

	<u>2005</u>	<u>2004, Restated</u>
Governmental fund capital assets:		
Land	\$ 5,960,617	\$ 5,490,274
Buildings and improvements	9,128,789	9,958,134
Machinery and equipment	5,270,616	5,131,394
Vehicles	2,149,246	2,163,091
Infrastructure	14,714,382	14,211,894
Construction in progress	<u>1,990,349</u>	<u>56,930</u>
Total governmental fund capital assets	<u>\$ 39,213,999</u>	<u>\$ 37,011,717</u>
Investment in governmental fund capital assets by source:		
General fund revenues	\$ 7,343,570	\$ 7,701,738
General obligation bonds	3,000,000	3,000,000
Capital projects fund	22,753,137	20,192,687
Special revenues fund	2,614,227	2,614,227
Donations	<u>3,503,065</u>	<u>3,503,065</u>
Total governmental fund capital assets	<u>\$ 39,213,999</u>	<u>\$ 37,011,717</u>

NOTE: This schedule presents only the capital assets balances related to governmental funds.

CITY OF LAGRANGE, GEORGIA
SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY*
June 30, 2005

<u>Function and Activity</u>	<u>Total</u>	<u>Land and Land Improvements</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>
General government	\$ 14,343,956	\$ 3,774,112	\$ 6,350,780	\$ 1,949,317	\$ 129,219	\$ 2,140,528	
Public safety	5,315,952	21,465	2,087,106	1,898,685	1,260,766	47,930	
Public service	8,997,236	357,045		1,033,959	382,538	5,888,591	\$ 1,335,103
Culture and recreation	4,784,290	1,737,735	206,943	261,752	241,702	2,336,158	
Community development	<u>5,772,565</u>	<u>70,260</u>	<u>483,960</u>	<u>126,903</u>	<u>135,021</u>	<u>4,301,175</u>	<u>655,246</u>
Total governmental funds capital assets	<u>\$ 39,213,999</u>	<u>\$ 5,960,617</u>	<u>\$ 9,128,789</u>	<u>\$ 5,270,616</u>	<u>\$ 2,149,246</u>	<u>\$ 14,714,382</u>	<u>\$ 1,990,349</u>

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

CITY OF LAGRANGE, GEORGIA
SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY*
Year Ended June 30, 2005

<u>Function and Activity</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
General government	\$ 14,275,241	\$ 629,893	\$ 561,178	\$ 14,343,956
Public safety	5,439,619	64,337	188,004	5,315,952
Public service	7,069,337	1,936,701	8,802	8,997,236
Culture and recreation	4,807,343		23,053	4,784,290
Community development	<u>5,420,177</u>	<u>620,067</u>	<u>267,679</u>	<u>5,772,565</u>
Total governmental funds capital assets	<u>\$ 37,011,717</u>	<u>\$ 3,250,998</u>	<u>\$ 1,048,716</u>	<u>\$ 39,213,999</u>

Note: Beginning balances agree to the prior year in total; however, certain amounts have been reclassified by management for financial statement presentation in the current year.

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

ADDITIONAL DATA

The following data is required by either state statute, specific grant audit requirements, or auditing standards:

Community Home Investment Program Grant - Disclosure required by specific grants audit requirements.

CITY OF LAGRANGE, GEORGIA
SOURCE AND APPLICATION OF FUNDS STATUS REPORT
COMMUNITY HOME INVESTMENT PROGRAM GRANT
Year Ended June 30, 2005

CHIP 04m-x-141-2-2913:

Total grant	\$ 300,000
Less, total program funds drawn down by recipient for the year ended: June 30, 2005	(96,347)
Program funds available for future draw down	<u>\$ 203,653</u>
 Total program funds drawn down by recipient for the year ended June 30, 2005	 \$ 96,347
Add, program income applicable to the year ended June 30, 2005	<u>0</u>
Total program funds drawn by recipient and program income for the year ended June 30, 2005	<u>\$ 96,347</u>

CITY OF LAGRANGE, GEORGIA
PROJECT COST SCHEDULE
COMMUNITY HOME INVESTMENT PROGRAM GRANT
Year Ended June 30, 2005

<u>Activity</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>		<u>Questioned Cost</u>
		<u>Year Ended June 30, 2005</u>	<u>Prior Years</u>	
CHIP 04m-x-141-2-2913:				
H-013-00	\$ 285,000	\$ 104,995	N/A	None
A-21A-00	<u>15,000</u>	<u>1,243</u>	N/A	None
	<u>\$ 300,000</u>	<u>\$ 106,238</u>		

