

CITY OF LAGRANGE
LaGrange, Kentucky



FINANCIAL STATEMENTS
June 30, 2010

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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, 2010. Please read in conjunction with the auditors' report on page 9 and the City's financial statements, which begin on page 10.

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 \$404,952, or 25.2 percent, and the net assets of the business-type activities decreased by \$238,459, or 1.5%
- In the City's governmental activities, revenues increased approximately \$343,629, or 9.8 percent, and expenses increased by \$282,934 or 8.5 percent. In the business-type activities, revenues decreased by \$457,538, which is a decrease of 13.3 percent, while expenses increased by \$195,953 or 6.4 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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2009</u>
Current and Other Assets	\$ 1,376,216	\$ 1,411,154	\$ 1,448,499	\$ 1,627,464	\$ 2,824,715	\$ 3,038,618
Noncurrent and Capital Assets	3,498,510	2,979,000	19,510,154	19,369,704	23,008,664	22,348,704
Total Assets	<u>4,874,726</u>	<u>4,390,154</u>	<u>20,958,653</u>	<u>20,997,168</u>	<u>25,833,379</u>	<u>25,387,322</u>
Current Liabilities	304,149	268,222	904,374	1,773,942	1,208,523	2,042,164
Long-Term Debt Outstanding	1,125,000	1,170,000	4,587,795	3,518,283	5,712,795	4,688,283
OLDA Investment Liability	<u>1,431,241</u>	<u>1,342,548</u>	-	-	<u>1,431,241</u>	<u>1,342,548</u>
Total Liabilities	<u>2,860,390</u>	<u>2,780,770</u>	<u>5,492,169</u>	<u>5,292,225</u>	<u>8,352,559</u>	<u>8,072,995</u>
Net Assets:						
Invested in Capital Assets, net of debt	2,328,510	1,760,280	13,973,863	13,984,049	16,302,373	15,744,329
Restricted	403,592	558,451	231,461	204,018	635,053	762,469
Unrestricted	<u>(717,766)</u>	<u>(709,347)</u>	<u>1,261,160</u>	<u>1,516,876</u>	<u>543,394</u>	<u>807,529</u>
Total Net Assets	<u>\$ 2,014,336</u>	<u>\$ 1,609,384</u>	<u>\$ 15,466,484</u>	<u>\$ 15,704,943</u>	<u>\$ 17,480,820</u>	<u>\$ 17,314,327</u>

Net assets of the City's governmental activities increased by 25.2 percent, from \$1,609,384 in 2009 to \$2,014,336 in 2010. The net assets of the business-type activities decreased from \$15,704,943 in 2009 to \$15,466,484 in 2010, which is a 1.5 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	
	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2009</u>
Revenues						
<u>Program Revenues</u>						
Charges for Service	\$ 340,722	\$ 310,528	\$ 2,468,690	\$ 2,356,869	\$ 2,809,412	\$ 2,667,397
Operating Grants & Contributions	174,875	146,695	-	-	174,875	146,695
Capital Grants & Contributions	36,606	59,372	464,588	1,041,238	501,194	1,100,610
<u>General Revenue</u>						
Taxes	1,452,825	1,464,347	-	-	1,452,825	1,464,347
License fees	1,718,040	1,329,930	-	-	1,718,040	1,329,930
Investment Earnings	7,297	33,954	11,711	31,368	19,008	65,322
Rents	24,050	3,800	-	-	24,050	3,800
Community Center	843	4,709	-	-	843	4,709
Gain on sale of assets	-	962	-	7,448	-	8,410
Donations	102,413	228,141	-	-	102,413	228,141
Change in OLDA Investment	(88,693)	(184,066)	-	-	(88,693)	(184,066)
Miscellaneous	90,014	116,991	34,396	-	124,410	116,991
LaGrange Fire JV Dissolution	-	-	-	-	-	-
Total Revenue	<u>3,858,992</u>	<u>3,515,363</u>	<u>2,979,385</u>	<u>3,436,923</u>	<u>6,838,377</u>	<u>6,952,286</u>
Program Expenses						
General Government	668,380	628,284	-	-	668,380	628,284
Public Safety - Police	1,242,917	1,184,022	-	-	1,242,917	1,184,022
Public Works	741,292	592,004	-	-	741,292	592,004
Parks and Recreation	151,963	151,498	-	-	151,963	151,498
Sanitation	319,001	314,214	-	-	319,001	314,214
Community Development	326,275	353,355	-	-	326,275	353,355
Public Safety - Fire	48,969	-	-	-	48,969	-
Public Properties	38,538	29,408	-	-	38,538	29,408
Interest on Debt	56,160	57,776	-	-	56,160	57,776
Golf Course	-	-	653,588	658,132	653,588	658,132
Sewer and Water	-	-	2,623,232	2,422,735	2,623,232	2,422,735
Total Program Expenses	<u>3,593,495</u>	<u>3,310,561</u>	<u>3,276,820</u>	<u>3,080,867</u>	<u>6,870,315</u>	<u>6,391,428</u>
Change In Net Assets						
Before Transfers	265,497	204,802	(297,435)	356,056	(31,938)	560,858
Transfers	(58,976)	(129,984)	58,976	129,984	-	-
Change in Net Assets	<u>\$ 206,521</u>	<u>\$ 74,818</u>	<u>\$ (238,459)</u>	<u>\$ 486,040</u>	<u>\$ (31,938)</u>	<u>\$ 560,858</u>

The City's total revenue decreased from \$6,952,286 in 2009 to \$6,838,377 in 2010 or 1.6 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 2010</u>	<u>FY 2009</u>	<u>Variance</u>
Taxes	\$ 1,652,722	\$ 1,669,113	\$ (16,391)
Licenses and permits	1,497,053	1,111,262	385,791
Intergovernmental	191,081	165,267	25,814
Charges for Services	340,722	310,528	30,194
Other Revenues	<u>245,707</u>	<u>401,497</u>	<u>(155,790)</u>
Total Revenues	<u>3,927,285</u>	<u>3,657,667</u>	<u>269,618</u>
General Administration	614,645	581,211	33,434
Police Protection	1,193,785	1,145,152	48,633
Public Works	635,598	519,529	116,069
Sanitation	319,001	314,214	4,787
Park and Recreation	140,581	141,253	(672)
Community Development	326,275	353,355	(27,080)
Fire Protection	48,969	-	48,969
Public Properties	38,538	29,408	9,130
Capital Outlay	540,950	519,107	21,843
Debt Service	<u>104,952</u>	<u>133,212</u>	<u>(28,260)</u>
Total Expenditures	<u>3,963,294</u>	<u>3,736,441</u>	<u>226,853</u>
Excess Revenues over Expenditures before transfers	<u>\$ (36,009)</u>	<u>\$ (78,774)</u>	<u>\$ 42,765</u>

Revenues for the City's governmental activities increased by 7.4 percent, while total expenditures increased by 6.1 percent. Governmental activities excess revenues over expenditures before transfers decreased by \$36,009 during 2010 compared to a decrease of \$78,774 during 2009. The City's major source of revenue in the governmental activities is taxes, licenses and permits, which makes up 80.2 percent of total revenues, these revenue sources increased by \$369,400 in 2010. The major expenses are for police protection which makes up 30.1 percent of total expenditures.

BUSINESS-TYPE ACTIVITIES

Looking at the business-type activities, revenues (FY 2010) for the City decreased to \$2,979,385 or 13.3 percent, while total expenses increased 6.4 percent. The excess of expense over revenues decreased net assets by \$238,459. The City's major sources of revenue, beyond customer charges, are capital grants and contributions, which decreased by \$576,650. This revenue source made up 15.6 percent of revenue in FY 2010 and 30.3 percent in FY 2009.

