

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

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**FINANCIAL STATEMENTS**  
**June 30, 2013**

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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, 2013. Please read in conjunction with the auditors' report beginning on page 9 and the City's financial statements, which begin on page 11.

#### **FINANCIAL HIGHLIGHTS**

- The City's net position increased in the governmental activities and in the business-type activities. The net position of the governmental activities increased by \$447,438, or 24.5% percent, and the net position of the business-type activities increased by \$374,715, or 2.4%.
- In the City's governmental activities, revenues increased approximately \$372,780, or 9.6 percent, and expenses increased by \$227,950 or 6.4 percent. In the business-type activities, revenues increased by \$316,635, which is an increase of 10.8 percent, and expenses decreased by \$10,738 or .3 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 Position 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 position of the City and the changes in them. One can think of the City's net position—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 position 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 Position 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 POSITION

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

Table A-1

### Condensed Statement of Net Position

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2012</u>
Current and Other Assets	\$ 1,936,736	\$ 1,495,101	\$ 2,091,075	\$ 1,671,713	\$ 4,027,811	\$ 3,166,814
Noncurrent and Capital Assets	3,354,747	3,372,150	20,380,525	18,559,159	23,735,272	21,931,309
Total Assets	<u>5,291,483</u>	<u>4,867,251</u>	<u>22,471,600</u>	<u>20,230,872</u>	<u>27,763,083</u>	<u>25,098,123</u>
Current Liabilities	243,010	317,003	655,514	546,548	898,524	863,551
Long-Term Debt Outstanding	1,078,285	1,035,000	6,050,121	4,293,074	7,128,406	5,328,074
OLDA Investment Liability	1,698,577	1,691,075	-	-	1,698,577	1,691,075
Total Liabilities	<u>3,019,872</u>	<u>3,043,078</u>	<u>6,705,635</u>	<u>4,839,622</u>	<u>9,725,507</u>	<u>7,882,700</u>
Net Position:						
Invested in Capital Assets, net of debt	2,319,747	2,292,150	13,725,614	14,020,263	16,045,361	16,312,413
Restricted	298,554	363,059	152,748	315,678	451,302	678,737
Unrestricted	(346,690)	(831,036)	1,887,603	1,055,309	1,540,913	224,273
Total Net Position	<u>\$ 2,271,611</u>	<u>\$ 1,824,173</u>	<u>\$ 15,765,965</u>	<u>\$ 15,391,250</u>	<u>\$ 18,037,576</u>	<u>\$ 17,215,423</u>

Net position of the City's governmental activities increased by 19.7 percent, from \$1,824,173 in 2012 to \$2,271,611 in 2013. The net position of the business-type activities increased from \$15,391,250 in 2012 to \$15,765,965 in 2013, which is a 2.4 percent increase. The net position from one activity generally cannot be used to make up for any deficits in the other activities.

## NET POSITION, continued

Table A-2

### Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
Revenues	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
<b>Program Revenues</b>						
Charges for Service	\$ 357,888	\$ 355,425	\$ 3,240,031	\$ 2,923,396	\$ 3,597,919	\$ 3,278,821
Operating Grants & Contributions	224,568	187,751	-	-	224,568	187,751
Capital Grants & Contributions	46,328	14,958	368,660	328,500	414,988	343,458
<b>General Revenue</b>						
Taxes	1,430,499	1,318,371	-	-	1,430,499	1,318,371
License fees	2,108,019	1,827,554	-	-	2,108,019	1,827,554
Investment Earnings	4,015	5,381	8,802	15,768	12,817	21,149
Rents	5,575	32,195	-	-	5,575	32,195
Community Center	889	1,101	-	-	889	1,101
Gain on sale of assets	-	-	-	-	-	-
Donations	633	52,578	-	-	633	52,578
Change in OLDA Investment	(7,502)	(71,600)	-	-	(7,502)	(71,600)
Miscellaneous	64,154	45,014	143,369	-	207,523	45,014
LaGrange Fire JV Dissolution	-	-	-	-	-	-
<b>Total Revenue</b>	<b>4,235,066</b>	<b>3,768,728</b>	<b>3,760,862</b>	<b>3,267,664</b>	<b>7,995,928</b>	<b>7,036,392</b>
<b>Program Expenses</b>						
General Government	595,087	597,464	-	-	595,087	597,464
Public Safety - Police	1,378,935	1,455,756	-	-	1,378,935	1,455,756
Public Works	825,840	795,422	-	-	825,840	795,422
Parks and Recreation	193,498	175,303	-	-	193,498	175,303
Sanitation	323,473	320,921	-	-	323,473	320,921
Community Development	289,418	282,954	-	-	289,418	282,954
Public Safety - Fire	-	-	-	-	-	-
Public Properties	40,023	41,142	-	-	40,023	41,142
ABC	91,174	-	-	-	91,174	-
Interest on Debt	50,180	52,250	-	-	50,180	52,250
Golf Course	-	-	604,081	628,279	604,081	628,279
Sewer and Water	-	-	2,782,066	2,675,968	2,782,066	2,675,968
<b>Total Program Expenses</b>	<b>3,787,628</b>	<b>3,721,212</b>	<b>3,386,147</b>	<b>3,304,247</b>	<b>7,173,775</b>	<b>7,025,459</b>
<b>Change in Net Position</b>						
Before Transfers	447,438	47,516	374,715	(36,583)	822,153	10,933
Transfers	-	(30,304)	-	2,490	-	(27,814)
<b>Change in Net Position</b>	<b>\$ 447,438</b>	<b>\$ 17,212</b>	<b>\$ 374,715</b>	<b>\$ (34,093)</b>	<b>\$ 822,153</b>	<b>\$ (16,881)</b>

The City's total revenue increased from \$7,036,392 in 2012 to \$7,995,928 in 2013 or 12.1 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 2013</u>	<u>FY 2012</u>	<u>Variance</u>
Taxes	\$ 1,430,499	\$ 1,318,371	\$ 112,128
Licenses and permits	2,108,020	1,827,555	280,465
Intergovernmental	239,830	202,709	37,121
Charges for Services	357,888	325,965	31,923
Other Revenues	<u>106,332</u>	<u>165,729</u>	<u>(59,397)</u>
Total Revenues	<u>4,242,569</u>	<u>3,840,329</u>	<u>402,240</u>
General Administration	542,261	543,865	(1,604)
Police Protection	1,330,872	1,407,030	(76,158)
Public Works	634,776	633,981	795
Sanitation	323,473	320,921	2,552
Park and Recreation	171,908	153,713	18,195
Community Development	289,418	282,954	6,464
Fire Protection	-	-	-
Public Properties	40,023	41,142	(1,119)
ABC	91,174	-	91,174
Capital Outlay	296,141	106,420	189,721
Debt Service	<u>95,180</u>	<u>97,250</u>	<u>(2,070)</u>
Total Expenditures	<u>3,815,226</u>	<u>3,587,276</u>	<u>227,950</u>
Excess Revenues over Expenditures before transfers	<u>\$ 427,343</u>	<u>\$ 253,053</u>	<u>\$ 174,290</u>

Revenues for the City's governmental activities increased by 9.6 percent, and total expenditures increased by 6 percent. The City's major source of revenue in the governmental activities is taxes, licenses and permits, which makes up 83.4 percent of total revenues, these revenue sources increased by \$392,593 in 2013. The major expenses are for police protection which makes up 34.8 percent of total expenditures.

## BUSINESS-TYPE ACTIVITIES

Looking at the business-type activities, revenues (FY 2013) for the City increased to \$3,760,826 or 10.8 percent, while total expenses decreased .3 percent. The excess of revenues over expenses increased net position by \$374,715. The City's major sources of revenue, beyond customer charges, are capital grants and contributions, which increased by \$40,160. This revenue source made up 9.8 percent of revenue in FY 2013 and 10.1 percent in FY 2012.

## BUDGET HIGHLIGHTS

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

**Table A-4**

**Condensed Governmental Activities - Revenues**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes	\$ 1,438,470	\$ 1,430,499	\$ (7,971)
Licenses and permits	1,836,600	1,956,669	120,069
Intergovernmental	71,921	72,278	357
Charges for Services	353,200	357,888	4,688
Other Revenues	118,700	74,153	(44,547)
ABC Fund	-	151,351	151,351
Bus Fund	-	25,000	25,000
Foundations and Parks Fund	-	31,066	31,066
Municipal Aid Fund	170,800	143,665	(27,135)
Total Revenues	<u>\$ 3,989,691</u>	<u>\$ 4,242,569</u>	<u>\$ 252,878</u>

**Table A-5**

**Condensed Governmental Activities - Expenditures**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 550,189	\$ 542,261	\$ (7,928)
Police Protection	1,497,403	1,330,872	(166,531)
Public Works	764,792	634,776	(130,016)
Sanitation	319,000	323,473	4,473
Park and Recreation	183,700	171,908	(11,792)
Community Development	316,500	289,418	(27,082)
Public Properties	53,114	40,023	(13,091)
Capital Outlay	80,000	55,954	(24,046)
Debt Service	97,250	95,180	(2,070)
ABC Fund	-	91,174	91,174
Bus Fund	-	-	-
Foundations and Parks Fund	-	32,017	32,017
Municipal Aid Fund	170,800	208,170	37,370
Total Expenditures	<u>\$ 4,032,748</u>	<u>\$ 3,815,226</u>	<u>\$ (217,522)</u>

The City budgeted for a total of \$3,989,691 in revenues for 2013, but ended up having revenues of \$4,242,569 which put the City 5.7 percent over the revenue budget. A total of \$4,032,748 was budgeted for expenses, but expenditures totaled \$3,815,226 for the year 2013. The City was under budget on the expenses by \$217,522 or 5.4 percent as detailed above.