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STATISTICAL SECTION

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S M A R T M O V E ®

CITY OF LAGRANGE, GEORGIA
GENERAL GOVERNMENTAL EXPENDITURES FOR SELECTED FUNCTIONS⁽¹⁾
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ending June 30,	General Government	Public Safety	Public Services	Culture and Recreation	Education	Community Development	Capital Outlays	Debt Service	Total
1996	\$ 1,224,502	\$ 6,321,070	\$ 2,660,278	\$ 806,675	\$ 400,000	\$ 3,222,425	\$ 173,946	\$ 1,166,302	\$ 15,975,198
1997	1,556,769	6,688,297	2,455,546	874,449	400,000	1,888,673	161,137	1,122,401	15,147,272
1998	1,337,076	7,691,045	2,722,215	876,100	-	6,103,804	1,044,540	1,055,419	20,830,199
1999	1,412,244	7,964,829	2,814,926	876,000	-	1,404,540	491,144	990,875	15,954,558
2000	1,445,092	8,497,976	3,046,519	1,048,531	-	1,387,525	1,330,198	1,013,165	17,769,006
2001	1,305,100	8,750,529	2,962,267	981,100	-	1,231,218	1,149,978	1,266,869	17,647,061
2002	1,274,497	8,922,255	2,449,313	1,117,854	-	1,110,538	1,039,907	827,702	16,742,066
2003	1,364,523	9,235,159	2,745,594	697,984	-	1,246,230	1,442,906	572,657	17,305,053
2004	1,490,753	10,225,019	1,902,134	819,841	-	1,533,689	1,701,653	1,249,122	18,922,211
2005	1,692,111	10,614,052	3,763,165	755,436	-	1,765,461	3,250,998	1,243,970	23,085,193

(1) INCLUDES: General, Special Revenue and Debt Service Funds
N/A: Information not available

SOURCE: Prior year and current year audited financial statements

CITY OF LAGRANGE, GEORGIA
GENERAL GOVERNMENTAL REVENUES BY SOURCE⁽¹⁾
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ending June 30,	Taxes Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeitures	Investment Income	Miscellaneous	Total
1996	\$ 6,989,353	\$ 2,125,549	\$ 230,222	\$ 9,080	\$ 160,248	\$ 392,151	\$ 9,906,603
1997	7,056,705	894,024	175,434	377,164	124,811	539,798	9,167,936
1998	7,344,338	1,322,241	147,316	1,129,764	248,790	493,944	10,686,393
1999	7,561,380	384,683	157,221	999,915	(11,571)	208,401	9,300,029
2000	8,076,924	347,058	175,934	1,123,610	227,440	144,854	10,095,820
2001	8,253,038	295,531	263,893	1,270,246	86,548	233,816	10,403,072
2002	8,047,152	283,332	341,695	1,265,665	189,237	243,803	10,370,884
2003	7,852,799	106,995	368,883	1,031,788	241,501	203,702	9,805,668
2004	7,697,144	176,699	251,220	1,016,273	219,154	1,645,214	11,005,704
2005	7,804,356	2,288,485	267,242	1,272,171	266,186	1,372,690	13,271,130

(1) INCLUDES: General, Special Revenue and Debt Service Funds
* Appreciation and depreciation of the fair value of investments included beginning 1998.

SOURCE: Prior and current year audited financial statements

CITY OF LAGRANGE, GEORGIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL 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
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	-	-	-	8,100	8,100	-	-	N/A
2000	1999	-	-	-	4,701	4,701	-	-	N/A
2001	2000	-	-	-	4,297	4,297	-	-	N/A
2002	2001	-	-	-	1,590	1,590	-	-	N/A
2003	2002	-	-	-	74	74	-	-	N/A
2004	2003	-	-	-	-	-	-	-	N/A
2005	2004	-	-	-	-	-	-	-	N/A

SOURCE: Prior and current year audited financial statements
Troup County Tax Assessor/ Tax Commissioner

CITY OF LAGRANGE, GEORGIA
 COMPUTATION OF LEGAL DEBT MARGIN
 June 30, 2005
 (Unaudited)

Approximate assessed valuation	\$ 851,661,941
Debt limit: 10% of assessed value ⁽¹⁾	\$ 85,166,194
Amount of debt applicable to debt limit	<u>7,581,485</u>
Legal debt margin	<u>\$ 77,584,709</u>

