

**CITY OF LAGRANGE**  
**LaGrange, Kentucky**

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**FINANCIAL STATEMENTS**  
**June 30, 2012**

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## **City of LaGrange, Kentucky**

### **Management's Discussion and Analysis**

Our discussion and analysis of the City of LaGrange's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. Please read in conjunction with the auditors' report beginning on page 9 and the City's financial statements, which begin on page 11.

#### **FINANCIAL HIGHLIGHTS**

- The City's net assets increased in the governmental activities and decreased in the business-type activities. The net assets of the governmental activities increased by \$123,235, or 6.8% percent, and the net assets of the business-type activities decreased by \$36,943 or .2%.
- In the City's governmental activities, revenues increased approximately \$122,662, or 3.2 percent, and expenses decreased by \$231,501 or 6.1 percent. In the business-type activities, revenues increased by \$83,313, which is an increase of 2.9 percent, and expenses increased by \$107,164 or 3.5 percent.

#### **OVERVIEW OF THIS ANNUAL REPORT**

This annual report consists of the management's discussion and analysis report, the independent auditors' report, the basic financial statements of the City, and the independent auditors' report on compliance. The financial statements also include notes that explain in more detail some of the information in the financial statements.

In the past, the primary focus of local government financial statements has been summarized fund type information on a current financial resource basis. This approach has been modified; the City's financial statements now present two kinds of statements, each with a different snapshot of the City's finances. The new focus is both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements, which have been provided in the past, focus on the individual funds of the City, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the City's accountability.

## **GOVERNMENT – WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

These two statements report the net assets of the City and the changes in them. One can think of the City's net assets—the difference between assets and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health or position is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, changes in property tax rates or valuation, infrastructure asset condition, and new or changed government legislation.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

**Governmental activities**—Most of the City's basic services are reported here, including general government administration, police, streets, sanitation and parks. Property taxes, licenses and permits, and grants finance most of these activities.

**Business-type activities**—The City collects fees from customers to cover the costs of the services, which includes water and sewer and the Eagle Creek golf course.

## **FUND FINANCIAL STATEMENTS**

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's funds. The fund financial statements provide more information about the City's funds and not the City as a whole.

The City has two kinds of funds:

**Governmental Fund**—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

**Proprietary Fund**—Services for which the City charges customers a fee are generally reported in proprietary funds.

**NET ASSETS**

Our analysis begins with a summary of the City's Statement of Net Assets, which is presented on Table A-1 followed by an explanation of the results. Changes in net assets are presented in Table A-2, which is also followed by an explanation of the results.

**Table A-1**

**Condensed Statement of Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2011</u>
Current and Other Assets	\$ 1,495,101	\$ 1,151,577	\$ 1,245,259	\$ 1,440,018	\$ 2,740,360	\$ 2,591,595
Noncurrent and Capital Assets	<u>3,372,150</u>	<u>3,551,086</u>	<u>18,978,003</u>	<u>19,215,935</u>	<u>22,350,153</u>	<u>22,767,021</u>
Total Assets	<u>4,867,251</u>	<u>4,702,663</u>	<u>20,223,262</u>	<u>20,655,953</u>	<u>25,090,513</u>	<u>25,358,616</u>
Current Liabilities	210,980	196,227	602,958	608,768	813,938	804,995
Long-Term Debt Outstanding	1,035,000	1,080,000	4,207,204	4,597,142	5,242,204	5,677,142
OLDA Investment Liability	<u>1,691,075</u>	<u>1,619,475</u>	-	-	<u>1,691,075</u>	<u>1,619,475</u>
Total Liabilities	<u>2,937,055</u>	<u>2,895,702</u>	<u>4,810,162</u>	<u>5,205,910</u>	<u>7,747,217</u>	<u>8,101,612</u>
Net Assets:						
Invested in Capital Assets, net of debt	2,292,150	2,426,086	14,020,263	13,857,164	16,312,413	16,283,250
Restricted	472,558	411,721	315,678	173,809	788,236	585,530
Unrestricted	<u>(834,512)</u>	<u>(1,030,846)</u>	<u>1,077,159</u>	<u>1,419,070</u>	<u>242,647</u>	<u>388,224</u>
Total Net Assets	<u>\$ 1,930,196</u>	<u>\$ 1,806,961</u>	<u>\$ 15,413,100</u>	<u>\$ 15,450,043</u>	<u>\$ 17,343,296</u>	<u>\$ 17,257,004</u>

Net assets of the City's governmental activities increased by 6.8 percent, from \$1,806,961 in 2011 to \$1,930,196 in 2012. The net assets of the business-type activities decreased from \$15,450,043 in 2011 to \$15,413,100 in 2012, which is a .2 percent decrease. The net assets from one activity generally cannot be used to make up for any deficits in the other activities.

## NET ASSETS, continued

Table A-2

### Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
<b>Revenues</b>						
<u>Program Revenues</u>						
Charges for Service	\$ 355,425	\$ 325,276	\$ 2,923,396	\$ 2,840,082	\$ 3,278,821	\$ 3,165,358
Operating Grants & Contributions	187,751	163,851	-	-	187,751	163,851
Capital Grants & Contributions	14,958	16,400	328,500	239,811	343,458	256,211
<u>General Revenue</u>						
Taxes	1,394,934	1,417,585	-	-	1,394,934	1,417,585
License fees	1,827,554	1,736,632	-	-	1,827,554	1,736,632
Investment Earnings	5,381	4,992	15,768	9,262	21,149	14,254
Rents	32,195	34,600	-	-	32,195	34,600
Community Center	1,101	13,064	-	-	1,101	13,064
Gain on sale of assets	-	-	-	-	-	-
Donations	52,578	2,413	-	-	52,578	2,413
Change in OLDA Investment	(71,600)	(188,234)	-	-	(71,600)	(188,234)
Miscellaneous	74,474	108,877	-	-	74,474	108,877
LaGrange Fire JV Dissolution	-	-	-	-	-	-
<b>Total Revenue</b>	<b>3,874,751</b>	<b>3,635,456</b>	<b>3,267,664</b>	<b>3,089,155</b>	<b>7,142,415</b>	<b>6,724,611</b>
<b>Program Expenses</b>						
General Government	597,464	589,952	-	-	597,464	589,952
Public Safety - Police	1,455,756	1,386,207	-	-	1,455,756	1,386,207
Public Works	795,422	787,183	-	-	795,422	787,183
Parks and Recreation	175,303	185,258	-	-	175,303	185,258
Sanitation	320,921	319,002	-	-	320,921	319,002
Community Development	282,954	357,735	-	-	282,954	357,735
Public Safety - Fire	-	-	-	-	-	-
Public Properties	41,142	41,544	-	-	41,142	41,544
Interest on Debt	52,250	54,320	-	-	52,250	54,320
Golf Course	-	-	631,129	633,101	631,129	633,101
Sewer and Water	-	-	2,675,968	2,622,337	2,675,968	2,622,337
<b>Total Program Expenses</b>	<b>3,721,212</b>	<b>3,721,201</b>	<b>3,307,097</b>	<b>3,255,438</b>	<b>7,028,309</b>	<b>6,976,639</b>
<b>Change in Net Assets</b>						
Before Transfers	153,539	(85,745)	(39,433)	(166,283)	114,106	(252,028)
Transfers	(30,304)	(121,630)	2,490	149,842	(27,814)	28,212
<b>Change in Net Assets</b>	<b>\$ 123,235</b>	<b>\$ (207,375)</b>	<b>\$ (36,943)</b>	<b>\$ (16,441)</b>	<b>\$ 86,292</b>	<b>\$ (223,816)</b>

The City's total revenue increased from \$6,724,611 in 2011 to \$7,142,415 in 2012 or 6.2 percent. On the following page is a more in-depth description of the revenues and expenses of the governmental and business-type activities.

## GOVERNMENTAL ACTIVITIES

Next, the City analyzes the governmental activities and the changes in those activities, which is presented in Table A-3.

**Table A-3**

### Condensed Governmental Activities - Revenues & Expenditures

	<u>FY 2012</u>	<u>FY 2011</u>	<u>Variance</u>
Taxes	\$ 1,394,934	\$ 1,417,585	\$ (22,651)
Licenses and permits	1,827,555	1,736,632	90,923
Intergovernmental	202,709	180,251	22,458
Charges for Services	355,425	325,276	30,149
Other Revenues	165,729	163,946	1,783
<b>Total Revenues</b>	<b><u>3,946,352</u></b>	<b><u>3,823,690</u></b>	<b><u>122,662</u></b>
General Administration	543,865	536,261	7,604
Police Protection	1,407,030	1,331,333	75,697
Public Works	633,981	629,731	4,250
Sanitation	320,921	319,002	1,919
Park and Recreation	153,713	164,655	(10,942)
Community Development	282,954	357,735	(74,781)
Fire Protection	-	-	-
Public Properties	41,142	41,544	(402)
Capital Outlay	106,420	339,196	(232,776)
Debt Service	97,250	99,320	(2,070)
<b>Total Expenditures</b>	<b><u>3,587,276</u></b>	<b><u>3,818,777</u></b>	<b><u>(231,501)</u></b>
Excess Revenues over Expenditures before transfers	<b><u>\$ 359,076</u></b>	<b><u>\$ 4,913</u></b>	<b><u>\$ 354,163</u></b>

Revenues for the City's governmental activities increased by 3.2 percent, and total expenditures decreased by 6.1 percent. The City's major source of revenue in the governmental activities is taxes, licenses and permits, which makes up 81.7 percent of total revenues, these revenue sources increased by \$68,272 in 2012. The major expenses are for police protection which makes up 39.2 percent of total expenditures.

## BUSINESS-TYPE ACTIVITIES

Looking at the business-type activities, revenues (FY 2012) for the City increased to \$2,923,396 or 2.9 percent, while total expenses increased 1.6 percent. The excess of expense over revenues decreased net assets by \$36,943. The City's major sources of revenue, beyond customer charges, are capital grants and contributions, which increased by \$88,689. This revenue source made up 10.1 percent of revenue in FY 2012 and 7.7 percent in FY 2011.