BUDGET HIGHLIGHTS

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

Table A-4

Condensed Governmental Activities - Revenues

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes	\$ 1,782,105	\$ 1,652,722	\$ (129,383)
Licenses and permits	1,940,000	1,497,053	(442,947)
Intergovernmental	121,000	82,125	(38,875)
Charges for Services	359,185	340,722	(18,463)
Other Revenues	123,000	245,707	122,707
Municipal Aid Fund	150,000	108,956	(41,044)
Total Revenues	<u>\$ 4,475,290</u>	<u>\$ 3,927,285</u>	<u>\$ (548,005)</u>

Table A-5

Condensed Governmental Activities - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 790,890	\$ 614,645	\$ (176,245)
Police Protection	1,386,009	1,193,785	(192,224)
Public Works	821,285	635,598	(185,687)
Sanitation	270,000	319,001	49,001
Park and Recreation	100,000	140,581	40,581
Community Development	341,000	326,275	(14,725)
Fire Protection	48,000	48,969	969
Public Properties	53,276	38,538	(14,738)
Capital Outlay	241,326	420,943	179,617
Debt Service	379,504	104,952	(274,552)
Municipal Aid Fund	50,000	120,007	70,007
Total Expenditures	<u>\$ 4,481,290</u>	<u>\$ 3,963,294</u>	<u>\$ (517,996)</u>

The City budgeted for a total of \$4,475,290 in revenues for 2010, but ended up having revenues of \$3,927,285, which put the City over 12.2 percent under the revenue budget. A total of \$4,481,290 was budgeted for expenses, but expenditures totaled \$3,963,294 for the year 2010. The City was under budget on the expenses by \$517,996 or 11.6 percent as detailed above.

CAPITAL ASSETS

The City has a total of \$33,836,689 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 \$1,697,528 (5.3 percent) from last year's total investment of \$32,139,161.

Table A-6

Capital Assets at Year End Without Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Land & Improvements	\$ 698,184	\$ 698,184	\$ -	\$ -	\$ 698,184	\$ 698,184
Buildings & Improvements	1,972,818	1,957,924	-	-	1,972,818	1,957,924
Vehicles & Equipment	2,090,679	1,486,198	-	-	2,090,679	1,486,198
Infrastructure Assets	603,583	483,576	-	-	603,583	483,576
Business-Type Assets	-	-	28,471,425	27,513,279	28,471,425	27,513,279
Total Capital Assets	<u>\$ 5,365,264</u>	<u>\$ 4,625,882</u>	<u>\$28,471,425</u>	<u>\$27,513,279</u>	<u>\$33,836,689</u>	<u>\$32,139,161</u>

DEBT

This year the City has \$6,521,040 in long-term debt, a 1.9 percent increase from last year's total of \$6,402,273.

Table A-7

Debt Outstanding at Year End

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Notes Payable	\$ -	\$ 48,720	\$ 774,414	\$ 341,702	\$ 774,414	\$ 390,422
Capital Leases	1,170,000	1,170,000	2,651,034	2,838,746	3,821,034	4,008,746
Bond Issues	-	-	1,730,000	1,790,000	1,730,000	1,790,000
Capital Equipment Leases	-	-	75,608	105,060	75,608	105,060
Customer Deposits	-	-	39,869	35,005	39,869	35,005
Accrued Absences	62,232	50,818	17,883	22,222	80,115	73,040
Total Debt Outstanding	<u>\$ 1,232,232</u>	<u>\$ 1,269,538</u>	<u>\$ 5,288,808</u>	<u>\$ 5,132,735</u>	<u>\$ 6,521,040</u>	<u>\$ 6,402,273</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials consider many factors when setting the fiscal year 2011 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 203 South Walnut Street, LaGrange, KY 40031.

rfh Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

Mayor and the City Council
City of LaGrange
LaGrange, Kentucky

Stephen R. Allen, CPA/PFS
Dennis H. England, CPA
Michael D. Foley, CPA
Lyman Hager, Jr., CPA/PFS
Jerry W. Hensley, CPA

J. Carroll Luby, CPA

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, 2010, 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%, 97%, and 80%, respectively, of the assets, net assets and 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, 2010, 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.

In accordance with **Government Auditing Standards**, we have also issued a report dated July 18 2011, on our consideration of the City of LaGrange'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'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
July 18, 2011

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CITY OF LAGRANGE, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government		2010 Totals	2009 Totals
	Governmental Activities	Business-type Activities		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 851,401	\$ 732,803	\$ 1,584,204	\$ 1,544,914
Certificates of deposit	-	312,610	312,610	726,750
Receivables (net)	498,794	325,143	823,937	592,505
Interest receivable	-	796	796	6,534
Internal balances	26,021	(26,021)	-	-
Inventory of supplies	-	94,117	94,117	103,797
Prepaid expense	-	9,051	9,051	64,118
Total current assets	<u>1,376,216</u>	<u>1,448,499</u>	<u>2,824,715</u>	<u>3,038,618</u>
Noncurrent assets				
Restricted cash and cash equivalents	-	305,235	305,235	290,147
Unamortized debt issuance cost	-	32,028	32,028	35,204
Unamortized lease fee	-	-	-	1,897
Capital assets				
Construction in process	-	-	-	20,000
Land and improvements, net	698,184	3,014,286	3,712,470	3,721,028
Plant and sewer system, net	-	15,051,272	15,051,272	15,460,533
Depreciable buildings, property, and equipment, net	2,328,119	1,107,333	3,435,452	2,419,337
Infrastructure, net	<u>472,207</u>	<u>-</u>	<u>472,207</u>	<u>400,558</u>
Total noncurrent assets	<u>3,498,510</u>	<u>19,510,154</u>	<u>23,008,664</u>	<u>22,348,704</u>
Total assets	<u>\$ 4,874,726</u>	<u>\$ 20,958,653</u>	<u>\$ 25,833,379</u>	<u>\$ 25,387,322</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 163,802	\$ 106,459	\$ 270,261	\$ 144,663
Construction payable	-	-	-	20,000
Accrued interest	-	33,905	33,905	50,514
Accrued wages	33,115	8,884	41,999	73,188
Accrued leave	62,232	17,883	80,115	73,040
Deferred revenues	-	54,113	54,113	39,809
Current portion of long-term obligations	<u>45,000</u>	<u>683,130</u>	<u>728,130</u>	<u>1,640,950</u>
Total current liabilities	304,149	904,374	1,208,523	2,042,164
Noncurrent liabilities				
Noncurrent portion of long-term obligations	1,125,000	4,587,795	5,712,795	4,688,283
Investment in joint venture (net equity)				
Oldham-LaGrange Development Authority	<u>1,431,241</u>	<u>-</u>	<u>1,431,241</u>	<u>1,342,548</u>
Total liabilities	<u>2,860,390</u>	<u>5,492,169</u>	<u>8,352,559</u>	<u>8,072,995</u>
Net assets				
Invested in capital assets, net of related debt	2,328,510	13,973,863	16,302,373	15,764,329
Restricted for:				
Road improvements	270,328	-	270,328	231,250
Debt service	5,094	231,461	236,555	209,095
Capital projects	88,438	-	88,438	282,647
Foundations and parks	39,732	-	39,732	39,477
Unrestricted	<u>(717,766)</u>	<u>1,261,160</u>	<u>543,394</u>	<u>787,529</u>
Total net assets	<u>2,014,336</u>	<u>15,466,484</u>	<u>17,480,820</u>	<u>17,314,327</u>
Total liabilities and net assets	<u>\$ 4,874,726</u>	<u>\$ 20,958,653</u>	<u>\$ 25,833,379</u>	<u>\$ 25,387,322</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, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			2009 Totals
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		2010 Totals	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 668,380	\$ -	\$ 4,214	\$ -	\$ (664,166)	\$ -	\$ (664,166)	\$ (623,733)
Public safety-Police	1,242,917	-	61,705	-	(1,181,212)	-	(1,181,212)	(1,144,799)
Public works	741,292	-	108,956	36,606	(595,730)	-	(595,730)	(429,711)
Parks and recreation	151,963	-	-	-	(151,963)	-	(151,963)	(151,498)
Sanitation	319,001	340,722	-	-	21,721	-	21,721	(3,686)
Community development	127,844	-	-	-	(127,844)	-	(127,844)	(353,355)
Fire	48,969	-	-	-	(48,969)	-	(48,969)	-
Public properties	38,538	-	-	-	(38,538)	-	(38,538)	(29,408)
Interest on long-term debt	56,160	-	-	-	(56,160)	-	(56,160)	(57,776)
Total governmental activities	3,395,064	340,722	174,875	36,606	(2,842,861)	-	(2,842,861)	(2,793,966)
Business type activities								
Utility Commission	2,623,232	1,969,442	-	347,220	-	(306,570)	(306,570)	340,054
Golf Course	653,588	499,248	-	117,368	-	(36,972)	(36,972)	(22,814)
Total business-type activities	3,276,820	2,468,690	-	464,588	-	(343,542)	(343,542)	317,240
Total primary government	\$ 6,671,884	\$ 2,809,412	\$ 174,875	\$ 501,194	(2,842,861)	(343,542)	(3,186,403)	(2,476,726)
General revenues								
Taxes:								
Property taxes, levied for general purposes					1,332,353	-	1,332,353	1,333,622
Bank shares					51,320	-	51,320	49,890
Utility tax					69,152	-	69,152	80,835
License fees:								
Franchise fees					199,897	-	199,897	204,766
Business licenses					217,998	-	217,998	270,303
Insurance premiums					1,257,722	-	1,257,722	819,123
Other fees and permits					42,423	-	42,423	35,738
Investment earnings					7,297	11,711	19,008	65,322
Rents					24,050	-	24,050	3,800
Community Center					843	-	843	4,709
Gain on sale/disposal of fixed assets					-	-	-	8,410
Donations					102,413	-	102,413	228,141
Miscellaneous					90,014	34,396	124,410	116,991
Total general revenues					3,395,482	46,107	3,441,589	3,221,650
Decrease in joint venture - Oldham-LaGrange Development Authority								
					(88,693)	-	(88,693)	(184,066)
Transfers in (out)								
					(58,976)	58,976	-	-
Total general and other revenues (expenses)					3,247,813	105,083	3,352,896	3,037,584
Change in Net Assets					404,952	(238,459)	166,493	560,858
Net assets - beginning					1,609,384	15,704,943	17,314,327	16,753,469
Net Assets - Ending					\$ 2,014,336	\$ 15,466,484	\$ 17,480,820	\$17,314,327