## CAPITAL ASSETS

The City has a total of \$37,880,589 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 \$2,637,543 (7.4 percent) from last year's total investment of \$35,243,046.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Land & Improvements	\$ 730,201	\$ 698,184	\$ -	\$ -	\$ 730,201	\$ 698,184
Buildings & Improvements	2,085,046	2,085,046	-	-	2,085,046	2,085,046
Vehicles & Equipment	2,415,754	2,267,969	-	-	2,415,754	2,267,969
Infrastructure Assets	876,020	759,681	-	-	876,020	759,681
Business-Type Assets	-	-	31,773,566	29,432,166	31,773,566	29,432,166
Total Capital Assets	<u>\$ 6,107,021</u>	<u>\$ 5,810,880</u>	<u>\$31,773,566</u>	<u>\$29,432,166</u>	<u>\$37,880,587</u>	<u>\$35,243,046</u>

## DEBT

This year the City has \$7,643,807 in long-term debt, a 24.7 percent increase from last year's total of \$5,761,039.

Table A-7

### Debt Outstanding at Year End

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Capital Leases	\$ 1,035,000	\$ 1,080,000	\$ 2,835,390	\$ 3,059,314	\$ 3,870,390	\$ 4,139,314
Bond Issues	-	-	3,581,413	1,490,000	3,581,413	1,490,000
Capital Equipment Leases	-	-	-	11,432	-	11,432
Customer Deposits	-	-	54,382	46,815	54,382	46,815
Accrued Absences	70,614	62,232	12,626	11,246	83,240	73,478
Total Debt Outstanding	<u>\$ 1,105,614</u>	<u>\$ 1,142,232</u>	<u>\$ 6,483,811</u>	<u>\$ 4,618,807</u>	<u>\$ 7,589,425</u>	<u>\$ 5,761,039</u>

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

The City's elected officials consider many factors when setting the fiscal year 2014 budget. Some of the factors are the local economy, expected grant money, and anticipated tax revenue.

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

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



# 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  
Michael D. Foley, CPA/CGMA  
Lyman Hager, Jr., CPA/PFS  
Bradley J. Hayes, CPA/CGFM  
Jerry W. Hensley, CPA/CGMA  
T. Cory Reitz, CPA/ABV, CVA

### Report on the Financial Statements

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 and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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 86.2%, 96.3%, and 84.0%, respectively, of the assets, net position, and operating revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those activities, is based solely on 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 LaGrange, Kentucky as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Members American Institute of Certified Public Accountants and Kentucky Society of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-8 and 38-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other information*

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of LaGrange, Kentucky's basic financial statements. The supplementary schedules on pages 44 and 45 are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### *Prior-year comparative information*

We have previously audited, along with other auditors, the City's 2012 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, business-type activities, and the aggregate remaining fund information in our report dated September 17, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by Government Auditing Standards**

In accordance with **Government Auditing Standards**, we have also issued a report dated July 31, 2014 on our consideration of the City of LaGrange, Kentucky's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be read in conjunction with this report in considering the results of our audit.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
July 31, 2014

**CITY OF LAGRANGE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
June 30, 2013

	Primary Government			
	Governmental	Business-type	Totals	2012
	Activities	Activities		Totals
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,355,170	\$ 1,699,378	\$ 3,054,548	\$ 1,832,057
Receivables (net)	525,502	331,770	857,272	784,629
Interest receivable	-	2,549	2,549	2,549
Internal balances	56,064	(56,064)	-	-
Inventory of supplies	-	113,442	113,442	91,665
Total current assets	<u>1,936,736</u>	<u>2,091,075</u>	<u>4,027,811</u>	<u>2,710,900</u>
Noncurrent assets				
Restricted cash and cash equivalents	-	238,108	238,108	396,994
Capital assets (Note 3)				
Construction in process	-	2,405,549	2,405,549	464,965
Land and improvements, net	730,201	2,830,359	3,560,560	3,585,159
Plant and sewer system, net	-	13,875,923	13,875,923	14,131,748
Depreciable buildings, property, and equipment, net	2,113,285	1,030,586	3,143,871	3,266,913
Infrastructure, net	<u>511,261</u>	<u>-</u>	<u>511,261</u>	<u>482,524</u>
Total noncurrent assets	<u>3,354,747</u>	<u>20,380,525</u>	<u>23,735,272</u>	<u>22,328,303</u>
Total assets	<u>\$ 5,291,483</u>	<u>\$ 22,471,600</u>	<u>\$ 27,763,083</u>	<u>\$ 25,039,203</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 193,010	\$ 146,980	\$ 339,990	\$ 266,608
Accrued payroll liabilities	22,671	8,526	31,197	39,284
Accrued interest	-	29,069	29,069	32,975
Unearned revenue	-	37,249	37,249	32,799
Current portion of long-term obligations	<u>50,000</u>	<u>508,534</u>	<u>558,534</u>	<u>445,357</u>
Total current liabilities	<u>265,681</u>	<u>730,358</u>	<u>996,039</u>	<u>817,023</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations	985,000	5,908,269	6,893,269	5,195,389
Accrued leave	70,614	12,626	83,240	73,478
Customer deposits	-	54,382	54,382	46,815
Investment in joint venture (net equity)				
Oldham-LaGrange Development Authority	<u>1,698,577</u>	<u>-</u>	<u>1,698,577</u>	<u>1,691,075</u>
Total liabilities	<u>3,019,872</u>	<u>6,705,635</u>	<u>9,725,507</u>	<u>7,823,780</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,319,747	13,725,614	16,045,361	16,312,413
Restricted for:				
Road improvements	298,554	-	298,554	363,059
Debt service	-	152,748	152,748	315,678
Unrestricted	<u>(346,690)</u>	<u>1,887,603</u>	<u>1,540,913</u>	<u>224,273</u>
Total net position	<u>2,271,611</u>	<u>15,765,965</u>	<u>18,037,576</u>	<u>17,215,423</u>
Total liabilities and net position	<u>\$ 5,291,483</u>	<u>\$ 22,471,600</u>	<u>\$ 27,763,083</u>	<u>\$ 25,039,203</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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			2012 Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
<b>Primary government</b>								
<b>Governmental activities</b>								
General government	\$ 595,087	\$ -	\$ 2,837	\$ -	\$ (592,250)	\$ -	\$ (592,250)	\$ (594,861)
Public safety-Police	1,378,935	-	54,179	15,262	(1,309,494)	-	(1,309,494)	(1,402,685)
Public works	825,840	-	142,552	-	(683,288)	-	(683,288)	(648,387)
Parks and recreation	193,498	-	-	31,066	(162,432)	-	(162,432)	(175,303)
Sanitation	323,473	357,888	-	-	34,415	-	34,415	5,044
Community development	289,418	-	-	-	(289,418)	-	(289,418)	(282,954)
Public properties	40,023	-	-	-	(40,023)	-	(40,023)	(41,142)
Bus	-	-	25,000	-	25,000	-	25,000	-
ABC	91,174	-	-	-	(91,174)	-	(91,174)	-
Interest on long-term debt	50,180	-	-	-	(50,180)	-	(50,180)	(52,250)
Total governmental activities	3,787,628	357,888	224,568	46,328	(3,158,844)	-	(3,158,844)	(3,192,538)
<b>Business-type activities</b>								
Utility Commission	2,782,066	2,721,067	-	360,460	-	299,461	299,461	(287,290)
Golf Course	604,081	518,964	-	8,200	-	(76,917)	(76,917)	234,939
Total business-type activities	3,386,147	3,240,031	-	368,660	-	222,544	222,544	(52,351)
<b>Total primary government</b>	<b>\$ 7,173,775</b>	<b>\$ 3,597,919</b>	<b>\$ 224,568</b>	<b>\$ 414,988</b>	<b>(3,158,844)</b>	<b>222,544</b>	<b>(2,936,300)</b>	<b>(3,244,889)</b>
<b>General revenues</b>								
Taxes								
Property taxes, levied for general purposes					1,263,634	-	1,263,634	1,232,475
Bank shares					50,410	-	50,410	50,815
Motor vehicle tax					116,455	-	116,455	111,644
License fees								
Franchise fees					298,335	-	298,335	282,297
Business licenses					297,487	-	297,487	264,520
Insurance premiums					1,360,846	-	1,360,846	1,183,775
Other fees and permits					151,351	-	151,351	20,399
Investment earnings					4,015	8,802	12,817	21,149
Rents					5,575	-	5,575	32,195
Community Center					889	-	889	1,101
Donations					633	-	633	52,578
Miscellaneous					64,154	143,369	207,523	74,474
Total general revenues					3,613,784	152,171	3,765,955	3,327,422
Decrease in joint venture - Oldham-LaGrange Development Authority					(7,502)	-	(7,502)	(71,600)
Transfers in (out)					-	-	-	(27,814)
Total general and other revenues					3,606,282	152,171	3,758,453	3,228,008
<b>Change in Net Position</b>					<b>447,438</b>	<b>374,715</b>	<b>822,153</b>	<b>(16,881)</b>
Net position - beginning, restated					1,824,173	15,391,250	17,215,423	17,232,304
<b>NET POSITION - ENDING</b>					<b>\$ 2,271,611</b>	<b>\$ 15,765,965</b>	<b>\$ 18,037,576</b>	<b>\$ 17,215,423</b>