## BUDGET HIGHLIGHTS

The budget contains proposed expenditures and expected revenues. A comparison of the final budget to actual amounts is presented in the tables below (Tables A-4 & A-5).

**Table A-4**

**Condensed Governmental Activities - Revenues**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes	\$ 1,401,000	\$ 1,394,934	\$ (6,066)
Licenses and permits	1,800,164	1,827,555	27,391
Intergovernmental	512,300	70,632	(441,668)
Charges for Services	350,000	355,425	5,425
Other Revenues	121,000	165,729	44,729
Municipal Aid Fund	122,300	132,077	9,777
Total Revenues	<u>\$ 4,306,764</u>	<u>\$ 3,946,352</u>	<u>\$ (360,412)</u>

**Table A-5**

**Condensed Governmental Activities - Expenditures**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 1,010,361	\$ 543,865	\$ (466,496)
Police Protection	1,424,878	1,407,030	(17,848)
Public Works	712,549	633,981	(78,568)
Sanitation	293,000	320,921	27,921
Park and Recreation	183,700	153,713	(29,987)
Community Development	301,400	282,954	(18,446)
Fire Protection	-	-	-
Public Properties	48,935	41,142	(7,793)
Capital Outlay	55,000	44,872	(10,128)
Debt Service	97,250	97,250	-
Municipal Aid Fund	170,800	61,548	(109,252)
Total Expenditures	<u>\$ 4,297,873</u>	<u>\$ 3,587,276</u>	<u>\$ (710,597)</u>

The City budgeted for a total of \$4,306,764 in revenues for 2012, but ended up having revenues of \$3,946,352, which put the City 8.4 percent under the revenue budget. A total of \$4,297,873 was budgeted for expenses, but expenditures totaled \$3,587,281 for the year 2012. The City was under budget on the expenses by \$710,597 or 16.5 percent as detailed above.



## CAPITAL ASSETS

The City has a total of \$35,243,046 invested in a broad range of capital assets, including police and vehicles, buildings, land, infrastructure assets, and water and sewer lines. This amount represents an increase of \$516,703 (1.5 percent) from last year's total investment of \$34,726,343.

**Table A-6**

### Capital Assets at Year End Without Depreciation

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2011</u>
Land & Improvements	\$ 698,184	\$ 698,184	\$ -	\$ -	\$ 698,184	\$ 698,184
Buildings & Improvements	2,085,046	2,075,179	-	-	2,085,046	2,075,179
Vehicles & Equipment	2,267,969	2,232,965	-	-	2,267,969	2,232,965
Infrastructure Assets	759,681	698,132	-	-	759,681	698,132
Business-Type Assets	-	-	29,432,166	29,021,883	29,432,166	29,021,883
<b>Total Capital Assets</b>	<b>\$ 5,810,880</b>	<b>\$ 5,704,460</b>	<b>\$29,432,166</b>	<b>\$29,021,883</b>	<b>\$35,243,046</b>	<b>\$34,726,343</b>

## DEBT

This year the City has \$5,761,039 in long-term debt, a 6.9 percent decrease from last year's total of \$6,190,945.

**Table A-7**

### Debt Outstanding at Year End

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2011</u>
Capital Leases	\$ 1,080,000	\$ 1,125,000	\$ 3,059,314	\$ 3,271,677	\$ 4,139,314	\$ 4,396,677
Bond Issues	-	-	1,490,000	1,630,000	1,490,000	1,630,000
Capital Equipment Leases	-	-	11,432	44,445	11,432	44,445
Customer Deposits	-	-	46,815	41,394	46,815	41,394
Accrued Absences	62,232	62,232	11,246	16,197	73,478	78,429
<b>Total Debt Outstanding</b>	<b>\$ 1,142,232</b>	<b>\$ 1,187,232</b>	<b>\$ 4,618,807</b>	<b>\$ 5,003,713</b>	<b>\$ 5,761,039</b>	<b>\$ 6,190,945</b>

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

The City's elected officials consider many factors when setting the fiscal year 2013 budget. Some of the factors are the local economy, expected grant money, and anticipated tax revenue.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the citizens of the City, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Stephanie Cooper, City Clerk, at 307 West Jefferson Street, LaGrange, KY 40031. The Utility Commission is located at 412 East Jefferson Street, LaGrange, KY 40031.

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## INDEPENDENT AUDITORS' REPORT

Mayor and the City Council  
City of LaGrange  
LaGrange, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the City of LaGrange, Kentucky, as of June 30, 2012, and for the year then ended, 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 of LaGrange, Kentucky's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Utility Commission of the City of LaGrange (UCCL) which is both a major fund and 83.3%, 95.7%, and 81.7%, respectively, of the assets, net assets and operating revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for those activities, is based solely upon the report of the other auditors.

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 general purpose 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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the aggregate remaining fund information of the City of LaGrange, Kentucky, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 8 and 34 through 37 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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In accordance with **Government Auditing Standards**, we have also issued a report dated September 17, 2013 on our consideration of the City of LaGrange, Kentucky's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of LaGrange, Kentucky's basic financial statements. The supplemental schedules on pages 38 and 39 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
September 17, 2013

**CITY OF LAGRANGE, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	Primary Government			2011 Totals
	Governmental Activities	Business-type Activities	2012 Totals	
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 993,848	\$ 838,209	\$ 1,832,057	\$ 1,172,492
Certificates of deposit	-	-	-	568,141
Receivables (net)	474,834	339,255	814,089	718,473
Interest receivable	-	2,549	2,549	672
Internal balances	26,419	(26,419)	-	-
Inventory of supplies	-	91,665	91,665	107,038
Prepaid expense	-	-	-	24,779
Total current assets	<u>1,495,101</u>	<u>1,245,259</u>	<u>2,740,360</u>	<u>2,591,595</u>
<b>Noncurrent assets</b>				
Restricted cash and cash equivalents	-	396,994	396,994	249,924
Unamortized debt issuance cost	-	21,850	21,850	24,700
<b>Capital assets</b>				
Construction in process	-	464,965	464,965	162,725
Land and improvements, net	698,184	2,886,975	3,585,159	3,679,727
Plant and sewer system, net	-	14,131,748	14,131,748	14,731,929
Depreciable buildings, property, and equipment, net	2,191,442	1,075,471	3,266,913	3,421,073
Infrastructure, net	482,524	-	482,524	496,943
Total noncurrent assets	<u>3,372,150</u>	<u>18,978,003</u>	<u>22,350,153</u>	<u>22,767,021</u>
Total assets	<u>\$ 4,867,251</u>	<u>\$ 20,223,262</u>	<u>\$ 25,090,513</u>	<u>\$ 25,358,616</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 73,314	\$ 116,731	\$ 190,045	\$ 173,697
Accrued interest	-	32,975	32,975	33,822
Accrued payroll liabilities	30,434	8,850	39,284	46,811
Accrued leave	62,232	11,246	73,478	78,429
Deferred revenues	-	32,799	32,799	36,862
Current portion of long-term obligations	45,000	400,357	445,357	435,374
Total current liabilities	<u>210,980</u>	<u>602,958</u>	<u>813,938</u>	<u>804,995</u>
<b>Noncurrent liabilities</b>				
Noncurrent portion of long-term obligations	1,035,000	4,207,204	5,242,204	5,677,142
Investment in joint venture (net equity) Oldham-LaGrange Development Authority	1,691,075	-	1,691,075	1,619,475
Total liabilities	<u>2,937,055</u>	<u>4,810,162</u>	<u>7,747,217</u>	<u>8,101,612</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	2,292,150	14,020,263	16,312,413	16,283,250
<b>Restricted for:</b>				
Road improvements	363,059	-	363,059	289,983
Debt service	5,113	315,678	320,791	178,913
Capital projects	64,417	-	64,417	76,779
Foundations and parks	39,969	-	39,969	39,855
Unrestricted	(834,512)	1,077,159	242,647	388,224
Total net assets	<u>1,930,196</u>	<u>15,413,100</u>	<u>17,343,296</u>	<u>17,257,004</u>
Total liabilities and net assets	<u>\$ 4,867,251</u>	<u>\$ 20,223,262</u>	<u>\$ 25,090,513</u>	<u>\$ 25,358,616</u>

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

**CITY OF LAGRANGE, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		2012 Totals	2011 Totals	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities			Business-type Activities
<b>Primary government</b>								
<b>Governmental activities</b>								
General government	\$ 597,464	\$ -	\$ 2,603	\$ -	\$ (594,861)	\$ (594,861)	\$ (586,731)	
Public safety-Police	1,455,756	-	53,071	-	(1,402,685)	(1,402,685)	(1,338,250)	
Public works	795,422	-	132,077	14,958	(648,387)	(648,387)	(658,110)	
Parks and recreation	175,303	-	-	-	(175,303)	(175,303)	(185,258)	
Sanitation	320,921	355,425	-	-	34,504	34,504	6,274	
Community development	282,954	-	-	-	(282,954)	(282,954)	(357,735)	
Fire	-	-	-	-	-	-	-	
Public properties	41,142	-	-	-	(41,142)	(41,142)	(41,544)	
Interest on long-term debt	52,250	-	-	-	(52,250)	(52,250)	(54,320)	
Total governmental activities	<u>3,721,212</u>	<u>355,425</u>	<u>187,751</u>	<u>14,958</u>	<u>(3,163,078)</u>	<u>(3,163,078)</u>	<u>(3,215,674)</u>	
<b>Business type activities</b>								
Utility Commission	2,675,968	2,388,678	-	-	-	(287,290)	(60,981)	
Golf Course	631,129	534,718	-	328,500	-	232,089	(114,563)	
Total business-type activities	<u>3,307,097</u>	<u>2,923,396</u>	<u>-</u>	<u>328,500</u>	<u>-</u>	<u>(55,201)</u>	<u>(175,544)</u>	
<b>Total primary government</b>	<u>\$ 7,028,309</u>	<u>\$ 3,278,821</u>	<u>\$ 187,751</u>	<u>\$ 343,458</u>	<u>(3,163,078)</u>	<u>(3,218,279)</u>	<u>(3,391,218)</u>	
<b>General revenues</b>								
Taxes:								
Property taxes, levied for general purposes					1,232,475	1,232,475	1,260,423	
Bank shares					50,815	50,815	49,862	
Motor vehicle tax					111,644	111,644	107,300	
License fees:								
Franchise fees					282,297	282,297	297,752	
Business licenses					264,520	264,520	216,779	
Insurance premiums					1,260,338	1,260,338	1,200,034	
Other fees and permits					20,399	20,399	22,067	
Investment earnings					5,381	15,768	14,253	
Rents					32,195	32,195	34,600	
Community Center					1,101	1,101	13,064	
Donations					52,578	52,578	2,413	
Miscellaneous					74,474	74,474	108,877	
Total general revenues					<u>3,388,217</u>	<u>15,768</u>	<u>3,403,985</u>	
Decrease in joint venture - Oldham-LaGrange Development Authority					(71,600)	(71,600)	(188,234)	
Transfers in (out)					(30,304)	2,490	(27,814)	
Total general and other revenues (expenses)					<u>3,286,313</u>	<u>18,258</u>	<u>3,304,571</u>	
<b>Change in Net Assets</b>					123,235	(36,943)	86,292	
<b>Net assets - beginning</b>					<u>1,806,961</u>	<u>15,450,043</u>	<u>17,257,004</u>	
<b>Net Assets - Ending</b>					<u>\$ 1,930,196</u>	<u>\$ 15,413,100</u>	<u>\$ 17,343,296</u>	