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

CITY OF LAGRANGE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds	2009 Totals
ASSETS				
Cash and cash equivalents	\$ 457,985	\$ 393,416	\$ 851,401	\$ 1,073,561
Receivables, net	488,618	10,176	498,794	314,959
Due from other funds	29,062	-	29,062	25,675
	<u>975,665</u>	<u>403,592</u>	<u>1,379,257</u>	<u>1,414,195</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 163,802	\$ -	\$ 163,802	\$ 103,136
Accrued payroll payable	33,115	-	33,115	65,548
Due to other funds	3,041	-	3,041	3,041
Accrued leave	62,232	-	62,232	50,818
	<u>262,190</u>	<u>-</u>	<u>262,190</u>	<u>222,543</u>
Fund balances				
Reserved, reported in:				
Road improvements	-	270,328	270,328	231,250
Debt service	-	5,094	5,094	5,077
Capital projects	-	88,438	88,438	282,647
Foundations and parks	-	39,732	39,732	39,477
Unreserved, reported in:				
General fund	713,475	-	713,475	633,201
	<u>713,475</u>	<u>403,592</u>	<u>1,117,067</u>	<u>1,191,652</u>
Total fund balances	<u>713,475</u>	<u>403,592</u>	<u>1,117,067</u>	<u>1,191,652</u>
Total liabilities and fund balances	<u>\$ 975,665</u>	<u>\$ 403,592</u>	<u>\$ 1,379,257</u>	<u>\$ 1,414,195</u>

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

Fund balances reported above	\$ 1,117,067	\$ 1,191,652
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,498,510	2,979,000
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.	(1,431,241)	(1,342,548)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,170,000)	(1,218,720)
Net assets of governmental activities	<u>\$ 2,014,336</u>	<u>\$ 1,609,384</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, 2010

	General	Other Governmental Funds	Total Governmental Funds	2009 Totals
REVENUES				
Taxes	\$ 1,652,722	\$ -	\$ 1,652,722	\$ 1,669,113
Licenses and permits	1,497,053	-	1,497,053	1,111,262
Intergovernmental	82,125	108,956	191,081	165,267
Charges for services	340,722	-	340,722	310,528
Other revenues	243,056	2,651	245,707	401,497
Total revenues	<u>3,815,678</u>	<u>111,607</u>	<u>3,927,285</u>	<u>3,657,667</u>
EXPENDITURES				
Current:				
General administration	614,645	-	614,645	581,211
Public safety-Police	1,193,785	-	1,193,785	1,145,152
Public works	635,598	-	635,598	519,529
Sanitation	319,001	-	319,001	314,214
Parks and Recreation	140,581	-	140,581	141,253
Community development	326,275	-	326,275	353,355
Fire	48,969	-	48,969	-
Public properties	38,538	-	38,538	29,408
Capital outlay	226,734	314,216	540,950	519,107
Debt service	-	104,952	104,952	133,212
Total expenditures	<u>3,544,126</u>	<u>419,168</u>	<u>3,963,294</u>	<u>3,736,441</u>
Excess (deficiency) of revenues over expenditures	<u>271,552</u>	<u>(307,561)</u>	<u>(36,009)</u>	<u>(78,774)</u>
OTHER FINANCING SOURCES (USES)				
Contributed capital	-	20,400	20,400	40,800
Transfer in (out)	(191,278)	132,302	(58,976)	(129,984)
Total other financing sources and uses	<u>(191,278)</u>	<u>152,702</u>	<u>(38,576)</u>	<u>(89,184)</u>
Net change in fund balances	80,274	(154,859)	(74,585)	(167,958)
Fund balances-beginning	633,201	558,451	1,191,652	1,359,610
Fund balances-ending	<u>\$ 713,475</u>	<u>\$ 403,592</u>	<u>\$ 1,117,067</u>	<u>\$ 1,191,652</u>
Reconciliation to government-wide change in net assets:				
Net change in fund balances			\$ (74,585)	\$ (167,958)
add: capital outlay expenditures capitalized			540,950	519,107
add: debt service expenditures			104,952	133,212
add: gain (loss) on disposal			-	962
add: debt expenditures on behalf of joint venture			198,431	-
less: depreciation on governmental activities assets			(219,943)	(168,663)
less: interest expense			(56,160)	(57,776)
less: decreases in the equity interest of joint ventures			(88,693)	(184,066)
Change in net assets Governmental Activities			<u>\$ 404,952</u>	<u>\$ 74,818</u>

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

CITY OF LAGRANGE, KENTUCKY
BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2010

ASSETS	Business Type Activities		2010 Totals	2009 Totals
	Water & Sewer	Golf Course		
Current assets				
Cash and cash equivalents	\$ 644,081	\$ 88,722	\$ 732,803	\$ 471,353
Certificates of deposit	312,610	-	312,610	726,750
Receivables (net)	325,064	79	325,143	277,546
Interest receivable	796	-	796	6,534
Inventory	89,923	4,194	94,117	103,797
Prepaid expenses	-	9,051	9,051	64,118
Due from the City	-	3,041	3,041	3,041
Total current assets	1,372,474	105,087	1,477,561	1,653,139
Non-current assets				
Restricted cash and cash equivalents	95,286	209,949	305,235	290,147
Unamortized debt issuance cost	4,478	27,550	32,028	35,204
Unamortized lease fee	-	-	-	1,897
Capital assets				
Construction in progress	-	-	-	20,000
Land	67,217	1,614,643	1,681,860	1,627,860
Land improvements	-	2,242,520	2,242,520	2,208,247
Plant and sewer system	22,499,268	-	22,499,268	22,233,798
Buildings and improvements	857,893	-	857,893	276,006
Vehicle and equipment	617,654	572,230	1,189,884	1,147,368
Less accumulated depreciation	(7,976,749)	(1,321,785)	(9,298,534)	(8,470,823)
Total non-current assets	16,165,047	3,345,107	19,510,154	19,369,704
Total assets	\$ 17,537,521	\$ 3,450,194	\$ 20,987,715	\$ 21,022,843
LIABILITIES				
Current liabilities				
Accounts payable	\$ 92,732	\$ 13,727	\$ 106,459	41,527
Construction payable	-	-	-	20,000
Accrued payroll payable	-	8,884	8,884	7,640
Due to the City	29,062	-	29,062	25,675
Accrued interest payable	1,015	32,890	33,905	50,514
Deferred revenue	-	54,113	54,113	39,809
Accrued compensated absences	17,883	-	17,883	22,222
Capital equipment lease	-	31,175	31,175	29,440
Capital lease obligations	17,834	10,000	27,834	1,392,676
Bonds, notes, and loans payable	524,121	100,000	624,121	170,114
Total current liabilities	682,647	250,789	933,436	1,799,617
Non-current liabilities				
Capital equipment lease	-	44,433	44,433	75,620
Capital lease obligations	1,488,200	1,135,000	2,623,200	1,446,070
Bonds, notes, and loans payable	250,293	1,630,000	1,880,293	1,961,588
Customer deposits payable	39,869	-	39,869	35,005
Total non-current liabilities	1,778,362	2,809,433	4,587,795	3,518,283
Total liabilities	2,461,009	3,060,222	5,521,231	5,317,900
NET ASSETS				
Invested in capital assets, net of related debt	13,789,313	184,550	13,973,863	14,004,049
Restricted for:				
Debt service	54,402	177,059	231,461	204,018
Unrestricted	1,232,797	28,363	1,261,160	1,496,876
Total net assets	15,076,512	389,972	15,466,484	15,704,943
Total liabilities and net assets	\$ 17,537,521	\$ 3,450,194	\$ 20,987,715	\$ 21,022,843