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

**CITY OF LAGRANGE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2013**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2012 Totals</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 845,409	\$ 509,761	\$ 1,355,170	\$ 993,848
Receivables, net	460,337	65,165	525,502	445,374
Due from other funds	<u>141,738</u>	<u>-</u>	<u>141,738</u>	<u>29,460</u>
Total assets	<u>\$ 1,447,484</u>	<u>\$ 574,926</u>	<u>\$ 2,022,410</u>	<u>\$ 1,468,682</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 193,010	\$ -	\$ 193,010	\$ 149,877
Accrued payroll payable	22,671	-	22,671	30,434
Due to other funds	3,041	82,633	85,674	3,041
Accrued leave	<u>70,614</u>	<u>-</u>	<u>70,614</u>	<u>62,232</u>
Total liabilities	<u>289,336</u>	<u>82,633</u>	<u>371,969</u>	<u>245,584</u>
<b>Fund balances</b>				
<b>Restricted</b>				
Road improvements	-	298,554	298,554	363,059
<b>Committed</b>				
Debt service	-	5,118	5,118	5,113
Capital projects	-	64,426	64,426	64,417
Foundations and parks	-	39,018	39,018	39,969
ABC	-	60,177	60,177	-
Bus	-	25,000	25,000	-
<b>Unassigned</b>				
General fund	<u>1,158,148</u>	<u>-</u>	<u>1,158,148</u>	<u>750,540</u>
Total fund balances	<u>1,158,148</u>	<u>492,293</u>	<u>1,650,441</u>	<u>1,223,098</u>
Total liabilities and fund balances	<u>\$ 1,447,484</u>	<u>\$ 574,926</u>	<u>\$ 2,022,410</u>	<u>\$ 1,468,682</u>

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

Fund balances reported above	\$ 1,650,441	\$ 1,223,098
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,354,747	3,372,150
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 position.	(1,698,577)	(1,691,075)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,035,000)</u>	<u>(1,080,000)</u>
Net position of governmental activities	<u>\$ 2,271,611</u>	<u>\$ 1,824,173</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, 2013**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2012 Totals</u>
<b>REVENUES</b>				
Taxes	\$ 1,430,499	\$ -	\$ 1,430,499	\$ 1,318,371
Licenses and permits	1,956,669	151,351	2,108,020	1,827,555
Intergovernmental	72,278	167,552	239,830	202,709
Charges for services	357,888	-	357,888	325,965
Other revenues	<u>74,139</u>	<u>32,193</u>	<u>106,332</u>	<u>165,729</u>
Total revenues	<u>3,891,473</u>	<u>351,096</u>	<u>4,242,569</u>	<u>3,840,329</u>
<b>EXPENDITURES</b>				
Current				
General administration	542,261	-	542,261	543,865
Public safety-Police	1,330,872	-	1,330,872	1,407,030
Public works	634,776	-	634,776	633,981
Sanitation	323,473	-	323,473	320,921
Parks and recreation	171,908	-	171,908	153,713
Community development	289,418	-	289,418	282,954
Public properties	40,023	-	40,023	41,142
ABC	-	91,174	91,174	-
Capital outlay	55,954	240,187	296,141	106,420
Debt service	<u>-</u>	<u>95,180</u>	<u>95,180</u>	<u>97,250</u>
Total expenditures	<u>3,388,685</u>	<u>426,541</u>	<u>3,815,226</u>	<u>3,587,276</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>502,788</u>	<u>(75,445)</u>	<u>427,343</u>	<u>253,053</u>
Other financing sources				
Transfer in (out)	<u>(95,180)</u>	<u>95,180</u>	<u>-</u>	<u>(30,304)</u>
<b>Net change in fund balances</b>	<u>407,608</u>	<u>19,735</u>	<u>427,343</u>	<u>222,749</u>
Fund balances-beginning, restated	<u>750,540</u>	<u>472,558</u>	<u>1,223,098</u>	<u>1,000,349</u>
<b>Fund balances-ending</b>	<u>\$ 1,158,148</u>	<u>\$ 492,293</u>	<u>\$ 1,650,441</u>	<u>\$ 1,223,098</u>
Reconciliation to government-wide change in net position:				
Net change in fund balances			\$ 427,343	\$ 222,749
Add: capital outlay expenditures capitalized			296,141	106,420
Add: debt service expenditures			95,180	97,250
Less: depreciation on governmental activities assets			(313,544)	(285,357)
Less: interest expense			(50,180)	(52,250)
Less: decreases in the equity interest of joint ventures			<u>(7,502)</u>	<u>(71,600)</u>
Change in net position - governmental activities			<u>\$ 447,438</u>	<u>\$ 17,212</u>

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



**CITY OF LAGRANGE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2013**

<b>ASSETS</b>	<b>Business-Type Activities</b>			<b>2012</b>
	<b>Water &amp; Sewer</b>	<b>Golf Course</b>	<b>Totals</b>	<b>Totals</b>
<b>Current assets</b>				
Cash and cash equivalents	\$ 1,652,207	\$ 47,171	\$ 1,699,378	\$ 838,209
Receivables (net)	328,838	2,932	331,770	339,255
Interest receivable	2,549	-	2,549	2,549
Inventory	106,318	7,124	113,442	91,665
Due from the City	-	3,041	3,041	3,041
<b>Total current assets</b>	<b>2,089,912</b>	<b>60,268</b>	<b>2,150,180</b>	<b>1,274,719</b>
<b>Non-current assets</b>				
Restricted cash and cash equivalents	57,429	180,679	238,108	396,994
<b>Capital assets (Note 3)</b>				
Construction in progress	2,405,549	-	2,405,549	464,965
Land	94,897	1,614,643	1,709,540	1,681,860
Land improvements	-	2,346,687	2,346,687	2,327,746
Plant and sewer system	23,097,317	-	23,097,317	22,780,107
Buildings and improvements	857,893	-	857,893	857,893
Vehicle and equipment	763,367	593,213	1,356,580	1,319,595
Less: accumulated depreciation	(9,933,005)	(1,698,144)	(11,631,149)	(10,873,007)
<b>Total capital assets</b>	<b>17,286,018</b>	<b>2,856,399</b>	<b>20,142,417</b>	<b>18,559,159</b>
<b>Total assets</b>	<b>\$ 19,433,359</b>	<b>\$ 3,097,346</b>	<b>\$ 22,530,705</b>	<b>\$ 20,230,872</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 126,445	\$ 20,535	\$ 146,980	\$ 116,731
Accrued payroll liabilities	-	8,526	8,526	8,850
Accrued interest payable	1,138	27,931	29,069	32,975
Unearned revenue	-	37,249	37,249	32,799
Due to the City	59,105	-	59,105	29,460
Capital equipment lease	-	-	-	11,432
Capital lease obligations	215,521	15,000	230,521	223,925
Bonds, notes, and loans payable	108,013	170,000	278,013	165,000
<b>Total current liabilities</b>	<b>510,222</b>	<b>279,241</b>	<b>789,463</b>	<b>621,172</b>
<b>Non-current liabilities</b>				
Capital lease obligations	1,509,869	1,095,000	2,604,869	2,835,389
Bonds, notes, and loans payable	2,148,400	1,155,000	3,303,400	1,325,000
Accrued compensated absences	12,626	-	12,626	11,246
Customer deposits payable	54,382	-	54,382	46,815
<b>Total non-current liabilities</b>	<b>3,725,277</b>	<b>2,250,000</b>	<b>5,975,277</b>	<b>4,218,450</b>
<b>Total liabilities</b>	<b>4,235,499</b>	<b>2,529,241</b>	<b>6,764,740</b>	<b>4,839,622</b>
<b>NET POSITION</b>				
Net investment in capital assets	13,304,215	421,399	13,725,614	14,020,263
Restricted for:				
Debt service	-	152,748	152,748	315,678
Unrestricted	1,893,645	(6,042)	1,887,603	1,055,309
<b>Total net position</b>	<b>15,197,860</b>	<b>568,105</b>	<b>15,765,965</b>	<b>15,391,250</b>
<b>Total liabilities and net position</b>	<b>\$ 19,433,359</b>	<b>\$ 3,097,346</b>	<b>\$ 22,530,705</b>	<b>\$ 20,230,872</b>