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

**CITY OF LAGRANGE, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012**

	General	Other Governmental Funds	Total Governmental Funds	2011 Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 521,290	\$ 472,558	\$ 993,848	\$ 660,158
Receivables, net	474,834	-	474,834	412,407
Prepaid insurance	-	-	-	24,779
Due from other funds	29,460	-	29,460	57,274
	<u>1,025,584</u>	<u>472,558</u>	<u>1,498,142</u>	<u>1,154,618</u>
Total assets	<u>\$ 1,025,584</u>	<u>\$ 472,558</u>	<u>\$ 1,498,142</u>	<u>\$ 1,154,618</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 73,314	\$ -	\$ 73,314	\$ 59,754
Accrued payroll payable	30,434	-	30,434	29,241
Due to other funds	3,041	-	3,041	3,041
Accrued leave	62,232	-	62,232	62,232
	<u>169,021</u>	<u>-</u>	<u>169,021</u>	<u>154,268</u>
Total liabilities	<u>169,021</u>	<u>-</u>	<u>169,021</u>	<u>154,268</u>
<b>Fund balances</b>				
<b>Restricted</b>				
Road improvements	-	363,059	363,059	289,983
<b>Assigned</b>				
Debt service	-	5,113	5,113	5,104
Capital projects	-	64,417	64,417	76,779
Foundations and parks	-	39,969	39,969	39,855
<b>Unassigned</b>				
General fund	856,563	-	856,563	588,629
	<u>856,563</u>	<u>472,558</u>	<u>1,329,121</u>	<u>1,000,350</u>
Total fund balances	<u>856,563</u>	<u>472,558</u>	<u>1,329,121</u>	<u>1,000,350</u>
Total liabilities and fund balances	<u>\$ 1,025,584</u>	<u>\$ 472,558</u>	<u>\$ 1,498,142</u>	<u>\$ 1,154,618</u>

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

Fund balances reported above	\$ 1,329,121	\$ 1,000,350
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,372,150	3,551,086
Equity interests in joint ventures are not financial resources and therefore are not reported in the funds. The equity interest is reported as the net equity in the joint venture's net assets.	(1,691,075)	(1,619,475)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,080,000)</u>	<u>(1,125,000)</u>
Net assets of governmental activities	<u>\$ 1,930,196</u>	<u>\$ 1,806,961</u>

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

**CITY OF LAGRANGE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2012**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2011 Totals</u>
<b>REVENUES</b>				
Taxes	\$ 1,394,934	\$ -	\$ 1,394,934	\$ 1,417,585
Licenses and permits	1,827,555	-	1,827,555	1,736,632
Intergovernmental	70,632	132,077	202,709	180,251
Charges for services	355,425	-	355,425	325,276
Other revenues	163,059	2,670	165,729	163,946
	<u>3,811,605</u>	<u>134,747</u>	<u>3,946,352</u>	<u>3,823,690</u>
<b>EXPENDITURES</b>				
Current:				
General administration	543,865	-	543,865	536,261
Public safety-Police	1,407,030	-	1,407,030	1,331,333
Public works	633,981	-	633,981	629,731
Sanitation	320,921	-	320,921	319,002
Parks and Recreation	153,713	-	153,713	164,655
Community development	282,954	-	282,954	357,735
Fire	-	-	-	-
Public properties	41,142	-	41,142	41,544
Capital outlay	44,872	61,548	106,420	339,196
Debt service	-	97,250	97,250	99,320
	<u>3,428,478</u>	<u>158,798</u>	<u>3,587,276</u>	<u>3,818,777</u>
Excess (deficiency) of revenues over expenditures	<u>383,127</u>	<u>(24,051)</u>	<u>359,076</u>	<u>4,913</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Contributed capital	-	-	-	-
Transfer in (out)	(115,193)	84,889	(30,304)	(121,630)
	<u>(115,193)</u>	<u>84,889</u>	<u>(30,304)</u>	<u>(121,630)</u>
<b>Net change in fund balances</b>	267,934	60,838	328,772	(116,717)
Fund balances-beginning	588,629	411,720	1,000,349	1,117,067
<b>Fund balances-ending</b>	<u>\$ 856,563</u>	<u>\$ 472,558</u>	<u>\$ 1,329,121</u>	<u>\$ 1,000,350</u>
Reconciliation to government-wide change in net assets:				
Net change in fund balances			\$ 328,772	\$ (116,717)
add: capital outlay expenditures capitalized			106,420	339,196
add: debt service expenditures			97,250	99,320
less: depreciation on governmental activities assets			(285,357)	(286,620)
less: interest expense			(52,250)	(54,320)
less: decreases in the equity interest of joint ventures			(71,600)	(188,234)
Change in net assets Governmental Activities			<u>\$ 123,235</u>	<u>\$ (207,375)</u>

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



**CITY OF LAGRANGE, KENTUCKY  
BALANCE SHEET  
PROPRIETARY FUNDS  
June 30, 2012**

ASSETS	Business Type Activities		2012 Totals	2011 Totals
	Water & Sewer	Golf Course		
<b>Current assets</b>				
Cash and cash equivalents	\$ 783,033	\$ 55,176	\$ 838,209	\$ 512,334
Certificates of deposit	-	-	-	568,141
Receivables (net)	337,167	2,088	339,255	306,066
Interest receivable	2,549	-	2,549	672
Inventory	87,151	4,514	91,665	107,038
Due from the City	-	3,041	3,041	3,041
<b>Total current assets</b>	<b>1,209,900</b>	<b>64,819</b>	<b>1,274,719</b>	<b>1,497,292</b>
<b>Non-current assets</b>				
Restricted cash and cash equivalents	49,479	347,515	396,994	249,924
Unamortized debt issuance cost	-	21,850	21,850	24,700
<b>Total non-current assets</b>	<b>49,479</b>	<b>369,365</b>	<b>418,844</b>	<b>274,624</b>
<b>Capital assets</b>				
Construction in progress	464,965	-	464,965	162,725
Land	67,217	1,614,643	1,681,860	1,681,860
Land improvements	-	2,327,746	2,327,746	2,311,471
Plant and sewer system	22,780,107	-	22,780,107	22,780,107
Buildings and improvements	857,893	-	857,893	857,893
Vehicle and equipment	739,065	580,530	1,319,595	1,227,827
Less accumulated depreciation	(9,299,393)	(1,573,614)	(10,873,007)	(10,080,572)
<b>Total capital assets</b>	<b>15,609,854</b>	<b>2,949,305</b>	<b>18,559,159</b>	<b>18,941,311</b>
<b>Total assets</b>	<b>\$ 16,869,233</b>	<b>\$ 3,383,489</b>	<b>\$ 20,252,722</b>	<b>\$ 20,713,227</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 98,368	\$ 18,363	\$ 116,731	\$ 113,943
Accrued payroll liabilities	-	8,850	8,850	17,570
Due to the City	29,460	-	29,460	57,274
Accrued interest payable	1,138	31,837	32,975	33,822
Deferred revenue	-	32,799	32,799	36,862
Accrued compensated absences	11,246	-	11,246	16,197
Capital equipment lease	-	11,432	11,432	33,011
Capital lease obligations	208,925	15,000	223,925	212,363
Bonds, notes, and loans payable	-	165,000	165,000	145,000
<b>Total current liabilities</b>	<b>349,137</b>	<b>283,281</b>	<b>632,418</b>	<b>666,042</b>
<b>Non-current liabilities</b>				
Capital equipment lease	-	-	-	11,434
Capital lease obligations	1,725,389	1,110,000	2,835,389	3,059,314
Bonds, notes, and loans payable	-	1,325,000	1,325,000	1,485,000
Customer deposits payable	46,815	-	46,815	41,394
<b>Total non-current liabilities</b>	<b>1,772,204</b>	<b>2,435,000</b>	<b>4,207,204</b>	<b>4,597,142</b>
<b>Total liabilities</b>	<b>2,121,341</b>	<b>2,718,281</b>	<b>4,839,622</b>	<b>5,263,184</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	13,675,540	344,723	14,020,263	13,857,164
Restricted for:				
Debt service	-	315,678	315,678	173,809
Unrestricted	1,072,352	4,807	1,077,159	1,419,070
<b>Total net assets</b>	<b>14,747,892</b>	<b>665,208</b>	<b>15,413,100</b>	<b>15,450,043</b>
<b>Total liabilities and net assets</b>	<b>\$ 16,869,233</b>	<b>\$ 3,383,489</b>	<b>\$ 20,252,722</b>	<b>\$ 20,713,227</b>