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, 2010

	Business Type Activities		2010	2009
	Water & Sewer	Golf Course	Totals	Totals
Operating revenues				
Charges for services	\$ 1,969,442	\$ 499,248	\$ 2,468,690	\$ 2,327,821
Other income	34,396	-	34,396	29,048
	<u>2,003,838</u>	<u>499,248</u>	<u>2,503,086</u>	<u>2,356,869</u>
Operating expenses				
General and administrative	541,534	104,552	646,086	639,459
Rent	-	1,738	1,738	1,016
Salaries and wages	-	139,102	139,102	134,060
Repairs and maintenance	730,335	73,681	804,016	752,415
Cost of sales	523,829	17,323	541,152	419,916
Other operating expenses	-	44,170	44,170	42,859
Depreciation	717,268	110,443	827,711	804,862
	<u>2,512,966</u>	<u>491,009</u>	<u>3,003,975</u>	<u>2,794,587</u>
Operating (loss)	<u>(509,128)</u>	<u>8,239</u>	<u>(500,889)</u>	<u>(437,718)</u>
Non-operating revenues (expenses)				
Interest and investment revenue	8,398	3,313	11,711	31,368
Interest expense	(108,043)	(159,729)	(267,772)	(279,310)
Transfers in	-	73,125	73,125	129,984
Transfers out	-	(14,149)	(14,149)	-
Amortization of debt issuance cost and lease fees	(2,223)	(2,850)	(5,073)	(6,970)
Gain on disposal of fixed assets	-	-	-	7,448
	<u>(101,868)</u>	<u>(100,290)</u>	<u>(202,158)</u>	<u>(117,480)</u>
Income (Loss) before capital contributions	<u>(610,996)</u>	<u>(92,051)</u>	<u>(703,047)</u>	<u>(555,198)</u>
Capital contributions				
Water and sewer tap fees	-	-	-	-
Capital Contributions	347,220	117,368	464,588	1,041,238
Grant revenues	-	-	-	-
	<u>(263,776)</u>	<u>25,317</u>	<u>(238,459)</u>	<u>486,040</u>
Change in net assets	<u>(263,776)</u>	<u>25,317</u>	<u>(238,459)</u>	<u>486,040</u>
Total net assets - beginning	<u>15,340,288</u>	<u>364,655</u>	<u>15,704,943</u>	<u>15,218,903</u>
TOTAL NET ASSETS - ENDING	<u>\$ 15,076,512</u>	<u>\$ 389,972</u>	<u>\$ 15,466,484</u>	<u>\$ 15,704,943</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, 2010

	Business Type Activities		2010	2009
	Water & Sewer	Golf Course	Totals	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,959,707	\$ 513,508	\$ 2,473,215	\$ 2,379,559
Receipts (refunds) of customer meter deposits	4,864	-	4,864	7,335
Payments to suppliers	(1,147,844)	(242,758)	(1,390,602)	(1,323,779)
Payments to other funds	-	-	-	(19,846)
Payments for employee services and benefits	(511,380)	(163,665)	(675,045)	(675,684)
Net cash provided by operating activities	<u>305,347</u>	<u>107,085</u>	<u>412,432</u>	<u>367,585</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	171,060	117,370	288,430	592,041
Transfers in from City of LaGrange	-	73,125	73,125	93,301
Transfers out to City of LaGrange	-	(14,149)	(14,149)	-
Purchases of capital assets	(753,332)	(48,654)	(801,986)	(648,917)
Proceeds from sale of vehicle	-	-	-	28,358
Principal paid on capital debt	(245,000)	(1,829,452)	(2,074,452)	(1,979,902)
Proceeds from loans	500,000	1,730,000	2,230,000	124,363
Interest paid on capital debt	(108,685)	(159,729)	(268,414)	(276,522)
Net cash (used in) capital and related financing activities	<u>(435,957)</u>	<u>(131,489)</u>	<u>(567,446)</u>	<u>(2,067,278)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	7,941	9,471	17,412	39,525
Proceeds from certificates of deposits	414,140	209,949	624,089	-
Purchase of certificates of deposits	-	(9,471)	(9,471)	(36,462)
Net cash provided by (used in) investing activities	<u>422,081</u>	<u>209,949</u>	<u>632,030</u>	<u>3,063</u>
Net increase (decrease) in cash and cash equivalents	291,471	185,545	477,016	(1,696,630)
Cash and cash equivalents - beginning of the year	<u>447,896</u>	<u>113,126</u>	<u>561,022</u>	<u>2,257,652</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 739,367</u>	<u>\$ 298,671</u>	<u>\$ 1,038,038</u>	<u>\$ 561,022</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating (loss)	\$ (509,128)	\$ 8,239	\$ (500,889)	(437,718)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	717,268	110,443	827,711	804,862
Change in assets and liabilities:				
Receivables, net	(47,518)	(42)	(47,560)	10,741
Inventory	9,387	293	9,680	(7,734)
Prepaid expenses	59,698	(4,631)	55,067	(4,328)
Due from City of LaGrange	-	-	-	8,184
Due to City of LaGrange	3,387	-	3,387	(19,846)
Accounts and other payables	71,728	(6,796)	64,932	(7,073)
Accrued expenses	(4,339)	1,244	(3,095)	3,636
Accrued bond and interest	-	(15,967)	(15,967)	(2,423)
Customer deposits payable	4,864	-	4,864	7,335
Unearned revenues	-	14,302	14,302	11,949
Net cash provided by operating activities	<u>\$ 305,347</u>	<u>\$ 107,085</u>	<u>\$ 412,432</u>	<u>\$ 367,585</u>
Schedule of Noncash Investing, Capital and Financing Activities				
Contributed water and sewer mains from developers	<u>\$ 176,160</u>	<u>\$ -</u>	<u>\$ 176,160</u>	<u>\$ 449,197</u>
Contributed equipment from City of LaGrange	<u>\$ -</u>	<u>\$ 5,751</u>	<u>\$ 5,751</u>	<u>\$ 28,499</u>

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

CITY OF LAGRANGE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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. The City is involved in a joint venture with Oldham County in Oldham-LaGrange Development Authority. See footnote 11.

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 THE FINANCIAL STATEMENTS
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation

The City's financial statements are presented in conformity with the 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 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

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.

CITY OF LAGRANGE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation, continued

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.

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.

CITY OF LAGRANGE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Accounting, continued

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. 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.

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.

CITY OF LAGRANGE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Assets, Liabilities and Net Assets or Equity, continued

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 \$74,686 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 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.

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

CITY OF LAGRANGE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Assets, Liabilities and Net Assets or Equity, continued

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.

Fund Equity

The fund financial statements report governmental funds reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Encumbrances

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.

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".

CITY OF LAGRANGE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Other Accounting Policies, continued

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.

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, 2010 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 was \$2,202,049 and the bank balances were \$2,449,697.