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

**CITY OF LAGRANGE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**for the year ended June 30, 2013**

	<b>Business-Type Activities</b>			<b>2012</b>
	<b>Water &amp; Sewer</b>	<b>Golf Course</b>	<b>Totals</b>	<b>Totals</b>
<b>Operating revenues</b>				
Charges for services	\$ 2,715,784	\$ 518,964	\$ 3,234,748	\$ 2,877,478
Other income	5,283	-	5,283	45,918
Total operating revenues	<u>2,721,067</u>	<u>518,964</u>	<u>3,240,031</u>	<u>2,923,396</u>
<b>Operating expenses</b>				
General and administrative	517,729	111,906	629,635	625,207
Rent	-	1,226	1,226	1,118
Salaries and wages	-	144,372	144,372	145,936
Repairs and maintenance	-	61,362	61,362	64,120
Cost of sales	607,305	25,844	633,149	627,857
Other operating expenses	852,005	39,320	891,325	873,301
Depreciation	633,613	124,554	758,167	792,435
Total operating expenses	<u>2,610,652</u>	<u>508,584</u>	<u>3,119,236</u>	<u>3,129,974</u>
<b>OPERATING INCOME (LOSS)</b>	<u>110,415</u>	<u>10,380</u>	<u>120,795</u>	<u>(206,578)</u>
<b>Non-operating income (expense)</b>				
Interest and investment revenue	7,138	1,664	8,802	15,768
Interest expense	(171,414)	(95,497)	(266,911)	(174,273)
Other miscellaneous income	143,369	-	143,369	-
Transfers in	-	-	-	249,768
Transfers out	-	-	-	(247,278)
Total non-operating (expense)	<u>(20,907)</u>	<u>(93,833)</u>	<u>(114,740)</u>	<u>(156,015)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	89,508	(83,453)	6,055	(362,593)
Capital Contributions	<u>360,460</u>	<u>8,200</u>	<u>368,660</u>	<u>328,500</u>
<b>CHANGE IN NET POSITION</b>	449,968	(75,253)	374,715	(34,093)
Net position - beginning of the year, restated	<u>14,747,892</u>	<u>643,358</u>	<u>15,391,250</u>	<u>15,425,343</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 15,197,860</u>	<u>\$ 568,105</u>	<u>\$ 15,765,965</u>	<u>\$ 15,391,250</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, 2013

	Business-Type Activities			2012
	Water & Sewer	Golf Course	Totals	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 2,733,078	\$ 522,570	\$ 3,255,648	\$ 2,914,512
Receipts (refunds) of customer meter deposits	7,567	-	7,567	5,422
Payments to suppliers	(1,418,167)	(231,329)	(1,649,496)	(1,854,889)
Payments to other funds	(1,877)	-	(1,877)	-
Payments for employee services and benefits	(564,225)	(157,393)	(721,618)	(484,509)
Net cash provided by operating activities	756,376	133,848	890,224	580,536
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributions	360,460	8,200	368,660	328,500
Transfers in from City of LaGrange	-	-	-	249,768
Transfers out to City of LaGrange	-	-	-	(247,278)
Purchases of capital assets	(2,266,296)	(31,624)	(2,297,920)	(402,416)
Principal paid on capital debt	(262,771)	(191,432)	(454,203)	(385,376)
Proceeds from loans	2,310,262	-	2,310,262	-
Interest paid on capital debt	(171,414)	(95,497)	(266,911)	(174,273)
Other miscellaneous income	143,369	-	143,369	-
Net cash provided by (used in) capital and related financing activities	113,610	(310,353)	(196,743)	(631,075)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	7,138	1,664	8,802	15,768
Net cash provided by investing activities	7,138	1,664	8,802	15,768
Net increase (decrease) in cash and cash equivalents	877,124	(174,841)	702,283	(34,771)
Cash and cash equivalents-beginning of the year	832,512	402,691	1,235,203	1,269,974
<b>CASH AND CASH EQUIVALENTS-END OF THE YEAR</b>	<b>\$ 1,709,636</b>	<b>\$ 227,850</b>	<b>\$ 1,937,486</b>	<b>\$ 1,235,203</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 110,415	\$ 10,380	\$ 120,795	\$ (206,578)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	633,613	124,554	758,167	792,435
Change in assets and liabilities:				
Receivables, net	(17,294)	(844)	(18,138)	(33,189)
Inventory	(19,167)	(2,610)	(21,777)	15,372
Prepaid expenses	-	-	-	(4,946)
Interest receivable	(1,877)	-	(1,877)	-
Due to City of LaGrange	6,014	-	6,014	27,814
Accounts and other payables	37,105	2,148	39,253	2,788
Accrued expenses	-	(324)	(324)	(13,671)
Accrued bond and interest	-	(3,906)	(3,906)	(848)
Customer deposits payable	7,567	-	7,567	5,422
Unearned cash	-	4,450	4,450	-
Retirement payable	-	-	-	(4,063)
Net cash provided by operating activities	\$ 756,376	\$ 133,848	\$ 890,224	\$ 580,536

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

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of LaGrange, Kentucky (the City) 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.

**A. Reporting Entity**

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

**B. 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:

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

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**C. Basis of Presentation**

**Government-wide Financial Statements**

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

Governmental funds are those through which most governmental functions are financed. The governmental fund measurement focus is the 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.

**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.

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**C. Basis of Presentation (continued)**

**Governmental Funds (continued)**

**Foundations and Parks Fund** – Accounts for the activities of the City of LaGrange Foundation, Inc., 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. Amounts received are reserved for road maintenance.

**ABC Fund** – Accounts for the receipts and expenditures related to the regulation of sales of alcoholic beverages in the City.

**Bus Fund** – Accounts for the receipts and expenditures related to the operation of the City buses.

**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.

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

**Fund Financial Statements**

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

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

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

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

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

**E. Cash and Cash Equivalents**

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

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**F. 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."

**G. 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.

**H. Accounts Receivable**

Governmental activities accounts receivable consists of property taxes, occupational license fees, insurance premium taxes, franchise fees, ABC 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 \$108,383 in the general fund and \$6,711 in the proprietary funds, which approximates fair market value.

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

**I. 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 position 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 position and in the respective funds.

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



**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**I. Capital Assets and Depreciation (continued)**

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

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

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

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

**J. Unearned Revenue**

Unearned revenue represents grant revenues received but unearned. Revenues are recognized when eligible expenditures are incurred.

**K. 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.

**L. 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. In accordance with GASB 65, bond issuance costs and bond discounts or premiums are expensed in the period incurred.

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

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**M. Fund Balances**

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

Nonspendable – amounts that must be maintained intact legally or contractually.

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

Committed – amounts that can be used only for specific purposes determined by a formal action of the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

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

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

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

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

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

**N. Budgeting**

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

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

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**O. Other Accounting Policies**

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".

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

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

**Use of Estimates**

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

**P. Management's Review of Subsequent Events**

The City has evaluated and considered the need to recognize or disclose subsequent events through July 31, 2014 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, 2013, have not been evaluated by the City.

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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**2. CASH AND INVESTMENTS**

The City of LaGrange's deposits and investments at June 30, 2013, were substantially covered by federal depository insurance or by collateral held by the custodial banks in the City's name. The book balance of the City's deposits totaled \$3,292,656 and the bank balances totaled \$3,357,803.

The following is a detail of the City's cash deposit coverage at June 30, 2013:

FDIC insured	\$ 1,415,527
Collateralized by securities held by the bank in the City's name	1,877,850
Collateralized by securities held by the bank but not in the City's name	-
Invested in money market funds	<u>64,426</u>
Total	<u><u>\$ 3,357,803</u></u>

Restricted assets consist of the following:

	Utility Commission	Golf Course	Total
Cash – Bond and interest account	\$ -	\$ 180,679	\$ 180,679
Cash – Customer deposits	<u>57,429</u>	<u>-</u>	<u>57,429</u>
Total	<u><u>\$ 57,429</u></u>	<u><u>\$ 180,679</u></u>	<u><u>\$ 238,108</u></u>