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

**CITY OF LAGRANGE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**for the year ended June 30, 2012**

	Business Type Activities		2012 Totals	2011 Totals
	Water & Sewer	Golf Course		
<b>Operating revenues</b>				
Charges for services	\$ 2,342,760	\$ 534,718	\$ 2,877,478	\$ 2,790,109
Other income	45,918	-	45,918	49,974
	<u>2,388,678</u>	<u>534,718</u>	<u>2,923,396</u>	<u>2,840,083</u>
<b>Operating expenses</b>				
General and administrative	505,069	120,138	625,207	588,535
Rent	-	1,118	1,118	1,318
Salaries and wages	-	145,936	145,936	137,868
Repairs and maintenance	-	64,120	64,120	61,351
Cost of sales	608,916	18,941	627,857	631,227
Other operating expenses	826,999	46,302	873,301	820,473
Depreciation	661,322	131,113	792,435	782,038
	<u>2,602,306</u>	<u>527,668</u>	<u>3,129,974</u>	<u>3,022,810</u>
Operating income (loss)	<u>(213,628)</u>	<u>7,050</u>	<u>(206,578)</u>	<u>(182,727)</u>
<b>Non-operating revenues (expenses)</b>				
Interest and investment revenue	13,237	2,531	15,768	9,261
Interest expense	(73,662)	(100,611)	(174,273)	(225,299)
Transfers in	-	249,768	249,768	149,842
Transfers out	-	(247,278)	(247,278)	-
Amortization of debt issuance cost	-	(2,850)	(2,850)	(7,329)
	<u>(60,425)</u>	<u>(98,440)</u>	<u>(158,865)</u>	<u>(73,525)</u>
(Loss) before capital contributions	(274,053)	(91,390)	(365,443)	(256,252)
<b>Capital contributions</b>				
Capital Contributions	-	328,500	328,500	239,811
<b>Change in net assets</b>	(274,053)	237,110	(36,943)	(16,441)
Total net assets - beginning	15,021,945	428,098	15,450,043	15,466,484
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 14,747,892</u>	<u>\$ 665,208</u>	<u>\$ 15,413,100</u>	<u>\$ 15,450,043</u>

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

**CITY OF LAGRANGE, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
for the year ended June 30, 2012

	Business Type Activities		2012 Totals	2011 Totals
	Water & Sewer	Golf Course		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 2,384,256	\$ 530,256	\$ 2,914,512	\$ 2,867,088
Receipts (refunds) of customer meter deposits	5,422	-	5,422	1,525
Payments to suppliers	(1,480,681)	(374,208)	(1,854,889)	(1,666,892)
Payments for employee services and benefits	(458,036)	(26,473)	(484,509)	(555,957)
Net cash provided by operating activities	<u>450,961</u>	<u>129,575</u>	<u>580,536</u>	<u>645,764</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributions	-	328,500	328,500	5,000
Transfers in from City of LaGrange	-	249,768	249,768	149,842
Transfers out to City of LaGrange	-	(247,278)	(247,278)	-
Purchases of capital assets	(379,141)	(23,275)	(402,416)	(327,844)
Principal paid on capital debt	(202,363)	(183,013)	(385,376)	(2,569,579)
Proceeds from loans	-	-	-	2,284,645
Interest paid on capital debt	(73,662)	(100,611)	(174,273)	(222,993)
Net cash provided by (used in) capital and related financing activities	<u>(655,166)</u>	<u>24,091</u>	<u>(631,075)</u>	<u>(680,929)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	13,237	2,531	15,768	9,385
Proceeds from certificates of deposits	-	-	-	(250,000)
Net cash provided by investing activities	<u>13,237</u>	<u>2,531</u>	<u>15,768</u>	<u>(240,615)</u>
Net increase (decrease) in cash and cash equivalents	(190,968)	156,197	(34,771)	(275,780)
Cash and cash equivalents, beginning of the year	<u>1,083,905</u>	<u>246,494</u>	<u>1,330,399</u>	<u>1,038,038</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<u>\$ 892,937</u>	<u>\$ 402,691</u>	<u>\$ 1,295,628</u>	<u>\$ 762,258</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (213,628)	\$ 7,050	\$ (206,578)	\$ (182,727)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	661,322	131,113	792,435	782,038
Change in assets and liabilities:				
Receivables, net	(32,790)	(399)	(33,189)	19,077
Inventory	16,521	(1,149)	15,372	(12,920)
Prepaid expenses	(4,946)	-	(4,946)	13,530
Due to City of LaGrange	27,814	-	27,814	28,212
Accounts and other payables	4,007	(1,219)	2,788	7,485
Accrued expenses	(12,761)	(910)	(13,671)	(810)
Accrued bond and interest	-	(848)	(848)	(205)
Customer deposits payable	5,422	-	5,422	1,525
Retirement payable	-	(4,063)	(4,063)	(9,441)
Net cash provided by operating activities	<u>\$ 450,961</u>	<u>\$ 129,575</u>	<u>\$ 580,536</u>	<u>\$ 645,764</u>
Schedule of non-cash investing, capital and financing activities:				
Contributed water and sewer mains from developers	\$ -	\$ -	\$ -	\$ 234,811

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

**CITY OF LAGRANGE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

The financial statements of the City of LaGrange, Kentucky include the funds, account groups and entities over which the Mayor and Council exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the City's ability to significantly influence operation, select the governing body, and participate in fiscal management and the scope of public service. The Council has oversight responsibility for various boards and foundations included in the accompanying financial statements. The LaGrange Public Properties Corporation and Utility Commission of the City of LaGrange, Kentucky are blended component units that are subject to the City's oversight responsibility. Separately issued financial statement of the Utility Commission can be obtained by request at 203 S. Walnut Street, LaGrange, KY, 40031 or by calling (502) 222-9325. The City is involved in a joint venture with Oldham County in Oldham-LaGrange Development Authority. See footnote 12.

**Blended Component Units**

Blended component units are separate entities that meet the component unit criteria described above and whose governing body is the same as or designated by the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type.

Component units that are blended into the reporting activity types of the City's report are presented below:

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

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**Basis of Presentation**

The City's financial statements are presented in conformity with the provisions of Governmental Accounting Standards Board Statement No 34, "**Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments**" and consist of the following:

Management's discussion and analysis (required supplementary information);

- Basic Financial Statements
  - Government-wide financial statements
  - Fund financial statements
- Notes to the financial statements

**Government-wide Financial Statements**

The government-wide financial statements include a statement of net assets and the statement of activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City.

**Fund Financial Statements**

Fund financials statements report detailed information about the City. The accounts of the City are organized on the basis of funds each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses.

Governmental funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon determination of financial position and budgetary control over revenues and expenditures. Proprietary fund types are used to account for operations that are financed and operated in a manner similar to business enterprises - where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

The following funds are used by the City of LaGrange:

**Governmental Funds**

**General Fund** - The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund. Most of the essential governmental services such as police and fire protection, community services and general administration are reported in this fund

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**Basis of Presentation (continued)**

**Debt Service Fund** – Accounts for the activities of the City of LaGrange Public Properties Corporation. The Corporation was created as a non-profit, non-stock corporation to acquire, with borrowed funds, real property for use by the city.

**Capital Project Fund** – The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

**Foundations and Parks Fund** – Accounts for the activities of the City of LaGrange Foundation, incorporated which was created as a non-profit corporation to receive donations for projects for the betterment of the City of LaGrange and Oldham County.

**Municipal Road Aid Fund** – Special revenue fund that accounts for the money received from the Commonwealth of Kentucky under the gasoline tax distribution program. Reserved for road maintenance.

**Proprietary Funds**

Proprietary funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in cash flows.

Enterprise funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounts are maintained on the accrual basis of accounting. The City applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The City's enterprise operations include the following:

**Utility Commission of the City of LaGrange, Kentucky** – Accounts for activities in providing water and wastewater services to the residents of the City of LaGrange, the operations of which are financed by user charges.

**Eagle Creek Golf Course** – Accounts for activities in providing golfing facilities to the public and the management of the retail pro-shop.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**Basis of Accounting (continued)**

**Government-wide Financial Statements**

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

**Fund Financial Statements**

The financial transactions of the City are recorded in individual funds. Their focus is on individual funds rather than reporting funds by type. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financials resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A period of sixty (60) days is used for property tax revenues. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Operating revenues include charges for service and other income, operating expenses include direct costs and depreciation. All other revenues or expenses are treated as non-operating.

Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

**Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments**

Cash and cash equivalents include cash on hand and demand deposits, both unrestricted and restricted. Certificates of deposit include all certificates owned by the City. Cash and cash equivalents and certificates of deposits are stated at actual cost which approximates fair value. Kentucky Revised Statute 66.480 permits the City to invest in U.S. Treasury obligations, U.S. Agency obligations, certain Federal instruments, repurchase agreements, commercial banks' certificates of deposit, savings and loan deposits, Commonwealth of Kentucky investment pool and the Kentucky League of Cities investment pool.

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**Assets, Liabilities and Net Assets or Equity (continued)**

**Interfund Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Supplies Inventory**

Inventories in the general and proprietary funds consist of expendable supplies that are stated on a first-in, first-out method. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Inventories of the special revenue funds are recorded as expenditures when purchased rather than when consumed.

**Accounts Receivable**

Governmental activities accounts receivable consists of property taxes, occupational license fees, insurance premium taxes, franchise fees, service revenues and grant funds which are disbursed on an expenditure-reimbursement plan.

Business-type activities extend credit to substantially all of their customers.

Accounts receivable are stated at face amount, less an allowance for doubtful accounts of \$111,030 in the general fund and \$0 in the proprietary funds, which approximates fair market value.

The City maintains allowances for doubtful accounts based on evaluation by management and percentages applied to the various aging periods of accounts receivable. Specific accounts deemed uncollectible are charged to the allowance upon evaluation by management. Evaluation factors include familiarity with the customer, credit history and the age of the unpaid bill. Property taxes not collected within sixty (60) days of year end are fully reserved.

**Capital Assets and Depreciation**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.



**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**Assets, Liabilities and Net Assets or Equity (continued)**

Capital Assets and Depreciation, Continued

Transfers of capital assets between funds are recorded at the net book value of the transferred asset at the time of transfer.

All reported capital assets are depreciated with the exception of land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Years</u>
Utility plant and distribution system	20-50
Buildings and improvements	10-40
Land improvements	10-40
Infrastructure	10-25
Machinery and equipment	3-15

Deferred Revenues

Deferred revenues represent grant revenues received but unearned. Revenues are recognized when eligible expenditures are incurred.