The following is a detail of the City's cash deposit coverage at June 30, 2010:

FDIC insured	\$ 1,486,568
Collateralized by securities held by the bank in the City's name	667,018
Collateralized by securities held by the bank but not in the City's name	207,673
Invested in money market funds	<u>88,438</u>
Total	<u>\$ 2,449,697</u>

Restricted assets consist of the following:

	Utility Commission	Golf Course	Total
Cash – Bond & Interest Account	\$ -	\$ 209,949	\$ 209,949
Cash – KIA Loan Reserve Account	53,473	-	53,473
Cash – Customer Deposits	<u>41,813</u>	<u>-</u>	<u>41,813</u>
Total	<u>\$ 95,286</u>	<u>\$ 209,949</u>	<u>\$ 305,235</u>

CITY OF LAGRANGE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

3. CAPITAL ASSETS

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

	Balance July 1,	Additions	Deductions	Balance June 30, 2010
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 698,184	\$ -	\$ -	\$ 698,184
Capital assets that are depreciated:				
Buildings and improvements	1,957,924	14,894	-	1,972,818
Machinery & equipments	1,486,198	604,481	-	2,090,679
Construction in process	-	-	-	-
Totals	<u>3,444,122</u>	<u>619,375</u>	<u>-</u>	<u>4,063,497</u>
Total non-infrastructure assets	<u>4,142,306</u>	<u>619,375</u>	<u>-</u>	<u>4,761,681</u>
Infrastructure assets	<u>483,576</u>	<u>120,007</u>	<u>-</u>	<u>603,583</u>
Total capital assets	<u>4,625,882</u>	<u>739,382</u>	<u>-</u>	<u>5,365,264</u>
Less accumulated depreciation:				
Buildings and improvements	496,963	56,334	-	553,297
Machinery and equipment	1,066,830	115,251	-	1,182,081
Infrastructure	<u>83,018</u>	<u>48,358</u>	<u>-</u>	<u>131,376</u>
Totals	<u>1,646,811</u>	<u>219,943</u>	<u>-</u>	<u>1,866,754</u>
Depreciable capital assets, net	<u>\$ 2,979,071</u>	<u>\$ 519,439</u>	<u>\$ -</u>	<u>\$ 3,498,510</u>
Business-Type Activities:				
Land and easements	\$ 1,627,860	\$ 54,000	\$ -	\$ 1,681,860
Buildings and improvements	2,484,254	616,159	-	3,100,412
Water tank	2,919,458	21,701	-	2,941,159
Mains, hydrants and new water services	3,428,248	122,404	-	3,550,652
Sewage treatment plant	5,792,563	1,895	-	5,794,458
Sewage system lines and pump stations	10,093,529	119,470	-	10,212,999
Transportation equipment	212,188	28,135	-	240,323
Machinery and equipment	557,848	14,382	-	572,231
General office equipment	377,331	-	-	377,331
Construction in progress	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Total	<u>27,513,279</u>	<u>978,146</u>	<u>20,000</u>	<u>28,471,425</u>
Less: accumulated depreciation	<u>8,470,823</u>	<u>827,711</u>	<u>-</u>	<u>9,298,534</u>
Capital Assets, net	<u>\$ 19,042,456</u>	<u>\$ 150,435</u>	<u>\$ 20,000</u>	<u>\$ 19,172,891</u>

\$5,115,077 of Utility Commission assets are recorded under capital leases associated with the wastewater treatment plant and water tower. Accumulated depreciation of \$451,489 is associated with these assets. \$1,163,775 of golf course land is recorded under a capital lease.

CITY OF LAGRANGE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

3. CAPITAL ASSETS, continued

Depreciation Expense was charged to the Governmental functions as follows:

General government	\$ 53,735
Police	49,132
Public Works	57,336
Parks and recreation	11,382
Infrastructure	<u>48,358</u>
Total depreciation expense	<u>\$ 219,943</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, 2010, are as follows:

Fiscal Year	Principal	Interest	Bank Fee	Total
2011	\$ 45,000	\$ 53,820	\$ 500	\$ 99,320
2012	45,000	51,750	500	97,250
2013	45,000	49,680	500	95,180
2014	50,000	47,610	500	98,110
2015	50,000	45,310	500	95,810
2016-2020	295,000	189,060	2,500	486,560
2021-2025	370,000	114,310	2,500	486,810
2026-2028	<u>270,000</u>	<u>25,300</u>	<u>1,500</u>	<u>296,800</u>
Total	<u>\$ 1,170,000</u>	<u>\$ 576,840</u>	<u>\$ 9,000</u>	<u>\$ 1,755,840</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>\$ 1,125,000</u>

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

	July 1, 2009	Additions	Payments	June 30, 2010
Note payable	\$ 8,720	\$ -	\$ 8,720	\$ -
Capital lease obligations	1,210,000	-	40,000	1,170,000
Accrued compensated absences	<u>50,818</u>	<u>62,232</u>	<u>50,818</u>	<u>62,232</u>
Total	<u>\$ 1,269,538</u>	<u>\$ 62,232</u>	<u>\$ 99,538</u>	<u>\$ 1,232,232</u>

CITY OF LAGRANGE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

5. LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES

Business-Type Activities – Utility Commission

Note Payable – Bedford Loan & Deposit Bank

On August 3, 2009, the Commission entered into a loan agreement in the amount of \$500,000 with the Bedford Loan and Deposit Bank for the purchase of property at 412 East Jefferson Street, LaGrange, Kentucky. The property is being renovated to be used for administrative offices. The loan has a fixed rate of 4.45%, with principal and interest payable monthly with a lump sum principal payment due upon maturity on August 3, 2010.

Note Payable – Kentucky Infrastructure Authority

On October 1, 1995, the City through the Utilities Commission entered into a loan agreement with the Kentucky Infrastructure Authority for an authorized loan amount of \$832,777 for the construction of a wastewater lagoon and for sewer system improvements. The loan has a fixed interest rate of 2.6% payable in semi-annual payments commencing December 1, 1996 and thereafter on June 1 and December 1 for the duration of the repayment term of twenty years. The loan is payable from the income and revenue derived from the combined and consolidated Municipal Waterworks and Sewer System. The final maturity is June 1, 2016.

The minimum obligations of the above note at June 30, 2010, are as follows:

Fiscal Year	Principal	Interest	Service Fee	Total
2011	\$ 46,295	\$ 7,412	\$ 570	\$ 54,277
2012	47,506	6,201	477	54,184
2013	48,750	4,958	381	54,089
2014	50,025	3,682	283	53,990
2015	51,334	2,373	183	53,890
2015-2016	<u>52,678</u>	<u>1,029</u>	<u>79</u>	<u>53,786</u>
Total	<u>\$ 296,588</u>	<u>\$ 25,655</u>	<u>\$ 1,973</u>	<u>\$ 324,216</u>

Capital Lease Obligation – Kentucky League of Cities

On April 1, 2004, the City, through the Utilities Commission, entered into a leasing agreement in the amount of \$400,000 with the Kentucky League of Cities for the financing and leasing of improvements to the wastewater treatment plant (belt press system installation). The principal and interest payments are to be made from the income and revenues of the water and sewer system. The League shall hold a lien on the system's revenues until such lease and interest payments are paid in full. The Utilities Commission has the option of prepayment without any prepaid discount charges.

The lease is a variable 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 2.3% and fees of .75% for a total of 3.05% in charges for cost of funds.

CITY OF LAGRANGE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

5. LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES, continued

Business-Type Activities – Utility Commission, continued

The minimum obligations of the above capital lease at June 30, 2010 are as follows:

Fiscal Year	Principal	Interest	Service Fee	Total
2011	\$ 17,834	\$ 6,531	\$ 2,517	\$ 26,882
2012	18,376	6,146	2,397	26,919
2013	18,934	5,714	2,263	26,911
2014	19,510	5,285	2,135	26,930
2015	20,102	4,844	1,999	26,945
2016-2020	110,053	17,140	7,821	135,014
2021-2024	<u>96,654</u>	<u>4,281</u>	<u>3,280</u>	<u>104,215</u>
Total	<u>\$ 301,463</u>	<u>\$ 49,941</u>	<u>\$ 22,412</u>	<u>\$ 373,816</u>

Capital Lease Obligation – Bedford Loan & Deposit Bank

On December 27, 2007, the City through the Utilities Commission, entered into a lease agreement in the amount of \$3,150,000 with Bedford Loan & Deposit Bank for the financing and leasing of the acquisition, construction, and installation of a water tower and improvements to the wastewater treatment facility. The principal and interest payments are to be made from the income and revenues of the water and sewer system. Bedford Loan & Deposit 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 5.85%. The original maturity date was December 1, 2009. Monthly payments of interest on deferred principal payments plus discretionary principal payments commenced February 1, 2008. On December 1, 2009, the lease was extended for an additional two years with a maturity date of December 1, 2011 (payment terms and interest were unchanged).