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**3. CAPITAL ASSETS**

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

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>Governmental Activities</b>				
Capital assets not depreciated:				
Land	\$ 698,184	\$ 32,017	\$ -	\$ 730,201
Capital assets that are depreciated:				
Buildings and improvements	2,085,046	-	-	2,085,046
Machinery and equipment	2,267,969	147,785	-	2,415,754
Totals	4,353,015	147,785	-	4,500,800
Total non-infrastructure assets	5,051,199	179,802	-	5,231,001
Infrastructure assets	759,681	116,339	-	876,020
Total capital assets	5,810,880	296,141	-	6,107,021
Less accumulated depreciation:				
Buildings and improvements	677,862	59,746	-	738,594
Machinery and equipment	1,483,711	149,963	-	1,648,921
Infrastructure	277,157	103,835	-	364,759
Totals	2,438,730	313,544	-	2,752,274
General capital assets, net	\$ 3,372,150	\$ (17,403)	\$ -	\$ 3,354,747
<b>Business-Type Activities</b>				
Land and easements	\$ 1,681,860	\$ 27,680	\$ -	\$ 1,709,540
Buildings and improvements	3,185,639	18,942	-	3,204,581
Water tank	2,941,159	-	-	2,941,159
Mains, hydrants and new water services	3,656,670	160,442	-	3,817,112
Sewage treatment plant	5,794,457	-	-	5,794,457
Sewage system lines and pump stations	10,387,819	156,768	-	10,544,587
Transportation equipment	240,322	-	-	240,322
Machinery and equipment	580,531	12,683	-	593,214
General office equipment	498,742	24,303	-	523,045
Construction in progress	464,965	1,940,584	-	2,405,549
Totals	29,432,164	2,341,402	-	31,773,566
Less: accumulated depreciation	10,872,993	758,167	(11)	11,631,149
Business-type capital assets, net	\$ 18,559,171	\$ 1,583,235	\$ 11	\$ 20,142,417

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

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**3. CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the Governmental functions as follows:

General government	\$ 52,827
Police	48,063
Public Works	103,462
Parks and recreation	21,590
Infrastructure	<u>87,602</u>
Total depreciation expense	<u>\$ 313,544</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 Hall. 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, 2013, are as follows:

Fiscal Year	Principal	Interest	Bank Fee	Total
2014	\$ 50,000	\$ 47,610	\$ 500	\$ 98,110
2015	50,000	45,310	500	95,810
2016	55,000	43,010	500	98,510
2017	55,000	40,480	500	95,980
2018	60,000	37,950	500	98,450
2019-2023	340,000	146,280	2,500	488,780
2024-2028	<u>425,000</u>	<u>60,950</u>	<u>2,500</u>	<u>488,450</u>
Total	<u>\$ 1,035,000</u>	<u>\$ 421,590</u>	<u>\$ 7,500</u>	<u>\$ 1,464,090</u>

The total governmental activity debt is summarized as follows:

Accrued compensated absences	\$ 70,614
Current portion of capital lease obligation	<u>50,000</u>
Total current portion of long-term obligations	<u>\$ 120,614</u>
Long-term portion	<u>\$ 985,000</u>

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

	July 1, 2012	Additions	Payments	June 30, 2013
Capital lease obligations	\$ 1,080,000	\$ -	\$ 45,000	\$ 1,035,000
Accrued compensated absences	<u>62,232</u>	<u>8,382</u>	<u>-</u>	<u>70,614</u>
Total	<u>\$ 1,142,232</u>	<u>\$ 8,382</u>	<u>\$ 45,000</u>	<u>\$ 1,105,614</u>

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**Business-Type Activities – Utility Commission**

**Capital Lease Obligation – PNC Bank**

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

The minimum obligations of the above lease at June 30, 2013, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 215,521	\$ 50,654	\$ 266,175
2015	222,326	43,849	266,175
2016	229,248	36,927	266,175
2017	236,584	29,591	266,175
2018	244,054	22,121	266,175
2019-2020	<u>577,657</u>	<u>21,239</u>	<u>598,896</u>
<b>Total</b>	<b><u>\$ 1,725,390</u></b>	<b><u>\$ 204,381</u></b>	<b><u>\$ 1,929,771</u></b>

**Note Payable to Kentucky Rural Water Finance Corporation**

On November 13, 2012, the Commission entered into an agreement with the Kentucky Rural Water Finance Corporation to issue Public Projects Revenue Bonds Series 2012 F for the purpose of providing funds to be used for the expansion of the City's Waste Water Treatment Plant. The amount available to be drawn for project/construction costs is \$4,504,162 to include construction funds plus bond rounding. The loan has a variable rate of interest from between 2.3% to 4.3% and is payable in monthly payments to include 1/12 of the outstanding principal and 1/6 of the accrued interest balances to be withdrawn on the 20<sup>th</sup> day of each month for the following months regularly scheduled payment commencing December 20, 2012 for the January 1, 2013 payment. In addition, the loan terms call for an annual fee in the amount of \$450 to be paid to the trustee beginning February 1, 2013. The final maturity is January 1, 2037. As of June 30, 2013, the Commission had drawn down a total of \$2,256,413. The Commission had approximately \$2,247,000 available left to draw down at June 30, 2013.

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

Current portion of PNC capital leases	\$ 215,521
Current portion of revenue bonds	<u>108,013</u>
<b>Total current portion of long-term obligations</b>	<b><u>\$ 323,534</u></b>
Long-term portion of PNC capital lease	\$ 1,509,869
Long-term portion of revenue bonds	2,148,400
Accrued compensated absences	12,626
Customer deposits	<u>54,382</u>
<b>Total long-term portion of long-term obligations</b>	<b><u>\$ 3,725,277</u></b>

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**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, 2012	Additions	Payments	June 30, 2013
Capital lease obligations	\$ 1,934,314	\$ -	\$ 208,924	\$ 1,725,390
Revenue bonds	-	2,310,262	53,849	2,256,413
Accrued compensated absences	11,246	12,626	11,246	12,626
Customer deposits payable	<u>46,815</u>	<u>7,567</u>	<u>-</u>	<u>54,382</u>
Total	<u>\$ 1,992,375</u>	<u>\$ 2,330,455</u>	<u>\$ 274,019</u>	<u>\$ 4,048,811</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, 2013, the reserve account had a balance of \$57,429. 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 City is required to pay the extent of the portion of the principal and interest payments that the revenues of the golf course are unable to pay.

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.

The future minimum obligations of the above capital lease at June 30, 2013, are as follows:

Fiscal Year	Principal	Interest	Service Fee	Total
2014	\$ 15,000	\$ 53,280	\$ 500	\$ 68,780
2015	15,000	52,560	500	68,060
2016	15,000	51,840	500	67,340
2017	15,000	51,120	500	66,620
2018	15,000	50,400	500	65,900
2019-2023	370,000	227,760	2,500	600,260
2024-2027	<u>665,000</u>	<u>82,560</u>	<u>2,000</u>	<u>749,560</u>
Total	<u>\$ 1,110,000</u>	<u>\$ 569,520</u>	<u>\$ 7,000</u>	<u>\$ 1,686,520</u>



**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

Bonds Payable – City of LaGrange General Obligation Bonds of 2010

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

The bonds are payable from, and secured by, a pledge of gross revenues derived from the operation of the golf course. If the revenues from the golf course are not sufficient to cover the annual debt service, the City has agreed to levy and collect, each year that the bonds are 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, 2013, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 170,000	\$ 45,385	\$ 215,385
2015	175,000	40,710	215,710
2016	180,000	35,548	215,548
2017	190,000	29,878	219,878
2018	195,000	23,322	218,322
2019-2020	<u>415,000</u>	<u>24,710</u>	<u>439,710</u>
Total	<u>\$ 1,325,000</u>	<u>\$ 199,553</u>	<u>\$ 1,524,553</u>

On September 18, 2008, the Golf Course entered into a 48 month capital lease for various equipment. The lease called for monthly payments of \$2,892 including interest at a rate of 5.5%. The lease was paid off during the year and a new equipment capital lease was not taken out.

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

Current portion of capital lease	\$ 15,000
Current portion of bond	<u>170,000</u>
Total current portion of long-term obligations	<u>\$ 185,000</u>
Long-term portion of capital lease	\$ 1,095,000
Long-term portion of bonds	<u>1,155,000</u>
Total long-term obligations	<u>\$ 2,250,000</u>

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

	<b>July 1, 2012</b>	<b>Additions</b>	<b>Payments</b>	<b>June 30, 2013</b>
Capital lease	\$ 1,125,000	\$ -	\$ 15,000	\$ 1,110,000
Bond issue	1,490,000	-	165,000	1,325,000
Capital equipment lease	<u>11,432</u>	<u>-</u>	<u>11,432</u>	<u>-</u>
Total	<u>\$ 2,626,432</u>	<u>\$ -</u>	<u>\$ 191,432</u>	<u>\$ 2,435,000</u>

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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**6. OPERATING LEASE**

On January 7, 2013, the golf course entered into an operating lease with PNC Equipment Finance, LLC to lease 58 golf carts. The lease terms call for 24 payments of \$8,526. The payments are made six months at a time from May through October. The future lease obligations at June 30, 2013, are as follows:

<b>Fiscal Year</b>	
2014	\$ 51,156
2015	51,156
2016	51,156
2017	<u>34,104</u>
Total	<u>\$ 187,572</u>

Operating lease expense for the year ended June 30, 2013, totaled \$ 38,902.

**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, 2013, plan members were required to contribute 8.00% of wages for hazardous and 5.00% for non-hazardous job classifications and 6% for non-hazardous employees hired after September 1, 2008. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board.