Compensated Absences

Accrued vacation pay vests as of January 1 and must be used by December 31 of each year. Unused vacation pay is payable upon termination of employment. The liability for these compensated absences is recorded as a current liability.

Long-Term Debt and Bond Discounts/Premiums

In the government-wide and proprietary financial statements, outstanding debt is reported as current and long-term liabilities. Bond issuance costs and bond discounts or premiums are capitalized and amortized over the terms of the related debt.

In the fund financial statements, governmental fund types recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**Assets, Liabilities and Net Assets or Equity (continued)**

Fund Equity

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable. The City has adopted GASB 54 which further breaks down both nonspendable and spendable components into the following components:

**Nonspendable** - amounts that must be maintained intact legally or contractually.

**Restricted** – amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

**Committed** – amounts constrained for a specific purpose by the City using its highest level of decision making authority.

**Assigned** – for all governmental funds, other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the general fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts.

**Unassigned** – for the general fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are nonspendable, restricted, committed or assigned.

For resources considered to be committed, the City issues an ordinance that can be changed with another corresponding ordinance.

For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City commission.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of LaGrange.

**Budgeting**

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts in the financial statements are as adopted by ordinance of the City and have been revised for amendments authorized during the year.

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**Other Accounting Policies**

**Interfund Transactions**

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

**Cash and Cash Equivalents**

The City of LaGrange considers all cash, both restricted and unrestricted, including certificates of deposit with an initial maturity of 90 days or less, as cash for purposes of the statement of cash flows.

The LaGrange Utility Commission for the purposes of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

**Use of Estimates**

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

**2. CASH AND INVESTMENTS**

The City of LaGrange's deposits and investments at June 30, 2012, were substantially covered by federal depository insurance or by collateral held by the custodial banks in the City's name. The book balance of the City's deposits totaled \$2,229,046 and the bank balances totaled \$2,272,449.

The following is a detail of the City's cash deposit coverage at June 30, 2012:

FDIC insured	\$ 1,600,062
Collateralized by securities held by the bank in the City's name	510,450
Collateralized by securities held by the bank but not in the City's name	-
Invested in money market funds	<u>161,937</u>
<b>Total</b>	<b><u>\$ 2,272,449</u></b>

Restricted assets consist of the following:

	<b>Utility Commission</b>	<b>Golf Course</b>	<b>Total</b>
Cash – Bond & Interest Account	\$ -	\$ 347,515	\$ 347,515
Cash – Customer Deposits	<u>49,479</u>	<u>-</u>	<u>49,479</u>
<b>Total</b>	<b><u>\$ 49,479</u></b>	<b><u>\$ 347,515</u></b>	<b><u>\$ 396,994</u></b>

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**3. CAPITAL ASSETS**

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<b>Governmental Activities:</b>				
Capital assets not depreciated:				
Land	\$ 698,184	\$ -	\$ -	\$ 698,184
Capital assets that are depreciated:				
Buildings and improvements	2,075,179	9,867	-	2,085,046
Machinery & equipment	2,232,965	35,004	-	2,267,969
Construction in process	-	-	-	-
Totals	<u>4,308,144</u>	<u>44,871</u>	<u>-</u>	<u>4,353,015</u>
Total non-infrastructure assets	<u>5,006,328</u>	<u>44,871</u>	<u>-</u>	<u>5,051,199</u>
Infrastructure assets	<u>698,132</u>	<u>61,549</u>	<u>-</u>	<u>759,681</u>
Total capital assets	<u>5,704,460</u>	<u>106,420</u>	<u>-</u>	<u>5,810,880</u>
Less accumulated depreciation:				
Buildings and improvements	618,115	59,747	-	677,862
Machinery and equipment	1,334,069	149,642	-	1,483,711
Infrastructure	<u>201,189</u>	<u>75,968</u>	<u>-</u>	<u>277,157</u>
Totals	<u>2,153,373</u>	<u>285,357</u>	<u>-</u>	<u>2,438,730</u>
Depreciable capital assets, net	<u>\$ 3,551,087</u>	<u>\$ (178,937)</u>	<u>\$ -</u>	<u>\$ 3,372,150</u>
<b>Business-Type Activities:</b>				
Land and easements	\$ 1,681,860	\$ -	\$ -	\$ 1,681,860
Buildings and improvements	3,169,364	16,275	-	3,185,639
Water tank	2,941,159	-	-	2,941,159
Mains, hydrants and new water services	3,656,670	-	-	3,656,670
Sewage treatment plant	5,794,457	-	-	5,794,457
Sewage system lines and pump stations	10,387,819	-	-	10,387,819
Transportation equipment	240,324	-	-	240,324
Machinery and equipment	573,531	7,000	-	580,531
General office equipment	413,974	84,768	-	498,742
Construction in progress	<u>162,725</u>	<u>302,240</u>	<u>-</u>	<u>464,965</u>
Total	<u>29,021,883</u>	<u>410,283</u>	<u>-</u>	<u>29,432,166</u>
Less: accumulated depreciation	<u>10,080,572</u>	<u>792,435</u>	<u>-</u>	<u>10,873,007</u>
Capital Assets, net	<u>\$ 18,941,311</u>	<u>\$ (382,152)</u>	<u>\$ -</u>	<u>\$ 18,559,159</u>

\$1,163,775 of golf course land is recorded under a capital lease with no accumulated depreciation.

**CITY OF LAGRANGE, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**3. CAPITAL ASSETS (CONTINUED)**

Depreciation Expense was charged to the Governmental functions as follows:

General government	\$ 53,599
Police	48,726
Public Works	85,474
Parks and recreation	21,590
Infrastructure	<u>75,968</u>
Total depreciation expense	<u>\$ 285,357</u>

**4. LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES**

**Capital Lease Obligation – Kentucky Area Development Districts Financing Trusts**

On March 22, 2006, the City entered into a lease agreement in the amount of \$1,250,000 with the Kentucky Area Development Districts Financing Trusts for the financing and leasing of a community center and City. The City may prepay principal components of lease rental payments in minimum amounts of \$50,000. The lease is to run for a term of 22 years with payments to be made semiannually. The lease carries a stated interest rate of 4.6% with bank fees of \$500 annually.

The minimum obligations of the above capital lease at June 30, 2012, are as follows:

Fiscal Year	Principal	Interest	Bank Fee	Total
2013	\$ 45,000	\$ 49,680	\$ 500	\$ 95,180
2014	50,000	47,610	500	98,110
2015	50,000	45,310	500	95,810
2016	55,000	43,010	500	98,510
2017	55,000	40,480	500	95,980
2018-2022	325,000	161,230	2,500	488,730
2023-2027	405,000	79,580	2,500	487,080
2028	<u>95,000</u>	<u>4,370</u>	<u>500</u>	<u>99,870</u>
Total	<u>\$ 1,080,000</u>	<u>\$ 471,270</u>	<u>\$ 8,000</u>	<u>\$ 1,559,270</u>

The total governmental activity debt is summarized as follows:

Accrued compensated absences	\$ 62,232
Current portion of capital lease obligation	<u>45,000</u>
Total current portion of long-term obligations	<u>\$ 107,232</u>
Long-term portion	<u>\$ 1,035,000</u>

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

	July 1, 2011	Additions	Payments	June 30, 2012
Capital lease obligations	\$ 1,125,000	\$ -	\$ 45,000	\$ 1,080,000
Accrued compensated absences	<u>62,232</u>	<u>-</u>	<u>-</u>	<u>62,232</u>
Total	<u>\$ 1,187,232</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 1,142,232</u>

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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

**Business-Type Activities – Utility Commission**

Capital Lease Obligation – PNC Bank

On September 24, 2010, the Commission entered into a lease agreement in the amount of \$2,284,645 with PNC Bank for the payoff of previous outstanding debt services to the Kentucky Infrastructure Authority (KIA), Kentucky League of Cities and Bedford Loan & Deposit Bank. The principal and interest payments are to be made from the income and revenues of the water and sewer system. PNC Bank shall hold a lien on the system's revenues until such lease and interest payments are paid in full. The lease bears interest at a rate of 3.07% with a maturity date of September 24, 2020.

The minimum obligations of the above lease at June 30, 2012, are as follows:

Fiscal Year	Principal	Interest	Total
2013	\$ 208,925	\$ 57,250	\$ 266,175
2014	215,521	50,654	266,175
2015	222,326	43,849	266,175
2016	229,326	36,849	266,175
2017	236,506	29,669	266,175
2018-2020	<u>821,710</u>	<u>43,360</u>	<u>865,070</u>
Total	<u>\$ 1,934,314</u>	<u>\$ 261,631</u>	<u>\$ 2,195,945</u>

The total business-type – utility commission activities long-term debt is summarized as follows:

Accrued compensated absences	\$ 11,246
Current portion of PNC capital lease	<u>208,925</u>
Total current portion of long-term obligations	<u>\$ 220,171</u>
Long-term portion of PNC capital lease	\$ 1,725,389
Customer deposits	<u>46,815</u>
Total long-term portion of long-term obligations	<u>\$ 1,772,204</u>

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

	July 1, 2011	Additions	Payments	June 30, 2012
Capital lease obligations	\$ 2,136,677	\$ -	\$ 202,363	\$ 1,934,314
Accrued compensated absences	16,197	11,246	16,197	11,246
Customer deposits payable	<u>41,394</u>	<u>5,421</u>	<u>-</u>	<u>46,815</u>
Total	<u>\$ 2,194,268</u>	<u>\$ 16,667</u>	<u>\$ 218,560</u>	<u>\$ 1,992,375</u>

**Debt Restrictions and Covenants**

A funded replacement reserve account is required by the Utility Commission's assistance agreement with the Kentucky Infrastructure Authority. The Commission must maintain a replacement reserve account and deposit on or before December 1, each year \$4,614 annually until such reserve account accumulates a balance of \$46,140. As of June 30, 2012, the reserve account had a balance of \$49,479. Since the reserve balance exceeds the amount specified by the loan agreement no more deposits are being made.