The minimum obligations of the above capital lease at June 30, 2010, are as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ -	\$ 70,274	\$ 70,274
2012	<u>1,204,571</u>	<u>29,538</u>	<u>1,234,109</u>
Total	<u>\$ 1,204,571</u>	<u>\$ 99,812</u>	<u>\$ 1,304,383</u>

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

Accrued compensated absences	\$ 17,883
Current portion of KIA note payable	46,295
Current portion of Bedford note payable	477,826
Current portion of KLC capital lease	<u>17,834</u>
Total current portion of long-term obligations	<u>\$ 559,838</u>
Long-term portion of KIA note payable	\$ 250,293
Long-term portion of KLC capital lease	283,629
Long-term portion of Bedford Loan capital lease	1,204,571
Customer deposits payable	<u>39,869</u>
Total long-term portion of long-term obligations	<u>\$ 1,778,362</u>

CITY OF LAGRANGE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

5. LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES, continued

Business-Type Activities – Utility Commission, continued

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

	July 1, 2009	Additions	Payments	June 30, 2010
Bedford Note Payable	\$ -	\$ 500,000	\$ 22,174	\$ 477,826
KIA Note payable	341,702	-	45,114	296,588
Capital lease obligations	1,683,746	-	177,712	1,506,034
Accrued compensated absences	22,222	17,883	22,222	17,883
Customer deposits payable	<u>35,005</u>	<u>4,864</u>	<u>-</u>	<u>39,869</u>
Total	<u>\$ 2,082,675</u>	<u>\$ 522,747</u>	<u>\$ 267,222</u>	<u>\$ 2,338,200</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, 2010, the reserve account had a balance of \$53,473. Since the reserve balance exceeds the amount specified by the loan agreement no more deposits are being made.

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 minimum obligations of the above capital lease at June 30, 2010, are as follows:

Fiscal Year	Principal	Interest	Service Fee	Total
2011	\$ 10,000	\$ 54,960	\$ 500	\$ 65,460
2012	10,000	54,480	500	64,980
2013	15,000	54,000	500	69,500
2014	15,000	53,280	500	68,780
2015	15,000	52,560	500	68,060
2016-2020	85,000	251,760	2,500	339,260
2021-2025	640,000	186,000	2,500	828,500
2026-2027	<u>355,000</u>	<u>25,920</u>	<u>1,000</u>	<u>381,920</u>
Total	<u>\$ 1,145,000</u>	<u>\$ 732,960</u>	<u>\$ 8,500</u>	<u>\$ 1,886,460</u>

CITY OF LAGRANGE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

5. LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES, continued

Business-Type Activities – Golf Course, continued

Bonds Payable – City of LaGrange General Obligation Bonds of 2000

On February 14, 2000, the City of LaGrange issued general obligation bonds in the amount of \$2,400,000. These bonds were refinanced March 1, 2010. 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 outstanding, 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, 2010, are as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 100,000	\$ 52,611	\$ 152,611
2012	145,000	52,400	197,400
2013	165,000	49,428	214,428
2014	170,000	45,385	215,385
2015	175,000	40,710	215,710
2016-2020	<u>975,000</u>	<u>113,458</u>	<u>1,088,458</u>
Total	<u>\$ 1,730,000</u>	<u>\$ 353,992</u>	<u>\$ 2,083,992</u>

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 minimum obligations of the lease at June 30, 2010 are as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 31,175	\$ 3,528	\$ 34,703
2012	33,011	1,692	34,703
2013	<u>11,422</u>	<u>134</u>	<u>11,556</u>
Total	<u>\$ 75,608</u>	<u>\$ 5,354</u>	<u>\$ 80,962</u>

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

Current portion of capital lease	\$ 10,000
Current portion of bond	100,000
Current portion of capital equipment lease	<u>31,175</u>
Total current portion of long-term obligations	<u>\$ 141,175</u>
Long-term portion of capital lease	\$ 1,135,000
Long-term portion of bonds	1,630,000
Long-term portion of capital equipment lease	<u>44,433</u>
Total long-term obligations	<u>\$ 2,809,433</u>

CITY OF LAGRANGE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

5. LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES, continued

Business-Type Activities – Golf Course, continued

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

	July 1, 2009	Additions	Payments	June 30, 2010
Capital lease	\$ 1,155,000	\$ -	\$ 10,000	\$ 1,145,000
Bond issue	1,790,000	1,730,000	1,790,000	1,730,000
Capital equipment lease	<u>105,060</u>	<u>-</u>	<u>29,452</u>	<u>75,608</u>
Total	<u>\$ 3,050,060</u>	<u>\$ 1,730,000</u>	<u>\$ 1,829,452</u>	<u>\$ 2,950,608</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, 2010 are as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 41,202	\$ 2,496	\$ 43,698
2012	42,294	1,404	43,698
2013	<u>28,785</u>	<u>315</u>	<u>29,100</u>
Total	<u>\$112,281</u>	<u>\$ 4,215</u>	<u>\$ 116,496</u>

Operating lease expense for the year ended June 30, 2010 totaled \$ 43,701.

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, 2010, 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.

**CITY OF LAGRANGE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

7. RETIREMENT PLAN, continued

For the year ended June 30, 2010, participating employers contributed 32.97% of each hazardous employee's and 16.16% 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>
2010	\$ 451,901	100%
2009	\$ 387,561	100%
2008	\$ 426,164	100%

8. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2010 were levied in September 10 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:

Description	Due Date
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.

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. The lease began on July 1, 2008 and required no payments until November 1, 2009. From November 1, 2009 through June 30, 2011, the monthly rental payment to the City is \$2,500.

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 \$1.22 per 1,000 gallons during 2009 and \$1.70 per 1,000 gallons during 2010.

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.

CITY OF LAGRANGE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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.

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 audited financial statements for the year ended June 30, 2010 are as follows:

Total assets	\$ 16,675,998
Total liabilities	\$ 15,028,818
Total net assets	\$ 1,647,180

The net equity investment in Oldham-LaGrange Development Authority for the City of LaGrange at June 30, 2010 is \$1,647,180. The net equity is determined by the following:

	OLDA Audit 6/30/2010	City Allocation	County Allocation
Beginning net equity, July 1, 2009	\$ 1,706,183	(\$ 1,347,548)	\$ 3,053,731
Operating loss before transfers in	(554,004)	(277,002)	(277,002)
Debt buy back	-	-	-
Principal payments transfers in	<u>495,001</u>	<u>193,309</u>	<u>301,692</u>
Ending net equity, June 30, 2010	<u>\$ 1,647,180</u>	<u>(\$ 1,431,241)</u>	<u>\$ 3,078,421</u>

At June 30, 2010, the City guaranteed \$10,103,320 of the \$14,943,320 general obligation lease revenue bonds outstanding.

CITY OF LAGRANGE, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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 16.16% for non-hazardous duty and 32.97% 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, 2010, the City and Utility Commission had an unrecorded sick pay liability to its employees of \$194,763 and \$82,632, respectively. The estimated liability includes required salary related payments.

In July 2009, the Utility Commission closed on the purchase of 2.116 acres located at 412 East Jefferson Street in LaGrange, Kentucky. \$550,000 was the purchase price, of which \$500,000 was borrowed from Bedford Loan and Deposit Bank. It is the intent of the Commission to renovate the purchased building and relocate administrative offices to this building. On August 3, 2010, the note payable to Bedford Loan and Deposit Bank was refinanced for an additional year at a rate of interest bearing 4.45%. The current principal balance of \$475,993 will be repaid in eleven monthly principal and interest payments of \$3,813 beginning September 3, 2010 with a balloon payment of \$454,726 due August 3, 2011.