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

CITY OF LAGRANGE, GEORGIA
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
1996	27,664	\$ 590,582,394	\$ 1,791,077	0.003%	\$ 86
1997	27,941	611,512,279	1,319,814	0.002%	65
1998	28,220	654,879,615	-	-	47
1999	28,502	704,891,891	-	-	-
2000	25,998	734,031,598	-	-	-
2001	26,250	756,052,545	-	-	-
2002	26,512	809,122,123	-	-	-
2003	26,777	811,539,417	-	-	-
2004	27,045	833,633,304	-	-	-
2005	27,315	851,661,941	-	-	-

SOURCE: (1) 2000 U.S. Census: other years - LaGrange Planning Office
(2) Troup County Tax Assessor
(3) City of LaGrange (Gross bonds, less available cash)

CITY OF LAGRANGE, GEORGIA
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
1996	\$ 240,000	\$ 18,750	\$ 258,750	\$ 15,975,198	1.6%
1997	255,000	6,700	261,700	15,147,272	1.7%
1998	-	-	-	N/A	0.0%
1999	-	-	-	N/A	0.0%
2000	-	-	-	N/A	0.0%
2001	-	-	-	N/A	0.0%
2002	-	-	-	N/A	0.0%
2003	-	-	-	N/A	0.0%
2004	-	-	-	N/A	0.0%
2005	-	-	-	N/A	0.0%

(1) INCLUDES: General, Special Revenue, and Debt Service Funds

SOURCE: Prior and current year financial statements

CITY OF LAGRANGE, GEORGIA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2005
(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	19,900,000	46%	9,154,000
LaGrange Development Authority	-	100%	-
Troup County Board of Education	18,122,620	46%	8,336,405

SOURCE: Financial statements for each of the above entities

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	
1996	\$ 12,143,227	\$ 5,379,615	\$ 6,763,612	\$ 1,688,000	\$ 2,489,306	\$ 4,177,306	1.62
1997	11,404,693	5,748,489	5,656,204	1,785,000	2,390,764	4,175,764	1.35
1998	11,333,264	5,603,012	5,730,252	1,895,000	2,255,013	4,150,013	1.38
1999	11,404,789	5,710,745	5,694,044	2,375,000	1,963,583	4,338,583	1.31
2000	12,408,747	5,942,692	6,466,055	2,485,000	1,816,438	4,301,438	1.50
2001	11,887,227	5,842,782	6,044,445	2,590,000	1,707,553	4,297,553	1.41
2002	11,706,818	6,050,103	5,656,715	2,705,000	1,594,362	4,299,362	1.31
2003	11,949,691	6,560,645	5,389,046	3,065,000	1,296,416	4,361,416	1.24
2004	12,383,971	6,375,573	6,008,398	3,260,000	1,189,770	4,449,770	1.35
2005	12,263,660	6,770,892	5,492,768	3,245,000	1,096,643	4,341,643	1.27

(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.

SOURCE: Prior and current year audited financial statements

CITY OF LAGRANGE, GEORGIA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Total Population ⁽¹⁾	Per Capital Income ⁽¹⁾	Median Age ⁽¹⁾	School Enrollment	Unemployment Rate ⁽²⁾
1996	27,664	\$ 17,657	33.3	11,283	7.8%
1997	27,941	18,187	33.3	11,112	6.9%
1998	28,220	18,733	33.6	11,082	7.1%
1999	28,502	19,295	33.6	11,299	6.8%
2000	25,998	16,650	32.8	11,653	5.4%
2001	26,250	16,972	32.8	11,748	6.7%
2002	26,512	17,312	32.8	10,717	8.1%
2003	26,777	17,658	32.8	11,944	8.9%
2004	27,045	18,011	32.8	12,049	8.5%
2005	27,315	18,371	32.8	12,240	6.6%

SOURCE:

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

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

CITY OF LAGRANGE, GEORGIA
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS
(Unaudited)

	Property Value(1)		Residential		Commercial		Commercial Bank Deposits(3) (In Thousands)
	Industrial and Commercial(4)	Residential	Construction(2)		Construction(2)		
			Number of Units	Value	Number of Units	Value	
1996	\$ 321,032,152	\$ 422,255,837	306	\$ 10,094,911	96	\$ 33,761,076	\$ 484,057
1997	373,473,143	446,028,990	322	14,466,711	52	14,825,891	497,505
1998	387,943,133	466,970,520	323	10,732,467	150	11,953,068	N/A
1999	1,189,456,733	506,977,440	311	16,659,244	173	79,689,819	N/A
2000	1,236,106,650	529,640,810	363	22,558,200	147	13,738,656	N/A
2001	1,402,244,222	472,382,065	85	8,849,560	76	14,716,689	N/A
2002	1,417,642,252	600,822,062	82	21,653,098	77	15,160,871	N/A
2003	1,408,806,387	634,370,657	97	18,358,157	83	20,534,816	N/A
2004	1,377,106,156	674,273,310	490	19,733,168	99	44,708,372	N/A
2005	1,421,952,070	716,185,445	468	21,020,176	121	16,494,516	N/A