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**Business-Type Activities – Golf Course**

Capital Lease Obligation – Kentucky Area Development Districts Financing Trusts

On March 28, 2007, the City entered into a lease agreement in the amount of \$1,175,000 with the Kentucky Area Development Districts Financing Trusts (KADD) to purchase 80+ acres which includes the back nine holes of the Eagle Creek Golf Course. The principal and interest payments are to be made from the revenues of the golf course.

The lease is a fixed rate lease and is to run for a term of twenty years with payments to be made monthly. The lease carries a stated interest rate of 4.8% with bank fees of \$500 annually.

In addition, \$500,000 has been pledged by the Wilborn Charitable Foundation over the next ten years with \$50,000 minimum payable each year.

The future minimum obligations of the above capital lease at June 30, 2012, are as follows:

Fiscal Year	Principal	Interest	Service Fee	Total
2013	\$ 15,000	\$ 54,000	\$ 500	\$ 69,500
2014	15,000	53,280	500	68,780
2015	15,000	52,560	500	68,060
2016	15,000	51,840	500	67,340
2017	15,000	51,120	500	66,620
2018-2022	255,000	240,000	2,500	497,500
2023-2027	<u>795,000</u>	<u>120,720</u>	<u>2,500</u>	<u>918,220</u>
Total	<u>\$ 1,125,000</u>	<u>\$ 623,520</u>	<u>\$ 7,500</u>	<u>\$ 1,756,020</u>

Bonds Payable – City of LaGrange General Obligation Bonds of 2010

The City issued bonds dated March 1, 2010 in the amount of \$1,730,000. These bonds were used to pay off a previous bond issue from 2000. The bonds mature annually from March 1, 2010 to March 1, 2020, in various amounts from \$100,000 to \$210,000. Interest at 2-3.5% per annum is payable September 1 and March 1. Bonds maturing after March 1, 2011 are subject to early redemption provisions.

The bonds are payable from, and secured by, a pledge of gross revenues derived from the operation of the golf course. If the revenues from the golf course are not sufficient to cover the annual debt service, the City has agreed to levy and collect, each year that the bonds are outsourcing, a bond tax in an amount sufficient to provide for the full payment of the principal and interest of the bonds.

The minimum obligations of the above bonds at June 30, 2012, are as follows:

Fiscal Year	Principal	Interest	Total
2013	\$ 165,000	\$ 49,428	\$ 214,428
2014	170,000	45,385	215,385
2015	175,000	40,710	215,710
2016	180,000	35,548	215,548
2017	190,000	29,878	219,878
2018-2020	<u>610,000</u>	<u>48,032</u>	<u>658,032</u>
Total	<u>\$ 1,490,000</u>	<u>\$ 248,981</u>	<u>\$ 1,738,981</u>

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

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

On September 18, 2008, the Golf Course entered into a 48 month capital lease for various equipment. The lease calls for monthly payments of \$2,892 including interest at a rate of 5.5%. The future minimum obligations of the lease at June 30, 2012, are as follows:

Fiscal Year	Principal	Interest	Total
2013	\$ <u>11,432</u>	\$ <u>134</u>	\$ <u>11,566</u>
Total	\$ <u>11,432</u>	\$ <u>134</u>	\$ <u>11,566</u>

The total business-type - golf course activities debt is summarized as follows:

Current portion of capital lease	\$ 15,000
Current portion of bond	165,000
Current portion of capital equipment lease	<u>11,432</u>
Total current portion of long-term obligations	<u>\$ 191,432</u>
Long-term portion of capital lease	\$ 1,110,000
Long-term portion of bonds	1,325,000
Long-term portion of capital equipment lease	<u>-</u>
Total long-term obligations	<u>\$ 2,435,000</u>

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

	July 1, 2011	Additions	Payments	June 30, 2012
Capital lease	\$ 1,135,000	\$ -	\$ 10,000	\$ 1,125,000
Bond issue	1,630,000	-	140,000	1,490,000
Capital equipment lease	<u>44,445</u>	<u>-</u>	<u>33,013</u>	<u>11,432</u>
Total	<u>\$ 2,809,445</u>	<u>\$ -</u>	<u>\$ 183,013</u>	<u>\$ 2,626,432</u>

**6. OPERATING LEASE**

On March 11, 2009, the golf course entered into an operating lease with Yamaha Motor Corporation USA to lease 58 golf carts. The lease terms call for 24 payments of \$7,283, including interest at a rate of 5.24%. The payments are made six months at a time from May through October. The future lease obligations at June 30, 2012, are as follows:

Fiscal Year	Principal	Interest	Total
2013	\$ <u>28,785</u>	\$ <u>315</u>	\$ <u>29,100</u>
Total	\$ <u>28,785</u>	\$ <u>315</u>	\$ <u>29,100</u>

Operating lease expense for the year ended June 30, 2012, totaled \$ 43,701.



**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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**7. RETIREMENT PLAN**

The City of LaGrange is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2012, plan members were required to contribute 8.00% of wages for hazardous and 5.00% for non-hazardous job classifications and 6% for non-hazardous employees hired after September 1, 2008. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board.

For the year ended June 30, 2012, participating employers contributed 35.76% of each hazardous employee's and 18.96% of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution (employee and employer) and the actual percentage contributed for the District for the current and previous year are as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 489,119	100%
2011	\$ 453,645	100%
2010	\$ 451,901	100%

**8. PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2012 were levied in September 2011 on the assessed property located in the City of LaGrange as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

<b>Description</b>	<b>Due Date</b>
1. Due date for payment	Upon receipt
2. Discount of 2%	November 15
3. Face value payment period	December 15
4. 10% penalty delinquent date	December 16

These taxes are collected by the City Clerk. Vehicle taxes are collected by the County Clerk of Oldham County and are due and collected in the birth month of the licensee.

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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**9. PROPERTY LEASE**

The City and the LaGrange Fire Protection District have a lease agreement for a fire station (Fire Station No. 1) that covers the periods from July 1, 2008 through June 30, 2011, which was extended in the current year to June 30, 2012. The lease began on July 1, 2008 and required no payments until November 1, 2009. From November 1, 2009 through June 30, 2012, the monthly rental payment to the City is \$2,500. The lease was not renewed at June 30, 2012.

The City and Baptist Healthcare Affiliates, Inc. entered into a lease agreement to park two ambulances at the fire station (Fire Station No. 1), that covers the periods from December 3, 2012 through December 3, 2013. The monthly payment for the lease is \$200.

**10. ECONOMIC DEPENDENCE**

The Commission purchases water at wholesale from the Oldham County Water District, which in turn is sold to the Commission's customers. The Commission purchased water at a rate of \$1.70 per 1,000 gallons during 2011 and 2012.

**11. RISK MANAGEMENT**

The City of LaGrange is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the city also carries commercial insurance for all other risks of loss such as worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

Oldham-LaGrange Development Authority (OLDA) was formed as a non-profit, non-stock corporation as provided by the Local Industrial Development Authority Act under KRS 154.50. The City of LaGrange, Kentucky and the County of Oldham, Kentucky formed the Development Authority by an interlocal Cooperation Agreement. The purpose of the Development Authority is to promote economic development and create jobs within the boundaries of the City and County by financing through the Government Authority the acquisition and development of property.

The City of LaGrange issued General Obligation Lease Revenue Notes, 2005 Series A, 2005 Series B, 2005 Series C, and 2005 Series D dated July 1, 2005 for \$10,000,000 for the purchase of land and infrastructure improvements thereto, by way of the Development Authority. The proceeds were turned over to the Oldham-LaGrange Development Authority. The Lease Revenue Notes are to be paid with the proceeds from the sale and use of property managed by the Development Authority.

On December 1, 2008, OLDA, through the City of LaGrange, issued \$5,215,000 of general obligation lease revenue refunding bonds. The bonds were issued to (1) purchase an escrow scheduled to mature at such times and in such amounts as are necessary and will be adequate, with investment or reinvestment thereof, to meet the currently scheduled interest requirements of the 2005 Series C bonds and (2) pay or refund in advance of maturity, the remaining principal, accrued interest and premium of the City of LaGrange bonds, Series of 2005 A and B, dated August 3, 2005 and (3) pay the bond issuance expenses.

On January 21, 2010, the Oldham-LaGrange Development authority through the City of LaGrange, issued \$7,555,000 of general obligation lease revenue refunding bonds. The bonds were issued to (1) purchase an escrow scheduled to mature at such times and in such amounts as are necessary and will be adequate, with investment or reinvestment thereof, to meet the currently scheduled interest requirements of the 2010 series bonds and (2) pay or refund in advance of maturity, the remaining principal, accrued interest and premium of the City of LaGrange bonds, Series of 2005 C, dated August 3, 2005 and Series 2008 bonds dated December 1, 2008 and (3) pay the bond issuance expenses.

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

On May 25, 2012, OLDA, through the City, issued \$8,100,000 of 2012 Series A general obligation lease revenue refunding bonds to replace the City 2010 Series A general obligation lease refunding bonds. The bonds were issued to (1) purchase an escrow scheduled to mature at such times and in such amounts as are necessary and will be adequate, with investment or reinvestment thereof, to meet the currently scheduled interest requirements of the 2012 Series bonds and (2) pay or refund in advance of maturity, the remaining principal, accrued interest, and premium of the City 2010 Series A general obligation lease revenue refunding and (3) pay the bond issuance expenses.

Oldham-LaGrange Development Authority issues separate financial statements available through its administrative office at 412 East Main Street, LaGrange, KY 40031 or by telephone at (502) 225-6420. Summarized totals for the Development Authority from its separately audited financial statements for the year ended June 30, 2012, are as follows:

Total assets	\$ 16,777,469
Total liabilities	\$ 12,923,370
Total net assets	\$ 3,854,099

The net equity investment in Oldham-LaGrange Development Authority for the City of LaGrange at June 30, 2012, is \$1,691,075. The net equity is determined by the following:

	<b>OLDA Audit 6/30/2012</b>	<b>City Allocation</b>	<b>County Allocation</b>
Beginning net equity, July 1, 2011	(\$ 3,685,379)	(\$ 1,619,475)	(\$ 2,065,904)
Operating loss before transfers in	(526,868)	(263,434)	(263,434)
Principal payments transfers in	<u>8,066,346</u>	<u>191,834</u>	<u>7,874,512</u>
Ending net equity, June 30, 2012	<u>\$ 3,854,099</u>	<u>(\$ 1,691,075)</u>	<u>\$ 5,545,174</u>

At June 30, 2012, the City guaranteed \$10,488,185 of the \$12,876,370 general obligation lease revenue bonds and notes outstanding.