The City has evaluated and considered the need to recognize or disclose subsequent events through July 18, 2011, 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, 2010, 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, 2010

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
ORIGINAL BUDGET				
TAXES				
General property taxes	\$ 1,250,605	\$ 1,250,605	\$ 1,232,318	\$ (18,287)
Bank shared tax	74,500	74,500	51,320	(23,180)
Franchise tax	318,000	318,000	269,049	(48,951)
Omitted tangibles	9,000	9,000	3,208	(5,792)
Motor vehicle taxes	<u>130,000</u>	<u>130,000</u>	<u>96,827</u>	<u>(33,173)</u>
Total municipal taxation	<u>1,782,105</u>	<u>1,782,105</u>	<u>1,652,722</u>	<u>(129,383)</u>
LICENSES, PERMITS AND BILLINGS				
Business licenses	330,000	330,000	217,998	(112,002)
Insurance premiums	1,585,000	1,585,000	1,257,722	(327,278)
Other licenses	<u>25,000</u>	<u>25,000</u>	<u>21,333</u>	<u>(3,667)</u>
Total licenses, permits and billings	<u>1,940,000</u>	<u>1,940,000</u>	<u>1,497,053</u>	<u>(442,947)</u>
INTERGOVERNMENTAL REVENUES				
Grants	40,000	40,000	16,206	(23,794)
KLEFPF	67,000	67,000	38,865	(28,135)
Federal overtime	6,000	6,000	12,517	6,517
Drug Forfeitures	-	-	10,323	10,323
LGEAF	<u>8,000</u>	<u>8,000</u>	<u>4,214</u>	<u>(3,786)</u>
Total intergovernmental	<u>121,000</u>	<u>121,000</u>	<u>82,125</u>	<u>(38,875)</u>
CHARGES FOR SERVICE				
Sanitation fees	<u>359,185</u>	<u>359,185</u>	<u>340,722</u>	<u>(18,463)</u>
OTHER REVENUE				
Donations	-	-	102,413	102,413
Interest	10,000	10,000	4,646	(5,354)
Penalties	20,000	20,000	13,390	(6,610)
Encroachment fees	4,500	4,500	7,600	3,100
Rent	52,500	52,500	24,050	(28,450)
Miscellaneous	<u>36,000</u>	<u>36,000</u>	<u>90,957</u>	<u>54,957</u>
Total other	<u>123,000</u>	<u>123,000</u>	<u>243,056</u>	<u>120,056</u>
TOTAL REVENUE	\$ 4,325,290	\$ 4,325,290	\$ 3,815,678	\$ (509,612)

CITY OF LAGRANGE, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2010

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
GENERAL GOVERNMENT				
Salaries	\$ 159,900	\$ 159,900	\$ 132,056	\$ (27,844)
Overtime	7,000	7,000	964	(6,036)
Employee Insurance	30,000	30,000	20,812	(9,188)
Employer portion FICA	12,000	12,000	11,827	(173)
Employer portion Medicare	2,800	2,800	2,766	(34)
Mayor/Council	60,480	60,480	60,480	-
Employer portion retirement	32,240	32,240	20,677	(11,563)
Unemployment insurance	7,070	7,070	-	(7,070)
Computer maintenance	12,000	12,000	7,899	(4,101)
Tax preparation (PVA)	30,000	30,000	29,347	(653)
Ordinance codification	9,000	9,000	-	(9,000)
Workers compensation	5,000	5,000	5,377	377
Property/liability insurance	45,000	45,000	45,544	544
Auditing	20,000	20,000	15,680	(4,320)
Gas/electric/telephone	75,000	75,000	81,331	6,331
Legal fees	45,000	45,000	86,797	41,797
Legal fees - city council	21,000	21,000	12,776	(8,224)
Legal advertisements	15,000	15,000	2,205	(12,795)
Office supplies	10,000	10,000	4,656	(5,344)
Repair and maintenance	5,000	5,000	3,508	(1,492)
Seminars/education	5,000	5,000	5,806	806
Miscellaneous	10,000	10,000	10,833	833
Small equipment purchases	2,400	2,400	573	(1,827)
Grant expense - Main Street	90,000	90,000	-	(90,000)
Board of adjustments and appeals	1,000	1,000	1,520	520
Engineering	48,000	48,000	48,000	-
Printing	1,000	1,000	-	(1,000)
Storm water	30,000	30,000	3,211	(26,789)
Total administration	<u>790,890</u>	<u>790,890</u>	<u>614,645</u>	<u>(176,245)</u>
POLICE				
Police salaries	657,596	657,596	581,150	(76,446)
Overtime salaries	27,000	27,000	16,398	(10,602)
Federal overtime	6,000	6,000	-	(6,000)
KLEFPF	43,400	43,400	38,168	(5,232)
Employee insurance	88,391	88,391	102,519	14,128
Employer portion FICA	40,771	40,771	36,780	(3,991)
Employer portion Medicare	9,535	9,535	8,602	(933)
Employer portion Retirement	234,170	234,170	199,988	(34,182)
Workers compensation	42,595	42,595	27,761	(14,834)
Automobile insurance	35,453	35,453	32,750	(2,703)
Liability insurance	43,923	43,923	38,103	(5,820)
Radio maintenance	2,500	2,500	1,194	(1,306)
Computer maintenance	4,000	4,000	312	(3,688)
Seminars and education	6,000	6,000	8,643	2,643
Uniform expense	18,000	18,000	4,852	(13,148)
Miscellaneous	26,000	26,000	33,342	7,342
Crime prevention	5,000	5,000	3,080	(1,920)
Criminal investigations	3,000	3,000	2,025	(975)
Firing range expense	3,000	3,000	1,518	(1,482)
Small equipment purchases	4,000	4,000	3,625	(375)
Gas and oil	39,000	39,000	23,651	(15,349)
Equipment repairs	28,675	28,675	22,144	(6,531)
Drug enforcement funds	1,000	1,000	940	(60)
Dry cleaning	1,000	1,000	1,330	330
Telephone/cellular/pagers	12,000	12,000	4,910	(7,090)
Emergency notification	4,000	4,000	-	(4,000)
Total police department	<u>1,386,009</u>	<u>1,386,009</u>	<u>1,193,785</u>	<u>(192,224)</u>