For the year ended June 30, 2013, participating employers contributed 37.60% of each hazardous employee's and 19.55% 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 City for the current and previous year are as follows:

<b>Year</b>	<b>Required Contribution</b>	<b>Percentage Contributed</b>
2013	\$ 518,448	100%
2012	\$ 489,119	100%
2011	\$ 453,645	100%

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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**8. PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2013 were levied in September 2012 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 Baptist Healthcare Affiliates, Inc. entered into a lease agreement to park two ambulances at the fire station (Fire Station No. 1), that covers the periods from December 3, 2012 through December 3, 2013. The monthly payment for the lease is \$200. The lease was not renewed on December 3, 2013 for an additional year.

**10. ECONOMIC DEPENDENCE**

The Commission purchases water at wholesale from the Oldham County Water District, which in turn is sold to the Commission's customers. The Commission purchased water at a rate of \$1.70 per 1,000 gallons during 2013.

**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 FINANCIAL STATEMENTS**  
**June 30, 2013**

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**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.

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

Oldham-LaGrange Development Authority issues separate financial statements available through its administrative office at 412 East Main Street, LaGrange, KY 40031 or by telephone at (502) 225-6420. Summarized totals for the Development Authority from its separately audited financial statements for the year ended June 30, 2013, are as follows:

Total assets	\$ 16,619,170
Total liabilities	\$ 12,774,185
Total net position	\$ 3,844,985

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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

The net equity investment in Oldham-LaGrange Development Authority for the City of LaGrange at June 30, 2013, is \$1,698,577. The net equity is determined by the following:

	<b>OLDA Audit 6/30/2013</b>	<b>City Allocation</b>	<b>County Allocation</b>
Beginning net equity, July 1, 2012	\$ 3,854,099	(\$ 1,691,075)	\$ 5,545,174
Operating loss before transfers in	(432,126)	(216,063)	(216,063)
Principal payments transfers in	<u>423,012</u>	<u>208,561</u>	<u>214,451</u>
Ending net equity, June 30, 2013	<u>\$ 3,844,985</u>	<u>(\$ 1,698,577)</u>	<u>\$ 5,543,562</u>

At June 30, 2013, the City guaranteed \$10,415,000 of the \$12,730,000 general obligation lease revenue bonds and notes outstanding.

**13. TRANSFERS**

The purpose of transfers is to move resources between the General Fund and other funds, for budgetary purposes, to the funds that will expend them. During fiscal year 2013 the General Fund transferred \$95,180 to the Debt Service Fund.

**14. INTERFUND BALANCES**

This table shows interfund balances as of June 30, 2013:

	<b>General Fund</b>	<b>Water &amp; Sewer Fund</b>	<b>ABC Fund</b>	<b>Golf Course</b>	<b>Total Due From</b>
General Fund	\$ -	\$ 59,105	\$ 82,633	\$ -	\$ 141,738
Water & Sewer Fund	-	-	-	-	-
ABC Fund	-	-	-	-	-
Golf Course	<u>3,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,041</u>
Total Due To	<u>\$ 3,041</u>	<u>\$ 59,105</u>	<u>\$ 82,633</u>	<u>\$ -</u>	<u>\$ 144,779</u>

Interfund balances result from goods and services type transactions that have occurred between individual funds that have resulted in amounts owed between funds.

**15. 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 19.55% for non-hazardous duty and 37.60% 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, 2013, the City and Utility Commission had an unrecorded sick pay liability to its employees of \$261,630 and \$74,187, respectively. The estimated liability includes required salary related payments.

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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

Financial Reporting for Pension Plans

In June 2012, the GASB approved a pair of related Statements that reflect substantial changes to the accounting and financial reporting of state and local government employers and pension plans. Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, addresses financial reporting for state and local government employers whose employees are provided with pensions through pension plans that are covered under Statement No. 67.

The guidance contained in these Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. It is designed to improve the decision usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments. Under the pension standards now in effect, cost-sharing employers have not been required to present actuarial information about pensions. Instead, information has been required to be presented in the pension plan's own financial statements for all of the participating governments combined.

Through its research, the GASB concluded that the needs of users of information regarding cost-sharing employers do not differ significantly from those interested in single and agent employers. Therefore, the GASB believes it is important to give users of the financial statements of cost-sharing employers access to better, more transparent financial information. Consequently, under the new standards the GASB is requiring that cost-sharing governments report a net pension liability, pension expense, and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan.

Statement No. 68 will take effect for pension plan employers in fiscal years beginning after June 15, 2014, (that is, for years ended June 30, 2015, or later). The City is currently evaluating the effects of this statement on its financial statements. The Kentucky League of Cities (KLC) prepared estimates of the financial statement impact for all cities participating in CERS. KLC estimated that the City of LaGrange's unfunded liability would be approximately \$3,343,140 based on the 2011 actuarial analysis. The actual liability for June 30, 2015, could be considerably different due to changes in system assumptions and liabilities.

**16. RESTATEMENT OF FUND BALANCE**

General Fund

The beginning fund balance of the General Fund has been restated on the fund basis financial statements to record a prior period adjustment to record a liability related to an Interlocal Cooperation Agreement with Oldham County, Kentucky and transfers that were related to periods prior to the year ended June 30, 2013, as follows:

Beginning fund balance	\$ 856,563
Adjustment for Interlocal Agreement	(76,563)
Adjustment to correct transfers	<u>(29,460)</u>
Beginning fund balance, as restated	<u>\$ 750,540</u>

**CITY OF LAGRANGE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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**16. RESTATEMENT OF FUND BALANCE (CONTINUED)**

Governmental Activities

The beginning net position of the Governmental Activities in the government-wide Statement of Net Position has been restated to record a prior period adjustment to record a liability related to an Interlocal Cooperation Agreement with Oldham County, Kentucky and transfers that were related to periods prior to the year ending June 30, 2013, as follows:

Beginning net position	\$ 1,930,196
Adjustment for Interlocal Agreement	(76,563)
Adjustment to correct transfers	<u>(29,460)</u>
Beginning net position, as restated	<u>\$ 1,824,173</u>

Proprietary Funds

The prior year beginning net position of the proprietary funds in the fund basis financial statements as well as on the government-wide Statement of Net Position been restated to record a prior period adjustment related to debt issuance costs for the golf course as follows:

Beginning net position	\$ 15,450,043
Adjustment debt issuance cost	<u>(24,700)</u>
Beginning net position, as restated	<u>\$ 15,425,343</u>

## **SUPPLEMENTARY INFORMATION**



**CITY OF LAGRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2013**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
<b>TAXES</b>				
General property taxes	\$ 1,274,170	\$ 1,274,170	\$ 1,242,166	\$ (32,004)
Bank shared tax	54,000	54,000	50,410	(3,590)
Omitted tangibles	3,000	3,000	21,468	18,468
Motor vehicle taxes	107,300	107,300	116,455	9,155
Total municipal taxation	<u>1,438,470</u>	<u>1,438,470</u>	<u>1,430,499</u>	<u>(7,971)</u>
<b>LICENSES, PERMITS AND BILLINGS</b>				
Business licenses	263,000	263,000	297,487	34,487
Insurance premiums	1,283,400	1,283,400	1,360,846	77,446
Franchise fees	290,200	290,200	298,336	8,136
Total licenses, permits and billings	<u>1,836,600</u>	<u>1,836,600</u>	<u>1,956,669</u>	<u>120,069</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
Grants	16,364	16,364	15,262	(1,102)
KLEFPF	39,000	39,000	40,118	1,118
Federal overtime	12,000	12,000	14,061	2,061
LGEAF	4,557	4,557	2,837	(1,720)
Total intergovernmental	<u>71,921</u>	<u>71,921</u>	<u>72,278</u>	<u>357</u>
<b>CHARGES FOR SERVICE</b>				
Sanitation fees	<u>353,200</u>	<u>353,200</u>	<u>357,888</u>	<u>4,688</u>
<b>OTHER REVENUE</b>				
Donations	-	-	633	633
Interest	5,000	5,000	2,888	(2,112)
Penalties	20,000	20,000	2,212	(17,788)
Encroachment fees	3,200	3,200	3,900	700
Rent	4,500	4,500	5,575	1,075
Miscellaneous	86,000	86,000	58,931	(27,069)
Total other	<u>118,700</u>	<u>118,700</u>	<u>74,139</u>	<u>(44,561)</u>
<b>TOTAL REVENUE</b>	<u>\$ 3,818,891</u>	<u>\$ 3,818,891</u>	<u>\$ 3,891,473</u>	<u>\$ 72,582</u>