**13. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS**

Sick Leave - The City's sick leave policy permits the accumulation of twelve sick days per year up to a maximum of 70 days for full time employees. Employees are not paid for unused sick leave days upon termination of employment. However, if an employee (who was hired after October 5, 1998) retires from the City with 15 years (20 years for the utility commission) or more of service, the City will contribute the employer match percent (currently 18.96% for non-hazardous duty and 35.76% for hazardous duty) of the unused sick days monetary amount to the County Employees Retirement System. The employee does not receive any remuneration for sick time credit upon termination. Accordingly, sick pay is charged to expenditures when taken. No provision has been made in the financial statements for any contingent liabilities associated with estimated unused sick leave. At June 30, 2012, the City and Utility Commission had an unrecorded sick pay liability to its employees of \$238,269 and \$74,187, respectively. The estimated liability includes required salary related payments.

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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**13. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS (CONTINUED)**

In June 2012 the GASB approved a pair of related Statements that reflect substantial improvements to the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans.

The guidance contained in these Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. It is designed to improve the decision - usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments.

Under the pension standards now in effect, cost-sharing employers have not been required to present actuarial information about pensions. Instead, information has been required to be presented in the pension plan's own financial statements for all of the participating governments combined. Through its research, the GASB concluded that the needs of users of information regarding cost-sharing employers do not differ significantly from those interested in single and agent employers. Therefore, the GASB believes it is important to give users of the financial statements of cost-sharing employers access to better, more transparent financial information. Consequently, under the new standards the GASB is requiring that cost-sharing governments report a net pension liability, pension expense, and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective mounts for all the governments in the plan.

Statement No. 67 will take effect for pension plans in fiscal years beginning after June 15, 2013 (that is, for years ended June 30, 2014 or later).

As of fiscal year 2011, the Kentucky League of Cities estimates that the total net pension liability for the City totals \$3,343,140.

**14. MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS**

The City has evaluated and considered the need to recognize or disclose subsequent events through September 17, 2013 which represents the date these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2012, have not been evaluated by the City.

**SUPPLEMENTAL INFORMATION**

**CITY OF LAGRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2012**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>ORIGINAL BUDGET</b>				
<b>TAXES</b>				
General property taxes	\$ 1,250,000	\$ 1,250,000	\$ 1,227,417	\$ (22,583)
Bank shared tax	45,000	45,000	50,815	5,815
Omitted tangibles	6,000	6,000	5,058	(942)
Motor vehicle taxes	100,000	100,000	111,644	11,644
Total municipal taxation	<u>1,401,000</u>	<u>1,401,000</u>	<u>1,394,934</u>	<u>(6,066)</u>
<b>LICENSES, PERMITS AND BILLINGS</b>				
Business licenses	243,164	243,164	264,520	21,356
Insurance premiums	1,240,000	1,240,000	1,260,338	20,338
Franchise fees	293,000	293,000	282,298	(10,702)
Other licenses	24,000	24,000	20,399	(3,601)
Total licenses, permits and billings	<u>1,800,164</u>	<u>1,800,164</u>	<u>1,827,555</u>	<u>27,391</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
Grants	443,000	443,000	14,958	(428,042)
KLEFPF	52,300	52,300	39,134	(13,166)
Federal overtime	17,000	17,000	13,937	(3,063)
LGEAF	-	-	2,603	2,603
Total intergovernmental	<u>512,300</u>	<u>512,300</u>	<u>70,632</u>	<u>(441,668)</u>
<b>CHARGES FOR SERVICE</b>				
Sanitation fees	<u>350,000</u>	<u>350,000</u>	<u>355,425</u>	<u>5,425</u>
<b>OTHER REVENUE</b>				
Donations		-	52,578	52,578
Interest	5,000	5,000	2,711	(2,289)
Penalties	14,000	14,000	2,700	(11,300)
Encroachment fees	6,000	6,000	3,400	(2,600)
Rent	40,500	40,500	32,195	(8,305)
Miscellaneous	55,500	55,500	69,475	13,975
Total other	<u>121,000</u>	<u>121,000</u>	<u>163,059</u>	<u>42,059</u>
<b>TOTAL REVENUE</b>	<u>\$ 4,184,464</u>	<u>\$ 4,184,464</u>	<u>\$ 3,811,605</u>	<u>\$ (372,859)</u>

**CITY OF LAGRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2012**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>GENERAL GOVERNMENT</b>				
Salaries	\$ 82,873	\$ 82,873	\$ 76,428	\$ (6,445)
Overtime	3,000	3,000	953	(2,047)
Employee Insurance	31,053	31,053	19,728	(11,325)
Employer portion FICA	5,188	5,188	8,207	3,019
Employer portion Medicare	1,214	1,214	1,925	711
Mayor/Council	60,480	60,480	60,480	-
Employer portion retirement	13,053	13,053	13,234	181
Unemployment insurance	72,000	72,000	26,479	(45,521)
Computer maintenance	10,000	10,000	25,720	15,720
Tax preparation (PVA)	35,000	35,000	32,362	(2,638)
Ordinance codification	5,000	5,000	-	(5,000)
Workers compensation	7,000	7,000	7,000	-
Property/liability insurance	61,000	61,000	47,479	(13,521)
Auditing	19,500	19,500	22,325	2,825
Gas/electric/telephone	83,000	83,000	90,005	7,005
Legal fees	35,000	35,000	64,175	29,175
Legal advertisements	7,000	7,000	5,699	(1,301)
Legal fees - delinquent taxes	-	-	(4,131)	(4,131)
Office supplies	6,000	6,000	6,599	599
Repair and maintenance	5,000	5,000	5,072	72
Seminars/education	6,000	6,000	3,259	(2,741)
Miscellaneous	10,000	10,000	15,058	5,058
Small equipment purchases	2,000	2,000	1,990	(10)
Grant expense - Main Street	443,000	443,000	-	(443,000)
Board of adjustments and appeals	1,000	1,000	700	(300)
Engineering	6,000	6,000	-	(6,000)
Christmas fund expenditures	-	-	1,209	1,209
Renaissance fund expenditures	-	-	11,910	11,910
<b>Total administration</b>	<u>1,010,361</u>	<u>1,010,361</u>	<u>543,865</u>	<u>(466,496)</u>
<b>POLICE</b>				
Police salaries	648,742	648,742	644,179	(4,563)
Overtime salaries	18,000	18,000	19,021	1,021
Part-time salaries	6,000	6,000	3,725	(2,275)
KLEFPF	40,300	40,300	41,521	1,221
Employee insurance	143,750	143,750	136,378	(7,372)
Employer portion FICA	40,222	40,222	40,573	351
Employer portion Medicare	9,407	9,407	9,530	123
Employer portion Retirement	231,991	231,991	238,954	6,963
Workers compensation	43,700	43,700	28,275	(15,425)
Automobile insurance	37,950	37,950	27,860	(10,090)
Liability insurance	47,150	47,150	27,995	(19,155)
Radio maintenance	3,000	3,000	1,730	(1,270)
Computer maintenance	3,500	3,500	18,951	15,451
Seminars and education	8,000	8,000	7,459	(541)
Uniform expense	18,000	18,000	13,556	(4,444)
Miscellaneous	22,000	22,000	28,312	6,312
Crime prevention	4,000	4,000	3,624	(376)
Criminal investigations	3,000	3,000	3,204	204
Firing range expense	2,500	2,500	2,247	(253)
Small equipment purchases	4,000	4,000	6,708	2,708
Gas and oil	35,000	35,000	57,077	22,077
Equipment repairs	28,000	28,000	18,129	(9,871)
Drug enforcement funds	1,500	1,500	1,396	(104)
Dry cleaning	2,000	2,000	688	(1,312)
Telephone/cellular/pagers	7,000	7,000	9,776	2,776
Oldham County dispatch	12,166	12,166	12,250	84
Emergency notification	4,000	4,000	3,912	(88)
<b>Total police department</b>	<u>1,424,878</u>	<u>1,424,878</u>	<u>1,407,030</u>	<u>(17,848)</u>
<b>SANITATION</b>	<u>293,000</u>	<u>293,000</u>	<u>320,921</u>	<u>27,921</u>
<b>PARKS AND RECREATION</b>	<u>183,700</u>	<u>183,700</u>	<u>153,713</u>	<u>(29,987)</u>