CITY OF LAGRANGE, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2010

	Enacted Budget	Amended Budget	Actual	Variance
PUBLIC WORKS				
Salaries	\$ 281,859	\$ 281,859	\$ 320,120	\$ 38,261
Overtime salaries	10,000	10,000	11,513	1,513
Employee insurance	52,340	52,340	70,400	18,060
Employer portion FICA	20,976	20,976	19,359	(1,617)
Employer portion Medicare	4,910	4,910	4,528	(382)
Employer portion Retirement	58,600	58,600	55,699	(2,901)
Workers Compensation	33,200	33,200	22,586	(10,614)
Vehicle insurance	28,000	28,000	18,134	(9,866)
Utilities	8,800	8,800	10,465	1,665
Seminars/Education	3,000	3,000	581	(2,419)
Uniforms	5,500	5,500	4,407	(1,093)
Small equipment purchases	5,200	5,200	1,508	(3,692)
Gas and oil	22,000	22,000	11,751	(10,249)
Equipment/vehicle repairs	14,000	14,000	11,436	(2,564)
Computer maintenance	3,000	3,000	24	(2,976)
Crushed rock	4,500	4,500	2,611	(1,889)
Signs and posts	7,200	7,200	8,004	804
Sidewalks	30,000	30,000	435	(29,565)
Drainage	25,000	25,000	575	(24,425)
Street lighting	3,000	3,000	319	(2,681)
Paving material	100,000	100,000	5,435	(94,565)
Street paint	4,000	4,000	3,007	(993)
Snow removal	25,000	25,000	29,458	4,458
Grounds maintenance	11,000	11,000	7,043	(3,957)
Equipment rental	2,000	2,000	50	(1,950)
Tires and batteries	2,200	2,200	543	(1,657)
Miscellaneous	2,000	2,000	1,591	(409)
Special projects	20,000	20,000	2,226	(17,774)
Safety	3,200	3,200	1,665	(1,535)
CDL license	800	800	1,128	328
Contract help	30,000	30,000	8,997	(21,003)
Total public works	<u>821,285</u>	<u>821,285</u>	<u>635,598</u>	<u>(185,687)</u>
SANITATION	<u>270,000</u>	<u>270,000</u>	<u>319,001</u>	<u>49,001</u>
PARKS AND RECREATION	<u>100,000</u>	<u>100,000</u>	<u>140,581</u>	<u>40,581</u>
COMMUNITY DEVELOPMENT				
Main street	10,000	10,000	1,131	(8,869)
Senior citizens	5,000	5,000	5,000	-
Historic main street renovation	90,000	90,000	-	(90,000)
Festivals - Christmas, OC Day	7,000	7,000	9,236	2,236
Economic development	30,000	30,000	236,773	206,773
Historic preservation	2,500	2,500	2,328	(172)
Facility planning - archive room	1,000	1,000	-	(1,000)
Tree replacement	1,500	1,500	1,159	(341)
Discover downtown LaGrange	25,000	25,000	20,630	(4,370)
GIS and surveying	15,000	15,000	20,805	5,805
Mayor's discretionary	1,000	1,000	650	(350)
Library school	2,000	2,000	2,032	32
Elementary school	50,000	50,000	17,000	(33,000)
Parking improvements	1,000	1,000	-	(1,000)
Special projects/vision/transport	5,000	5,000	5,181	181
Litter clean-up program	5,000	5,000	-	(5,000)
Bus transportation	30,000	30,000	-	(30,000)
Hwy 53 study and greenways	60,000	60,000	4,350	(55,650)
Total special appropriations	<u>341,000</u>	<u>341,000</u>	<u>326,275</u>	<u>(14,725)</u>
FIRE DEPARTMENT	<u>48,000</u>	<u>48,000</u>	<u>48,969</u>	<u>969</u>
PUBLIC PROPERTIES				
Salaries	21,000	21,000	26,997	5,997
Overtime	2,000	2,000	-	(2,000)
Employer portion FICA	1,300	1,300	1,395	95
Employer portion Medicare	350	350	326	(24)
Employer portion Retirement	3,641	3,641	3,964	323
Health insurance	6,460	6,460	-	(6,460)
Workers compensation	525	525	-	(525)
Tools and equipment	6,500	6,500	159	(6,341)
Gas and oil	3,000	3,000	2,070	(930)
Truck repairs	3,000	3,000	447	(2,553)
Repairs/maintenance on blue house	1,000	1,000	106	(894)
Electric/telephone on blue house	2,500	2,500	3,010	510
Repairs/maintenance 208/210 Main St	2,000	2,000	64	(1,936)
Total public properties	<u>53,276</u>	<u>53,276</u>	<u>38,538</u>	<u>(14,738)</u>
CAPITAL OUTLAY				
General - equipment	18,000	18,000	14,104	(3,896)
Police - equipment	50,000	50,000	70,775	20,775
Public works - equipment	133,326	133,326	141,855	8,529
Parks and recreation	40,000	40,000	-	(40,000)
Total capital outlay	<u>241,326</u>	<u>241,326</u>	<u>226,734</u>	<u>(14,592)</u>
TOTAL EXPENDITURES	<u>\$ 4,051,786</u>	<u>\$ 4,051,786</u>	<u>\$ 3,544,126</u>	<u>\$ (507,660)</u>

CITY OF LAGRANGE, KENTUCKY
 REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
 OTHER GOVERNMENTAL FUNDS
 for the year ended June 30, 2010

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
MUNICIPAL ROAD AID FUNC				
REVENUES				
Fund Payments	\$ 150,000	\$ 150,000	\$ 108,956	\$ (41,044)
Interest	6,000	10,000	2,379	(7,621)
Transfers in	-	-	27,350	27,350
Contributed capital	-	-	20,400	20,400
TOTAL REVENUE	<u>\$ 156,000</u>	<u>\$ 160,000</u>	<u>\$ 159,085</u>	<u>\$ (915)</u>
EXPENDITURES				
Street repair and maintenance	\$ 50,000	\$ 50,000	\$ 120,007	\$ 70,007
TOTAL EXPENDITURES	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 120,007</u>	<u>\$ 70,007</u>
DEBT SERVICE FUNC				
REVENUES				
Interest	\$ -	\$ -	\$ 17	\$ 17
Transfers in	-	-	104,952	104,952
TOTAL REVENUE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,969</u>	<u>\$ 104,969</u>
EXPENDITURES				
Debt service	\$ 379,504	\$ 379,504	\$ 104,952	\$ (274,552)
TOTAL EXPENDITURES	<u>\$ 379,504</u>	<u>\$ 379,504</u>	<u>\$ 104,952</u>	<u>\$ (274,552)</u>
CAPITAL IMPROVEMENTS FUNC				
REVENUES				
Interest	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
TOTAL REVENUE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Capital outlay	\$ -	\$ -	\$ 194,209	\$ 194,209
Debt service	-	-	-	-
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,209</u>	<u>\$ 194,209</u>
PARKS BOARD FUNC				
REVENUES				
Interest	\$ -	\$ -	\$ 255	\$ 255
Transfers in	-	-	-	-
TOTAL REVENUE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255</u>	<u>\$ 255</u>
EXPENDITURES				
Debt service	\$ -	\$ -	\$ -	\$ -
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAGRANGE, KENTUCKY
COMBINING BALANCE SHEET
ALL NONMAJOR FUNDS
June 30, 2010

	Municipal Road Aid Fund	Debt Service Fund	Capital Projects Fund	Foundations and Parks Fund	Total
ASSETS					
Assets					
Cash	\$ 260,152	\$ 5,094	\$ 88,438	\$ 39,732	\$ 393,416
Accounts receivable	10,176	-	-	-	10,176
Interest receivable	-	-	-	-	-
Due from other fund	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 270,328</u>	<u>\$ 5,094</u>	<u>\$ 88,438</u>	<u>\$ 39,732</u>	<u>\$ 403,592</u>
 LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other fund	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	-	-	-	-	-
Fund balance	<u>270,328</u>	<u>5,094</u>	<u>88,438</u>	<u>39,732</u>	<u>403,592</u>
Total liabilities and fund balance	<u>\$ 270,328</u>	<u>\$ 5,094</u>	<u>\$ 88,438</u>	<u>\$ 39,732</u>	<u>\$ 403,592</u>

CITY OF LAGRANGE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL NONMAJOR FUNDS
for the year ended June 30, 2010

	Municipal Road Aid Fund	Debt Service Fund	Capital Projects Fund	Park Board Fund	Total
REVENUES					
Intergovernmental revenues	\$ 108,956	\$ -	\$ -	\$ -	\$ 108,956
Other revenues	<u>2,379</u>	<u>17</u>	<u>-</u>	<u>255</u>	<u>2,651</u>
Total revenues	<u>111,335</u>	<u>17</u>	<u>-</u>	<u>255</u>	<u>111,607</u>
EXPENDITURES					
General administration	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	120,007	-	194,209	-	314,216
Debt service	<u>-</u>	<u>104,952</u>	<u>-</u>	<u>-</u>	<u>104,952</u>
Total expenditures	<u>120,007</u>	<u>104,952</u>	<u>194,209</u>	<u>-</u>	<u>419,168</u>
Excess revenues over (under) expenditures before other sources (uses)	<u>(8,672)</u>	<u>(104,935)</u>	<u>(194,209)</u>	<u>255</u>	<u>(307,561)</u>
Other financing sources					
Contributed capital	20,400	-	-	-	20,400
Transfers from other funds	<u>27,350</u>	<u>104,952</u>	<u>-</u>	<u>-</u>	<u>132,302</u>
Total other financing sources	<u>47,750</u>	<u>104,952</u>	<u>-</u>	<u>-</u>	<u>152,702</u>
Excess revenues and other sources over (under) expenditures	39,078	17	(194,209)	255	(154,859)
Fund balances, July 1, 2009	<u>231,250</u>	<u>5,077</u>	<u>282,647</u>	<u>39,477</u>	<u>558,451</u>
FUND BALANCES - JUNE 30, 2010	<u>\$ 270,328</u>	<u>\$ 5,094</u>	<u>\$ 88,438</u>	<u>\$ 39,732</u>	<u>\$ 403,592</u>

**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 the financial statements of the City of LaGrange, Kentucky as of and for the year ended June 30, 2010, and have issued our report thereon dated July 18, 2011. 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of LaGrange, Kentucky as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the City of LaGrange, Kentucky's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be 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 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 believe that deficiency 2010-1, listed in the 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 significant deficiency 2010-2, listed in the schedule of findings and responses, to be a significant deficiency.

Compliance and Other Matters

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

The City of LaGrange's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of LaGrange's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management and appropriate grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Ray, Foley, Hensley and Company

Ray, Foley, Hensley and Company, PLLC
July 18, 2011

CITY OF LAGRANGE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010

FINDINGS:

2010-01 (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.

2010-02 (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.