**CITY OF LAGRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2013**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Salaries	\$ 87,502	\$ 87,502	\$ 77,554	\$ (9,948)
Overtime	2,060	2,060	1,222	(838)
Employee Insurance	31,985	31,985	21,901	(10,084)
Employer portion FICA	9,303	9,303	8,227	(1,076)
Employer portion Medicare	2,176	2,176	1,929	(247)
Mayor/Council	60,480	60,480	60,480	-
Employer portion retirement	14,685	14,685	14,574	(111)
Unemployment insurance	20,000	20,000	-	(20,000)
Computer maintenance	19,000	19,000	25,682	6,682
Tax preparation (PVA)	35,000	35,000	33,332	(1,668)
Ordinance codification	5,000	5,000	3,291	(1,709)
Workers compensation	7,000	7,000	4,667	(2,333)
Property/liability insurance	61,000	61,000	57,607	(3,393)
Auditing	22,000	22,000	22,383	383
Gas/electric/telephone	83,000	83,000	109,271	26,271
Legal fees	50,000	50,000	53,150	3,150
Legal advertisements	7,000	7,000	7,741	741
Legal fees - delinquent taxes	-	-	(5,495)	(5,495)
Office supplies	7,000	7,000	4,862	(2,138)
Repair and maintenance	5,000	5,000	1,342	(3,658)
Seminars/education	6,000	6,000	6,773	773
Miscellaneous	12,000	12,000	11,104	(896)
Small equipment purchases	2,000	2,000	3,425	1,425
Board of adjustments and appeals	1,000	1,000	700	(300)
Welcome center	-	-	2,227	2,227
Christmas fund	-	-	2,002	2,002
Renaissance fund	-	-	12,310	12,310
Total administration	<u>550,189</u>	<u>550,189</u>	<u>542,261</u>	<u>(7,928)</u>
<b>Police</b>				
Police salaries	613,018	613,018	585,742	(27,276)
Overtime salaries	18,540	18,540	16,815	(1,725)
Part-time salaries	64,244	64,244	40,114	(24,130)
KLEFPF	40,300	40,300	40,108	(192)
Employee insurance	149,500	149,500	124,529	(24,971)
Employer portion FICA	43,140	43,140	38,618	(4,522)
Employer portion Medicare	10,089	10,089	9,034	(1,055)
Employer portion Retirement	239,789	239,789	236,833	(2,956)
Workers compensation	43,700	43,700	24,659	(19,041)
Automobile insurance	37,950	37,950	25,539	(12,411)
Liability insurance	47,150	47,150	21,706	(25,444)
Radio maintenance	6,000	6,000	4,082	(1,918)
Computer maintenance	15,050	15,050	14,229	(821)
Seminars and education	8,000	8,000	5,818	(2,182)
Uniform expense	18,000	18,000	10,965	(7,035)
Miscellaneous	30,683	30,683	23,270	(7,413)
Crime prevention	4,000	4,000	3,567	(433)
Criminal investigations	4,000	4,000	3,050	(950)
Firing range expense	2,500	2,500	40	(2,460)
Small equipment purchases	4,000	4,000	4,981	981
Gas and oil	47,000	47,000	46,906	(94)
Equipment repairs	28,000	28,000	26,195	(1,805)
Drug enforcement funds	1,500	1,500	-	(1,500)
Dry cleaning	2,000	2,000	1,700	(300)
Telephone/cellular/pagers	7,000	7,000	10,122	3,122
Oldham County dispatch	<u>12,250</u>	<u>12,250</u>	<u>12,250</u>	<u>-</u>
Total police department	<u>1,497,403</u>	<u>1,497,403</u>	<u>1,330,872</u>	<u>(166,531)</u>

**CITY OF LAGRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2013**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Public Works</b>				
Salaries	314,338	314,338	311,260	(3,078)
Overtime salaries	10,506	10,506	6,230	(4,276)
Employee insurance	129,950	129,950	87,049	(42,901)
Employer portion FICA	20,140	20,140	18,365	(1,775)
Employer portion Medicare	4,710	4,710	4,295	(415)
Employer portion Retirement	62,725	62,725	60,900	(1,825)
Workers Compensation	30,000	30,000	20,509	(9,491)
Vehicle insurance	30,723	30,723	26,247	(4,476)
Utilities	10,500	10,500	11,273	773
Seminars/Education	1,000	1,000	-	(1,000)
Uniforms	6,000	6,000	5,936	(64)
Small equipment purchases	2,500	2,500	2,681	181
Gas and oil	17,000	17,000	19,479	2,479
Equipment/vehicle repairs	14,000	14,000	15,324	1,324
Computer maintenance	1,000	1,000	-	(1,000)
Crushed rock	2,500	2,500	1,194	(1,306)
Signs and posts	7,000	7,000	4,718	(2,282)
Sidewalks	5,000	5,000	1,521	(3,479)
Drainage	10,000	10,000	10	(9,990)
Paving material	10,000	10,000	90	(9,910)
Street paint	4,500	4,500	599	(3,901)
Snow removal	10,000	10,000	516	(9,484)
Grounds maintenance	10,000	10,000	4,890	(5,110)
Building maintenance	12,000	12,000	3,791	(8,209)
Equipment rental	2,000	2,000	571	(1,429)
Tires and batteries	2,500	2,500	4,080	1,580
Miscellaneous	2,000	2,000	845	(1,155)
CDL license	1,000	1,000	591	(409)
Contract help	26,000	26,000	18,200	(7,800)
Safety	3,200	3,200	2,324	(876)
Street lighting	2,000	2,000	1,288	(712)
Total public works	<u>764,792</u>	<u>764,792</u>	<u>634,776</u>	<u>(130,016)</u>
<b>Sanitation</b>	<u>319,000</u>	<u>319,000</u>	<u>323,473</u>	<u>4,473</u>
<b>Parks and Recreation</b>	<u>183,700</u>	<u>183,700</u>	<u>171,908</u>	<u>(11,792)</u>
<b>Community Development</b>				
Main street	5,000	5,000	1,242	(3,758)
Discover downtown LaGrange	28,000	28,000	28,000	-
Economic development, OLDA	241,000	241,000	224,664	(16,336)
Historic preservation	2,500	2,500	957	(1,543)
Tree replacement	1,500	1,500	-	(1,500)
GIS and surveying	3,500	3,500	2,500	(1,000)
Mayor's discretionary	1,000	1,000	256	(744)
Elementary school - library	2,000	2,000	2,000	-
Festivals - Christmas, OC Day	6,000	6,000	5,972	(28)
HDB bus transportation	26,000	26,000	23,827	(2,173)
Total special appropriations	<u>316,500</u>	<u>316,500</u>	<u>289,418</u>	<u>(27,082)</u>

**CITY OF LAGRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2013**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Public Properties</b>				
Salaries	24,452	24,452	20,454	(3,998)
Overtime	1,030	1,030	-	(1,030)
Employer portion FICA	1,580	1,580	1,176	(404)
Employer portion Medicare	370	370	277	(93)
Employer portion Retirement	4,982	4,982	4,093	(889)
Health insurance	6,600	6,600	5,166	(1,434)
Workers compensation	1,100	1,100	1,100	-
Tools and equipment	2,500	2,500	736	(1,764)
Gas and oil	2,000	2,000	2,141	141
Truck repairs	2,000	2,000	368	(1,632)
Repairs/maintenance on blue house	1,000	1,000	1,034	34
Electric/telephone on blue house	2,500	2,500	2,038	(462)
Repairs/maintenance 208/210 Main St	3,000	3,000	1,440	(1,560)
	<u>53,114</u>	<u>53,114</u>	<u>40,023</u>	<u>(13,091)</u>
<b>Total public properties</b>				
	<u>53,114</u>	<u>53,114</u>	<u>40,023</u>	<u>(13,091)</u>
<b>Capital Outlay</b>				
General - equipment	5,000	5,000	-	(5,000)
Police - equipment	55,000	55,000	39,776	(15,224)
Public works - equipment	20,000	20,000	16,178	(3,822)
	<u>80,000</u>	<u>80,000</u>	<u>55,954</u>	<u>(24,046)</u>
<b>Total capital outlay</b>				
	<u>80,000</u>	<u>80,000</u>	<u>55,954</u>	<u>(24,046)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 3,764,698</u>	<u>\$ 3,764,698</u>	<u>\$ 3,388,685</u>	<u>\$ (376,013)</u>

CITY OF LAGRANGE, KENTUCKY  
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON  
OTHER GOVERNMENTAL FUNDS  
for the year ended June 30, 2013