**CITY OF LAGRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2012**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>PUBLIC WORKS</b>				
Salaries	\$ 297,299	\$ 297,299	\$ 295,277	\$ (2,022)
Overtime salaries	10,200	10,200	8,258	(1,942)
Employee insurance	129,950	129,950	96,385	(33,565)
Employer portion FICA	19,000	19,000	17,504	(1,496)
Employer portion Medicare	5,000	5,000	4,094	(906)
Employer portion Retirement	57,000	57,000	55,977	(1,023)
Workers Compensation	30,000	30,000	26,323	(3,677)
Vehicle insurance	20,900	20,900	30,641	9,741
Utilities	10,000	10,000	9,818	(182)
Seminars/Education	1,000	1,000	190	(810)
Uniforms	5,000	5,000	6,404	1,404
Small equipment purchases	2,000	2,000	1,501	(499)
Gas and oil	14,000	14,000	15,735	1,735
Equipment/vehicle repairs	14,000	14,000	6,850	(7,150)
Computer maintenance	1,000	1,000	-	(1,000)
Crushed rock	1,000	1,000	2,432	1,432
Signs and posts	7,000	7,000	4,691	(2,309)
Sidewalks	5,000	5,000	3,703	(1,297)
Drainage	10,000	10,000	1,346	(8,654)
Paving material	10,000	10,000	9,437	(563)
Street paint	4,500	4,500	3,158	(1,342)
Snow removal	10,000	10,000	2,891	(7,109)
Grounds maintenance	15,000	15,000	14,468	(532)
Building maintenance	12,000	12,000	4,140	(7,860)
Equipment rental	1,500	1,500	1,207	(293)
Tires and batteries	2,000	2,000	2,575	575
Miscellaneous	2,000	2,000	1,455	(545)
CDL license	1,000	1,000	1,004	4
Contract help	10,000	10,000	3,365	(6,635)
Safety	3,200	3,200	1,867	(1,333)
Street lighting	2,000	2,000	1,285	(715)
<b>Total public works</b>	<u>712,549</u>	<u>712,549</u>	<u>633,981</u>	<u>(78,568)</u>
<b>COMMUNITY DEVELOPMENT</b>				
Main street	5,000	5,000	1,299	(3,701)
Discover downtown LaGrange	28,000	28,000	18,750	(9,250)
Senior citizens	3,000	3,000	-	(3,000)
Economic development, OLDA	212,400	212,400	212,934	534
Historic preservation	2,500	2,500	538	(1,962)
Tree replacement	1,500	1,500	155	(1,345)
GIS and surveying	5,000	5,000	5,000	-
Mayor's discretionary	1,000	1,000	878	(122)
Elementary school - library	2,000	2,000	2,000	-
Festivals - Christmas, OC Day	5,000	5,000	5,400	400
Special projects/vision/clinic	10,000	10,000	10,000	-
HDB bus transportation	26,000	26,000	26,000	-
<b>Total special appropriations</b>	<u>301,400</u>	<u>301,400</u>	<u>282,954</u>	<u>(18,446)</u>
<b>PUBLIC PROPERTIES</b>				
Salaries	23,740	23,740	23,084	(656)
Overtime	-	-	-	-
Employer portion FICA	1,500	1,500	1,310	(190)
Employer portion Medicare	375	375	310	(65)
Employer portion Retirement	4,120	4,120	4,377	257
Health insurance	4,600	4,600	6,268	1,668
Workers compensation	1,100	1,100	1,084	(16)
Tools and equipment	2,500	2,500	277	(2,223)
Gas and oil	2,500	2,500	489	(2,011)
Truck repairs	2,000	2,000	101	(1,899)
Repairs/maintenance on blue house	1,000	1,000	201	(799)
Electric/telephone on blue house	2,500	2,500	1,228	(1,272)
Repairs/maintenance 208/210 Main St	3,000	3,000	2,413	(587)
<b>Total public properties</b>	<u>48,935</u>	<u>48,935</u>	<u>41,142</u>	<u>(7,793)</u>
<b>CAPITAL OUTLAY</b>				
General - equipment	5,000	5,000	1,558	(3,442)
Police - equipment	30,000	30,000	3,621	(26,379)
Public works - equipment	20,000	20,000	39,693	19,693
<b>Total capital outlay</b>	<u>55,000</u>	<u>55,000</u>	<u>44,872</u>	<u>(10,128)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,029,823</u>	<u>\$ 4,029,823</u>	<u>\$ 3,428,478</u>	<u>\$ (601,345)</u>



**CITY OF LAGRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON**  
**OTHER GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2012**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>MUNICIPAL ROAD AID FUND</b>				
<b>REVENUES</b>				
Fund Payments	\$ 120,000	\$ 120,000	\$ 132,077	\$ 12,077
Interest	2,300	2,300	2,547	247
Carryover	<u>48,500</u>	<u>48,500</u>	<u>-</u>	<u>(48,500)</u>
<b>TOTAL REVENUE</b>	<u>\$ 170,800</u>	<u>\$ 170,800</u>	<u>\$ 134,624</u>	<u>\$ (36,176)</u>
<b>EXPENDITURES</b>				
Street repair and maintenance	<u>\$ 170,800</u>	<u>\$ 170,800</u>	<u>\$ 61,548</u>	<u>\$ (109,252)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 170,800</u>	<u>\$ 170,800</u>	<u>\$ 61,548</u>	<u>\$ (109,252)</u>
<b>DEBT SERVICE FUND</b>				
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 9	\$ 9
Transfers in	<u>97,250</u>	<u>97,250</u>	<u>97,250</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u>\$ 97,250</u>	<u>\$ 97,250</u>	<u>\$ 97,259</u>	<u>\$ 9</u>
<b>EXPENDITURES</b>				
Debt service	<u>\$ 97,250</u>	<u>\$ 97,250</u>	<u>\$ 97,250</u>	<u>\$ -</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 97,250</u>	<u>\$ 97,250</u>	<u>\$ 97,250</u>	<u>\$ -</u>
<b>CAPITAL PROJECTS FUND</b>				
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ -	\$ -
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(12,361)</u>	<u>(12,361)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,361)</u>	<u>\$ (12,361)</u>
<b>PARKS BOARD FUND</b>				
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 114	\$ 114
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114</u>	<u>\$ 114</u>
<b>EXPENDITURES</b>				
Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF LAGRANGE, KENTUCKY  
COMBINING BALANCE SHEET  
ALL NONMAJOR FUNDS  
June 30, 2012**

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	<b>Municipal Road Aid Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Foundations and Parks Fund</b>	<b>Total</b>
<b>ASSETS</b>					
Assets					
Cash	\$ 363,059	\$ 5,113	\$ 64,417	\$ 39,969	\$ 472,558
Accounts receivable	-	-	-	-	-
Due from other fund	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 363,059</u>	<u>\$ 5,113</u>	<u>\$ 64,417</u>	<u>\$ 39,969</u>	<u>\$ 472,558</u>
 <b>LIABILITIES AND FUND BALANCE</b>					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other fund	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	-	-	-	-	-
Fund balance	<u>363,059</u>	<u>5,113</u>	<u>64,417</u>	<u>39,969</u>	<u>472,558</u>
Total liabilities and fund balance	<u>\$ 363,059</u>	<u>\$ 5,113</u>	<u>\$ 64,417</u>	<u>\$ 39,969</u>	<u>\$ 472,558</u>

**CITY OF LAGRANGE, KENTUCKY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 ALL NONMAJOR FUNDS  
 for the year ended June 30, 2012**

	Municipal Road Aid Fund	Debt Service Fund	Capital Projects Fund	Foundations and Parks Fund	Total
<b>REVENUES</b>					
Intergovernmental revenues	\$ 132,077	\$ -	\$ -	\$ -	\$ 132,077
Other revenues	<u>2,547</u>	<u>9</u>	<u>-</u>	<u>114</u>	<u>2,670</u>
 Total revenues	 <u>134,624</u>	 <u>9</u>	 <u>-</u>	 <u>114</u>	 <u>134,747</u>
<b>EXPENDITURES</b>					
Capital outlay	61,548	-	-	-	61,548
Debt service	<u>-</u>	<u>97,250</u>	<u>-</u>	<u>-</u>	<u>97,250</u>
 Total expenditures	 <u>61,548</u>	 <u>97,250</u>	 <u>-</u>	 <u>-</u>	 <u>158,798</u>
Excess revenues over (under) expenditures before other sources (uses)	 <u>73,076</u>	 <u>(97,241)</u>	 <u>-</u>	 <u>114</u>	 <u>(24,051)</u>
<b>Other financing sources</b>					
Transfers in (out)	<u>-</u>	<u>97,250</u>	<u>(12,361)</u>	<u>-</u>	<u>84,889</u>
 Total other financing sources	 <u>-</u>	 <u>97,250</u>	 <u>(12,361)</u>	 <u>-</u>	 <u>84,889</u>
<b>Excess revenues and other sources over (under) expenditures</b>	 73,076	 9	 (12,361)	 114	 60,838
Fund balances, July 1, 2011	<u>289,983</u>	<u>5,104</u>	<u>76,778</u>	<u>39,855</u>	<u>411,720</u>
<b>FUND BALANCES - JUNE 30, 2012</b>	<b><u>\$ 363,059</u></b>	<b><u>\$ 5,113</u></b>	<b><u>\$ 64,417</u></b>	<b><u>\$ 39,969</u></b>	<b><u>\$ 472,558</u></b>



Certified Public Accountants and Consultants

**CITY OF LAGRANGE, KENTUCKY  
INDEPENDENT AUDITORS' REPORT ON CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and City Council  
City of LaGrange, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LaGrange, Kentucky, as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the City of LaGrange, Kentucky's basic financial statements and have issued our report thereon dated September 17, 2013. Our opinion on the financial statements and this report, insofar as they relate to the Utility Commission of the City of LaGrange are based solely on the report of other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of LaGrange, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of LaGrange, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of LaGrange, Kentucky's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2012-1 described in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency 2012-2 described in the accompany schedule of findings and responses to be a significant deficiency.

**CITY OF LAGRANGE, KENTUCKY  
INDEPENDENT AUDITORS' REPORT ON CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONTINUED)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of LaGrange, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**.

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

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

*Ray, Foley, Hensley and Company*

Ray, Foley, Hensley and Company, PLLC  
September 17, 2013

**CITY OF LAGRANGE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2012**

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**FINDINGS:**

**2012-01 (Recurring)**

The City is required to have internal controls in place that enable it to apply generally accepted accounting principles to its transactions. Specifically, this includes interfund transactions, payments-on-behalf of the City, accounting for property taxes and year-end accrual transactions.

The City executes basic and routine transactions throughout the year, however, the City does not apply generally accepted accounting principles to certain non-routine transactions recorded during the year and in making its year-end accruals.

Management relied on the auditor's year-end adjustments to bring the City's accounting records into compliance with generally accepted accounting principles. Management reviewed, approved and accepted responsibility for the adjusting journal entries prior to the issuance of the financial statements.

We recommend management review the costs and benefits involved to retain a consultant with the required expertise to advise the City during the year concerning non-routine transactions and to assist the City with its year-end close so that the City's accounting records will be in compliance with generally accepted accounting principles.

***Response:***

This is an ongoing finding. Management has determined that it is the most cost effective to continue to rely on the auditor's adjustments to bring the City's accounting records into compliance with generally accepted accounting principles.

**2012-02 (Recurring)**

The City is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principle.

The City lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, does not have the internal control procedures required to take responsibility for the financial statements in conformity with generally accepted accounting principles.

Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements or review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

***Response:***

This is an ongoing finding. Management has determined that it is the most cost effective to continue to engage the auditor to draft the financial statements and related notes.