SOURCE:

- (1) Troup County Tax Assessor/Tax Commissioner.
- (2) City of LaGrange Building Permit records; residential figures include residential additions; commercial figures include industrial construction; additions to structures also included for commercial industry construction Federal Reserve System. This information reflects commercial bank activity only. Balances presented represent latest completed calendar year, i.e. fiscal year 2003 deposits for calendar year 2002
- (4) Values through 1998 include commercial only; beginning in 1999 values include commercial and industrial, less freepport exemptions

CITY OF LAGRANGE, GEORGIA
PRINCIPAL TAXPAYERS
June 30, 2005
(Unaudited)

Taxpayer	Type of Business	Real and Personal Property Assessed Value	Percent of Total Assessed Value
Milliken and Company	Textiles	\$ 97,911,662	11.74%
Wal-Mart	Distribution Center	39,734,624	4.76%
Kimberly-Clark Corp.	Non-woven fabric	33,238,199	3.98%
T-Mobil	Cell phone warehousing	25,604,617	3.07%
Duracell	Batteries	23,883,680	2.86%
Exxon-Mobile Chemical Co.	Chemicals	19,103,402	2.29%
Interface, Inc.	Carpet	14,491,848	1.74%
Vernon Woods	Retirement Housing	30,468,740	3.65%
Guardian Automotive	Auto molding	7,704,050	0.92%
Trinidad Benham Corp.	Aluminum foil	6,833,382	0.82%
All other taxpayers		535,145,476	64.17%
		<u>\$ 834,119,680</u>	<u>100.00%</u>

NOTE: These are assessed values for the calendar year 2004

SOURCE: Troup County Tax Assessor

CITY OF LAGRANGE, GEORGIA
MISCELLANEOUS STATISTICAL INFORMATION
June 30, 2005
(Unaudited)

Date of incorporation	1828
Form of government	Council-Manager
City limits area	29.6 square miles
Population (2005 estimate)	27,315
Number of employees:	
Full time	378
Part time	<u>20</u>
Total employees	<u>398</u>
Electric customers, June 2005	12,250
Gas customers, June 2005	8,963
Water customers, June 2005	17,224
Sewer customers, June 2005	9,713
Utilities sales July 2004 - June 2005:	
Electric sales (megawatt hours)	505,982
Gas sales (1,000 cu. Ft.)	2,006,417
Water sales (1,000 gallons)	2,141,552
Garbage customers, June 2005	
Residential	8,844
Commercial/Industrial	1,071

SOURCE: City of LaGrange, Georgia

CITY OF LAGRANGE, GEORGIA
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (Unaudited)

Tax Year	Assessed Value	Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
1996	\$ 548,846,682	\$ 1,372,116,705	40
1997	611,507,683	1,528,769,207	40
1998	654,879,615	1,637,199,037	40
1999	704,891,891	1,762,229,728	40
2000	734,031,598	1,835,078,995	40
2001	756,052,545	1,890,131,362	40
2002	809,122,123	2,022,805,307	40
2003	811,539,417	2,028,848,543	40
2004	833,633,304	2,084,083,260	40
2005	851,661,941	2,129,154,853	40

SOURCE: Troup County Tax Assessor

CITY OF LAGRANGE, GEORGIA
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(PER \$1,000 OF ASSESSED VALUE)
(Unaudited)

Tax Year	City	Troup County(1)	Subtotal	Downtown Development Authority Tax(2)	Total
1996	0.50	28.52	29.02	3.50	32.52
1997	0.50	25.86	26.36	3.50	29.86
1998	0.00	26.86	26.86	3.50	30.36
1999	0.00	26.86	26.86	4.00	30.86
2000	0.00	26.86	26.86	4.00	30.86
2001	0.00	26.86	26.86	4.00	30.86
2002	0.00	26.86	26.86	4.00	30.86
2003	0.00	26.86	26.86	4.00	30.86
2004	0.00	29.66	29.66	4.00	33.66
2005	-	29.66	29.66	4.00	33.66

(1)INCLUDES: Rates for incorporated area only and include state, county and county school mileage
School system

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

SOURCE: Troup County Tax Commissioner