	Enacted Budget	Amended Budget	Actual	Variance
<b>MUNICIPAL ROAD AID FUND</b>				
<b>REVENUES</b>				
Fund Payments	\$ 120,000	\$ 120,000	\$ 142,552	\$ 22,552
Interest	2,300	2,300	1,113	(1,187)
Carryover	<u>48,500</u>	<u>48,500</u>	<u>-</u>	<u>(48,500)</u>
<b>TOTAL REVENUE</b>	<b>\$ 170,800</b>	<b>\$ 170,800</b>	<b>\$ 143,665</b>	<b>\$ (27,135)</b>
<b>EXPENDITURES</b>				
Street repair and maintenance	<u>\$ 170,800</u>	<u>\$ 170,800</u>	<u>\$ 208,170</u>	<u>\$ 37,370</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 170,800</b>	<b>\$ 170,800</b>	<b>\$ 208,170</b>	<b>\$ 37,370</b>
<b>DEBT SERVICE FUND</b>				
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 5	\$ 5
Transfers in	<u>97,250</u>	<u>97,250</u>	<u>95,180</u>	<u>(2,070)</u>
<b>TOTAL REVENUE</b>	<b>\$ 97,250</b>	<b>\$ 97,250</b>	<b>\$ 95,185</b>	<b>\$ (2,065)</b>
<b>EXPENDITURES</b>				
Debt service	<u>\$ 97,250</u>	<u>\$ 97,250</u>	<u>\$ 95,180</u>	<u>\$ (2,070)</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 97,250</b>	<b>\$ 97,250</b>	<b>\$ 95,180</b>	<b>\$ (2,070)</b>
<b>CAPITAL PROJECTS FUND</b>				
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 9	\$ 9
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9</b>	<b>\$ 9</b>
<b>EXPENDITURES</b>				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>PARKS BOARD FUND</b>				
<b>REVENUES</b>				
Other revenues	\$ -	\$ -	\$ 31,066	\$ 31,066
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 31,066</b>	<b>\$ 31,066</b>
<b>EXPENDITURES</b>				
Capital outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,017</u>	<u>\$ 32,017</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,017</b>	<b>\$ 32,017</b>

**CITY OF LAGRANGE, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**OTHER GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2013**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>ABC FUND</b>				
<b>REVENUES</b>				
Licenses and permits	\$ 21,358	\$ 21,358	\$ 151,351	\$ 129,993
<b>TOTAL REVENUE</b>	<u>\$ 21,358</u>	<u>\$ 21,358</u>	<u>\$ 151,351</u>	<u>\$ 129,993</u>
<b>EXPENDITURES</b>				
ABC	\$ -	\$ -	\$ 91,174	\$ 91,174
<b>TOTAL EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,174</u>	<u>\$ 91,174</u>
<b>BUS FUND</b>				
<b>REVENUES</b>				
Intergovernmental revenue:	\$ -	\$ -	\$ 25,000	\$ 25,000
<b>TOTAL REVENUE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>
<b>EXPENDITURES</b>				
Bus operations	\$ -	\$ -	\$ -	\$ -
<b>TOTAL EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF LAGRANGE, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR FUNDS**  
**June 30, 2013**

	<b>Municipal Road Aid Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Foundations and Parks Fund</b>	<b>ABC Fund</b>	<b>Bus Fund</b>	<b>Total</b>
<b>ASSETS</b>							
Assets							
Cash	\$ 285,905	\$ 5,118	\$ 64,426	\$ 39,018	\$ 90,294	\$ 25,000	\$ 509,761
Accounts receivable	12,649	-	-	-	52,516	-	65,165
Due from other fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 298,554</u>	<u>\$ 5,118</u>	<u>\$ 64,426</u>	<u>\$ 39,018</u>	<u>\$ 142,810</u>	<u>\$ 25,000</u>	<u>\$ 574,926</u>
<b>LIABILITIES AND FUND BALANCE</b>							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,633</u>	<u>-</u>	<u>82,633</u>
Total liabilities	-	-	-	-	82,633	-	82,633
Fund balance	<u>298,554</u>	<u>5,118</u>	<u>64,426</u>	<u>39,018</u>	<u>60,177</u>	<u>25,000</u>	<u>492,293</u>
Total liabilities and fund balance	<u>\$ 298,554</u>	<u>\$ 5,118</u>	<u>\$ 64,426</u>	<u>\$ 39,018</u>	<u>\$ 142,810</u>	<u>\$ 25,000</u>	<u>\$ 574,926</u>

**CITY OF LAGRANGE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL NONMAJOR FUNDS**  
**for the year ended June 30, 2013**

	<b>Municipal Road Aid Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Foundations and Parks Fund</b>	<b>ABC Fund</b>	<b>Bus Fund</b>	<b>Total</b>
<b>REVENUES</b>							
Intergovernmental revenues	\$ 142,552	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ 167,552
Licenses and permits	-	-	-	-	151,351	-	151,351
Other revenues	<u>1,113</u>	<u>5</u>	<u>9</u>	<u>31,066</u>	<u>-</u>	<u>-</u>	<u>32,193</u>
Total revenues	<u>143,665</u>	<u>5</u>	<u>9</u>	<u>31,066</u>	<u>151,351</u>	<u>25,000</u>	<u>351,096</u>
<b>EXPENDITURES</b>							
ABC	-	-	-	-	91,174	-	91,174
Capital outlay	208,170	-	-	32,017	-	-	240,187
Debt service	<u>-</u>	<u>95,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,180</u>
Total expenditures	<u>208,170</u>	<u>95,180</u>	<u>-</u>	<u>32,017</u>	<u>91,174</u>	<u>-</u>	<u>426,541</u>
Excess revenues over (under) expenditures before other sources (uses)	<u>(64,505)</u>	<u>(95,175)</u>	<u>9</u>	<u>(951)</u>	<u>60,177</u>	<u>25,000</u>	<u>(75,445)</u>
<b>Other financing sources</b>							
Transfers in (out)	<u>-</u>	<u>95,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,180</u>
Total other financing sources	<u>-</u>	<u>95,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,180</u>
<b>Excess revenues and other sources over (under) expenditures</b>	<u>(64,505)</u>	<u>5</u>	<u>9</u>	<u>(951)</u>	<u>60,177</u>	<u>25,000</u>	<u>19,735</u>
Fund balances, July 1, 2012	<u>363,059</u>	<u>5,113</u>	<u>64,417</u>	<u>39,969</u>	<u>-</u>	<u>-</u>	<u>472,558</u>
<b>FUND BALANCES - JUNE 30, 2013</b>	<u>\$ 298,554</u>	<u>\$ 5,118</u>	<u>\$ 64,426</u>	<u>\$ 39,018</u>	<u>\$ 60,177</u>	<u>\$ 25,000</u>	<u>\$ 492,293</u>





Certified Public Accountants and Consultants

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

To the Mayor and City Council  
City of LaGrange, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LaGrange, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of LaGrange, Kentucky's basic financial statements and have issued our report thereon dated July 31, 2014. Our opinion on the financial statements and this report, insofar as they relate to the Utility Commission of the City of LaGrange are based solely on the report of other auditors.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency (2013-001) described in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies (2013-002 and 2013-003) described in the accompany schedule of findings and responses to be a significant deficiency.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of LaGrange, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards** and which are described in the accompanying schedule of findings and responses (2013-004 and 2013-005).

**The City of LaGrange, Kentucky's Response to Findings**

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

**Purpose of this Report**

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

*Ray, Foley, Hensley and Company*

Ray, Foley, Hensley and Company, PLLC  
July 31, 2014

**CITY OF LAGRANGE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2013**

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**2013-001 (Entity-wide)**

Criteria: 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.

Cause: 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.

Effect: 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.

Recommendation: 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.

Management's 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.

**2013-002 (Entity-wide)**

Criteria: 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.

Cause: 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.

Effect: 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.

Recommendation: 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.

Management's 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.

**CITY OF LAGRANGE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2013**

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**2013-003 (Utility Commission)**

Criteria: Significant accounts in the general ledger should be reconciled.

Cause: A proper reconciliation was not performed.

Effect: The general ledger was adjusted to the proper balances upon completion of the annual audit.

Recommendation: The general ledger should be reconciled on a monthly basis to the checking account transactions.

Management's Response: We concur with this recommendation.

**2013-004 (Utility Commission)**

Criteria: Procedures should be in place to provide adequate control over the fixed assets of the Commission to confirm with reasonable assurance existence and completeness.

Cause: No provision has been made for the recording of acquisition, divestiture, and retirement of assets or recognition of depreciation.

Effect: Because of the lack of resources devoted to fixed asset control the Commission underreported income in the previous year by \$30,945 and \$83,447 for the current fiscal year prior to adjustment.

Recommendation: The outsourcing of this service is not unusual for a Utility Commission this size and is a result of management's cost benefit decision to use others' accounting expertise rather than incur internal resource costs. However, procedures should be implemented and resources deployed to verify and provide reasonable if not absolute assurance of the existence and proper accounting for depreciation of fixed assets of the Commission.

Management's Response: We concur with this recommendation and will continue to improve our overall knowledge in performing our oversight responsibilities.

**2013-005 (Utility Commission)**

Criteria: Procedures should be in place to provide reasonable, if not absolute assurance, that the value recorded by the Commission represents the cost basis to the developers as required by generally accepted accounting principles.

Cause: No reconciliation of the developers cost was provided to reconcile with the value recorded by the Commission.

Effect: The value of assets of the Commission detailed in schedules to the financial statements as water and sewer lines contributed by developers is not supported with cost basis documentation.

Recommendation: On a periodic basis and prior to recording as a contribution to the Commission the Commission should reconcile the amount represented as the cost of water and/or sewer lines of developers to actual costs incurred by the developers.

Management's Response: We concur with this recommendation and will implement procedures to properly document the cost of water/sewer lines contributed to the Commission by developers.